

RIO GRANDE COUNCIL OF GOVERNMENTS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rio Grande Council of Governments

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rio Grande Council of Governments as of and for the year ended September 30, 2012, which collectively comprise the Rio Grande Council of Governments' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Rio Grande Council of Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 Rio Grande Council of Governments, as of September 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2013 on our consideration of the Rio Grande Council of Governments' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the pension benefit plan on pages 6 through 12, 52, and 53, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rio Grande Council of Governments' financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal and state awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Government and Nonprofit Organizations (Circular A-133)* and the State of Texas Single Audit Circular are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rio Grande Council of Governments' basic financial statements. The budgetary comparison information - Texas Department of Aging and Disability Services, schedule of indirect costs, and schedule of fringe benefits are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Gubson, Ruddock, Patterson LLC

El Paso, Texas
January 25, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

As management of the Rio Grande Council of Governments, we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with all the information presented in the audit report.

Financial Highlights

- The assets of Rio Grande Council of Governments exceeded its liabilities as of September 30, 2012 by \$1,153,429 (net assets). Of this amount, \$236,310 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The Council's total net assets increased by \$87,595.
- As of the close of the current fiscal year, Rio Grande Council of Governments' governmental funds reported combined ending fund balances of \$430,999, an increase of \$58,872 in comparison with prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves, as well as other information.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Council's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the position of the Council is improving or deteriorating.

The Statement of Activities presents information showing how the Council's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in the future fiscal periods (e.g., earned but unused compensated absences). The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council maintains two types of governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary Funds – The Council maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Council uses enterprise funds to account for its contracts. The internal service fund is used as an accounting device to accumulate and allocate printing and related supplies costs.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the contracts.

The proprietary fund financial statements can be found on pages 28-30 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 49 of this report.

Supplementary and Other Information – In addition to the basic financial statements and accompanying notes, this report also presents combining funds statements and other schedules that further support or add to the information in the financial statements. The combining fund statements for non-major funds can be found on pages 58-68 of this report and the other information on pages 70-72.

Government – wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of Rio Grande Council of Governments, assets exceeded liabilities by \$1,153,429 as of September 30, 2012

RIO GRANDE COUNCIL OF GOVERNMENTS' NET ASSETS

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	1,225,935	1,461,703	130,242	121,125	1,356,177	1,582,828
Capital assets	647,120	617,150	-	-	647,120	617,150
Total Assets	1,873,055	2,078,853	130,242	121,125	2,003,297	2,199,978
Long-term liabilities	28,963	25,816	-	-	28,963	25,816
Other liabilities	820,901	1,108,204	4	124	820,905	1,108,328
Total Liabilities	849,864	1,134,020	4	124	849,868	1,134,144
Net assets:						
Invested in capital assets	647,120	617,150	-	-	647,120	617,150
Restricted	269,999	255,455	-	-	269,999	255,455
Unrestricted	106,072	72,228	130,238	121,001	236,310	193,229
Total Net Assets	1,023,191	944,833	130,238	121,001	1,153,429	1,065,834

A portion of the Council’s net assets fifty-six percent (56%) represents investment in capital assets. Twenty-three percent (23%) of the Council’s net assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets are twenty-one percent (21%) of total net assets.

At the end of the current fiscal year, the Rio Grande Council of Governments is able to report positive balances in all categories of net assets.

Analysis of the Council's Operations – The following table provides a summary of the Council's operations for the year ended September 30, 2012.

RIO GRANDE COUNCIL OF GOVERNMENTS' CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue:						
Program revenues:						
Charges for services	444,086	426,344	56,636	66,561	500,722	492,905
Operating grants and Contributions	6,561,312	6,482,988	-	-	6,561,312	6,482,988
General revenues:						
Investment earnings	1,444	1,206	-	-	1,444	1,206
Total revenues	7,006,842	6,910,538	56,636	66,561	7,063,478	6,977,099
Expenses:						
General government	130,742	204,399	47,399	48,766	178,141	253,165
Emergency communications	720,782	563,164	-	-	702,782	563,164
Aging	4,778,506	4,355,501	-	-	4,778,506	4,355,501
Environmental quality	202,350	430,748	-	-	202,350	430,748
Water quality	70,517	93,384	-	-	70,517	93,384
Homeland security	266,026	414,894	-	-	266,026	414,894
Criminal justice	284,802	333,125	-	-	284,802	333,125
Other	286,868	251,935	-	-	286,868	251,935
Total expenses	6,740,593	6,647,150	47,399	48,766	6,787,992	6,695,916
Excess (Deficiency) before special items	266,249	263,388	9,237	17,795	275,486	281,183
Special item	(187,891)	(49,155)	-	-	(187,891)	(49,155)
Increase(decrease) in net assets	78,358	214,233	9,237	17,795	87,595	232,028
Net assets, beginning	944,833	730,600	121,001	103,206	1,065,834	833,806
Net assets, ending	1,023,191	944,833	130,238	121,001	1,153,429	1,065,834

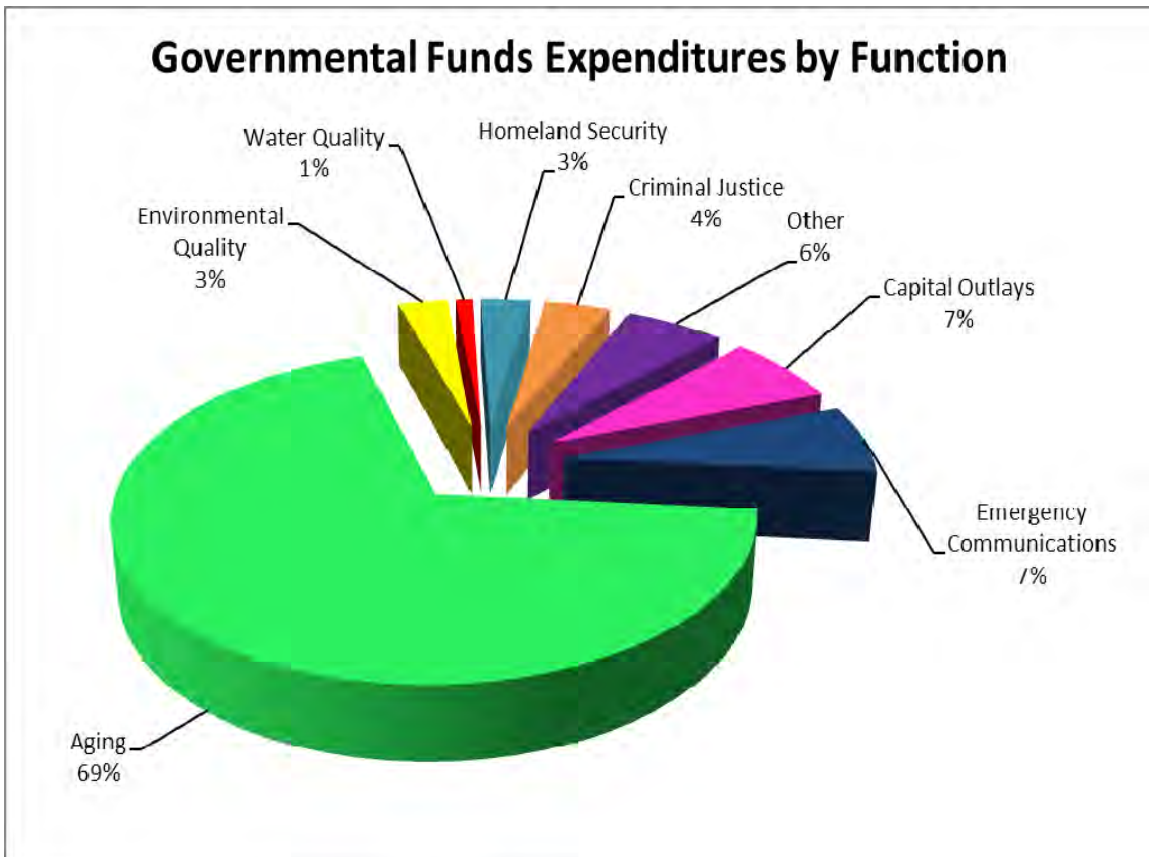
Governmental activities increased the Council's net assets by \$78,358, primarily due to investment of grant funds in capital assets and reduction in general government spending. The business-type activities net assets increased by \$9,237 for a total net assets increase of \$87,595.

Financial Analysis of Government's Funds

Governmental funds – The focus of Rio Grande Council of Governments' governmental fund statements is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Beginning with fiscal year 2012, the Council implemented GASB Statement No. 62 – Codification Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The statement incorporates certain FASB and AICPA accounting and financial reporting guidance into the GASB authoritative literature.

At the end of the current fiscal year, Rio Grande Council of Governments’ governmental funds reported a combined ending fund balance of \$430,999. Refer to pages 20-26 of this report for a more detailed presentation of governmental funds.



As anticipated, the Council experienced a reduction in funding in some State and federally funded programs in 2012, primarily in the areas of Criminal Justice and Homeland Security. However, a funding increase of approximately 10% in its Aging program made up for the reduction and resulted in intergovernmental revenue nearly reaching the same amount as in the prior year.

The General fund balance increased from \$116,672 to \$161,000 primarily due to an increase in the indirect cost rate resulting in allocated indirect costs contributing a larger portion towards administrative expenditures.

Other changes in the total governmental fund balance include a decrease of \$10,967 in the Medicare fund due to utilizing the fund balance for program related expenditures and an increase in the Medicaid fund of \$9,650 due to grant revenue earned this year from the Texas Medical Foundation for services performed within the scope of another existing

program, thereby keeping expenditures low. The remaining funds will be utilized to continue providing the same or similar services.

Capital Assets

The Rio Grande Council of Governments' investment in capital assets for its governmental activities as of September 30, 2012, amounts to \$647,120 (net of accumulated depreciation). This investment in capital assets includes furniture and fixtures, equipment, and vehicles - trailers.

RIO GRANDE COUNCIL OF GOVERNMENTS' CAPITAL ASSETS

	Governmental Activities	
	2012	2011
Furniture and fixtures	\$ 44,653	\$ 45,689
Equipment	1,638,229	1,480,336
Vehicles - Trailers	3,218	30,694
Less: accumulated depreciation	(1,038,980)	(939,569)
Capital assets, net	<u>\$ 647,120</u>	<u>\$ 617,150</u>

During the year, the Council transferred ownership of grant funded assets with a total cost of \$193,491 which had been acquired for the use of specific local governments within its region to those governmental entities. As a result of the transfer, the Council is reporting a loss of nearly \$188,000, the remaining book value of the assets, in the government-wide statement of activities.

Additional information on the Council's capital assets can be found on pages 42 and 43 of this report.

Budgetary Highlights

The Council's Board approves a financial plan for revenues and expenditures in all funds. Although the financial plans are reviewed and approved by the Council's Board, they are not considered legally adopted budgets or appropriations, except for the budget for the General Fund which is legally adopted. Accordingly, the comparative budget and actual results for the General Fund are presented on page 52 of this report.

Over the course of the year, the Council amended its general fund budget to show a net increase of \$14,243, reflecting a reduction in budgeted expenditures of \$17,239 and an increase in budgeted indirect cost allocations of \$31,482 as a result of additional grant funds and related projected expenditures in the special revenue funds to which the Council allocates indirect cost.

The approved original budget of the Council lists fund expenditures and offsetting indirect costs as separate line items. However, in accordance with the financial statement presentation, these line items are combined in the budget to actual schedule showing net expenditures. The final variance shows actual expenditures under budgeted expenditures by \$6,535, which is primarily the result of overprojected capital outlay.

Economic Outlook

Historically the Rio Grande Council of Governments has received nearly 31% of its funding from the State of Texas. In fiscal year 2012, that percentage decreased to 26%. For fiscal year 2013 the Texas legislature spending reductions continue due to the projected shortfalls in revenues. The Council anticipates reductions of approximately \$300,000 to \$380,000 in state grant awards for fiscal year 2013. In addition, federal funding reductions related to Homeland Security grants are also anticipated. The reductions in federal funds approximate between \$125,000 and \$150,000 in fiscal year 2013. The Council was able to defer and carry over a few grant program awards totaling approximately \$82,000 into fiscal year 2013 to help offset some of the funding reductions. There will be a program or two that will not be funded upon the grant award period expiration date during fiscal year 2013. It is anticipated that the Texas legislature during the upcoming session will determine the 2014-2015 biennium funding and all indications are that spending reductions will continue. The Council is well prepared to deal with the funding reductions discussed above and is determined to weather the financial limitations that lie ahead in order to continue to serve our government members and carry out the deliverables required from each grant program.

Request for information

The financial report is designed to provide a general overview of the Rio Grande Council of Governments' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Finance Director, Rio Grande Council of Governments, 8037 Lockheed Dr., Suite 100, El Paso, Texas 79925-2400.

BASIC FINANCIAL STATEMENTS

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RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 562,731	\$ -	\$ 562,731
Receivables	770,511	8,237	778,748
Prepaid Items	14,698	-	14,698
Noncurrent Internal Balances	(122,005)	122,005	-
Capital Assets:			
Furniture and Fixtures and Equipment, net	647,120	-	647,120
Total Assets	<u>1,873,055</u>	<u>130,242</u>	<u>2,003,297</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	746,584	4	746,588
Deferred Revenue	74,317	-	74,317
Noncurrent Liabilities			
Due in More Than One Year	28,963	-	28,963
Total Liabilities	<u>849,864</u>	<u>4</u>	<u>849,868</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	647,120	-	647,120
Restricted for Grant Use	269,999	-	269,999
Unrestricted Net Assets	106,072	130,238	236,310
Total Net Assets	<u>\$ 1,023,191</u>	<u>\$ 130,238</u>	<u>\$ 1,153,429</u>

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs
Primary Government:			
Governmental Activities:			
General Government	\$ 746,130	\$ (615,388)	\$ 130,742
Emergency Communication	708,628	12,154	720,782
Aging	4,394,164	384,342	4,778,506
Environmental Quality	158,984	43,366	202,350
Water Quality	54,190	16,327	70,517
Homeland Security	206,136	59,890	266,026
Criminal Justice	260,720	24,082	284,802
Other	222,719	64,149	286,868
Total Governmental Activities	6,751,671	(11,078)	6,740,593
Business-Type Activities:			
Enterprise	36,321	11,078	47,399
Total Business-Type Activities	36,321	11,078	47,399
Total Primary Government	\$ 6,787,992	\$ -	\$ 6,787,992

General revenues
Investment Earnings
Special Item - Loss on Disposal of Capital Assets
Total General Revenues and Special Items
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Primary Government		
Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 164,793	\$ -	\$ 34,051	\$ -	\$ 34,051
-	843,067	122,285	-	122,285
-	4,776,703	(1,803)	-	(1,803)
-	202,518	168	-	168
57,896	21,330	8,709	-	8,709
-	364,550	98,524	-	98,524
-	284,444	(358)	-	(358)
221,397	68,700	3,229	-	3,229
<u>444,086</u>	<u>6,561,312</u>	<u>264,805</u>	<u>-</u>	<u>264,805</u>
56,636	-	-	9,237	9,237
<u>56,636</u>	<u>-</u>	<u>-</u>	<u>9,237</u>	<u>9,237</u>
<u>\$ 500,722</u>	<u>\$ 6,561,312</u>	<u>\$ 264,805</u>	<u>\$ 9,237</u>	<u>\$ 274,042</u>
		1,444	-	1,444
		<u>(187,891)</u>	<u>-</u>	<u>(187,891)</u>
		<u>(186,447)</u>	<u>-</u>	<u>(186,447)</u>
		78,358	9,237	87,595
		944,833	121,001	1,065,834
		<u>\$ 1,023,191</u>	<u>\$ 130,238</u>	<u>\$ 1,153,429</u>

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

RIO GRANDE COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Texas Dept. of Aging & Disab. Svc	Commission on State Emergency Communications
ASSETS			
Cash and Cash Equivalents	\$ 253,277	\$ 23,227	\$ 151,537
Receivables	1,862	-	-
Intergovernmental Receivables	-	659,166	-
Due from Other Funds	376,760	-	-
Prepaid Items	14,698	-	-
Total Assets	<u>646,597</u>	<u>682,393</u>	<u>151,537</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	24,123	499,804	8,530
Wages and Salaries Payable	24,252	29,207	8,081
Due to Other Funds	437,222	153,382	108,737
Deferred Revenue	-	-	26,189
Total Liabilities	<u>485,597</u>	<u>682,393</u>	<u>151,537</u>
Fund Balances:			
Nonspendable Fund Balance:			
Prepaid Items	14,698	-	-
Restricted Fund Balance:			
Federal or State Funds Restricted	-	-	-
Other Restricted	-	-	-
Unassigned Fund Balance	146,302	-	-
Total Fund Balances	<u>161,000</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 646,597</u>	<u>\$ 682,393</u>	<u>\$ 151,537</u>

The accompanying notes are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 134,690	\$ 562,731
-	1,862
109,483	768,649
284,661	661,421
-	14,698
<u>528,834</u>	<u>2,009,361</u>
78,929	611,386
17,137	78,677
114,641	813,982
48,128	74,317
<u>258,835</u>	<u>1,578,362</u>
-	14,698
42,033	42,033
227,966	227,966
-	146,302
<u>269,999</u>	<u>430,999</u>
<u>\$ 528,834</u>	<u>\$ 2,009,361</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds	\$	430,999
<p>The Council uses an internal service fund to charge the costs of certain activities, such as printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.</p>		
		29,742
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,556,719 and the accumulated depreciation was \$939,569. In addition, long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.</p>		
		542,964
<p>Current year capital outlays and long-term 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 2012 capital outlays is to increase net assets.</p>		
		289,072
<p>The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(259,102)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include eliminating interfund transactions and recognizing the liabilities associated with long-term obligations. The net effect of these reclassifications and recognitions is to decrease net assets.</p>		
		(10,484)
Net Assets of Governmental Activities	<u>\$</u>	<u>1,023,191</u>

The accompanying notes are an integral part of this statement.

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RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Texas Dept. of Aging & Disab. Svc	Commission on State Emergency Communications
REVENUES:			
Membership Dues	\$ 164,793	\$ -	\$ -
Intergovernmental Revenue and Grants	-	4,019,301	833,721
Charges for Services	-	-	-
Investment Earnings	1,444	-	121
Program Income & Other Revenue	-	733,602	9,225
Total Revenues	<u>166,237</u>	<u>4,752,903</u>	<u>843,067</u>
EXPENDITURES:			
Current:			
General Government	117,826	-	-
Emergency Communication	-	-	484,139
Health and Welfare:			
Aging	-	4,748,969	-
Environmental Quality	-	-	-
Water Quality	-	-	-
Homeland Security	-	-	-
Criminal Justice	-	-	-
Other	-	-	-
Capital Outlay:			
Capital Outlay	4,083	3,934	358,928
Total Expenditures	<u>121,909</u>	<u>4,752,903</u>	<u>843,067</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>44,328</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	44,328	-	-
Fund Balance - October 1 (Beginning)	<u>116,672</u>	<u>-</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 161,000</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ -	\$ 164,793
956,723	5,809,745
279,293	279,293
557	2,122
8,062	750,889
<u>1,244,635</u>	<u>7,006,842</u>
-	117,826
-	484,139
25,117	4,774,086
202,163	202,163
69,964	69,964
256,253	256,253
284,038	284,038
282,538	282,538
110,018	476,963
<u>1,230,091</u>	<u>6,947,970</u>
14,544	58,872
14,544	58,872
<u>255,455</u>	<u>372,127</u>
<u>\$ 269,999</u>	<u>\$ 430,999</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
 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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	58,872
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in the capital assets in the government-wide financial statements. The net effect of removing the 2012 capital outlays is to increase net assets.		289,072
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(259,102)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include eliminating interfund transactions and recognizing the liabilities associated with long-term obligations. The net effect of these reclassifications and recognitions is to decrease net assets.		(10,484)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>78,358</u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-Type Activities	Governmental Activities
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Accounts Receivable	\$ 8,237	\$ -
Noncurrent Assets:		
Due From Other Funds	122,005	30,556
Total Assets	130,242	30,556
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	814
Wages and Salaries Payable	4	-
Total Liabilities	4	814
NET ASSETS		
Unrestricted Net Assets	130,238	29,742
Total Net Assets	\$ 130,238	\$ 29,742

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities	Governmental Activities
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Charges for Copier Use	\$ -	\$ 7,019
Contract Service Fees	56,636	-
Total Operating Revenues	56,636	7,019
OPERATING EXPENSES:		
Personal Services - Salaries and Benefits	15,196	-
Purchased Property Services	-	7,019
Other Operating Expenses	32,016	-
Supplies	187	-
Total Operating Expenses	47,399	7,019
Operating Income	9,237	-
Total Net Assets - October 1 (Beginning)	121,001	29,742
Total Net Assets - September 30 (Ending)	\$ 130,238	\$ 29,742

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities	Governmental Activities
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 47,519	\$ 7,069
Cash Payments to Employees for Services	(15,316)	-
Cash Payments to Suppliers	(32,203)	(7,069)
Net Cash Provided by Operating Activities	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of the Year:	-	-
Cash and Cash Equivalents at End of the Year:	\$ -	\$ -
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income:	\$ 9,237	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	2,659	-
Decrease (increase) in Due from Other Funds	(11,776)	50
Increase (decrease) in Accounts Payable	-	(50)
Increase (decrease) in Accrued Payroll	(120)	-
Net Cash Provided by Operating Activities	\$ -	\$ -

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rio Grande Council of Governments (the Council) is a voluntary association of cities, counties, school districts and special districts within the seven-county upper Rio Grande region. The Council was established to assist local governments in planning for common needs, cooperating for mutual benefit, and coordinating for sound regional development. The Rio Grande Council of Governments is a political subdivision of the State of Texas under Article 1011(m), Revised Civil Statutes, State of Texas. The basic operations of the Council are financed by membership dues. The Council also receives federal and state administered grant funds that permit the Council to undertake specific programs. These sources of revenue are reflected in the General Fund and Special Revenue Funds of the Statement of Revenues, Expenditures and Changes in Fund Balances.

A. Reporting Entity

The Rio Grande Council of Governments is governed by a general assembly comprised of voting representatives from each of the member governments. Any county, city or special purpose district within the Upper Rio Grande State Planning Region may become a member of the independent association by passing a resolution to join the Council and paying annual dues. Each year the General Assembly elects a twenty-one (21) member Executive Board which is the policy making and oversight body for the Council. The Council's financial statements include the accounts of all Council operations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenue are reported instead as general revenue.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue, membership dues and interest are susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Council.

The Council reports the following major governmental funds:

General Fund - The *General Fund* is the general operating fund of the Council. It is used to account for all financial resources, except those required to be accounted for in another fund.

Texas Department of Aging and Disability Services Fund - The *DADS Fund* is used to account for federal and state grants awarded to the Council by the Texas Department of Aging and Disability Services, related program income, and in-kind matching contributions.

Commission on State Emergency Communication Fund - The *CSEC Fund* is used to account for all state grants awarded to the Council by the Commission on State Emergency Communication and program related grants from private entities.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Council reports no major proprietary fund.

Additionally, the Council reports the following fund types:

GOVERNMENTAL FUNDS:

Special Revenue Funds – The *Special Revenue Funds* are used to account for resources restricted to specific purposes by a grantor. Most Federal and State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances are returned to the grantor at the close of specified project periods.

Debt Service Funds – The Council has no Debt Service Funds.

Capital Projects Funds – The Council has no Capital Projects Funds.

Permanent Funds – The Council has no Permanent Funds.

PROPRIETARY FUNDS:

Enterprise Funds - The *Enterprise Funds* account for activities operated and financed in a manner similar to a private business enterprise for which periodic determination of revenue, expenses and net income is considered desirable.

Internal Service Fund - The *Internal Service Fund* is used to account for financing of goods or services provided by one department to other departments of the Council on a cost-reimbursement basis.

FIDUCIARY FUNDS:

Private Purpose Trust Funds – The Council has no Private Purpose Trust Funds.

Pension (and Other Employee Benefit) Trust Funds – The Council has no Pension Trust Funds.

Investment Trust Funds – The Council has no Investment Trust Funds.

Agency Funds – The Council has no Agency Funds.

The Council has implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” which supercedes GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting”. This Statement provides accounting and financial reporting guidance for certain pronouncements issued pre and post November 30, 1989.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

The major sources of revenue are federal and state grants, member government dues, local contributed cash, contributed services, and other revenue as discussed below:

- a. **Federal and State Grant Revenue** - Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.
- b. **Member Government Dues** - All member governments are required to pay dues to the Council. Dues are determined annually and are recognized as revenue when assessed because they are measurable and are collectible within the current period.

Dues are reported in the General Fund and transferred to the Special Revenue Funds as needed to meet matching requirements of the grants.

- c. **Surcharge Fees, Service Fees and Wireless Fees** - The Council receives surcharge fees, service fees and wireless fees from the Commission on State Emergency Communications for use in providing 9-1-1 services within its jurisdiction.
- d. **Local Contributed Cash** - Contributions to grant programs from local governments and other participants are recognized as revenue when grant expenditures are incurred in the case of cost reimbursement grants.
- e. **In-kind Contributed Services** - Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with legal requirements of the individual grants. Contributed services are recorded as an expenditure with an equivalent amount recorded as revenue. Such services are recorded in the accompanying financial statements at their estimated fair value at date of receipt.
- f. **Other Revenue** - Other revenue is composed primarily of miscellaneous charges for services and is recognized in the period in which it is earned.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The Council's cash and cash equivalents consist of demand deposits and interest bearing savings accounts.

For purposes of the statement of cash flows for proprietary funds, the Council considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

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

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Council to adopt, implement, and publicize an investment policy.

That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Council to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts that the Council is in substantial compliance with the requirements of the Act and with local policies. However, the Council did not have any investments during the year or at September 30, 2012.

Additional policies and contractual provisions governing deposits for the Council are specified below:

Credit Risk: The Council's deposits are not exposed to credit risk.

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 Council complies with this law, it has minimal custodial credit risk for deposits.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk: The Council's deposits are not exposed to concentration of credit risk.

Interest Rate Risk: The Council's deposits are not exposed to interest rate risk.

Foreign Currency Risk: The Council attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

Receivables

Receivables in the General Fund are shown at gross value. Management believes an allowance for doubtful accounts is not necessary for fair presentation.

Intergovernmental Receivables

Intergovernmental receivables represent amounts due from federal and state agencies and pass-through entities for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2012. Management believes that an allowance for doubtful accounts is not necessary for fair presentation.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

Capital Assets

Capital assets, which include furniture and fixtures, equipment, and vehicles - trailers, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000, unless grant agreements specify otherwise, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Office equipment	3 – 5
Furniture and fixtures	10
Vehicles - Trailers	10

Deferred Revenue

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2012.

Compensated Absences

The Rio Grande Council of Governments' employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Unused sick leave may be accumulated and carried forward to subsequent years up to a maximum of 240 hours. Vacation days not used during the year may be accumulated and carried forward to subsequent years up to a maximum of 200 hours; however, management encourages their employees to take their vacation annually. Only unused vacation leave is paid upon termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, as it is payable within one year.

Restricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Council's policy is to apply restricted net assets first.

Restricted Assets

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Beginning with fiscal year 2011, the Council implemented GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Council categorized its fund balances into five classifications and in the hierarchy to which the government is bound to honor constraints on specific purposes for which amounts in those funds can be spent.

- **Non-Spendable Fund Balance** – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (principle of an endowment fund, for example).
- **Restricted Fund Balance** – Amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors), or enabling legislation. Restrictions may be changed or lifted only with consent of the resource providers.
- **Committed Fund Balance** – Amounts that can be used only for specific purposes determined by a formal action of the Council’s highest level of decision making authority (Board of Directors). Commitments may only be imposed, changed, or lifted by the Governing Board through adoption of a resolution.
- **Assigned Fund Balance** – Amounts the Council’s intends to use for expendable or available for appropriation but has been tentatively earmarked for some specific purpose. Intent can be expressed by the Executive Director or the Finance Director as named in the fund balance policy approved by the Board on August 19, 2011 through resolution.
- **Unassigned Fund Balance** – The residual classification for the general fund and includes amounts that are not contained in the other classifications. Unassigned amounts are the portion of the fund balance which is not obligated or specifically designated and is available for any purpose.

Order of Use of Fund Balances

When expenditures are incurred for purposes which both restricted and unrestricted fund balance is available for use, it is the Council’s policy to use the restricted fund balance first, then the unrestricted fund balance.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification can be used, it is the Council’s policy to ensure the committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts. Additionally, all spendable, unrestricted revenue amounts in the special revenue funds, debt service funds, and capital projects funds are committed/assigned to be used for the purpose for which the fund was established.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Employee Benefits

The Rio Grande Council of Governments' employee benefits are charged to programs and projects on the basis of actual benefit cost.

Indirect Costs

General and administrative costs are recorded in the General Fund as indirect costs in the Council's accounting system and allocated to programs based upon a negotiated indirect cost rate. Indirect costs are defined by Office and Management and Budget (OMB) Circular A-87. The Council's indirect cost rate is based upon the total expenditure base and is documented by a cost allocation plan which is approved by a state cognizant agency.

Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget is prepared annually by fund and function, and must be approved by the Board of Directors and general membership. The budget is appropriated based on expected revenue from the various federal and state grantor agencies, local governmental units' membership dues, cash investments, and other non-restricted revenue. Some revenue related to grants and contracts have funding and contract periods different than the budget year and are incorporated into the budget based on estimates of the portion that will be completed during the fiscal year. Budgets are amended periodically, as needed, and amendments are approved by the Board of Directors.

Although the Council goes through this budgeting process for all funds, only the general fund budget is considered legally adopted as the Council does not have budget authority over grant funds. As such, a budget to actual comparison is not presented as required supplementary information for the major special revenue funds.

Revenue Recognition

Governmental

Grant revenue for governmental fund types is recognized only as grant expenditures are incurred. Grant revenue received prior to revenue recognition is reported as deferred grant revenue. Grant revenue not received prior to revenue recognition is reported as an intergovernmental receivable.

Proprietary

Enterprise - Contractual servicing fees are recognized using the percentage-of-completion method. *Internal Service* - Revenue is recognized as expenditures are incurred and allocated to the various funds.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

Rio Grande Council of Governments is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council maintains workers' compensation and other risks of loss coverage through the Texas Municipal League Intergovernmental Risk Pool, which is a public entity risk pool. The pool is self-sustaining through member premiums and obtains reinsurance through commercial insurance companies for claims in excess of a specified dollar amount. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Council.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

At September 30, 2012, the carrying amount of the Council's general fund and major and nonmajor governmental funds' deposits (cash and interest-bearing savings accounts) was \$562,731 and the total bank balance was \$812,137. The Council's cash deposits at September 30, 2012 and during the year ended September 30, 2012 were entirely covered by FDIC insurance and related coverage or by pledged collateral held by the Council's agent bank in the Council's name.

B. Due from Intergovernmental Agencies - Governmental Funds

Due from intergovernmental agencies consisted of the following at September 30, 2012:

Criminal Justice Division	\$	43,375
U.S. Department of Commerce - EDA		5,450
Environmental Protection Agency		6,180
Texas Department of Aging and Disability Services		659,166
Texas Water Development Board		2,140
U.S. Department of Homeland Security		49,378
U.S. Department of Homeland Security – CCP		2,960
		<hr/>
Total Due from Other Governmental Agencies	\$	768,649
		<hr/> <hr/>

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Interfund Balances

The composition of interfund balances as of September 30, 2012 was as follows:

	Due from Other Funds	Due to Other Funds
General Fund:		
Dept of Aging and Disability Services	\$ 153,382	\$ -
Commission on State Emergency Communication	108,737	
Nonmajor Governmental Funds	114,641	284,661
Enterprise Funds	-	122,005
Internal Service Fund	-	30,556
Total General Fund	<u>376,760</u>	<u>437,222</u>
Dept of Aging and Disability Services:		
General Fund	<u>-</u>	<u>153,382</u>
Commission on State Emergency Communication:		
General Fund	<u>-</u>	<u>108,737</u>
Nonmajor Governmental Funds:		
General Fund	<u>284,661</u>	<u>114,641</u>
Enterprise Funds:		
General Fund	<u>122,005</u>	<u>-</u>
Internal Service Fund:		
General Fund	<u>30,556</u>	<u>-</u>
Total	<u>\$ 813,982</u>	<u>\$ 813,982</u>

Interfund balances resulted from loans between funds to establish working capital for various funds and are cleared out periodically.

Accumulated interfund receivable balances in the Enterprise Funds and the Internal Service Fund in the amounts of \$122,005 and \$30,556 due from the General fund are not expected to be repaid within one year as these funds do not maintain cash. Therefore, these interfund balances are reported as noncurrent assets in the Statement of Net Assets for the Proprietary Funds and at the government-wide level.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Primary government capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Depreciable assets:				
Furniture and fixtures	\$ 45,689	\$ -	\$ 1,036	\$ 44,653
Equipment	1,480,336	470,527	312,634	1,638,229
Vehicles - Trailers	30,694	6,436	33,912	3,218
Total depreciable assets	1,556,719	476,963	347,582	1,686,100
Less accumulated depreciation:				
Furniture and fixtures	44,922	767	1,036	44,653
Equipment	894,580	257,576	158,137	994,019
Vehicles - Trailers	67	759	518	308
Total accumulated depreciation	939,569	259,102	159,691	1,038,980
Total governmental activities capital assets, net	\$ 617,150	\$ 217,861	\$ 187,891	\$ 647,120

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 2,432
Emergency Communications	236,643
Aging	4,420
Environmental Services	187
Water Quality	553
Homeland Security	9,773
Criminal Justice	764
Other	4,330
Total depreciation expense-government	\$ 259,102

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

During 2012, the Council transferred ownership of property purchased with Federal Homeland Security grant funds to other local governments within its region which had been utilizing the assets since acquisition. As required by the pass-through State Administrative Agency (SAA), the Council properly completed and submitted Property Transfer Agreements to the SAA. The transfers resulted in a loss on disposal of capital assets of \$187,605 which is reported in the government-wide Statement of Activities as a special item along with an additional loss of \$286 from disposal of other assets.

E. Deferred Revenue

Deferred Revenue at September 30, 2012, resulting from program funds received in advance, were reported in the Special Revenue Funds and consisted of the following:

State Grants:		
Commission on State Emergency	\$	26,189
Communication		
Texas Commission on Environmental Quality		48,128
		<hr/>
Total Deferred Revenue	\$	74,317
		<hr/> <hr/>

F. Commitments under Leases

Office and Storage Lease

The Council entered into a new lease agreement for its new office location. The one hundred and twenty-two (122) months and eighteen (18) days lease agreement commenced September 13, 2012 and ends on November 30, 2022. The base lease amount of \$12,551 per month will increase to \$13,480 starting October 1, 2017. Future minimum lease payments for fiscal years ending September 30 are as follows:

2013	\$	150,606
2014		150,606
2015		150,606
2016		150,606
2017		150,606
2018-2022		808,810
*2023		26,960
		<hr/>
		\$ 1,588,800
		<hr/> <hr/>

Rent expense for fiscal year ended September 30, 2012 was \$175,343.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

Additionally, the Council entered into a new lease agreement for its storage room on its office premises. The thirty-six (36) months and eighteen (18) days lease agreement commenced September 13, 2012 and ends on September 30, 2015 with a base lease amount of \$202 per month. Future minimum lease payments for fiscal years ending September 30 are as follows:

2013	\$	2,429
2014		2,429
2015		2,429
		<hr/>
	\$	7,287
		<hr/> <hr/>

Storage rent expense for fiscal year ended September 30, 2012 was \$122.

Equipment Operating Lease

The Council entered into an operating lease for a copier during 2011. The operating lease expires in March 2016. Future minimum lease payments for fiscal years ending September 30 are as follows:

2013	\$	3,396
2014		3,396
2015		3,396
2016		1,698
		<hr/>
	\$	11,886
		<hr/> <hr/>

Rent expense for fiscal year ended September 30, 2012 was \$3,396.

G. Pension Plans

The Rio Grande Council of Governments had two pension plans in fiscal year 2012. One pension plan is a 401 defined contribution pension plan administered by the International City Management Association Retirement Corporation (ICMA) and the second pension plan acquired as of January 1, 2011 is a deferred benefit pension plan administered by the Texas County and District Retirement System (TCDRS).

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

ICMA 401 Defined Contribution Pension Plan

The ICMA 401 defined contribution pension plan provides benefits for all full-time and part-time permanent employees and is authorized and may be amended by the Council's Board of Directors. At September 30, 2012, there were thirty-eight (38) plan members under the 401 defined contribution pension plan. Employees are vested twenty percent (20%) for each year of service and become one hundred percent (100%) vested after five full years of employment. Amounts forfeited by terminated participants are held by the plan administrator in a forfeiture account and are available for use towards future employer contributions. Forfeiture account balance available for future use at September 30, 2012 was \$12,168. Total assets of the 401 defined plan at September 30, 2012 were \$1,846,504.

Total Council payroll for the year was \$1,413,010 including \$1,406,852 payroll covered by the plan. Contribution rates of .5% for employees and 5.68% for the Council were established and may be amended by the Council's Board of Directors. Actual contributions in dollars and percentages of covered payroll made by the Council and participating employees to the ICMA 401 defined contribution pension plan for fiscal year 2012 were as follows:

Period	Amount of Covered Payroll	Employer Contributions		Employee Contributions	
		Percentage	Amount	Percentage	Amount
10/01/2011 to 09/30/2012	\$ 1,406,852	5.68%	\$ 79,910	0.50%	\$ 7,035

TCDRS Defined Benefit Pension Plan

Plan Description -Effective January 1, 2011, the Council started participating in a second pension plan in order to eventually phase out the 401 defined contribution plan administered by ICMA. The Council provides pension benefits for all of its full-time and part-time employees through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multiple-employer public retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at <https://www.tcdrs.org/Employer/Pages/Publications.aspx>.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

The Plan provisions are adopted by the governing body of the Rio Grande Council of Governments, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age sixty (60) and above with ten (10) or more years of services, with thirty (30) years of service regardless of age, or when the sum of their age and years of service equals eighty (80) years or more. Members are vested after ten (10) years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Council within the actuarial constraints imposed by the TCDRS Act so that resulting benefits are expected to be adequately financed by the Council's commitment to contribute.

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The Council has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The Council contributed using the actuarially determined rate of seven and thirty-two hundredths percent (7.32%) for the months of fiscal year 2012.

The contribution rate payable by the employee members for the calendar year 2012 is the rate of four percent (4%) as adopted by the governing body of the Council. The employee contribution rate and the employer contribution rate may be amended by the governing body of the employer within the options available under TCDRS Act.

Annual Pension Cost - For the Council's fiscal year ending September 30, 2012, the annual pension cost of \$103,025 was equal to the Council's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) eight percent (8.00%) investment rate of return (net of administrative expenses) and (b) projected salary increases of five and four tenths percent (5.4%). Both (a) and (b) included an inflation component of three and five tenths percent (3.5%). The actuarial value of the plan's assets was determined using techniques that spread the effects of short-term volatility in the market value of the investments over a ten year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2011 was twenty (20) years.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

Actuarial Valuation Information

Actuarial valuation date	01/01/2011	12/31/2011
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumptions:		
Investment return ¹	8.0%	8.0%
Projected salary increases ¹	5.4%	5.4%
Inflation	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%

Trend Information

for the Pension Plan for the Employees of the Rio Grande Council of Governments

Fiscal Year	Annual Pension	Percentage of APC	
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Net Pension Obligation</u>
9/30/2012	\$ 102,982	100%	\$ 0
9/30/2011	74,213	100%	\$ 0

Funded Status and Funding Progress -As of December 31, 2011, the most recent actuarial valuation date, the plan was thirty-nine and twenty-one hundredths percent (39.21%) funded. The actuarial accrued liability for benefits was \$402,044, and the actuarial value of assets was \$157,647, resulting in an unfunded actuarial accrued liability (UAAL) of \$244,397. The annual payroll (actuarial) of active employees covered by the plan was \$1,392,647, and the ratio of the UAAL to the covered payroll was 17.55%.

The schedule of funding progress presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since the Council started participating January 1, 2011, the amounts reported are for actuarial valuation dates January 1, 2011 and December 31, 2011.

¹ Includes inflation at the stated rate

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

H. ICMA 457 Deferred Compensation Plan

The Council also has ICMA administer its 457 deferred compensation plan. Eligible employees of the 457 deferred plan are those who are eligible to contribute to the 401 defined contribution pension plan. There were seventeen (17) employees that participated in the 457 deferred compensation plan. Once an employee begins to contribute to the 457 deferred plan, contributions can be for any amount. Once an employee stops contributing, he/she is no longer eligible to contribute to the 457 deferred compensation plan. Total assets of the 457 deferred compensation plan at September 30, 2012 were \$565,441.

I. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Other liabilities					
Compensated absences	\$ 74,186	\$ 81,764	\$ 71,280	\$ 84,670	\$ 55,707
Total other liabilities	\$ 74,186	\$ 81,764	\$ 71,280	\$ 84,670	\$ 55,707

The amount due within one year is reported in accounts payable and other current liabilities. Compensated absences are generally liquidated by the program fund to which the employee is assigned.

J. Fund Balance

As of September 30, 2012, fund balances were composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Non-Spendable:			
Prepaid Items	\$ 14,698	\$ -	\$ 14,698
Restricted:			
Aging Services - TMF	-	42,033	42,033
Dispute Resolution Services	-	183,753	183,753
Far West Texas Water Planning Group	-	44,213	44,213
Unassigned	146,302	-	146,302
Total Fund balances	\$ 161,000	\$ 269,999	\$ 430,999

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

II. DETAILED NOTES ON ALL FUNDS (Continued)

K. Program Compliance - Matching

In 2012, the EXPO enterprise fund generated revenue of \$25,688 and incurred expenses of \$22,633 which are presented on Exhibit F-4. This activity was an allowable activity for DADS matching purposes and the expenses are therefore reported as matching funds for grant purposes through the Council's external reporting process.

In 2012, the general fund incurred \$8,525 of expenditures that pertained to the U.S. Department of Commerce program and are properly recorded in the general fund. However, these expenditures are allowable as matching and are therefore reported as matching funds for grant purposes through the Council's external reporting process.

L. Related Party Transactions

From time to time, the Council may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the 2011-2012 fiscal year.

M. Litigation

The Council is the defendant in two lawsuits arising principally in the normal course of operations. In the opinion of the management, the outcome of these lawsuits will not have a material effect on the accompanying basic financial statement and accordingly, no provision has been accrued.

N. Economic Dependency

During the year ended September 30, 2012, the Council earned revenue of \$4,025,101 from the Texas Department of Aging and Disability Services in the form of Federal and State grants. In addition, related program income and in-kind services amounted to \$733,602. The combined amount of \$4,758,703 constitutes approximately 67% of total revenue. The loss of grant awards from the Texas Department of Aging and Disability Services could have a material impact on the ability of the Council to continue to provide the current level of services.

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REQUIRED SUPPLEMENTARY INFORMATION

RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Membership Dues	\$ 164,793	\$ 164,793	\$ 164,793	\$ -
Investment Earnings	1,140	1,140	1,444	304
Total Revenues	165,933	165,933	166,237	304
EXPENDITURES:				
Current:				
General Government	142,687	128,444	121,909	6,535
Total Expenditures	142,687	128,444	121,909	6,535
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,246	37,489	44,328	6,839
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	23,246	37,489	44,328	6,839
Fund Balance - October 1 (Beginning)	116,672	116,672	116,672	-
Fund Balance - September 30 (Ending)	\$ 139,918	\$ 154,161	\$ 161,000	\$ 6,839

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2012

Schedule of Funding Progress for the TCDRS Pension Plan for the Employees of the Rio Grande Council of Governments

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b/a)/c)
01/01/2011	\$ 0	\$ 276,454	\$ 276,454	0.00%	\$ 1,329,230	20.80%
12/31/2011	\$ 157,647	\$ 402,044	\$ 244,397	39.21%	\$ 1,392,647	17.55%

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

U.S. Department of Commerce

Texas Medical Foundation (TMF) Medicare

U.S. Environmental Protection Agency - BECC

Department of Homeland Security

Department of Emergency Management (DEM) Citizen Corps Program

Department of Emergency Management (DEM) Interoperable Emergency Communications Grant Program (IECGP)

Department of Emergency Management (DEM) Earthquake Awareness

Governor's Office, Criminal Justice Division

Texas Commission on Environmental Quality

Texas Water Development Board

Texas Medical Foundation (TMF) Medicaid

Texas Healthy Lifestyle

Dispute Resolution Center

Far West Texas Water Planning Group (FWTWPG)

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	U.S. Dept. of Commerce	TMF Medicare	U.S. Environmental Protection Agency-BECC
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Intergovernmental Receivables	5,450	-	6,180
Due from Other Funds	-	18,777	-
Total Assets	<u>5,450</u>	<u>18,777</u>	<u>6,180</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	411	-	-
Wages and Salaries Payable	1,817	-	496
Due to Other Funds	3,222	-	5,684
Deferred Revenue	-	-	-
Total Liabilities	<u>5,450</u>	<u>-</u>	<u>6,180</u>
Fund Balances:			
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	18,777	-
Other Restricted	-	-	-
Total Fund Balances	<u>-</u>	<u>18,777</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 5,450</u>	<u>\$ 18,777</u>	<u>\$ 6,180</u>

The accompanying notes are an integral part of this statement.

Department of Homeland Security	DEM Citizen Corps Program	DEM IECGP	DEM Earthquake Awareness	Gov.Office Criminal Justice Div.	Texas Commission on Environmental Quality
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,690
49,378	2,960	-	-	43,375	-
-	-	-	-	-	-
<u>49,378</u>	<u>2,960</u>	<u>-</u>	<u>-</u>	<u>43,375</u>	<u>134,690</u>
1,739	35	-	-	30,749	35,079
4,221	-	-	-	1,382	3,335
43,418	2,925	-	-	11,244	48,148
-	-	-	-	-	48,128
<u>49,378</u>	<u>2,960</u>	<u>-</u>	<u>-</u>	<u>43,375</u>	<u>134,690</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 49,378</u>	<u>\$ 2,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,375</u>	<u>\$ 134,690</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	Texas Water Development Board	TMF Medicaid	Texas Healthy Lifestyle
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Intergovernmental Receivables	2,140	-	-
Due from Other Funds	<u>8,261</u>	<u>23,256</u>	<u>-</u>
Total Assets	<u><u>10,401</u></u>	<u><u>23,256</u></u>	<u><u>-</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	10,401	-	-
Wages and Salaries Payable	-	-	-
Due to Other Funds	-	-	-
Deferred Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>10,401</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	23,256	-
Other Restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>23,256</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 10,401</u></u>	<u><u>\$ 23,256</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

Dispute Resolution Center	FWTWPG	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 134,690	\$ 134,690
-	-	109,483	109,483
<u>188,908</u>	<u>45,459</u>	<u>284,661</u>	<u>284,661</u>
<u>188,908</u>	<u>45,459</u>	<u>528,834</u>	<u>528,834</u>
234	281	78,929	78,929
4,921	965	17,137	17,137
-	-	114,641	114,641
-	-	48,128	48,128
<u>5,155</u>	<u>1,246</u>	<u>258,835</u>	<u>258,835</u>
-	-	42,033	42,033
<u>183,753</u>	<u>44,213</u>	<u>227,966</u>	<u>227,966</u>
<u>183,753</u>	<u>44,213</u>	<u>269,999</u>	<u>269,999</u>
<u>\$ 188,908</u>	<u>\$ 45,459</u>	<u>\$ 528,834</u>	<u>\$ 528,834</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	U.S. Dept. of Commerce	TMF Medicare	U.S. Environmental Protection Agency - BECC
REVENUES:			
Intergovernmental Revenue and Grants	\$ 60,638	\$ -	\$ 9,871
Charges for Services	-	-	-
Investment Earnings	-	-	-
Program Income & Other Revenue	8,062	-	-
Total Revenues	<u>68,700</u>	<u>-</u>	<u>9,871</u>
EXPENDITURES:			
Current:			
Emergency Communication	-	-	-
Health and Welfare:			
Aging	-	10,967	-
Environmental Quality	-	-	-
Water Quality	-	-	-
Homeland Security	-	-	9,871
Criminal Justice	-	-	-
Other	68,393	-	-
Capital Outlay			
Capital Outlay	307	-	-
Total Expenditures	<u>68,700</u>	<u>10,967</u>	<u>9,871</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(10,967)</u>	<u>-</u>
Net Change in Fund Balances	-	(10,967)	-
Fund Balance - October 1 (Beginning)	-	29,744	-
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 18,777</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Department of Homeland Security	DEM Citizen Corps Program	DEM IECGP	DEM Earthquake Awareness	Gov.Office Criminal Justice Div.	Texas Commission on Environmental Quality
\$ 293,895	\$ 16,734	\$ 31,292	\$ 12,758	\$ 284,444	\$ 201,968
-	-	-	-	-	-
-	-	-	-	-	550
-	-	-	-	-	-
<u>293,895</u>	<u>16,734</u>	<u>31,292</u>	<u>12,758</u>	<u>284,444</u>	<u>202,518</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	202,163
-	-	-	-	-	-
192,034	10,298	31,292	12,758	-	-
-	-	-	-	284,038	-
-	-	-	-	-	-
<u>101,861</u>	<u>6,436</u>	<u>-</u>	<u>-</u>	<u>406</u>	<u>355</u>
<u>293,895</u>	<u>16,734</u>	<u>31,292</u>	<u>12,758</u>	<u>284,444</u>	<u>202,518</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Texas Water Development Board	TMF Medicaid	Texas Healthy Lifestyle
REVENUES:			
Intergovernmental Revenue and Grants	\$ 21,323	\$ 18,000	\$ 5,800
Charges for Services	-	-	-
Investment Earnings	7	-	-
Program Income & Other Revenue	-	-	-
Total Revenues	<u>21,330</u>	<u>18,000</u>	<u>5,800</u>
EXPENDITURES:			
Current:			
Emergency Communication	-	-	-
Health and Welfare:			
Aging	-	8,350	5,800
Environmental Quality	-	-	-
Water Quality	21,330	-	-
Homeland Security	-	-	-
Criminal Justice	-	-	-
Other	-	-	-
Capital Outlay			
Capital Outlay	-	-	-
Total Expenditures	<u>21,330</u>	<u>8,350</u>	<u>5,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>9,650</u>	<u>-</u>
Net Change in Fund Balances	-	9,650	-
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>13,606</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 23,256</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Dispute Resolution Center	FWTWPG	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 956,723	\$ 956,723
221,397	57,896	279,293	279,293
-	-	557	557
-	-	8,062	8,062
<u>221,397</u>	<u>57,896</u>	<u>1,244,635</u>	<u>1,244,635</u>
-	-	-	-
-	-	25,117	25,117
-	-	202,163	202,163
-	48,634	69,964	69,964
-	-	256,253	256,253
-	-	284,038	284,038
214,145	-	282,538	282,538
<u>516</u>	<u>137</u>	<u>110,018</u>	<u>110,018</u>
<u>214,661</u>	<u>48,771</u>	<u>1,230,091</u>	<u>1,230,091</u>
<u>6,736</u>	<u>9,125</u>	<u>14,544</u>	<u>14,544</u>
6,736	9,125	14,544	14,544
<u>177,017</u>	<u>35,088</u>	<u>255,455</u>	<u>255,455</u>
<u>\$ 183,753</u>	<u>\$ 44,213</u>	<u>\$ 269,999</u>	<u>\$ 269,999</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2012

	Contract Services	Senior EXPO	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Accounts Receivable	\$ 8,237	\$ -	\$ 8,237
Noncurrent Assets:			
Due From Other Funds	<u>91,842</u>	<u>30,163</u>	<u>122,005</u>
Total Assets	<u>100,079</u>	<u>30,163</u>	<u>130,242</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	-	-
Wages and Salaries Payable	<u>4</u>	<u>-</u>	<u>4</u>
Total Liabilities	<u>4</u>	<u>-</u>	<u>4</u>
NET ASSETS			
Unrestricted Net Assets	<u>100,075</u>	<u>30,163</u>	<u>130,238</u>
Total Net Assets	<u>\$ 100,075</u>	<u>\$ 30,163</u>	<u>\$ 130,238</u>

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Contract Services	Senior EXPO	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Copier Use	\$ -	\$ -	\$ -
Contract Service Fees	30,948	25,688	56,636
Total Operating Revenues	<u>30,948</u>	<u>25,688</u>	<u>56,636</u>
OPERATING EXPENSES:			
Personal Services - Salaries and Benefits	12,866	2,330	15,196
Purchased Property Services	-	-	-
Other Operating Expenses	11,713	20,303	32,016
Supplies	187	-	187
Total Operating Expenses	<u>24,766</u>	<u>22,633</u>	<u>47,399</u>
Operating Income	6,182	3,055	9,237
Total Net Assets - October 1 (Beginning)	<u>93,893</u>	<u>27,108</u>	<u>121,001</u>
Total Net Assets - September 30 (Ending)	<u>\$ 100,075</u>	<u>\$ 30,163</u>	<u>\$ 130,238</u>

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Contract Services	Senior EXPO	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 24,886	\$ 22,633	\$ 47,519
Cash Payments to Employees for Services	(12,986)	(2,330)	(15,316)
Cash Payments to Suppliers	(11,900)	(20,303)	(32,203)
Net Cash Provided by Operating Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at Beginning of the Year:	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at End of the Year:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating Income:	\$ 6,182	\$ 3,055	\$ 9,237
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	2,659	-	2,659
Decrease (increase) in Due from Other Funds	(8,721)	(3,055)	(11,776)
Increase (decrease) in Accounts Payable	-	-	-
Increase (decrease) in Accrued Payroll	(120)	-	(120)
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**OTHER INFORMATION
(UNAUDITED)**

RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Intergovernmental Revenue and Grants	\$ 3,546,199	\$ 4,067,838	\$ 4,019,301	\$ (48,537)
Program Income & Other Revenue	<u>589,629</u>	<u>762,718</u>	<u>733,602</u>	<u>(29,116)</u>
Total Revenues	<u>4,135,828</u>	<u>4,830,556</u>	<u>4,752,903</u>	<u>(77,653)</u>
EXPENDITURES:				
Current:				
Health and Welfare:				
Aging	<u>4,135,828</u>	<u>4,830,556</u>	<u>4,752,903</u>	<u>77,653</u>
Total Expenditures	<u>4,135,828</u>	<u>4,830,556</u>	<u>4,752,903</u>	<u>77,653</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF INDIRECT COSTS

YEAR ENDED SEPTEMBER 30, 2012

INDIRECT COST POOL

Administrative costs \$ 737,297
2,854

Adjusted Indirect Cost Pool \$ 740,151

DIRECT BASE

Total expenditures \$ 7,002,389

Less:

Administrative costs (733,214)

Non-federal cost (741,664)

Excess cost on subgrants/subcontracts, stipends,
medical services and other flow-thru funds (2,694,070)

Pass through capital outlay -

Bad Debt Cost -

Internal Service Fund (7,019)

Capital Outlay (476,964)

(4,652,931)

Adjusted Direct Base \$ 2,349,458

INDIRECT COST RATE CALCULATION

Indirect cost pool \$ 740,151

Direct base 2,349,458 31.50%

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF FRINGE BENEFITS

YEAR ENDED SEPTEMBER 30, 2012

Benefits		
Payroll taxes		\$ 119,053
Group insurance		250,262
Retirement contribution		<u>182,891</u>
Total benefits		<u>552,206</u>
Benefits allocated		<u>\$ 552,206</u>
Employee Benefits Rate Computation		
Total benefits	\$ 552,206	
Divided by gross salaries	<u>1,413,010</u>	
		<u>39%</u>
Total Salaries and Benefits		
Gross salaries		\$ 1,413,010
Benefits		<u>552,206</u>
Total		<u><u>\$ 1,965,216</u></u>

FEDERAL AND STATE AWARD SECTION

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

To the Board of Directors
Rio Grande Council of Governments

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rio Grande Council of Governments as of and for the year ended September 30, 2012, which collectively comprise the Rio Grande Council of Government's basic financial statements, and have issued our report thereon dated January 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Rio Grande Council of Governments is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rio Grande Council of Governments' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Rio Grande Council of Governments' internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Rio Grande Council of Governments' internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Gibson, Riddock, Patterson LLC

El Paso, Texas
January 25, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Directors
Rio Grande Council of Governments

Compliance

We have audited Rio Grande Council of Governments' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the Rio Grande Council of Government's major federal and state programs for the year ended September 30, 2012. Rio Grande Council of Governments' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of Rio Grande Council of Governments' management. Our responsibility is to express an opinion on Rio Grande Council of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the State of Texas Single Audit Circular. Those standards and OMB Circular A-133 and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Rio Grande Council of Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rio Grande Council of Governments' compliance with those requirements.

In our opinion, Rio Grande Council of Governments complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Rio Grande Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Rio Grande Council of Governments' internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rio Grande Council of Governments's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

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

Gibson, Ruddock, Patterson LLC

El Paso, Texas
January 25, 2013

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule Reference Number	PROGRAM	DESCRIPTION
<u>SUMMARY OF AUDITOR'S RESULTS</u>		
<u>Financial Statements</u>		
	Type of Auditor's Report Issued:	Unqualified
	Internal control over financial reporting:	
	Material weaknesses identified?	No
	Significant deficiencies identified that are not considered to be material weaknesses?	None reported
	Noncompliance material to the financial statements:	No material noncompliance was noted.
<u>Federal and State Awards</u>		
	Internal control over financial reporting:	
	Material weaknesses identified?	No
	Significant deficiencies identified that are not considered to be material weaknesses?	None reported
	Type of auditor's report issued on compliance for major programs:	Unqualified
	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or the State of Texas Single Audit Circular?	No
	Major Federal Programs:	<p><u>Aging Cluster:</u> 93.044 - OAA Title III, Part B - Supportive Services and Senior Centers; 93.045 - OAA Title III, Part C - Nutrition Services; 93.053 - OAA Title III - Nutrition Services Incentive Program (NSIP)</p> <p><u>National Family Caregiver Support:</u> 93.052 - OAA Title III, Part E</p>

RIO GRANDE COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule Reference Number	PROGRAM	DESCRIPTION
	Major State Programs:	<u>Texas Department of Aging and Disability Services</u>
		<u>Commission on State Emergency Communications</u>
	Dollar threshold used to distinguish between Type A and Type B Federal and State Programs:	\$300,000
	Auditee qualified as low-risk auditee?	Yes

RIO GRANDE COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule Reference Number	PROGRAM	DESCRIPTION
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FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule Reference Number	PROGRAM	STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE
--	----------------	--

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings.

RIO GRANDE COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Passthrough Grantor Grant Description	CFDA Number	Grantor's Number	Expenditures	Passthrough Expenditures
FEDERAL AWARDS				
<u>U.S. Department of Commerce</u>				
Direct Programs:				
EDA - Title II Section 203 Planning Assistance:				
District Multi-Year Planning Investment	11.302	08-83-04349.01	25,189	-
District Partnership Planning and Continuation Grant	11.302	08-83-04742	35,449	-
Total Direct Programs			60,638	-
Total U.S. Department of Commerce			60,638	-
<u>U.S. Department of Health and Human Services</u>				
Passed through Texas Department of Aging and Disability Services				
Special Programs for Aging - Title III, Part B:				
Administration*				
Grants for Supportive Services and Senior Centers*	93.044	539-11-0015-00001	101,775	-
Grants for Supportive Services and Senior Centers*	93.044	539-11-0015-00001	1,417,698	-
Special Programs for Aging - Title III, Part B State Unit on Aging (SUA):				
Grants for Supportive Services and Senior Centers*	93.044	539-11-0015-00001	38,541	-
Total CFDA Number 93.044			1,558,014	-
Special Programs for Aging - Title III, Part C:				
Administration*				
Nutrition Services*	93.045	539-11-0015-00001	175,898	-
Nutrition Services*	93.045	539-11-0015-00001	1,071,001	672,022
Special Programs for Aging - Title III, Part C State Unit on Aging (SUA):				
Nutrition Services*	93.045	539-11-0015-00001	36,204	-
Total CFDA Number 93.045			1,283,103	672,022
Special Programs for Aging - Title III, Part D:				
Disease Prevention and Health Promotion Svcs				
	93.043	539-11-0015-00001	59,278	-
Special Programs for Aging - Title III, Part E:				
Administration				
National Family Caregiver Support Program	93.052	539-11-0015-00001	4,386	-
National Family Caregiver Support Program	93.052	539-11-0015-00001	397,637	-
Special Programs for Aging - Title III, Part E State Unit on Aging (SUA):				
National Family Caregiver Support Program	93.052	539-11-0015-00001	9,815	-
Total CFDA Number 93.052			411,838	-
NSIP - Nutrition Service Incentive Program*	93.053	539-11-0015-00001	328,779	309,722
EAP - Title VII, Chapter 3				
Prevention of Elder Abuse, Neglect & Exploitation	93.041	539-11-0015-00001	14,373	-
OAG - Title VII, Chapter 2				
Long Term Care Ombudsman Services for Older Individuals	93.042	539-11-0015-00001	18,412	-
CMS	93.779	539-11-0015-00001	93,882	-
CMS-Money Follows the Person Rebalancing Demonstration	93.791	539-11-0015-00001	548	-
Affordable Care Act				
Medicare Improvements for Patients and Providers	93.518	539-11-0015-00001	23,878	-
ARRA: Chronic Disease Self Management Program:				
Texas Healthy Lifestyles 2010-2012	93.725	90RA0037/01	40,262	-
Total Passed through Texas Department of Aging and Disability Services			3,832,367	981,743
Total U.S. Department of Health and Human Services			3,832,367	981,743

RIO GRANDE COUNCIL OF GOVERNMENTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Passthrough Grantor Grant Description	CFDA Number	Grantor's Number	Expenditures	Passthrough Expenditures
<u>U.S. Department of Homeland Security</u>				
Passed through Department of Emergency Management of the Texas Department of Public Safety:				
Interoperable Emergency Communication Grant Program	97.055	2010-IP-TO-0005	31,292	-
FY10 Citizen Corps Grant Program**	97.053	2010-SS-TO-0008	12,572	-
FY11 Citizen Corps Grant Program**	97.067	EMW-2011-SS-00019	4,162	-
FY09 State Homeland Security Grant Program**	97.073	2009-SS-T9-0064	93,818	-
FY10 State Homeland Security Grant Program**	97.073	2010-SS-TO-0008	82,023	-
FY10 State Homeland Security Grant Program**	97.073	2010-SS-TO-0008	110,154	-
FY11 State Homeland Security Grant Program M&A**	97.073	EMW-2011-SS-00019	757	-
Total CFDA Number 97.073			286,752	-
Hazard Mitigation Grant Program	97.039	DR-1931-003	7,143	-
Earthquake Awareness	97.082	EMT-2010-GR-0010	12,758	-
Total Passed through Department of Emergency Management of the Texas Department of Public Safety:			354,679	-
Total U.S. Department of Homeland Security			354,679	-
<u>U.S. Environmental Protection Agency</u>				
Passed through Border Environmental Cooperation Commission				
US/Mexico Sister Cities of Presidio, TX and Ojinaga, Chih. Cross Border Contingency Plan Update	66.931	TAA12-012	9,871	-
Total Passed through Border Environmental Cooperation Commission			9,871	-
Total U.S. Environmental Protection Agency			9,871	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			4,257,555	981,743

* and ** Clustered Programs as required by the OMB A-133 Compliance Supplement, June 2012

RIO GRANDE COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

State Grantor/Passthrough Grantor Grant Description	Grantor's Number	Expenditures	Passthrough Expenditures
STATE AWARDS			
<u>Governor's Office of Criminal Justice Division</u>			
Regional Criminal Justice Coordination	30020346	65,366	-
Regional Criminal Justice Coordination	30030318	5,599	-
Law Enforcement Training Initiative FY12	SF-12-A10-14285-13	203,244	196,000
Law Enforcement Training Initiative FY13	SF-12-A10-14285-13	10,235	7,843
Total Governor's Office of Criminal Justice Division		284,444	203,843
<u>Commission on State Emergency Communications</u>			
9-1-1 Program FY 11	N/A	325,187	-
9-1-1 Program FY 12	N/A	508,534	-
Total Commission on State Emergency Communication		833,721	-
<u>Texas Department of Aging and Disability Services</u>			
State General Revenue, State Highway Funds	539-11-0015-00001	186,934	-
Texas Healthy Lifestyles	N/A	5,800	-
Total Texas Department of Aging and Disability Services		192,734	-
<u>TMF Health Quality Institute</u>			
GSA MOBIS Task Order for Health Disparities Initiative in the State of Texas	DAID-AAAEP-02	18,000	-
Total TMF Health Quality Institute		18,000	-
<u>Texas Water Development Board</u>			
Regional Water Planning Grant	1148301316	21,323	-
Total Texas Water Development Board		21,323	-
<u>Texas Commission on Environmental Quality</u>			
FY 2010/2011 Regional Solid Waste Grant Contract	582-10-91894	64,827	35,902
FY 2012/2013 Regional Solid Waste Grant Contract	582-12-10160	137,141	-
Total Texas Commission on Environmental Quality		201,968	35,902
TOTAL EXPENDITURES OF STATE AWARDS		1,552,190	239,746
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		5,809,745	1,221,489

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SEPTEMBER 30, 2012

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of the Rio Grande Council of Governments for the year ended September 30, 2012.

Special Revenue Funds are used to account for resources restricted for specific purposes by a grantor. If balances have not been expended by the end of the project period, grantors sometimes require the Council to refund all or part of the unused amount.

2. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Predominantly, federal and state grant funds were accounted for in a Special Revenue Fund, which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

In general, federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned. For the TMF Medicaid grant, revenue is recorded upon providing the services specified in the written grant agreement.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement - June 2012.

3. COMMISSION ON STATE EMERGENCY COMMUNICATIONS

The Council maintains a separate interest bearing account for CSEC Funds.