

RIO GRANDE COUNCIL OF GOVERNMENTS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rio Grande Council of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rio Grande Council of Governments as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Rio Grande Council of Governments' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rio Grande Council of Governments, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and pension information on pages 8 through 14 and 60 through 65, 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.

Supplementary and Other Information

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 combining and individual nonmajor fund financial statements and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Uniform Grant Management Standards, and is also not a required part of the basic financial statements.

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

The Budgetary Comparison for the Health and Human Services Commission, Schedule of Indirect Costs, and Schedule of Fringe Benefits, have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rio Grande Council of Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rio Grande Council of Governments' internal control over financial reporting and compliance.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
February 5, 2021

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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, 2020. 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, 2020 by \$1,190,753 (net position). Of this amount, \$432,387 (unrestricted net position) may be used to meet the Council's ongoing obligations.
- The Council's total net position increased by \$253,799.
- As of the close of the current fiscal year, Rio Grande Council of Governments' governmental funds reported combined ending fund balances of \$586,395 an increase of \$55,503 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 basic 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 Position presents information on all of the Council's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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).

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; general and special revenue. 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 include those found on Exhibits C-1 and C-3.

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 include those found on Exhibits D-1, D-2, and D-3.

Notes to the Basic 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.

Required Supplementary Information – A comparison between budget and actual amounts and other information is included for the COG’s adopted general fund budget, which is located on Exhibit E-1 and accompanying notes.

Information regarding Texas County and District Retirement System is located on Exhibits E-2 and E-3 and accompanying notes.

Supplementary and Other Information – In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and other schedules that further support or add to the information in the financial statements. The combining fund statements for non-major funds are located on Exhibits F-1 and F-2, of this report and the other information on Exhibits G-1, G-2, and G-3.

Government – wide financial analysis

As noted earlier, net position 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 \$1,190,753 as of September 30, 2020.

RIO GRANDE COUNCIL OF GOVERNMENTS' NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,023,092	\$ 1,406,119	\$ 264,226	\$ 260,134	\$ 2,287,318	\$ 1,666,253
Capital assets	452,660	280,098	-	-	452,660	280,098
Total Assets	2,475,752	1,686,217	264,226	260,134	2,739,978	1,946,351
Deferred outflows of resources	215,015	339,010	-	-	215,015	339,010
Total Deferred Outflows	215,015	339,010	-	-	215,015	339,010
Current liabilities	1,422,437	844,719	5,907	4,114	1,428,344	848,833
Due in more than one year	45,554	21,097	-	-	45,554	21,097
Net pension liability	170,465	351,227	-	-	170,465	351,227
Total Liabilities	1,638,456	1,217,043	5,907	4,114	1,644,363	1,221,157
Deferred inflows of resources	119,877	127,250	-	-	119,877	127,250
Total Deferred Inflows	119,877	127,250	-	-	119,877	127,250
Net position:						
Investment in capital assets	452,660	280,098	-	-	452,660	280,098
Restricted	305,706	306,064	-	-	305,706	306,064
Unrestricted	174,068	94,772	258,319	256,020	432,387	350,792
Total Net Position	\$ 932,434	\$ 680,934	\$ 258,319	\$ 256,020	\$ 1,190,753	\$ 936,954

Analysis of the Council's Operations – The following table provides a summary of the Council's operations for the year ended September 30, 2020.

RIO GRANDE COUNCIL OF GOVERNMENTS' CHANGES IN NET POSITION

	Governmental		Business-Type		Total	
	Activities		Activities		2020	2019
	2020	2019	2020	2019	2020	2019
Revenue:						
Program						
Revenues:						
Charges for services	\$ 425,319	\$ 438,081	\$ 136,290	\$ 193,964	\$ 561,609	\$ 632,045
Operating grants and						
Contributions	8,299,852	6,628,986	-	-	8,299,852	6,628,986
General revenues:						
Investment earnings	2,977	3,489	-	-	2,977	3,489
Total revenues	8,728,148	7,070,556	136,290	193,964	8,864,438	7,264,520
Expenses:						
General government	138,129	165,663	-	-	138,129	165,663
Emergency						
communications	781,537	801,674	-	-	781,537	801,674
Aging	6,663,026	5,132,227	-	-	6,663,026	5,132,227
Environmental						
quality	80,117	166,556	-	-	80,117	166,556
Water quality	140,724	206,761	-	-	140,724	206,761
Homeland security	66,629	65,312	-	-	66,629	65,312
Criminal justice	150,333	283,592	-	-	150,333	283,592
Other	456,153	299,258	-	-	456,153	299,258
Business-type	-	-	133,991	175,902	133,991	175,902
Total expenses	8,476,648	7,121,043	133,991	175,902	8,610,639	7,296,945
Increase(decrease) in net						
position before special items	251,500	(50,487)	2,299	18,062	253,799	(32,425)
Special item - loss on						
disposal of capital						
asset	-	(186,669)	-	-	-	(186,669)
Increase(decrease) in net position	251,500	(237,156)	2,299	18,062	253,799	(219,094)
Net position, beginning	680,934	918,090	256,020	237,958	936,954	1,156,048
Net position, ending	\$ 932,434	\$ 680,934	\$ 258,319	\$ 256,020	\$ 1,190,753	\$ 936,954

Governmental activities increased the Council's net position by \$251,500 primarily due to the acquisition of capital outlays to various entities in accordance with the CSEC grant. The business-type activities net position increased by \$2,299 for a total net position increase of \$253,799.

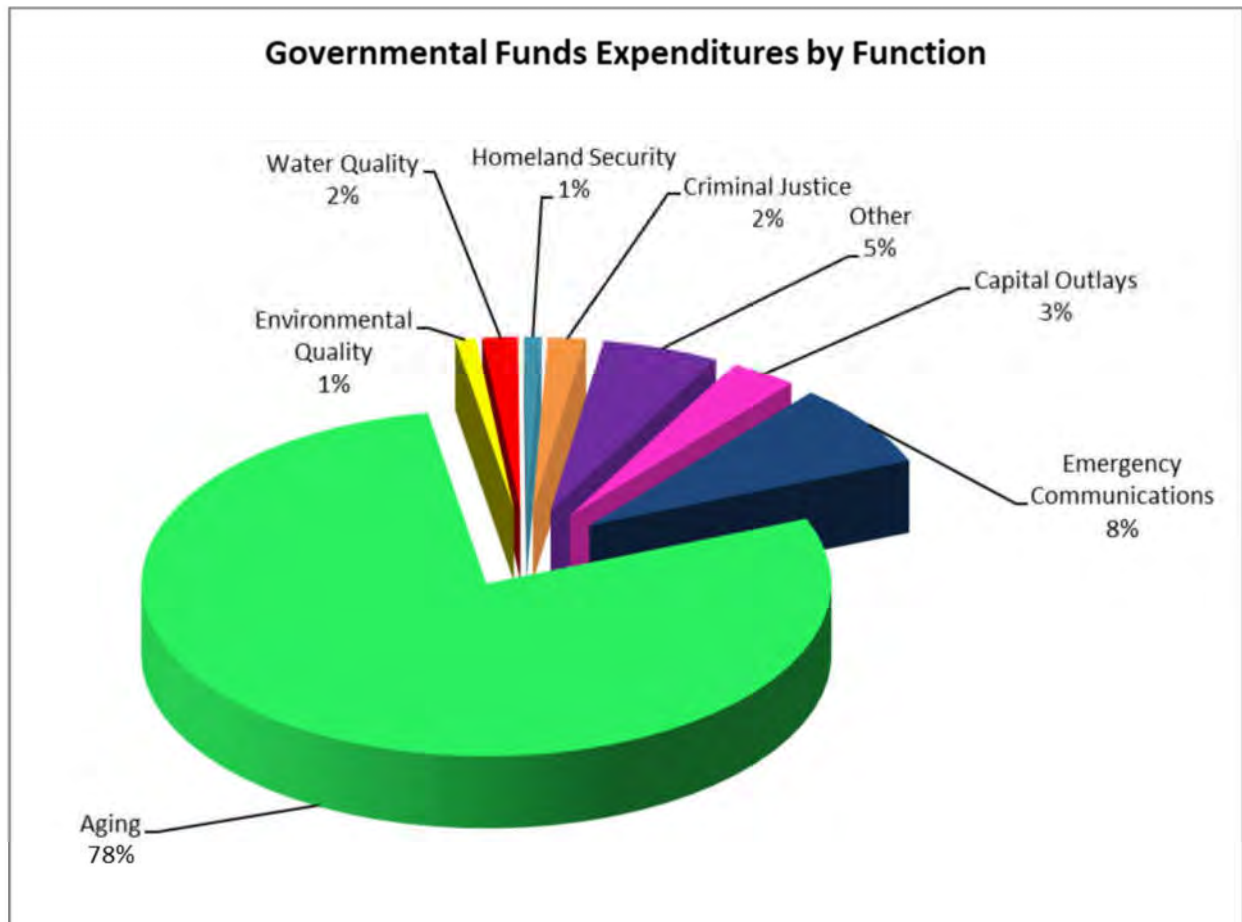
Financial Analysis of Government's Funds

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.

At the end of the current fiscal year, Rio Grande Council of Governments' governmental funds reported a combined ending fund balance of \$586,395. (Exhibit C-1)

The General fund balance increased from \$296,147 to \$331,557 primarily due to an excess of revenues over expenditures compared to prior year.

In FY 2020, the Council experienced an increase in funding in some State and Federally funded programs. As a result, intergovernmental revenues increased by \$1,541,029 compared to prior year.



Capital Assets

The Rio Grande Council of Governments' investment in capital assets for its governmental activities as of September 30, 2020, amounts to \$452,660 (net of accumulated depreciation). This investment in capital assets includes furniture and fixtures and equipment.

RIO GRANDE COUNCIL OF GOVERNMENTS' CAPITAL ASSETS

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 159,314	\$ 161,814
Equipment	1,698,871	1,459,943
Less: accumulated depreciation	<u>(1,405,525)</u>	<u>(1,341,659)</u>
Capital assets, net	<u>\$ 452,660</u>	<u>\$ 280,098</u>

Additional information on the Council's capital assets can be found in the Notes to the Basic Financial Statements.

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 is included on Exhibit E-1.

Over the course of the year, the Council amended its general fund budget to reflect a decrease in budgeted expenditures by \$30,188, therefore increasing the budgeted change in fund balance by an additional \$27,413.

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 \$7,334.

Economic Outlook

Historically the Rio Grande Council of Governments (RGCOG) receives the majority of its funding from Federal and State programs. In fiscal year 2020, Federal funds accounted for 68% of total funding and the State funds accounted for 16% of total funding. It is anticipated that based on the RGCOG's fiscal year 2021 budget, the Federal funds will account for 71% of the total budget and the State funds will account for 15% of the total budget. The increase in federal funds from FY 2020 into FY 2021 is due to the deferral of Older American Act funds and the Coronavirus Aid, Relief and Economic Security (CARES) Act funds being moved into FY 2021 from the Area Agency on Aging program and the inclusion of the Economic Development Administration's CARES funding for the Local Governments program as well. The RGCOG anticipates more adjustments will be made to the overall funding for all programs, especially AAA, during its budget amendment process. The RGCOG expects minimal increases in funding for both federal and state in FY 2021. Finally, the RGCOG anticipates administering new programs in FY 2021, should the funding materialize.

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 POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash	\$ 96,333	\$ -	\$ 96,333
Receivables	2,103,477	31,867	2,135,344
Prepaid Items	53,291	2,350	55,641
Noncurrent Internal Balances	(230,009)	230,009	-
Capital Assets:			
Furniture and Fixtures and Equipment, net	452,660	-	452,660
Total Assets	<u>2,475,752</u>	<u>264,226</u>	<u>2,739,978</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to TCDRS	215,015	-	215,015
Total Deferred Outflows of Resources	<u>215,015</u>	<u>-</u>	<u>215,015</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	1,196,369	3,968	1,200,337
Salaries and Benefits Payable	151,134	1,939	153,073
Unearned Revenue	74,934	-	74,934
Noncurrent Liabilities			
Due in More Than One Year	45,554	-	45,554
Net Pension Liability	170,465	-	170,465
Total Liabilities	<u>1,638,456</u>	<u>5,907</u>	<u>1,644,363</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to TCDRS	119,877	-	119,877
Total Deferred Inflows of Resources	<u>119,877</u>	<u>-</u>	<u>119,877</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	452,660	-	452,660
Restricted - Other	305,706	-	305,706
Unrestricted	174,068	258,319	432,387
Total Net Position	<u>\$ 932,434</u>	<u>\$ 258,319</u>	<u>\$ 1,190,753</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, 2020

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs
Primary Government:			
Governmental Activities:			
General Government	\$ 876,761	\$ (738,632)	\$ 138,129
Emergency Communication	733,592	47,945	781,537
Aging	6,162,933	500,093	6,663,026
Environmental Quality	60,280	19,837	80,117
Water Quality	121,953	18,771	140,724
Homeland Security	49,926	16,703	66,629
Criminal Justice	134,446	15,887	150,333
Other	369,393	86,760	456,153
Total Governmental Activities	<u>8,509,284</u>	<u>(32,636)</u>	<u>8,476,648</u>
Business-Type Activities:			
Contract Services	<u>101,355</u>	<u>32,636</u>	<u>133,991</u>
Total Business-Type Activities	<u>101,355</u>	<u>32,636</u>	<u>133,991</u>
Total Primary Government	<u>\$ 8,610,639</u>	<u>\$ -</u>	<u>\$ 8,610,639</u>

General revenues:
Investment Earnings
Total General Revenues
Change in Net Position
Net Position - Beginning
Net Position - Ending

The accompanying notes are an integral part of this statement.

Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 166,959	\$ -	\$ -	\$ 28,830	\$ -	\$ 28,830
-	665,534	268,698	152,695	-	152,695
-	6,691,600	-	28,574	-	28,574
-	81,441	-	1,324	-	1,324
60,604	82,475	-	2,355	-	2,355
-	68,575	-	1,946	-	1,946
-	151,213	-	880	-	880
197,756	290,316	-	31,919	-	31,919
425,319	8,031,154	268,698	248,523	-	248,523
136,290	-	-	-	2,299	2,299
136,290	-	-	-	2,299	2,299
\$ 561,609	\$ 8,031,154	\$ 268,698	\$ 248,523	\$ 2,299	\$ 250,822
			\$ 2,977	\$ -	\$ 2,977
			2,977	-	2,977
			251,500	2,299	253,799
			680,934	256,020	936,954
			\$ 932,434	\$ 258,319	\$ 1,190,753

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

RIO GRANDE COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Health and Human Services Commission	Commission on State Emergency Communications	Other Funds	Total Governmental Funds
ASSETS					
Cash	\$ 69,913	\$ 196	\$ 15,738	\$ 10,486	\$ 96,333
Receivables	2,477	-	-	-	2,477
Intergovernmental Receivables	-	1,684,739	324,627	91,634	2,101,000
Due from Other Funds	967,903	-	-	356,844	1,324,747
Prepaid Items	2,383	-	40	-	2,423
Total Assets	<u>1,042,676</u>	<u>1,684,935</u>	<u>340,405</u>	<u>458,964</u>	<u>3,526,980</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	60,359	1,012,917	19,554	102,205	1,195,035
Salaries and Benefits Payable	32,829	33,595	8,821	9,537	84,782
Due to Other Funds	617,931	638,423	312,030	17,450	1,585,834
Unearned Revenue	-	-	-	74,934	74,934
Total Liabilities	<u>711,119</u>	<u>1,684,935</u>	<u>340,405</u>	<u>204,126</u>	<u>2,940,585</u>
Fund Balances:					
Nonspendable Fund Balance					
Prepaid Items	2,383	-	-	-	2,383
Restricted Fund Balance:					
Other Restricted	-	-	-	254,838	254,838
Unassigned Fund Balance	329,174	-	-	-	329,174
Total Fund Balances	<u>331,557</u>	<u>-</u>	<u>-</u>	<u>254,838</u>	<u>586,395</u>
Total Liabilities and Fund Balances	<u>\$ 1,042,676</u>	<u>\$ 1,684,935</u>	<u>\$ 340,405</u>	<u>\$ 458,964</u>	<u>\$ 3,526,980</u>

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds	\$	586,395
The Council uses an internal service fund to charge printing costs to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		29,742
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 \$1,621,757 and the accumulated depreciation was \$1,341,659. 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 liabilities in the governmental activities is to increase net position.		188,448
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements and dispositions should be shown as decreases in capital assets in the government-wide statements. The net effect of including the 2020 capital outlays increases net position.		268,698
Included in the items related to debt is the recognition of the Council's net pension liability required by GASB 68 in the amount of \$170,465, a Deferred Outflow of Resources related to TCDRS of \$215,015, and Deferred Inflow of Resources Related to TCDRS of \$119,877. This amounted to a decrease in net position in the amount of \$75,327.		(75,327)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(96,134)
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 increase net position.		30,612
Net Position of Governmental Activities	\$	<u>932,434</u>

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Health and Human Services Commission	Commission on State Emergency Communications	Other Funds	Total Governmental Funds
REVENUES:					
Membership Dues	\$ 166,959	\$ -	\$ -	\$ -	\$ 166,959
Intergovernmental Revenue and Grants	-	5,919,857	934,232	649,020	7,503,109
Charges for Services	-	-	-	258,360	258,360
Investment Earnings	2,977	-	-	-	2,977
Program Income & Inkind	-	771,743	-	25,000	796,743
Total Revenues	<u>169,936</u>	<u>6,691,600</u>	<u>934,232</u>	<u>932,380</u>	<u>8,728,148</u>
EXPENDITURES:					
Current:					
General Government	134,526	-	-	-	134,526
Emergency Communication	-	-	665,534	-	665,534
Health and Welfare:					
Aging	-	6,691,600	-	-	6,691,600
Environmental Quality	-	-	-	81,441	81,441
Water Quality	-	-	-	141,542	141,542
Homeland Security	-	-	-	68,575	68,575
Criminal Justice	-	-	-	151,213	151,213
Other	-	-	-	469,516	469,516
Capital Outlay	-	-	268,698	-	268,698
Total Expenditures	<u>134,526</u>	<u>6,691,600</u>	<u>934,232</u>	<u>912,287</u>	<u>8,672,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>35,410</u>	<u>-</u>	<u>-</u>	<u>20,093</u>	<u>55,503</u>
Net Change in Fund Balances	35,410	-	-	20,093	55,503
Fund Balance - October 1 (Beginning)	<u>296,147</u>	<u>-</u>	<u>-</u>	<u>234,745</u>	<u>530,892</u>
Fund Balance - September 30 (Ending)	<u>\$ 331,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,838</u>	<u>\$ 586,395</u>

The accompanying notes are an integral part of this statement.

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, 2020

Total Net Change in Fund Balances - Governmental Funds	\$	55,503
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements and dispositions should be shown as decreases in capital assets in the government-wide statements. The net effect of including the 2020 capital outlays increases net position.		268,698
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 position.		(96,134)
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 position.		(40,707)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/2019 caused the change in the ending net position to increase in the amount of \$166,166. Contributions made before the measurement date but during the FY 2020 were also de-expended and recorded as a reduction in the net pension liability for the Council. This also caused an increase in the change in net position in the amount of \$44,855. The Council recorded its pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY 2020 were \$146,881. The impact of all of these is to increase the change in net position by \$64,140.		64,140
Change in Net Position of Governmental Activities	\$	251,500

The accompanying notes are an integral part of this statement.

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PROPRIETARY FUND FINANCIAL STATEMENTS

RIO GRANDE COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Contract Services	Nonmajor Enterprise Fund - EXPO	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current Assets:				
Accounts Receivable	\$ 31,867	\$ -	\$ 31,867	\$ -
Prepaid Items	-	2,350	2,350	-
Noncurrent Assets:				
Due From Other Funds	172,202	57,807	230,009	31,078
Total Assets	204,069	60,157	264,226	31,078
LIABILITIES				
Current Liabilities:				
Accounts Payable	3,968	-	3,968	1,336
Salaries and Benefits Payable	1,939	-	1,939	-
Total Liabilities	5,907	-	5,907	1,336
NET POSITION				
Unrestricted Net Position	198,162	60,157	258,319	29,742
Total Net Position	\$ 198,162	\$ 60,157	\$ 258,319	\$ 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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business Type Activities			Governmental Activities
	Major Enterprise Fund Contract Services	Nonmajor Enterprise Fund EXPO	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:				
Charges for Copier Use	\$ -	\$ -	\$ -	\$ 10,943
Contract Service Fees	136,290	-	136,290	-
Event Fees	-	-	-	-
Total Operating Revenues	<u>136,290</u>	<u>-</u>	<u>136,290</u>	<u>10,943</u>
OPERATING EXPENSES:				
Salaries and Benefits	58,336	-	58,336	-
Purchased Property Services	-	-	-	10,943
Other Operating Expenses	70,358	-	70,358	-
Supplies	5,297	-	5,297	-
Total Operating Expenses	<u>133,991</u>	<u>-</u>	<u>133,991</u>	<u>10,943</u>
Operating Income	2,299	-	2,299	-
Total Net Position - October 1 (Beginning)	195,863	60,157	256,020	29,742
Total Net Position - September 30 (Ending)	<u>\$ 198,162</u>	<u>\$ 60,157</u>	<u>\$ 258,319</u>	<u>\$ 29,742</u>

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, 2020

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Contract Services	Nonmajor Enterprise Fund -EXPO	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 131,982	\$ 216	\$ 132,198	\$ 10,801
Cash Payments to Employees for Services	(58,793)	(216)	(59,009)	-
Cash Payments for Suppliers	(73,189)	-	(73,189)	(10,801)
Net Cash Provided by Operating Activities	-	-	-	-
Net Increase in Cash	-	-	-	-
Cash at Beginning of the Year:	-	-	-	-
Cash at End of the Year:	\$ -	\$ -	\$ -	\$ -
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income:	\$ 2,299	\$ -	\$ 2,299	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	28,164.00	3,775.00	31,939.00	-
Decrease (increase) in Prepaid Items	-	(2,350.00)	(2,350.00)	-
Decrease (increase) in Due from Other Funds	(32,472.00)	(1,209.00)	(33,681.00)	(142.00)
Increase (decrease) in Accounts Payable	2,466.00	-	2,466.00	142.00
Increase (decrease) in Accrued Payroll	(457.00)	(216.00)	(673.00)	-
Net Cash Provided by Operating Activities	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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) of Vernon's (Texas) Annotated Revised Civil Statutes (subsequently revised to Chapter 391 of the Texas Local Government Code.) 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 votes and appoints the Executive Board Officers and certain Directors. In FY 2020, the Executive Board was comprised of eighteen (18) members and one (1) vacant seat. The Executive Board is the policy making and oversight body for the Council. The Council's financial statements include the accounts of all Council operations.

In evaluating how to define the Council for financial reporting purposes, management has considered all potential component units. The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GAAP. The most primary standard for including or excluding a potential component unit is whether it is financially dependent on the reporting entity. The fiscal dependency criterion also required that a financial benefit or burden relationship be present in order for a potential component unit to be included in the financial reporting entity. Other manifestations of the ability to exercise oversight responsibility include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations and accountability for fiscal matters. The second standard used to evaluate potential component units is the scope of public services. Application of this standard entails considering whether the activity benefits the Council, or whether the activity is conducted within the geographic boundaries of the Council and is generally available to its citizens. The third standard involved in evaluating whether potential component units are included or excluded from the reporting entity is the existence of special financing relationships, regardless of whether the Council is able to exercise oversight responsibilities. Based upon the application of these criteria, the Council has no component units.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Council. 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 Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time. For pensions, this outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of various other actuarial assumptions and differences due to actual results. The deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For pensions, these deferred inflows result primarily from differences between projected actuarial assumptions and actual results as well as changes in the actuarial assumptions. These amounts will be amortized over a systematic and rational method over a closed period.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fiduciary net position of the Texas County and District Retirement Systems (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The statement of activities demonstrates how other people or entities that participate in programs the Council operates have shared in the payment of the direct costs through program revenues. A function is an assembly of similar activities and may include portions of a fund or more than one fund to capture the expenses and program revenues associated with a distinct functional activity. 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 or services 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. These revenues are subject to externally imposed restrictions to these programs. Other items not included among program revenue are reported 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 Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position 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 Net Position.

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 non-operating 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 non-operating. 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 non-operating.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflow of resources, and fund balances are included in the balance sheet. Operating statements of these funds present net increase and decreases in current assets (i.e. revenues and other financing resources and expenditures and other financing uses.)

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Council to refund all or part of the unused amount. 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 Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Within this measurement focus, assets, deferred, outflow of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into investment in capital assets net of related debt, restricted, and unrestricted.

Internal Service Fund revenue is recognized as expenditures are incurred and allocated to the various funds.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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.

Health and Human Services Commission Fund (Special Revenue fund) - The *HHSC Fund* is used to account for federal and state grants awarded to the Council by the Texas Health and Human Services Commission, related program income, and in-kind matching contributions.

Commission on State Emergency Communication Fund (Special Revenue fund) - The *CSEC Fund* is used to account for all state grants awarded to the Council by the Commission on State Emergency Communication.

The Council reports the following major proprietary fund:

Enterprise Fund - Contract Services – The *Enterprise – Contract Services Fund* is used to account for vendor services provided to other governments under contract or interlocal agreements.

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 or contributor. 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 – These funds are used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a Debt Service Fund. The Council has no Debt Service Funds.

Capital Projects Funds – These funds are used to account for proceeds from long-term debt financing to be used to construct, renovate, acquire and equip buildings of the Council and pay any associated costs. The Council has no Capital Projects Funds.

Permanent Funds – Account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes of supporting the Council's programs. The Council has no Permanent Funds.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Since internal service funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the Council as a whole.

FIDUCIARY FUNDS:

Private Purpose Trust Funds – These funds are used to account for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the Council. The Council has no Private Purpose Trust Funds.

Pension (and Other Employee Benefit) Trust Funds – These funds are used to account for local pension and other employee benefit funds that are provided by the Council in lieu of or in addition to the Texas County and District Retirement System. The Council has no Pension Trust Funds.

Investment Trust Funds – This fund is one in which the Council holds assets in trust for other entities participating in an investment program managed by the Council. The Council has no Investment Trust Funds.

Agency Funds – These funds account for resources held for others in a custodial capacity in agency funds. Assets equal liabilities, and this fund does not include measurements or results of operations. The Council has no Agency Funds.

E. Other Accounting Policies

Cash

The Council's cash consists 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.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Council 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. However, because the Council did not have any investments during the year or at September 30, 2020, the requirement is not applicable for the fiscal year ended September 30, 2020.

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.

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.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020. 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 Position.

Capital Assets

Capital assets, which include furniture and fixtures, equipment, 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 acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

Unearned Revenue

Unearned revenue represents amounts received from grantors in excess of expenditures for programs in progress.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restricted Net Position

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

Restricted Fund Balance

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.

Net Position

Net Position on the Statement of Net Position includes the following:

Investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted - Other – this component of net position consists of restricted assets reduced by liabilities related to those assets, which are restricted by El Paso County, Texas, Far West Texas Water Planning Group and Commission on State Emergency Communications.

Unrestricted net position – this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of investment in capital assets or the restricted component of net position.

Fund Balance

The Council categorizes 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 prepaids) or are required to be maintained intact (principle of an endowment fund, for example).
- **Restricted Fund Balance** – Amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or (c) enabling legislation. Restrictions may be changed or lifted only with consent of the resource providers.
- **Committed Fund Balance** – Amounts that are restricted for purposes which the Board of Directors, the Council’s highest level of decision-making authority has designated their use. These amounts are committed through a formal resolution, requiring funds to be used only for specific purposes. Commitments may only be imposed, changed, or lifted by the Board of Directors thru adoption of a resolution.
- **Assigned Fund Balance** – Amounts the Council 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 thru 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. Positive amounts are reported only in the general fund.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Order of Use of Fund Balances

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the Council considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Council considers amounts to have been spent first out of committed amounts, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes of which amounts in any of those unrestricted fund balance classifications could be used, unless the Board of Directors have provided otherwise in its commitment or assignment actions.

Revenue

Amounts reported as program revenue include 1) charges to customers or applicants for goods or services 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 membership dues, intergovernmental revenue and grants, charges for services, and program income and other revenue as discussed below:

- a. **Membership 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.

- b. **Intergovernmental Revenue and Grants** - Federal and State 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. State grant revenue for the Council includes receipt of 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.
- c. **Charges for Services** – Charges for services are recognized in the period in which they are earned.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. **Program Income and Inkind**

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.

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. Such services are recorded in the accompanying financial statements at their estimated fair value at date of receipt.

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 of Management and Budget (OMB). 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.

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.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

Rio Grande Council of Governments is a member of the Texas Municipal League Intergovernmental Risk Pool (Pool). The Pool was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Pool was created for the purpose of providing coverage against risks, which are inherent in operating a political subdivision. The RGCOG pays annual contributions to the Pool for liability, property, and workers' compensation coverages and all billed contributions have been paid. The RGCOG's agreement with the Pool provides that the Pool will be self-sustaining through member contributions and will provide reinsurance contracts through commercial companies. The Pool agrees to handle all eligible health, liability, property, and workers' compensation claims and provide any defense as necessary. The Pool makes available to the RGCOG loss control services to assist the RGCOG in following a plan of loss control that may result in reduced losses. The RGCOG agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool.

For the liability due to health claims and unpaid health claims, Rio Grande COG has transferred that risk and liability to TML Health Benefits and therefore is not required to do a separate filing or reporting in accordance with GASB. The COG has accomplished this transfer of risk by its active membership in the Pool and by paying the normal monthly contributions.

The Pool engages the services of an independent actuary to assist in developing loss reserve amounts and in setting rates. The Pool also engages the services of an independent auditor to conduct a financial audit after the close of each year on September 30. The audit is accepted by the Pool's Board of Trustees in January of the following year. The Pool's audited financial statements as of September 30, 2020, are available on the Texas Municipal League Intergovernmental Risk Pool's website.

Commitments and Contingencies

The Council participates in numerous state and federal grant programs that are subject to audit by various federal and/or state audit agencies. These programs have complex compliance requirements, and should state or federal auditors discover areas of material noncompliance, those Council funds may be subject to refund if so determined by administrative audit review. In the opinion of administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Newly Adopted Accounting Pronouncement

The Council implemented GASB Statement No. 95 Postponement of the Effective Dates of Certain Authoritative Guidance, which provides temporary relief to governments and other stakeholders in light of the COVID 19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the governmental-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, the Council's net pension liability is not due and payable in the current period and is not reported as a liability in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balance and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays are expenditures in the fund financial statements but should be shown as increases in capital assets and in the government-wide statements. This adjustment affects both the net position balance and the change in net position.

Another element of reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of reclassifying other resources, other uses and various other items. In addition, certain pension expenditures were de-expended and the Council recorded the pension expense of the plan.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

At September 30, 2020, the carrying amount of the Council’s general fund and major and nonmajor governmental funds’ deposits (cash and interest-bearing savings accounts) was \$96,333 and the total bank balance was \$422,609. Applicable FDIC insurance up to the current limit of \$250,000 per official custodian and the required collateral was \$0 at September 30, 2020. The Council’s cash deposits at September 30, 2020 were entirely covered by FDIC insurance.

B. Receivables

Intergovernmental Receivables – Governmental Funds

Intergovernmental Receivables consisted of the following at September 30, 2020:

Culberson County	\$	123
Texas Commission on Environmental Quality		7,215
Texas Commission on State Emergency Communication		324,627
Texas Health and Human Services Commission		1,684,739
Texas Office of the Governor- Criminal Justice Division		23,615
Texas Water Development Board		29,468
Texas Workforce Commission		10,000
U.S. Department of Commerce		7,454
U.S. Department of Homeland Security		13,759
		13,759
Total Intergovernmental Receivable	\$	2,101,000

Receivable – Governmental Funds

Accounts Receivables consisted of the following at September 30, 2020:

General Fund – Dell City	\$	2,477
		2,477
Total Accounts Receivable	\$	2,477

Receivable – Enterprise Funds

Accounts Receivable consisted of the following at September 30, 2020:

Texas Office of the Governor - Criminal Justice Division	\$	12,997
Texas Office of the Governor – HSGD M&A		11,234
Texas Department of Agriculture		7,636
		7,636
Total Accounts Receivable	\$	31,867

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Transfers

The composition of interfund balances as of September 30, 2020 was as follows:

	Due from Other Funds	Due to Other Funds
General Fund:		
Texas Health and Human Services Commission	\$ 638,423	\$ -
Commission on State Emergency Communication	312,030	-
Enterprise Fund – Contract Services	-	172,202
Nonmajor Governmental Funds	17,450	356,844
Nonmajor Enterprise Fund	-	57,807
Internal Service Fund	-	31,078
Total General Fund	967,903	617,931
 Texas Health and Human Services Commission:		
General Fund	-	638,423
 Commission on State Emergency Communication:		
General Fund	-	312,030
 Enterprise Fund – Contract Services:		
General Fund	172,202	-
 Nonmajor Governmental Funds:		
General Fund	356,844	17,450
 Nonmajor Enterprise Fund:		
General Fund	57,807	-
 Internal Service Fund:		
General Fund	31,078	-
Total	\$ 1,585,834	\$ 1,585,834

Interfund balances resulted from loans between funds to establish working capital for various funds and are cleared out periodically. Management intends to pay out these balances within one year except as noted below.

Accumulated interfund receivable balances in the Enterprise Funds and the Internal Service Fund in the amounts of \$230,009 and \$31,078 respectively, due from the General fund are not expected to be repaid within one year, since the enterprise funds do not maintain separate bank accounts. Therefore, these interfund balances are reported as noncurrent assets in the Statement of Net Position for the proprietary funds and at the government-wide level.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Primary government capital asset activity for the year ended September 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Depreciable assets:				
Furniture and fixtures	\$ 161,814	\$ -	\$ 2,500	\$ 159,314
Equipment	1,459,943	268,698	29,769	1,698,871
Total depreciable assets	1,621,757	268,698	32,269	1,858,185
Less accumulated depreciation:				
Furniture and fixtures	61,980	14,583	2,500	74,064
Equipment	1,279,679	81,551	29,769	1,331,461
Total accumulated depreciation	1,341,659	96,134	32,269	1,405,525
Total governmental activities capital assets, net	\$ 280,098	\$ 172,564	\$ -	\$ 452,660

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

Governmental activities:

General Government	\$ 1,888
Emergency Communications	93,616
Aging	374
Environmental Quality	34
Water Quality	13
Homeland Security	91
Criminal Justice	39
Other	79
Total depreciation expense	\$ 96,134

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Unearned Revenue

Unearned Revenue at September 30, 2020, resulting from program funds received in advance, was reported in the Special Revenue Funds as follows:

Texas Commission on Environmental Quality	\$ 70,480
U.S. Department of Commerce	4,454
Total Unearned Revenue	\$ 74,934

F. Commitments under Leases

Office and Storage Lease

The Council maintains a lease agreement for its 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. During fiscal year 2013, the lease agreement was amended retrospectively in order to reflect actual square feet which resulted in the reduction of the lease base amount. The amended base lease amount of \$12,426 per month increased to \$13,347 starting October 1, 2017. Future minimum lease payments for fiscal years ending September 30 are as follows:

2021	\$	160,162
2022		160,162
2023		26,695
	\$	347,019

Rent expense for fiscal year ended September 30, 2020 was \$160,162.

Additionally, the Council maintains a lease agreement for a storage room on its office premises. The thirty-six (36) months and eighteen (18) days lease agreement commenced September 13, 2012 and ended on September 30, 2015. During fiscal year 2013, the lease agreement was amended retrospectively in order to reflect actual square feet which resulted in the increase of the base lease amount. The amended base lease amount is \$215 per month. The lease agreement was amended to reflect a new ending term date of August 15, 2022 at a lease amount of \$215 per month. Future minimum lease payments for fiscal years ending September 30 are as follows:

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

2021	\$ 2,579
2022	<u>2,257</u>
	<u>\$ 4,836</u>

Storage rent expense for fiscal year ended September 30, 2020 was \$2,579.

Equipment Operating Leases

The Council maintained an operating lease for a copier. The sixty (60) months lease will expire in May 2021. Future minimum lease payments for fiscal years ending September 30 are as follows:

2021	\$ 2,243
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The copier operating lease rent expense for fiscal year ended September 30, 2020 was \$3,844.

Additionally, the Council maintains an operating lease for a postage meter. The lease agreement was renewed in June 2019 for forty-eight (48) months at a lease amount of \$163 per month. The future minimum lease payments for fiscal year ending September 30 are as follows:

2021	\$ 1,951
2022	1,951
2023	<u>1,301</u>
	<u>\$ 5,203</u>

Postage meter operating lease expense for fiscal year ended September 30, 2020 was \$1,951.

G. Pension Plan

The Rio Grande Council of Governments contributed to only one pension plan in fiscal year 2020. This pension plan is a defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS).

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

TCDRS Defined Benefit Pension Plan

Plan Description: The Council provides a pension benefit for all of its full-time and part-time non-temporary (regardless of the number of hours they work in a year) employees through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Employees in a temporary position are not eligible for membership. TCDRS is an agency created by the State of Texas and administered in accordance with the TCDRS Act, Title 8, Subtitle F, Texas Government Code (the TCDRS Act). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multiple-employer public retirement system consisting of 798 employers. 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/EmployerServices/Pages/Publications.aspx>

Benefits Provided: TCDRS provides retirement, disability, and survivor benefits. The plan provisions are adopted by the governing body of the Rio Grande Council of Governments. They may be amended as of January 1 each year, but must remain in conformity and within the options available in the Texas state statutes governing TCDRS (TCDRS Act). 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. By law, the employee accounts earn 7% interest on beginning of year balances annually. At retirement, disability, or death, the account is matched at an employer set percentage (current match is 250%) and is then converted to an annuity.

The employees covered by the benefit terms at the December 31, 2019 valuation and measurement date were as follows:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>32</u>
Total covered employees	<u>60</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

Members can retire at age sixty (60) and above with ten (10) or more years of service, 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. There are no automatic post-employment benefit changes, including automatic COLA's. Each year, the Council may elect an ad hoc COLA for its retirees.

Contributions: The contribution rates for employees are either 4%, 5%, 6%, or 7% of compensation, as adopted by the Council's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. The actuarially determined rate reflects the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Under the TCDRS Act, the employer is legally required to make 100% of the contribution specified in the funding policy on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre fund benefits enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members was seven percent (7%) for both calendar years 2019 and 2020, as adopted by the governing body of the Council. The Council contributed using an elected rate of thirteen percent (13%) for calendar year 2019 and thirteen and a quarter percent (13.25%) for calendar year 2020, as adopted by the governing body of the Council. The employer rate adopted for each year exceeds the actuarially determined rate for each respective year. The employee contribution rate and the employer contribution rate may be amended by the governing body of the employer within the options available under the TCDRS Act. The Council's contributions to TCDRS for the year ended September 30, 2020 were \$211,020 and were greater than the required contributions. During fiscal year 2020, the Council contributed an additional amount of \$6,304 to the plan as an employer contribution, which is included in the \$211,020.

Net Pension Liability: The Council's Net Pension Liability (NPL) was measured as of December 31, 2019 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

Actuarial Assumptions: All actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016, except where required to be different by GASB 68. The total pension liability in the December 31, 2019 actuarial valuation was determined using the actuarial assumptions for inflation of 2.75% and investment rate of return of 8.00%. The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. Other assumptions include employer specific economic assumptions related to growth in membership and payroll growth of 0% each. The payroll growth assumption is for the aggregate covered payroll of the employer. The source of the mortality assumptions is as follows:

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were also no changes to benefit terms that affected measurement of the total pension liability during the measurement period.

Long-Term Expected Rate of Return: The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2017. See TCDRS website for Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities – Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities – Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

(1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate: The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and was applied to all periods of projected benefit payments to determine the total pension liability.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Net Pension Liability / (Asset)	Changes in Net Pension Liability / (Asset)		
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2018	\$2,578,298	\$2,227,071	\$351,227
Changes for the year:			
Service cost	233,111	-	233,111
Interest on total pension liability ⁽¹⁾	225,446	-	225,446
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	30,925	-	30,925
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(13,350)	(13,350)	-
Benefit payments	(44,013)	(44,013)	-
Administrative expenses	-	(2,164)	2,164
Member contributions	-	104,398	(104,398)
Net investment income	-	365,485	(365,485)
Employer contributions	-	193,881	(193,881)
Other ⁽³⁾	-	8,644	(8,644)
	<hr/>	<hr/>	<hr/>
Balances as of December 31, 2019	\$3,010,417	\$2,839,952	\$170,465

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis: The following presents the net pension liability of the Rio Grande Council of Governments, calculated using the discount rate of 8.10%, as well as what the Council's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	Current		
	1% Decrease 7.10%	Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$3,466,948	\$3,010,417	\$2,630,496
Fiduciary net position	2,839,952	2,839,952	2,839,952
	<hr/>	<hr/>	<hr/>
Net pension liability / (asset)	\$626,996	\$170,465	(\$209,456)

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TCDRS financial report as mentioned above in the Plan Description section.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended September 30, 2020, the Council recognized pension expense in the amount of \$146,881. At year end, the Council also reported the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,963	\$ 72,814
Changes of assumptions	11,886	-
Net difference between projected and actual earnings	-	47,063
Contributions made subsequent to the measurement date	166,166	-
Total	\$ 215,015	\$ 119,877

The \$166,166 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Amount
2021	\$(41,389)
2022	(13,671)
2023	12,899
2024	(28,867)
2025	-0-
Thereafter	-0-

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

Payable to the Pension Plan: At September 30, 2020, the Council reported a payable of \$31,300 (including accruals) for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2020.

Changes in Net Pension Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 351,227	\$ 188,387	\$ (369,149)	\$ 170,465

H. ICMA 457 Deferred Compensation Plan

The Council also has ICMA administer its 457 deferred compensation plan (the Plan). At September 30, 2020, there were twenty-four (24) 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. An employee may stop and restart contributions at any time. Additionally, since management does not have control over the funds nor can they access the funds, management considers the Council does not have a fiduciary accountability for the plan and does not hold these assets in a trustee capacity. As such, the plan assets are not included in a trust fund for the Council. Total Plan assets at September 30, 2020 were \$1,853,825.

I. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Other liabilities					
Compensated absences	\$ 91,650	\$ 93,351	\$ 73,095	\$ 111,906	\$ 66,352
Total Other Liabilities	\$ 91,650	\$ 93,351	\$ 73,095	\$ 111,906	\$ 66,352

The amount due within one year is reported in salaries and benefits payable in the Statement of Net Position. Compensated absences are generally liquidated by the program fund to which the employee is assigned.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Balance

As of September 30, 2020, fund balances were composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid Items	\$ 2,383	\$ -	\$ 2,383
Restricted:			
Dispute Resolution	-	206,993	206,993
Water Planning	-	47,845	47,845
Unassigned	329,174	-	329,174
Total Fund Balances	\$ 331,557	\$ 254,838	\$ 586,395

K. 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 2019-2020 fiscal year.

L. Economic Dependency

During the year ended September 30, 2020, the Council earned revenue of \$5,919,857 from the Texas Health & Human Services Commission in the form of Federal and State grants. In addition, related program income and in-kind services amounted to \$771,743. The combined amount of \$6,691,600 constitutes approximately 75% of total revenue.

RIO GRANDE COUNCIL OF GOVERNMENTS
NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

III. DETAILED NOTES ON ALL FUNDS (Continued)

M. Subsequent Events

Beginning March 2020, the COVID-19 virus was declared a global pandemic. It is ongoing through the date of when the financial statements were available to be issued. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Subsequent events were evaluated through February 5, 2021, which is the date the financial statements were available to be issued.

N. New Accounting Pronouncements

The Council has not completed the process of evaluating the impact of its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 84, Fiduciary Activities, effective for fiscal years beginning after December 15, 2019. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, Leases, effective for fiscal years beginning after June 15, 2021. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.
- GASB No. 89, Accounting for Interest Cost incurred before the End of a Construction Period, effective for periods beginning after December 15, 2020. GASB No. 89 requires that interest costs incurred during a construction period be recognized as an expense for business-type activity.
- GASB No. 90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61, effective for periods beginning after December 15, 2019. GASB No. 90 amends the method of reporting majority equity interest.
- GASB No. 91, Conduit Debt Obligations, effective for periods beginning after December 15, 2021. GASB No. 91 requires issuers to disclose information about their conduit debt obligations.

REQUIRED SUPPLEMENTARY INFORMATION

RIO GRANDE COUNCIL OF GOVERNMENTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Membership Dues	\$ 169,734	\$ 166,959	\$ 166,959	\$ -
Investment Earnings	3,050	3,050	2,977	(73)
Miscellaneous Income	-	-	-	-
Total Revenues	<u>172,784</u>	<u>170,009</u>	<u>169,936</u>	<u>(73)</u>
EXPENDITURES:				
Current:				
General Government	<u>172,048</u>	<u>141,860</u>	<u>134,526</u>	<u>7,334</u>
Total Expenditures	<u>172,048</u>	<u>141,860</u>	<u>134,526</u>	<u>7,334</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>736</u>	<u>28,149</u>	<u>35,410</u>	<u>7,261</u>
Net Change in Fund Balance	736	28,149	35,410	7,261
Fund Balance - October 1 (Beginning)	<u>296,147</u>	<u>296,147</u>	<u>296,147</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 296,883</u>	<u>\$ 324,296</u>	<u>\$ 331,557</u>	<u>\$ 7,261</u>

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Budgeting and Budgetary Control

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.

The Council performs budget reviews during the year in which budget requirements are re-evaluated and revisions are recommended to the Board. The Board must approve amendments to budget at the fund and function expenditure category or by revenue category. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Only two amendments were necessary during the year.

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.

Expenditures may not legally exceed budgeted appropriations, as amended. Unexpended appropriations lapse at year-end.

Budgetary Basis of Accounting

The Council's budget is prepared on a modified accrual basis of accounting.

Excess Expenditures Over Appropriations

During the fiscal year ended September 30, 2020, the Council did not have any expenditures over appropriations on all required legally adopted budgets.

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Year Ended December 2019 (measurement year)	Year Ended December 2018 (measurement year)	Year Ended December 2017 (measurement year)
Pension Liability			
Service cost	\$ 233,111	\$ 222,126	\$ 238,149
Interest on total pension liability	225,446	195,435	163,927
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	-	18,475
Effect of economic/demographic (gains) or losses	30,925	226	30,218
Refunds of contributions	(13,350)	(27,228)	(11,766)
Benefit payments	(44,013)	(31,913)	(21,112)
Net change in total pension liability	432,119	358,646	417,891
Total pension liability, beginning	2,578,298	2,219,652	1,801,761
Total pension liability, ending (a)	\$ 3,010,417	\$ 2,578,298	\$ 2,219,652
Fiduciary Net Position			
Employer contributions	\$ 193,881	\$ 188,987	\$ 231,235
Member contributions	104,398	101,703	108,289
Investment income net of investment expenses	365,485	(35,146)	222,871
Refunds of contributions	(13,350)	(27,228)	(11,767)
Benefit payments	(44,013)	(31,913)	(21,112)
Administrative expenses	(2,164)	(1,789)	(1,347)
Other	8,644	7,102	4,097
Net change in fiduciary net position	612,881	201,717	532,266
Fiduciary net position, beginning	2,227,071	2,025,354	1,493,088
Fiduciary net position, ending (b)	\$ 2,839,952	\$ 2,227,071	\$ 2,025,354
Net pension liability / (asset), ending = (a) - (b)	\$ 170,465	\$ 351,227	\$ 194,297
Fiduciary net position as a % of total pension Liability	94.34%	86.38%	91.25%
Covered payroll	\$ 1,491,394	\$ 1,452,901	\$ 1,546,985
Net pension liability as a % of covered payroll	11.43%	24.17%	12.56%

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Year Ended December 2016 (measurement year)	Year Ended December 2015 (measurement year)	Year Ended December 2014 (measurement year)
Pension Liability			
Service cost	\$ 257,421	\$ 161,769	\$ 157,527
Interest on total pension liability	133,924	123,881	97,530
Effect of plan changes	-	11,740	-
Effect of assumption changes or inputs	-	26,972	-
Effect of economic/demographic (gains) or losses	(110,272)	(216,342)	58,030
Refunds of contributions	(7,054)	(6,774)	(4,756)
Benefit payments	(5,673)	(4,433)	(1,783)
Net change in total pension liability	268,346	96,813	306,548
Total pension liability, beginning	1,533,415	1,436,602	1,130,055
Total pension liability, ending (a)	\$ 1,801,761	\$ 1,533,415	\$ 1,436,602
Fiduciary Net Position			
Employer contributions	\$ 208,009	\$ 178,464	\$ 153,562
Member contributions	112,005	97,335	83,761
Investment income net of investment expenses	81,507	(26,164)	38,960
Refunds of contributions	(7,054)	(6,774)	(4,756)
Benefit payments	(5,673)	(4,433)	(1,783)
Administrative expenses	(887)	(706)	(552)
Other	23,262	896	(59)
Net change in fiduciary net position	411,169	238,619	269,132
Fiduciary net position, beginning	1,081,919	843,300	574,168
Fiduciary net position, ending (b)	\$ 1,493,088	\$ 1,081,919	\$ 843,300
Net pension liability / (asset), ending = (a) - (b)	\$ 308,673	\$ 451,496	\$ 593,303
Fiduciary net position as a % of total pension Liability	82.87%	70.56%	58.70%
Covered payroll	\$ 1,600,069	\$ 1,622,258	\$ 1,396,013
Net pension liability as a % of covered payroll	19.29%	27.83%	42.50%

Note: In accordance with GASB 68, paragraph 138, this schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF COUNCIL CONTRIBUTIONS

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	159,199	172,323	(13,124)	1,566,572	11%
2016	166,671	206,524	(39,853)	1,655,255	12%
2017	187,017	205,042	(18,025)	1,577,249	13%
2018	210,970	219,775	(8,805)	1,690,576	13%
2019	187,508	193,542	(6,034)	1,488,784	13%
2020	199,303	211,020	(11,717)	1,551,540	13.6%

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	11.8 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of Return	8.00%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: Employer contributions reflect that the member contribution rate was increased to 7%. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2019 funding valuation, except as noted below.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Salary Increases	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Investment rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Rio Grande Council of Governments are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Turnover	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Mortality	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for funding the actuarial valuation.

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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.

Texas Governor's Office, Criminal Justice Division

Workforce Solutions Borderplex

U.S. Department of Commerce

Department of Homeland Security

Texas Water Development Board

Texas Commission on Environmental Quality

Far West Texas Water Planning Group (FWTWPG)

El Paso County Dispute Resolution Center

Paso del Norte Health Foundation

Hogg Foundation

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

	TX Ofc of the Gov - Criminal Justice Div - Justice Assist. Grant	Workforce Solutions Borderplex	U.S. Dept. of Commerce	Department of Homeland Security	TX Ofc of the Gov - Criminal Justice Div - Law Enforcement Training Initiative
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Receivables	9,395	10,000	7,454	13,759	14,220
Due from Other Funds	-	299	2,525	-	-
Total Assets	<u>9,395</u>	<u>10,299</u>	<u>9,979</u>	<u>13,759</u>	<u>14,220</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	8,375	9,128	4,538	2,120	11,858
Salaries and Benefits Payable	25	1,171	987	887	-
Due to Other Funds	995	-	-	10,752	2,362
Unearned Revenue	-	-	4,454	-	-
Total Liabilities	<u>9,395</u>	<u>10,299</u>	<u>9,979</u>	<u>13,759</u>	<u>14,220</u>
Fund Balances:					
Restricted Fund Balance:					
Other Restricted	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 9,395</u>	<u>\$ 10,299</u>	<u>\$ 9,979</u>	<u>\$ 13,759</u>	<u>\$ 14,220</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

	Texas Water Development Board	Texas Commission on Environmental Quality	Far West Texas Water Planning Group	El Paso County Dispute Resolution Center	Paso del Norte Health Foundation
ASSETS					
Cash	\$ -	\$ 10,486	\$ -	\$ -	\$ -
Intergovernmental Receivables	29,468	7,215	123	-	-
Due from Other Funds	-	55,759	49,393	213,977	3,423
Total Assets	<u>29,468</u>	<u>73,460</u>	<u>49,516</u>	<u>213,977</u>	<u>3,423</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	26,127	1,339	1,517	4,311	3,423
Salaries and Benefits Payable	-	1,641	154	2,673	-
Due to Other Funds	3,341	-	-	-	-
Unearned Revenue	-	70,480	-	-	-
Total Liabilities	<u>29,468</u>	<u>73,460</u>	<u>1,671</u>	<u>6,984</u>	<u>3,423</u>
Fund Balances:					
Restricted Fund Balance:					
Other Restricted	-	-	47,845	206,993	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>47,845</u>	<u>206,993</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 29,468</u>	<u>\$ 73,460</u>	<u>\$ 49,516</u>	<u>\$ 213,977</u>	<u>\$ 3,423</u>

RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

	Hogg Foundation	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ -	\$ 10,486	\$ 10,486
Intergovernmental Receivables	-	91,634	91,634
Due from Other Funds	<u>31,468</u>	<u>356,844</u>	<u>356,844</u>
Total Assets	<u>31,468</u>	<u>458,964</u>	<u>458,964</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	29,469	102,205	102,205
Salaries and Benefits Payable	1,999	9,537	9,537
Due to Other Funds	-	17,450	17,450
Unearned Revenue	<u>-</u>	<u>74,934</u>	<u>74,934</u>
Total Liabilities	<u>31,468</u>	<u>204,126</u>	<u>204,126</u>
Fund Balances:			
Restricted Fund Balance:			
Other Restricted	<u>-</u>	<u>254,838</u>	<u>254,838</u>
Total Fund Balances	<u>-</u>	<u>254,838</u>	<u>254,838</u>
Total Liabilities and Fund Balances	<u>\$ 31,468</u>	<u>\$ 458,964</u>	<u>\$ 458,964</u>

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RIO GRANDE COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	TX Ofc of the Gov - Criminal Justice Div - Justice Assist. Grant	Workforce Solutions Borderplex	U.S. Dept. of Commerce	Department of Homeland Security	TX Ofc of the Gov - Criminal Justice Div - Law Enforcement Training Initiative
REVENUES:					
Intergovernmental Revenue and Grants	\$ 66,054	\$ 38,998	\$ 85,408	\$ 68,575	\$ 85,159
Charges for Services	-	-	-	-	-
Investment Earnings	-	-	-	-	-
Program Income & Inkind	-	-	25,000	-	-
Total Revenues	<u>66,054</u>	<u>38,998</u>	<u>110,408</u>	<u>68,575</u>	<u>85,159</u>
EXPENDITURES:					
Current:					
Emergency Communication	-	-	-	-	-
Health and Welfare:					
Aging	-	-	-	-	-
Environmental Quality	-	-	-	-	-
Water Quality	-	-	-	-	-
Homeland Security	-	-	-	68,575	-
Criminal Justice	66,054	-	-	-	85,159
Other	-	38,998	110,408	-	-
Capital Outlay					
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>66,054</u>	<u>38,998</u>	<u>110,408</u>	<u>68,575</u>	<u>85,159</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances					
Fund Balance - October 1 (Beginning)	-	-	-	-	-
Fund Balance - September 30 (Ending)	<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, 2020

	Texas Water Development Board	Texas Commission on Environmental Quality	Far West Texas Water Planning Group	El Paso County Dispute Resolution Center	Paso del Norte Health Foundation
REVENUES:					
Intergovernmental Revenue and Grants	\$ 82,475	\$ 81,441	\$ -	\$ -	\$ 5,000
Charges for Services	-	-	60,604	197,756	-
Investment Earnings	-	-	-	-	-
Program Income & Inkind	-	-	-	-	-
Total Revenues	<u>82,475</u>	<u>81,441</u>	<u>60,604</u>	<u>197,756</u>	<u>5,000</u>
EXPENDITURES:					
Current:					
Emergency Communication	-	-	-	-	-
Health and Welfare:					
Aging	-	-	-	-	-
Environmental Quality	-	81,441	-	-	-
Water Quality	82,475	-	59,067	-	-
Homeland Security	-	-	-	-	-
Criminal Justice	-	-	-	-	-
Other	-	-	-	179,200	5,000
Capital Outlay					
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>82,475</u>	<u>81,441</u>	<u>59,067</u>	<u>179,200</u>	<u>5,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>1,537</u>	<u>18,556</u>	<u>-</u>
Net Change in Fund Balances	-	-	1,537	18,556	-
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>46,308</u>	<u>188,437</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,845</u>	<u>\$ 206,993</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, 2020

	Hogg Foundation	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:			
Intergovernmental Revenue and Grants	\$ 135,910	\$ 649,020	\$ 649,020
Charges for Services	-	258,360	258,360
Investment Earnings	-	-	-
Program Income & Inkind	-	25,000	25,000
Total Revenues	<u>135,910</u>	<u>932,380</u>	<u>932,380</u>
EXPENDITURES:			
Current:			
Emergency Communication	-	-	-
Health and Welfare:			
Aging	-	-	-
Environmental Quality	-	81,441	81,441
Water Quality	-	141,542	141,542
Homeland Security	-	68,575	68,575
Criminal Justice	-	151,213	151,213
Other	135,910	469,516	469,516
Capital Outlay	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>135,910</u>	<u>912,287</u>	<u>912,287</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>20,093</u>	<u>20,093</u>
Net Change in Fund Balances	-	20,093	20,093
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>234,745</u>	<u>234,745</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 254,838</u>	<u>\$ 254,838</u>

OTHER INFORMATION

RIO GRANDE COUNCIL OF GOVERNMENTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - HHSC
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Intergovernmental Revenue and Grants	\$ 4,388,602	\$ 5,835,313	\$ 5,919,857	\$ 84,544
Program Income & Inkind	644,274	697,535	771,743	74,208
Total Revenues	<u>5,032,876</u>	<u>6,532,848</u>	<u>6,691,600</u>	<u>158,752</u>
EXPENDITURES:				
Current:				
Health and Welfare:				
Aging	5,032,876	6,532,848	6,691,600	(158,752)
Total Expenditures	<u>5,032,876</u>	<u>6,532,848</u>	<u>6,691,600</u>	<u>(158,752)</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>

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF INDIRECT COSTS

YEAR ENDED SEPTEMBER 30, 2020

INDIRECT COST POOL		
Administrative costs	\$ 873,157	
Equipment depreciation	1,888	
Adjusted Indirect Cost Pool	<u>875,045</u>	\$ 875,045
DIRECT BASE		
Total expenditures		<u>\$ 8,817,579</u>
Less:		
Administrative costs	(873,157)	
Non-federal cost	(796,743)	
Excess cost on subgrants/subcontracts, stipends, medical services and other flow-thru funds	(4,139,429)	
Pass through capital outlay	-	
Unallowable costs	(373)	
Internal service fund	(10,943)	
Capital outlay	<u>(268,698)</u>	
		<u>(6,089,343)</u>
Adjusted Direct Base		<u>\$ 2,728,236</u>
INDIRECT COST RATE CALCULATION		
<u>Indirect cost pool</u>	<u>\$ 875,045</u>	
Direct base	2,728,236	32.07%
CALCULATION OF ROLL FORWARD AMOUNT		
FY 2020 Fixed indirect cost rate		32.20%
FY 2020 Rate base		<u>\$ 2,728,236</u>
FY 2020 Allowed recovery		878,492
FY 2022 Roll forward:		
a. FY 2020 Final indirect costs		875,045
b. Less FY 2020 recovery		<u>(878,492)</u>
Roll forward amount		<u>\$ (3,447)</u>
CALCULATION OF FIXED INDIRECT COST FOR FY 2021		
FY 2020 Fixed indirect costs		\$ 875,045
Roll forward amount		<u>(3,447)</u>
FY 2022 Fixed indirect costs		<u>871,599</u>
CALCULATION OF FY 2021 FIXED INDIRECT COST RATE		
FY 2022 Fixed indirect cost	<u>\$ 871,599</u>	
Rate base	<u>\$ 2,728,236</u>	
FY 2022 Fixed indirect cost rate		<u>31.95%</u>

*Indirect Cost Rate is preliminary and subject to review and approval by the cognizant agency.

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF FRINGE BENEFITS

YEAR ENDED SEPTEMBER 30, 2020

Benefits		
Payroll taxes		\$ 127,797
Group insurance		305,835
Retirement contribution		<u>206,796</u>
Total benefits		<u>640,608</u>
Benefits allocated		<u>\$ 640,608</u>
Employee Benefits Rate Computation		
Total benefits	\$ 640,608	
Divided by gross salaries	<u>1,597,522</u>	
		<u>40%</u>
Total Salaries and Benefits		
Gross salaries		\$ 1,597,522
Benefits		<u>640,608</u>
Total		<u><u>\$ 2,238,130</u></u>

FEDERAL AND STATE AWARD SECTION

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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rio Grande Council of Governments, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Rio Grande Council of Government's basic financial statements, and have issued our report thereon dated February 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rio Grande Council of Governments' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rio Grande Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of Rio Grande Council of Governments' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
February 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Directors
Rio Grande Council of Governments

Report on Compliance for Each Major Federal and State Program

We have audited Rio Grande Council of Governments' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Uniform Grant Management Standards* 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Rio Grande Council of Governments' major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas Uniform Grant Management Standards. Those standards, the Uniform Guidance, and the State of Texas Uniform Grant Management Standards 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Rio Grande Council of Governments' compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Rio Grande Council of Governments complied, in all material respects, with the types of 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, 2020.

Report on Internal Control Over Compliance

Management of the Rio Grande Council of Governments is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rio Grande Council of Governments' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Uniform Grant Management Standards, 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of Texas Uniform Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
February 5, 2021

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal control disclosed?

None reported

Were material weaknesses in internal control disclosed?

No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?

No

Federal and State Awards

Internal control over major federal and state award programs:

Were significant deficiencies in internal control over major programs disclosed?

None reported

Were material weaknesses in internal control over major programs disclosed?

No

Type of auditor's report issued on compliance for the major federal and state programs:

Unmodified

Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit findings paragraph (a) or the State of Texas UGMS?

No

(Continued)

RIO GRANDE COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Major Federal Programs:

Texas Health and Human Services Commission; Aging Cluster:
 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)

Major State Programs:

Texas Health and Human Services Commission - Supportive Services and Senior Centers

Commission on State Emergency Communication - 9-1-1 Program

Dollar threshold used to distinguish between Type A and Type B Federal and State Programs:

\$750,000 - Federal Programs
 \$300,000 - State Programs

Did auditee qualify as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee and the State of Texas UGMS?

Yes

(Continued)

RIO GRANDE COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FINANCIAL STATEMENT FINDINGS

There were no current year findings.

FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings or questioned costs.

RIO GRANDE COUNCIL OF GOVERNMENTS

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

RIO GRANDE COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Passthrough Grantor Grant Description	CFDA Number	Grantor's Number	Expenditures	Passthrough Expenditures
FEDERAL AWARDS				
U.S. Department of Commerce				
Direct Programs:				
EDA - Title II Section 203 Planning Assistance:				
Economic Development Support for Planning Organizations	11.302	ED19AUS3020004	77,954	-
COVID-19 - Economic Adjustment Assistance	11.307	ED20AUS3070059	7,454	-
Total Direct Programs			<u>85,408</u>	-
Total U.S. Department of Commerce			<u>85,408</u>	-
U.S. Department of Health and Human Services				
Passed through Texas Health and Human Services Commission				
Special Programs for Aging - Title III, Part B:				
Administration*	93.044	539-16-0004-00001	73,720	-
Grants for Supportive Services and Senior Centers*	93.044	539-16-0004-00001	1,483,378	-
COVID-19 - Administration*	93.044	539-16-0004-00001	8,148	-
COVID-19 - Grants for Supportive Services and Senior Centers*	93.044	539-16-0004-00001	308,407	-
Total CFDA Number 93.044			<u>1,873,653</u>	-
Special Programs for Aging - Title III, Part C:				
Administration*	93.045	539-16-0004-00001	223,458	-
Nutrition Services*	93.045	539-16-0004-00001	1,043,892	-
COVID-19 - Families First Coronavirus Response Act*	93.045	539-16-0004-00001	703,646	-
COVID-19 - Nutrition Services*	93.045	539-16-0004-00001	712,804	-
Total CFDA Number 93.045			<u>2,683,800</u>	-
NSIP - Nutrition Service Incentive Program*	93.053	539-16-0004-00001	226,362	-
Total Aging Cluster			<u>4,783,815</u>	-
Special Programs for Aging - Title III, Part D:				
Disease Prevention and Health Promotion Services	93.043	539-16-0004-00001	75,046	-
Special Programs for Aging - Title III, Part E:				
Administration	93.052	539-16-0004-00001	50,860	-
National Family Caregiver Support Program	93.052	539-16-0004-00001	537,618	-
COVID-19 - National Family Caregiver Support Program	93.052	539-16-0004-00001	93,393	-
Total CFDA Number 93.052			<u>681,871</u>	-
EAP - Title VII, Chapter 3				
Prevention of Elder Abuse, Neglect & Exploitation	93.041	539-16-0004-00001	12,351	-
OM - Title VII, Chapter 2				
Long Term Care Ombudsman Services for Older Individuals	93.042	539-16-0004-00001	23,914	-
COVID-19 - Long Term Care Ombudsman Services for Older Individuals	93.042	539-16-0004-00001	8,565	-
Total CFDA Number 93.042			<u>32,479</u>	-
HICAP - Health Insurance Counseling Advocacy Program				
HICAP - Health Insurance Counseling Advocacy Program	93.324	539-16-0004-00001	37,966	-
HICAP - Health Insurance Counseling Advocacy Program	93.324	539-16-0004-00001	28,845	-
Total CFDA Number 93.324			<u>66,811</u>	-
ACL - Medicare Improvements for Patients and Providers				
	93.071	539-16-0004-00001	22,630	-
Total Passed through Texas Health and Human Services Commission:			<u>5,675,003</u>	-
Total U.S. Department of Health and Human Services			<u>5,675,003</u>	-

See accompanying notes to the Schedule of Expenditures of Federal and State Awards.

RIO GRANDE COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Passthrough Grantor Grant Description	CFDA Number	Grantor's Number	Expenditures	Passthrough Expenditures
<u>U.S. Department of Homeland Security, Federal Emergency Management Agency</u>				
Passed through Texas Office of the Governor - Homeland Security				
Grants Division:				
FY20 State Homeland Security Grant Program	97.067	2951205	64,161	-
FY21 State Homeland Security Grant Program	97.067	2951206	4,414	-
Total Passed through Office of the Governor - Homeland Security Grants Division			<u>68,575</u>	<u>-</u>
Total U.S. Department of Homeland Security, Federal Emergency Management Agency			<u>68,575</u>	<u>-</u>
<u>U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance</u>				
Passed through Texas Office of the Governor - Criminal Justice Division				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3607902	66,054	-
Total Passed through Office of the Governor - Criminal Justice Division			<u>66,054</u>	<u>-</u>
Total U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance			<u>66,054</u>	<u>-</u>
<u>Workforce Innovation and Opportunity Act</u>				
Passed through Texas Workforce Commission				
Workforce Solutions Borderplex	17.207	N/A	38,998	-
Total Passed through Texas Workforce Commission			<u>38,998</u>	<u>-</u>
Total Workforce Innovation and Opportunity Act			<u>38,998</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>5,934,039</u>	<u>-</u>

* Clustered Program

See accompanying notes to the Schedule of Expenditures of Federal and State Awards.

RIO GRANDE COUNCIL OF GOVERNMENTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

State Grantor/Passthrough Grantor Grant Description	Grantor's Number	Expenditures	Passthrough Expenditures
STATE AWARDS			
<u>Texas Office of the Governor - Criminal Justice Division</u>			
Law Enforcement Training Initiative FY20	1428517	75,711	67,130
Law Enforcement Training Initiative FY21	1428517	9,448	7,146
Total Texas Office of the Governor - Criminal Justice Division		85,159	74,276
<u>Commission on State Emergency Communications</u>			
FY 2019/2020 9-1-1 Program	N/A	30,802	-
FY 2020/2021 9-1-1 Program	N/A	810,958	-
FY 2021/2022 9-1-1 Program	N/A	92,472	-
Total Commission on State Emergency Communication		934,232	-
<u>Texas Health and Human Services Commission</u>			
Ombudsman Assisted Living Facility Services State General Revenue	539-16-0004-00001	31,255	-
Supportive Services and Senior Centers	539-16-0004-00001	103,535	-
National Family Caregiver Support Program	539-16-0004-00001	110,066	-
Total Texas Health and Human Services Commission		244,856	-
<u>Texas Water Development Board</u>			
Regional Water Planning Grant	1548301833	82,475	82,475
Total Texas Water Development Board		82,475	82,475
<u>Texas Commission on Environmental Quality</u>			
FY 2020/2021 Regional Solid Waste Grant Contract	582-20-10221	81,441	-
Total Texas Commission on Environmental Quality		81,441	-
TOTAL EXPENDITURES OF STATE AWARDS		1,428,163	156,751
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		7,362,202	156,751

See accompanying notes to the Schedule of Expenditures of Federal and State Awards.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

1. BASIS OF ACCOUNTING

The Council accounts for all federal and state awards in special revenue funds. Special revenue funds are used to account for resources restricted to, or committed for specific purpose 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.

These programs are accounted for using a current financial measurement focus. With this measurement focus, only current assets, deferred outflow of resources, current liabilities, and deferred inflow of resources generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for these funds. 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 long term-debt, which is recognized when due, and certain compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grants. When grant funds are received before expenditures are made, they are recorded as unearned revenues until earned.

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (“the schedule”) includes the federal and state activity of the Council under programs of the federal and state government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Council.

RIO GRANDE COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. BASIS OF PRESENTATION (continued)

Period of Performance

The period of performance 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 Performance of Federal Funds, Part 3, OMB Compliance Supplement – August 2020 and the Compliance Supplement Addendum – December 2020.

Matching

The Council reported \$742,822 in-kind matching to the U.S. Department of Health and Human Services for the Aging Cluster and National Family Caregiver programs. Additionally, the Council reported \$25,000 in-kind matching to the U.S. Department of Commerce for the Economic Development District Partnership Planning program.

Program Income

The Aging Cluster and National Family Caregiver Support generated program income in the amount of \$28,921 for the year ended September 30, 2020.

3. INDIRECT COST RATE

The Council did not elect to use the 10% de minimis indirect cost rate but used the indirect cost rate assigned by the Texas Health and Human Services Commission.

The Council accounted for federal and state funded indirect costs in the respective funds.

4. COMMISSION ON STATE EMERGENCY COMMUNICATIONS

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

5. DONATED PERSONAL PROTECTION EQUIPMENT -UNAUDITED

Through the Texas Department of Health and Human Services, Administration on Community Living Department, the Council was the recipient of 22,500 reusable cloth masks which were distributed to the various AAA community partners, local elected officials, and the rural County Judges within the Rio Grande region for their use and distribution. Using a fair market value of approximately \$5 per mask, the value of the donation is estimated to be \$112,500.