

City of Presidio, Texas
Annual Financial Report
for the Year Ended September 30, 2018

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Painter and Associates, P.C.

Certified Public Accountants

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Savannah, Texas 76227-7854

Independent Auditor's Report

To the City Council
City of Presidio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discreetly presented component unit of the City of Presidio, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Presidio, Texas' 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. 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 adverse audit opinions.

Basis for Adverse Opinion on the Financial Statements as a Whole

Management has not provided the documentation required to substantiate charges made to display the financial position and changes in financial position for the financial statements of its government-wide activities, governmental activities and business-type activities. Accounting principles generally accepted in the United States of America require the substantiation of charges made for the presentation of the financial statements for the government-wide activities, the governmental activities and the business-type activities. The amounts that would be reported in the City's financial statements for government-wide activities, governmental activities and business-type activities have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Financial Statements as a Whole" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discreetly presented component unit of the City of Presidio, Texas, as of September 30, 2018, or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 14 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.

Painter and Associates, P.C.

Savannah, Texas
December 31, 2020

The City of Presidio, Texas

Management's Discussion and Analysis

In this section of the Annual Financial Report, we, the managers of the City of Presidio, Texas discuss and analyze the City's financial performance for the fiscal year ended September 30, 2018. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 8.

FINANCIAL HIGHLIGHTS

The City's total net position decreased by \$163,635 as a result of this year's operations and as a result the net position of our governmental activities decreased by \$250,386 and the net position of our business-like activities increased by \$86,751.

During the year, the City had expenses that were \$3,721,405 more than the \$1,853,316 of revenues generated by the general operations of the City's governmental type funds and \$254,558 less expenses than generated by water, sewer and landfill sales for the enterprise-type fund of \$1,826,020.

Depreciation expense for the governmental activities was \$206,404 compared to \$185,987 in the prior fiscal year. Depreciation expense for the business-type activities was \$73,422 while it was \$113,404 for the prior fiscal year.

The governmental type general fund ended the year with a fund balance of \$629,252 which was an decrease of \$1,404,475 from the prior fiscal year. The proprietary-type water, sewer and landfill enterprise funds ended the year with a total unrestricted net position amount of \$1,017,888 which represented an increase of \$254,558 from the prior fiscal year.

The budget for the City's General Fund revealed \$1,235,147 less revenues were received during the year than were originally budgeted for while \$148,372 less expenses were incurred than were budgeted for during the year. The net effect of the budget variance was a negative \$1,086,775 budget variance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements, starting on page 10, report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services

The notes to the financial statements, starting on page 18, provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 8. Its primary

purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These two statements apply the accrual basis of accounting which is the basis used by private sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the City's net position and changes thereof. The City's net position, the difference between assets, deferred inflows of resources, liabilities and deferred outflow of resources provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, one should consider nonfinancial factors as well.

In the Statement of Net Position and the Statement of Activities we present the City in two kinds of activities:

Governmental activities – The funds reported by the City here are the general fund, non-major governmental funds and the debt service fund.

Business type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer and landfill operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the most significant funds—not the City as a whole. Laws and contracts require the City to establish some funds by State law and bond covenants. The City's administration establishes many other funds to help it control and manage money for particular purposes such as grants. The City's two kind of funds—governmental and proprietary—use different accounting approaches.

Governmental Funds

The City's general fund, debt service fund and other non-major governmental funds are reported in the governmental funds. These governmental funds use modified-accrual accounting, a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash, and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's governmental type fund's activities. We describe the differences between governmental activities and the governmental funds in a reconciliation schedule following each of the governmental fund financial statements.

Proprietary Funds

When the City charges customers for the services it provides these services are reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary-type enterprise funds are the same as we reported in the government-wide statements but provide more detail and additional information, such as a breakdown of the major enterprise funds and the related cash flows thereof.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City implemented GASB Statement No. 34 in a prior year. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities as detailed in the tables below:

TABLE I - SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and Other Assets	\$ 732,674	\$ 1,544,411	\$ 256,393	\$ 581,537	\$ 989,066	\$ 2,125,948
Capital Assets, net	4,411,578	4,197,781	850,892	924,314	5,262,470	5,122,095
Total Assets	<u>\$ 5,144,252</u>	<u>\$ 5,742,192</u>	<u>\$ 1,107,285</u>	<u>\$ 1,505,851</u>	<u>\$ 6,251,537</u>	<u>\$ 7,248,043</u>
Deferred Inflows of Resources		-				
Liabilities:						
Current Liabilities	359,979	894,201	2,452	323,815	362,432	1,218,016
Long-term Liabilities	1,636,477	1,950,581	86,944	77,396	1,723,421	2,027,977
Total Liabilities	<u>1,996,456</u>	<u>2,844,782</u>	<u>89,397</u>	<u>401,211</u>	<u>2,085,853</u>	<u>3,245,993</u>
Deferred Outflows of Resources		-				
Net Position:						
Net Investment in Capital Assets	2,485,496	1,961,161	850,892	924,314	3,336,388	2,885,475
Restricted	-	19,477	86,944	77,396	86,944	96,873
Unrestricted	662,300	916,772	80,052	102,929	742,352	1,019,701
Total Net Position	<u>3,147,796</u>	<u>2,897,410</u>	<u>1,017,888</u>	<u>1,104,639</u>	<u>4,165,684</u>	<u>4,002,049</u>
Total Liabilities and Net Position	<u>\$ 5,144,252</u>	<u>\$ 5,742,192</u>	<u>\$ 1,107,285</u>	<u>\$ 1,505,850</u>	<u>\$ 6,251,537</u>	<u>\$ 7,248,042</u>

TABLE II - SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	\$ 168,857	\$ 520,053	\$ 1,826,020	\$ 1,749,231	\$ 1,994,877	\$ 2,269,284
Operating Grants & Contributions	-	205,944	-	-	-	205,944
Capital Grants & Contributions	-	-	-	-	-	-
General Revenues:						
Ad Valorem Taxes	1,068,480	1,092,481	-	-	1,068,480	1,092,481
Sales Taxes	420,316	397,902	-	-	420,316	397,902
Franchise Taxes	15,386	38,737	-	-	15,386	38,737
Hotel / Motel Taxes	10,011	32,499	-	-	10,011	32,499
Miscellaneous Revenues	170,252	1,828,819	-	-	170,252	1,828,819
Investment Earnings	14	396	-	44	14	440
Total Revenues	<u>1,853,316</u>	<u>4,116,831</u>	<u>1,826,020</u>	<u>1,749,275</u>	<u>3,679,336</u>	<u>5,866,106</u>
Expenses:						
Administration	3,744,147	1,075,830	-	-	3,744,147	1,075,830
Animal Control	42,241	56,757	-	-	42,241	56,757
Library	113,250	112,556	-	-	113,250	112,556
Senior Center	310,389	325,589	-	-	310,389	325,589
Fire Department	32,861	31,827	-	-	32,861	31,827
Municipal Court	78,224	83,739	-	-	78,224	83,739
Police Department	358,455	401,640	-	-	358,455	401,640
Youth Club	48,101	43,339	-	-	48,101	43,339
Emergency Services	631,481	789,670	-	-	631,481	789,670
Code Enforcement	20,457	20,132	-	-	20,457	20,132
Parks & Pool	84,300	75,873	-	-	84,300	75,873
Tourism	110,816	107,720	-	-	110,816	107,720
Water Fund	-	-	1,351,459	1,480,575	1,351,459	1,480,575
Sewer Fund	-	-	109,168	-	109,168	-
Landfill Fund	-	-	110,835	-	110,835	-
Total Expenses	<u>5,574,721</u>	<u>3,124,672</u>	<u>1,571,462</u>	<u>1,480,575</u>	<u>7,146,183</u>	<u>4,605,247</u>
Increase (Decrease) in Net Position	(3,721,405)	992,159	254,558	268,700	(3,466,847)	1,260,859
Operating Transfers	-	1,417,532	-	(1,388,831)	-	28,701
Change in Net Position	(3,721,405)	2,409,691	254,558	(1,120,131)	(3,466,847)	1,289,560
Net Position - Beginning of Year	2,897,410	3,029,794	1,104,639	(1,098,542)	4,002,049	1,931,252
Adjustments	3,971,790	(2,542,074)	(341,309)	3,323,313	3,630,481	781,239
Net Position - End of Year	<u>\$ 3,147,796</u>	<u>\$ 2,897,410</u>	<u>\$ 1,017,888</u>	<u>\$ 1,104,639</u>	<u>\$ 4,165,684</u>	<u>\$ 4,002,051</u>

THE CITY'S FUNDS

As the City completed the year, its governmental and proprietary funds as presented in the Statement of Net Position on page 8 reported a combined net position balance of \$4,165,684, which is a decrease from last year's total of \$4,002,049. The primary source of the fund balance is the governmental revenues (i.e. ad valorem taxes, sales taxes, charges for services) and the proprietary fund revenues (i.e. water, sewer and landfill sales) as all other special revenue funds are cost reimbursement and thus have little or no fund balance.

Over the course of the year, the City Council did not revise the City's budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the City had over ten million dollars invested in a broad range of assets ranging from buildings, vehicles, equipment, and wastewater treatment facilities.

TABLE III - Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 431,504	\$ 431,504	\$ -	\$ -	\$ 431,504	\$ 431,504
General Government	6,828,343	6,408,143	-	-	6,828,343	6,408,143
Water Fund	-	-	1,080,605	1,080,605	1,080,605	1,080,605
Sewer Fund	-	-	732,983	732,983	732,983	732,983
Landfill Fund	-	-	931,342	931,342	931,342	931,342
Accumulated Depreciation	(2,848,269)	(2,641,865)	(1,894,038)	(1,820,616)	(4,742,306)	(4,462,481)
Total Net Capital Assets	<u>\$ 4,411,579</u>	<u>\$ 4,197,782</u>	<u>\$ 850,892</u>	<u>\$ 924,314</u>	<u>\$ 5,262,471</u>	<u>\$ 5,122,097</u>

Debt Administration

At year-end, the City had \$1,926,082 of outstanding debt. The debt was from the City's sale of various certificates of obligation issues, notes payable, and capital leases. The debt carries various interest rates with differing maturities. A detail list of debt and lease obligations owed by the City of Presidio at year end is presented below:

Holder of Issue	Original Amount	Date of Issuance	Date of Maturity	Rate of Interest	Balance at 9/30/18
Certificate of Obligation 2012	1,200,000	03/12	03/22	3.01%	530,000
U.S. Department of Agriculture	85,000	01/05	01/23	4.75%	30,000
U.S. Department of Agriculture	100,000	01/05	01/23	4.75%	41,000
Berkadia	420,000	08/85	07/24	5.00%	125,274
Berkadia	220,000	01/12	07/24	5.00%	74,808
Limited Tax Refunding Bonds 2013	395,000	05/13	03/28	2.98%	190,000
Certificate of Obligation 2013	1,300,000	05/13	03/28	2.98%	935,000
	<u>\$ 3,720,000</u>				<u>\$ 1,926,082</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at the City of Presidio City Hall, P.O. BOX 1889, Presidio, Texas 79845.

THE CITY OF PRESIDIO, TEXAS

Statement of Net Position

September 30, 2018

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-Type</u>		<u>Presidio Municipal</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Development</u>
				<u>District</u>
Assets				
Unrestricted Assets				
Cash	\$ 238,231	\$ 29,243	\$ 267,474	\$ 384,914
Receivables, net	494,443	140,206	634,648	80,168
Restricted Assets				
Cash	-	86,944	86,944	-
Capital Assets				
Land	431,504	-	431,504	29,665
Capital Assets, net	3,980,074	850,892	4,830,967	101,501
Total Assets	\$ 5,144,252	\$ 1,107,285	\$ 6,251,537	\$ 596,248
Liabilities				
Current Liabilities				
Accounts Payable	\$ 70,374	\$ 2,452	\$ 72,827	\$ 7,578
Notes Payable - Current	289,605	-	289,605	-
Total Current Liabilities	359,979	2,452	362,432	7,578
Long-term Liabilities				
Utility Deposits	-	86,944	86,944	-
Notes Payable - Long-term	1,636,477	-	1,636,477	-
Total Long-term Liabilities	1,636,477	86,944	1,723,421	-
Total Liabilities	1,996,456	89,397	2,085,853	7,578
Net Position				
Net Investment in Capital Assets	2,485,496	850,892	3,336,388	131,166
Restricted	-	86,944	86,944	86,022
Unrestricted	662,300	80,052	742,352	371,482
Total Net Position	3,147,796	1,017,888	4,165,684	588,670
Total Liabilities and Net Position	\$ 5,144,252	\$ 1,107,285	\$ 6,251,537	\$ 596,248

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

THE CITY OF PRESIDIO, TEXAS
Statement of Activities
for the Year Ended September 30, 2018

	Net (Expenses) Revenues and Changes in Net Position					
	Program Revenues			Primary Government		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Activities	Presidio Municipal Development District
Primary Government:						
Government Activities:						
Administration	\$ 3,744,147	\$ -	\$ -	\$ (3,744,147)		\$ (3,744,147)
Animal Control	42,241	446	-	(41,795)		(41,795)
Library	113,250	-	-	(113,250)		(113,250)
Senior Center	310,389	44,582	-	(265,807)		(265,807)
Fire Department	32,861	-	-	(32,861)		(32,861)
Municipal Court	78,224	7,038	-	(71,187)		(71,187)
Police Department	358,455	-	-	(358,455)		(358,455)
Youth Club	48,101	-	-	(48,101)		(48,101)
Emergency Services	631,481	110,050	-	(521,431)		(521,431)
Code Enforcement	20,457	6,590	-	(13,867)		(13,867)
Parks & Pool	84,300	152	-	(84,148)		(84,148)
Tourism	110,816	-	-	(110,816)		(110,816)
	<u>5,574,721</u>	<u>168,857</u>	<u>-</u>	<u>(5,405,863)</u>	<u>-</u>	<u>(5,405,863)</u>
Business-Type Activities:						
Water	1,351,459	669,186	-		\$ (682,273)	(682,273)
Sewer	109,168	421,081	-		311,913	311,913
Landfill	110,835	735,754	-		624,918	624,918
	<u>1,571,462</u>	<u>1,826,020</u>	<u>-</u>	<u>-</u>	<u>254,558</u>	<u>254,558</u>
Component Unit:						
Presidio Municipal Development District	90,446	-	-	-	-	-
Total Expenses	<u>\$ 7,236,629</u>	<u>\$ 1,994,877</u>	<u>\$ -</u>	<u>(5,405,863)</u>	<u>254,558</u>	<u>(5,151,306)</u>
General Revenues:						
Taxes						
Ad Valorem Taxes				1,068,480	-	1,068,480
Sales Taxes				420,316	-	420,316
Franchise Taxes				15,386	-	15,386
Hotel / Motel Taxes				10,011	-	10,011
Miscellaneous Revenues				170,252	-	170,252
Investment Earnings				14	-	14
Total General Revenues and Transfers				<u>1,684,459</u>	<u>-</u>	<u>1,684,459</u>
Income (Expense) Before Transfers				(3,721,405)	254,558	(3,466,847)
Transfers				-	-	-
Change in Net Position				<u>(3,721,405)</u>	<u>254,558</u>	<u>(3,466,847)</u>
Net Position - Beginning of the Year				6,869,200	763,330	7,632,530
Net Position - End of the Year				<u>\$ 3,147,796</u>	<u>\$ 1,017,888</u>	<u>\$ 4,165,684</u>

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

THE CITY OF PRESIDIO, TEXAS

Balance Sheet

September 30, 2018

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Assets				
Unrestricted Cash	\$ 214,299	\$ 3,382	\$ 20,550	\$ 238,231
Restricted Cash	-	-	-	-
Cash and Cash Equivalents	<u>214,299</u>	<u>3,382</u>	<u>20,550</u>	<u>238,231</u>
Receivables, net	<u>485,328</u>	<u>-</u>	<u>9,115</u>	<u>494,443</u>
Total Assets	<u>\$ 699,627</u>	<u>\$ 3,382</u>	<u>\$ 29,665</u>	<u>\$ 732,674</u>
Liabilities and Net Position				
Liabilities				
Accounts Payable	\$ 70,374	\$ -	\$ -	\$ 70,374
Payroll Liabilities	-	-	-	-
Total Liabilities	<u>70,374</u>	<u>-</u>	<u>-</u>	<u>70,374</u>
Fund Balance				
Assigned	-	3,382	29,665	33,047
Unassigned	<u>629,252</u>	<u>-</u>	<u>-</u>	<u>629,252</u>
Total Fund Balance	<u>629,252</u>	<u>3,382</u>	<u>29,665</u>	<u>662,300</u>
Total Liabilities and Fund Balance	<u>\$ 699,627</u>	<u>\$ 3,382</u>	<u>\$ 29,665</u>	<u>\$ 732,674</u>

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

THE CITY OF PRESIDIO, TEXAS
Reconciliation of Governmental Fund Balances to
the Statement of Net Position
September 30, 2018

Total Fund Balance - Governmental Funds	\$ 662,300
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,411,578
Long-term debt used in governmental activities is not a financial resources and, therefore, is not reported in the funds.	<u>(1,926,082)</u>
Total Net Position - Governmental Activities	<u><u>\$ 3,147,796</u></u>

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

THE CITY OF PRESIDIO, TEXAS
Statement of Revenue, Expenditures and Changes
in Fund Balance - Governmental Funds
for the Year Ended September 30, 2018

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Revenues				
Ad Valorem Taxes	\$ 1,068,480	\$ -	\$ -	\$ 1,068,480
Sales Taxes	420,316	-	-	420,316
Franchise Taxes	15,386	-	-	15,386
Hotel / Motel Taxes	10,011	-	-	10,011
Grants	-	-	-	-
Animal Control	446	-	-	446
Library	-	-	-	-
Senior Center	44,582	-	-	44,582
Fire Department	-	-	-	-
Municipal Court	7,038	-	-	7,038
Police Department	-	-	-	-
EMS	758	-	109,292	110,050
Code Enforcement	6,590	-	-	6,590
Parks & Pools	152	-	-	152
Interest	14	-	-	14
Miscellaneous Revenues	170,252	-	-	170,252
Total Revenues	1,744,025	-	109,292	1,853,316
Expenditures				
Administration	1,317,925	-	-	1,317,925
Animal Control	42,241	-	-	42,241
Library	113,250	-	-	113,250
Senior Center	310,389	-	-	310,389
Fire Department	32,861	-	-	32,861
Municipal Court	78,224	-	-	78,224
Police Department	358,455	-	-	358,455
Youth Club	48,101	-	-	48,101
EMS	631,481	-	174,090	805,571
Code Enforcement	20,457	-	-	20,457
Parks and Recreation	84,300	-	-	84,300
Tourism	110,816	-	-	110,816
Principal	-	1,926,082	-	1,926,082
Interest	-	59,823	-	59,823
Total Expenditures	3,148,499	1,985,905	174,090	5,308,494
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,404,475)	(1,985,905)	(64,798)	(3,455,178)
Transfers	-	-	-	-
Change in Fund Balance	(1,404,475)	(1,985,905)	(64,798)	(3,455,178)
Fund Balance - Beginning of the Year	2,033,727	1,989,287	94,463	4,117,477
Fund Balance - End of the Year	\$ 629,252	\$ 3,382	\$ 29,665	\$ 662,300

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

THE CITY OF PRESIDIO, TEXAS
Reconciliation of Governmental Funds Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
for the Year Ended September 30, 2018

Change in Fund Balance - Governmental Funds	\$ (3,455,178)
Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	1,659,855
Governmental funds report debt principal payments as expenditures. However in the statement of activities these payments are not recognized as an expenditure, but as a reduction of the liability in the statement of net position.	(1,926,082)
Change in Net Position - Governmental Activities	<u><u>\$ (3,721,405)</u></u>

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

THE CITY OF PRESIDIO, TEXAS
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget to Actual - General Fund
for the Year Ended September 30, 2018

	Budget		2018	Variance With Final Budget Positive or (Negative)
	Original	Final	Actual	
Revenues				
Ad Valorem Taxes	\$ 833,171	\$ 833,171	\$ 1,068,480	\$ 235,309
Sales Taxes	340,000	340,000	420,316	80,316
Franchise Taxes	35,000	35,000	15,386	(19,614)
Hotel / Motel Taxes	40,000	40,000	10,011	(29,989)
Animal Control	-	-	446	446
Library	11,500	11,500	-	(11,500)
Senior Center	103,000	103,000	44,582	(58,418)
Fire Department	45,000	45,000	-	(45,000)
Municipal Court	70,000	70,000	7,038	(62,962)
Police Department	29,000	29,000	-	(29,000)
EMS	360,000	360,000	758	(359,242)
Code Enforcement	15,000	15,000	6,590	(8,410)
Parks & Pools	18,300	18,300	152	(18,148)
Interest	10,000	10,000	14	(9,986)
Miscellaneous Revenues	1,069,200	1,069,200	170,252	(898,948)
Total Revenues	2,979,171	2,979,171	1,744,025	(1,235,147)
Expenditures				
Administration	1,269,721	1,269,721	1,317,925	(48,204)
Animal Control	61,400	61,400	42,241	19,159
Library	127,700	127,700	113,250	14,450
Senior Center	345,100	345,100	310,389	34,711
Fire Department	77,200	77,200	32,861	44,339
Municipal Court	98,100	98,100	78,224	19,876
Police Department	447,800	447,800	358,455	89,345
Youth Club	50,200	50,200	48,101	2,099
EMS	635,300	635,300	631,481	3,819
Code Enforcement	50,550	50,550	20,457	30,093
Parks and Recreation	93,800	93,800	84,300	9,500
Tourism	40,000	40,000	110,816	(70,816)
Total Expenditures	3,296,871	3,296,871	3,148,499	148,372
Excess (Deficiency) of Revenues Over (Under) Expenditures	(317,700)	(317,700)	(1,404,475)	(1,086,775)
Transfers	-	-	-	-
Change in Fund Balance	\$ (317,700)	\$ (317,700)	(1,404,475)	\$ (1,086,775)
Fund Balance - Beginning of the Year			2,033,727	
Fund Balance - End of the Year			<u>\$ 629,252</u>	

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

THE CITY OF PRESIDIO, TEXAS
Statement of Net Position - Enterprise Fund
September 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Assets				
Unrestricted Assets				
Cash	\$ (36,281)	\$ 31,174	\$ 34,350	\$ 29,243
Receivables, net	61,703	29,432	49,071	140,206
Total Unrestricted Assets	<u>25,422</u>	<u>60,605</u>	<u>83,421</u>	<u>169,448</u>
Restricted Assets				
Cash	86,944	-	-	86,944
Total Restricted Assets	<u>86,944</u>	<u>-</u>	<u>-</u>	<u>86,944</u>
Capital Assets	<u>423,477</u>	<u>192,389</u>	<u>235,026</u>	<u>850,892</u>
Total Assets	<u>\$ 535,844</u>	<u>\$ 252,995</u>	<u>\$ 318,446</u>	<u>\$ 1,107,285</u>
Liabilities				
Current Liabilities				
Accounts Payable	\$ 1,543	\$ 458	\$ 451	\$ 2,452
Payroll Liabilities	-	-	-	-
Notes Payable - Current	-	-	-	-
Total Current Liabilities	<u>1,543</u>	<u>458</u>	<u>451</u>	<u>2,452</u>
Noncurrent Liabilities				
Utility Deposits	86,944	-	-	86,944
Notes Payable - Long-term	-	-	-	-
Total Long-term Liabilities	<u>86,944</u>	<u>-</u>	<u>-</u>	<u>86,944</u>
Total Liabilities	<u>88,487</u>	<u>458</u>	<u>451</u>	<u>89,397</u>
Net Position				
Net Investment in Capital Asset:	423,477	192,389	235,026	850,892
Restricted	-	-	-	-
Unrestricted	<u>23,880</u>	<u>60,147</u>	<u>82,969</u>	<u>166,996</u>
Total Net Position	<u>447,357</u>	<u>252,536</u>	<u>317,995</u>	<u>1,017,888</u>
Total Liabilities and Net Position	<u>\$ 535,844</u>	<u>\$ 252,995</u>	<u>\$ 318,446</u>	<u>\$ 1,107,285</u>

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

THE CITY OF PRESIDIO, TEXAS
Statement of Revenue, Expenses and Changes
in Net Position - Enterprise Funds
for the Year Ended September 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Operating Revenues				
Charges for Services	\$ 669,186	\$ 421,081	\$ 735,754	\$ 1,826,020
Total Operating Revenues	<u>669,186</u>	<u>421,081</u>	<u>735,754</u>	<u>1,826,020</u>
Operating Expenses				
Salaries and Wages	545,307	36,836	23,660	605,803
Employment Taxes	51,489	4,087	2,305	57,881
Other Employee Benefits	169,920	17,185	7,573	194,677
Uniforms	16,066	1,690	1,030	18,786
Education and Training	9,878	1,364	-	11,242
Dues and Subscriptions	17,585	30	1,808	19,423
Utilities	161,975	4,668	484	167,128
3rd Party Expenses	52,204	1,715	9,550	63,469
Repairs and Maintenance	91,076	3,105	8,425	102,605
Supplies	187,482	20,859	12,732	221,073
Miscellaneous	10,259	952	-	11,211
Bad Debts	10,889	5,194	8,660	24,742
Depreciation	27,328	11,483	34,610	73,422
Total Operating Expenses	<u>1,351,459</u>	<u>109,168</u>	<u>110,835</u>	<u>1,571,462</u>
Operating Income	(682,273)	311,913	624,918	254,558
Transfers	50,396	-	(50,396)	-
Change in Net Position	<u>(631,877)</u>	<u>311,913</u>	<u>574,522</u>	<u>254,558</u>
Total Net Position - Beginning	1,079,234	(59,376)	(256,527)	763,330
Total Net Position - Ending	<u>\$ 447,357</u>	<u>\$ 252,536</u>	<u>\$ 317,995</u>	<u>\$ 1,017,888</u>

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

THE CITY OF PRESIDIO, TEXAS
Statement of Cash Flows - All Enterprise Funds
for the Year Ended September 30, 2018

	<u>Water & Sewer Fund</u>
Cash Flows from Operating Activities	
Cash Received from Customers	1,214,448
Cash Paid for Employees	(877,147)
Cash Paid for Goods and Services	(596,151)
Net Cash Provided / (Used) by Operating Activities	<u>(258,850)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	-
Net Cash Provided / (Used) by Capital and Related Financing Activities	<u>-</u>
Cash Flows from Investing Activities	
Investment Income Received on Investments	-
Net Cash Provided / (Used) by Investing Activities	<u>-</u>
Net Increase / (Decrease) in Cash	(258,850)
Cash and Cash Equivalents at the Beginning of the Year	428,298
Cash and Cash Equivalents at the End of the Year	<u><u>\$ 169,448</u></u>
 Reconciliation of Operating Income to Net Cash Provided / (Used) by Operating Activities	
Operating Income / (Loss)	\$ 254,558
Adjustments for Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	(73,422)
Decrease (Increase) in Other Current Assets	(128,171)
(Increase) Decrease in Liabilities	<u>(311,814)</u>
Net Cash Provided by Operating Activities	<u><u>\$ (258,850)</u></u>

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

City of Presidio, Texas

Notes to the Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Presidio, Texas is a municipal corporation incorporated under the Constitution of the State of Texas. The City operates under a Council-City Administrator form of government. The Council is composed of a Mayor and five Council members, all of whom are elected at large for two-year staggered terms.

As a local government the City is exempt from federal income taxes, under Internal Revenue Code Section 115, and state sales tax.

The City of Presidio complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary type funds apply Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions based on or after November 30, 1989. For the fiscal year ended September 30, 2004, the City implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

In 2004, the City implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements - and Management Discussion and Analysis – for State and Local Governments; Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.¹

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, city-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required financial statements and notes.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board (GASB)*, the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all the City's operations. The City of Presidio is a Texas General Law city with five council members plus a mayor. All positions are elected at large. City ordinance provides for a City Administrator. The City provides the following services: public safety, public works, sanitation, recreation, and waterworks. The City is a separate legal entity and is neither an oversight nor a component unit of any other entity. Specific elements of oversight and component unit responsibilities considered in the conclusion of the above were financial interdependency, designation of management, election of the governing body, the ability to significantly influence operations and accountability of fiscal matters.

Discretely Presented Component Units

Discretely presented component units are separate legal entities. The Presidio Municipal Development District (PMDD) is a legally separate entity from the City. PMDD is governed by a board composed of members selected by the City Council.

Blended Component Units

Blended component units are separate legal entities whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City's by appropriate activity type to compose the primary government. The City has no blended component units.

C. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, display information for the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these accounts. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include

- 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and;
- 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to / due from on the Governmental Fund Balance Sheet and the proprietary fund Statement of Net Position 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 Net Position. All interfund transactions between governmental funds, proprietary funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary-type enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City does not currently have any fiduciary funds. The City considers some

governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues result from providing goods and services in connection with a proprietary-type enterprise fund's principle 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 goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into separate funds, each of which are considered to be separate accounting entities. Each fund is accounted by providing a separate set of self balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures / expenses of that individual governmental or proprietary-type enterprise fund are at least 10 percent of the corresponding total of all funds of that category or type; and
- b. Total assets, liabilities, revenues, expenditures / expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Debt Service Fund

The debt service fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt service payments made by the enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's judgment.

Proprietary Fund

Enterprise funds are used to account for those business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Water, Sewer and Landfill Funds

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

Internal Service Fund

Revenue and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City currently does not utilize internal service funds.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheet. Their operating statements present sources and uses of available spendable financial resources during a given period. The funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified-accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The City considers all revenues available if they are collectible within 60 days after year end.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

The discretely presented component unit uses the economic resources measurement focus and accrual basis of accounting.

Budgetary Control

The City Charter establishes the fiscal year as the twelve-month period beginning October 1st. The departments submit to the City Administrator a budget of

estimated expenditures for the ensuing fiscal year after which the City Administrator subsequently submits a budget of estimated expenditures / expenses and revenues to the City Council by August 1st.

Upon receipt of the budget estimates, the council holds public hearing on the proposed budget. Information about the Budget Ordinance is then published in the official newspaper of the City.

At least ten days prior to October 1st, the budget is legally enacted through passage of an ordinance. The City Administrator is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council

Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations, which were restated.

The Statement of Revenues, Expenditures and Changes in Fund Balances Budget to Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

Appropriations lapse at year end.

E. Assets, Liabilities, and Equity

Cash and investments

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash, and cash equivalents” include all demand and savings accounts, and certificates of deposit.

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. The City has elected to invest its funds in investment pools (LOGIC-Local Government Investment Cooperative). Investments in the pools are reported as cash investments. LOGIC is an AAA rated local government investment pool created by the Texas local government officials who understand the specific needs and challenges of investing in public funds. Logic is administered by Hilltop Securities and JPMorgan Chase. These pools are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest is accrued daily and paid monthly. The reported value of the pools is the same as fair value of the

pool shares. As of September 30, 2018, the City had \$217,081.16 in pooled investments.

Interfund Receivable 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." Short-term interfund loans are reported as "interfund receivable and payables." Long-term interfund loans (non-current portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See note 3 for details of interfund transactions, including receivables and payables at year end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowance for uncollectible accounts receivable are based upon historical trends and periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified-accrual, but not deferred in the governmentwide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Prepaid Items

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

Inventories

The City maintains an inventory of small tools and various supplies. As items are purchased, they are expensed to the related accounts. An inventory count is taken at year end and accounts are adjusted accordingly. Inventory is stated at cost, on the first-in-first-out basis.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmentwide of fund financial statements.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to September 30, 2004.

Prior to July 1, 2004, governmental funds infrastructure assets were not capitalized. These assets (back to July 1, 2004) have been valued at estimated historical value.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lived by type of asset is as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery & equipment	3-20 years
Utility systems	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the government fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the governmental and proprietary funds that are legally restricted as to their use. The primary restricted assets are related to the promissory note trustee accounts and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmentwide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the governmentwide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for the governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the governmentwide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimate based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b) Restricted net position – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

The City has adopted the fund balance classifications prescribed by GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are classified as non-spendable, restricted, committed, assigned and unassigned based on the circumstances that apply.

Fund Balance – The City reports the following fund balance categories which describe the relative strength of the spending constraints:

- a) Non-spendable fund balance - classification includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.
- b) Restricted fund balance - classification includes funds with constraints placed on the use of resources are either:
 - I. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or;
 - II. Imposed by law through constitutional provisions or enabling legislation.
- c) Committed fund balances - include amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council which is the government’s highest level of decision-making authority.
 - I. Assigned fund balances - include amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the City Council with the authority to assign amounts to be used for specific purposes.
- d) Unassigned fund balance - the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Fund Balance Policies and Procedures

Minimum Fund Balance Policies

The City has not formally adopted a minimum fund balance policy; however, in practice deficit special revenue funds are classified as unassigned since the deficits are typically paid through pooled cash overdraft.

Encumbrances

The City does not encumber or reserve an appropriation for future expenditures. Appropriations lapse at fiscal year end and must be appropriated in the next fiscal year budget.

Order of Expenditure

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amount to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its budget or its commitment or assignment actions.

Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Sales Tax

The City presently levies a two and one-quarter cent sales tax on taxable sales within the City. The sales tax is collected by the Texas State Comptroller's Office and remitted to the City in the month following receipt by the Comptroller's Office. The State comptroller receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund and then allocated between the General Fund and the Presidio Municipal Development District.

Property Tax

Property tax is levied each October 1st on the assessed (appraisal) value listed as of the prior January 1st for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraisal values are established by the Appraisal Board of Review at 100% for estimated fair market value.

Taxes are due on October 1st, the levy date, and are delinquent following January 31st of the subsequent year. Tax liens are automatic on February 1st each year. The tax lien is part of a lawsuit for property that can be filed any time

after taxes become delinquent. The City usually waits until after July 1st to file suits on real estate property. As of July 1st, 15% collection costs may be added to all delinquent accounts.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with *Generally Accepted Accounting Principles* have been recognized as revenues.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every three years; however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this legislation the City continues to set tax rates on City property. However, if the effective tax rate, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

The combined tax rate to finance municipal services was \$.71642 per \$100 of taxable valuation. The rate to finance payment of principal and interest on long-term debt was \$.4643 per \$100 of taxable valuation while \$.25212 was dedicated to the General Fund.

Delinquent Taxes Receivable

Delinquent taxes are prorated between the general fund and the debt service funds based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the governmentwide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities and governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance, all interfund transfers between individual governmental funds have been eliminated.

2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

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

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

a. **Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements

is that eligible securities for collateralization are those securities defined as eligible securities by the Public Funds Collateral Act. The City requires monthly reports with market value of pledged securities and requires the investment officer to monitor adequacy of collateralization levels to verify market values and total collateral positions. The City was not exposed to any custodial credit risk.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City is collateralized with a security that is pledged to the City but is not owned by the City. The security is a FMLMC Pool security as well as municipal bonds in the amount of \$998,328 that are pledged to the City.

c. Interest-rate Risk - Interest-rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The City does not purchase or sell debt securities and invests only with the designated bank depository or with Lone Star and as such does not have a policy that addresses this issue.

d. Other Credit Risk Exposure - The City does not have a policy regarding investment in debt securities held either directly or indirectly because the City does not invest in this type security, securities of the U.S. government or of agencies guaranteed by the U.S. government. The City does invest in a public funds investment pool as permitted by Government code 2256.016.

e. Concentration Risk - The City invests only in securities back by the U.S. Government and thus does not have a policy regarding a concentration of credit risk.

The City's investments at September 30, 2018 are shown below:

<u>Investment Type</u>	<u>Fair Value</u>
Logic Investment Pool	\$217,081.16

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end the City was not exposed to interest rate risk.

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available

(1) when they become due or past due and receivable within the current period and;

(2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the general fund and the debt service fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Accounts Receivable

Accounts receivable of the governmental activities consisted of delinquent ad valorem taxes and the business-like activities consisted of utilities receivable. The receivable totaled \$634,648 of which \$494,443 related to the governmental activities and \$140,206 corresponded with the business-type activities.

4. Capital Assets

Capital assets for the year ended September 30, 2018, were as follows:

City of Presidio, Texas
Notes to the Basic Financial Statements (continued)

	Balance at 9/30/2017	Additions	Deletions	Balance at 9/30/2018
Governmental:				
Land	\$ 431,504	\$ -	\$ -	\$ 431,504
General Government	6,408,143	420,200	-	6,828,343
Totals at Historical Cost	<u>6,839,647</u>	<u>420,200</u>	<u>-</u>	<u>7,259,847</u>
Less Accumulated Depreciation				
General Government	(2,641,865)	(206,404)	-	(2,848,269)
Total Accumulated Depreciation	<u>(2,641,865)</u>	<u>(206,404)</u>	<u>-</u>	<u>(2,848,269)</u>
Governmental				
Capital Assets, Net	\$ <u>4,197,782</u>	\$ <u>213,797</u>	\$ <u>-</u>	\$ <u>4,411,579</u>
Proprietary:				
Water Fund	\$ 1,080,605	\$ -	\$ -	\$ 1,080,605
Sewer Fund	732,983	-	-	732,983
Landfill Fund	931,342	-	-	931,342
Totals at Historical Cost	<u>2,744,930</u>	<u>-</u>	<u>-</u>	<u>2,744,930</u>
Less Accumulated Depreciation				
Water Fund	(629,800)	(27,328)	-	(657,128)
Sewer Fund	(529,110)	(11,483)	-	(540,593)
Landfill Fund	(661,706)	(34,610)	-	(696,316)
Total Accumulated Depreciation	<u>(1,820,616)</u>	<u>(73,422)</u>	<u>-</u>	<u>(1,894,038)</u>
Business-type Activities				
Capital Assets, Net	\$ <u>924,314</u>	\$ <u>(73,422)</u>	\$ <u>-</u>	\$ <u>850,892</u>

Depreciation expense for the year was \$279,825 of which \$73,422 was charged to the proprietary funds and the remainder of \$206,404 was charged to general government.

5. Accounts Payable

Accounts payable at fiscal year-end totaled \$72,827 due to various vendors and was recorded in the governmental funds in the amount of \$70,374 with the remaining portion of \$2,452 belonging to the business-type funds.

6. Long-Term Debt

Bonds and General Debt Issuance

During a prior year the City issued Certificates of Obligation in the amount of \$1,200,000.00 for interim financing. Terms of the issue called for bi-annual payments with a variable interest rate of 1.25 – 3.75%. The issue with payments which started on March 25, 2012 will mature on September 30, 2022.

City of Presidio, Texas
Notes to the Basic Financial Statements (continued)

		Loan	Certificate of Obligation - Series 2012
		Start Date	03/25/12
		Original Amount	\$ 1,200,000
		Payments	variable
		Interest Rate	1.25% - 3.75%
		Maturity Date	09/30/22
Year	Principal	Interest	Total
2019	\$ 125,000	\$ 16,110	\$ 141,110
2020	130,000	12,135	142,135
2021	135,000	7,633	142,633
2022	140,000	2,625	142,625
2023	-	-	-
thereafter	-	-	-
	<u>\$ 530,000</u>	<u>\$ 38,502</u>	<u>\$ 568,502</u>

During a prior year the City incurred debt in the amount of \$100,000 for the building of a library. Terms of the debt instrument called for annual payments with an interest rate of 4.25%. The debt with payments started on September 15, 2006 and will mature on September 15, 2025.

		Loan	USDA - Library
		Start Date	09/15/06
		Original Amount	\$ 100,000
		Payments	\$ 7,521.98
		Interest Rate	4.25%
		Maturity Date	09/15/25
Year	Principal	Interest	Total
2019	\$ 6,000	\$ 1,743	\$ 7,743
2020	6,000	1,488	7,488
2021	7,000	1,233	8,233
2022	7,000	935	7,935
2023	7,000	638	7,638
thereafter	8,000	340	8,340
	<u>\$ 41,000</u>	<u>\$ 6,375</u>	<u>\$ 47,375</u>

During a prior year the City incurred debt in the amount of \$395,000 for interim financing. Terms of the debt instrument called for annual payments with an interest rate of 2.4%. The debt with payments started on April 8, 2013 and will mature on April 8, 2022.

City of Presidio, Texas
Notes to the Basic Financial Statements (continued)

Loan		Limited Tax Refunding Bonds - 2013	
Start Date		04/08/13	
Original Amount		\$ 395,000	
Payments		\$ 49,321.97	
Interest Rate		2.40%	
Maturity Date		04/08/22	
Year	Principal	Interest	Total
2019	\$ 45,000	\$ 4,020	\$ 49,020
2020	45,000	2,940	47,940
2021	50,000	1,800	51,800
2022	50,000	600	50,600
2023	-	-	-
thereafter	-	-	-
	<u>\$ 190,000</u>	<u>\$ 9,360</u>	<u>\$ 199,360</u>

During a prior year the City incurred debt in the amount of \$85,000 for the building of a fire station. Terms of the debt instrument called for annual payments with an interest rate of 4.25%. The debt with payments started on December 2, 2004 and will mature on December 22, 2024.

Loan		USDA - Library	
Start Date		09/15/06	
Original Amount		\$ 100,000	
Payments		\$ 7,521.98	
Interest Rate		4.25%	
Maturity Date		09/15/25	
Year	Principal	Interest	Total
2019	\$ 6,000	\$ 1,743	\$ 7,743
2020	6,000	1,488	7,488
2021	7,000	1,233	8,233
2022	7,000	935	7,935
2023	7,000	638	7,638
thereafter	8,000	340	8,340
	<u>\$ 41,000</u>	<u>\$ 6,375</u>	<u>\$ 47,375</u>

During a prior year the City incurred debt in the amount of \$220,000 for interim financing. Terms of the debt instrument called for annual payments with an interest rate of 5.00%. The debt with payments which started on January 1, 2012 will mature on July 1, 2024.

City of Presidio, Texas
Notes to the Basic Financial Statements (continued)

Start Date	01/01/12
Original Amount	\$ 220,000
Payments	\$ 12,928.22
Interest Rate	5.00%
Maturity Date	07/01/24

Year	Principal	Interest	Total
2019	\$ 9,188	\$ 3,740	\$ 12,928
2020	9,647	3,281	12,928
2021	10,130	2,799	12,929
2022	10,636	2,292	12,928
2023	11,168	1,760	12,928
thereafter	24,039	1,202	25,241
	<u>\$ 74,808</u>	<u>\$ 15,074</u>	<u>\$ 89,882</u>

An ordinance dated July 1, 1985 authorized the City to sell \$420,000 of revenue bonds for the Water and Sewer Department. The bonds carry an interest rate of 5% with principal and interest payments due July 1st and interest only payments due January 1st. The bonds mature in 2024.

Start Date	08/27/85
Original Amount	\$ 420,000
Payments	\$ 24,681.14
Interest Rate	5.00%
Maturity Date	07/01/24

Year	Principal	Interest	Total
2019	\$ 18,417	\$ 6,264	\$ 24,681
2020	19,338	5,343	24,681
2021	20,305	4,376	24,681
2022	21,321	3,361	24,682
2023	22,387	2,295	24,682
thereafter	23,506	-	23,506
	<u>\$ 125,274</u>	<u>\$ 21,639</u>	<u>\$ 146,913</u>

Total Long-term Debt

The total indebtedness the City has incurred for bonds, general debt and capital leases is as follows:

Year	Principal	Interest	Total
2019	\$ 289,605	\$ 59,567	\$ 349,172
2020	300,985	50,419	351,404
2021	313,435	40,285	353,720
2022	324,957	29,395	354,352
2023	136,555	21,338	157,893
thereafter	560,545	39,910	600,455
	<u>\$ 1,926,082</u>	<u>\$ 240,913</u>	<u>\$ 2,166,995</u>

7. Employee Retirement Plan

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of 4/4/07): *

** To ensure the most accurate future rates are determined for the City, TMRS provided plan provisions as of 4/4/07 to the actuary in calculating the 12/31/16 valuation.*

Deposit Rate: 5.00%

Matching Ratio (City to Employee): 1 to 1

A member is vested after 5 Years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the city (expressed as years of service/age) are:

- **5 years / age 60 ;**
- **25 years / any age**

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2009 valuation is effective for rates beginning January 2010)

8. Commitments and Contingent Liabilities

Litigation

In the normal course of providing services to the public the City from time to time is subjected to litigation claims. The City defends itself against such claims based on internal assessment of liability and risk. Litigation expenses and damages are recorded as expense in the period when services are rendered. No liabilities have been accrued in the financial statements relative to litigation in process since all claims are expected to be within insurance coverage of the City.

Federal Grants

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Historically these audits have not resulted in identification of material disallowed costs. Any liability for reimbursement, which may arise, as the result of these audits is not believed to be material.

9. Landfill

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date the landfill stops accepting waste, the City has begun reporting these costs. As of September 30, 2018, the City had \$239,898 in designated funds to meet these costs. Per a permit from the Texas Commission on environmental Quality issued September 23, 2008 the City needs an additional \$210,708 to meet the \$450,606 financial assurance requirement of the permit.

10. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The City maintains insurance policies acquired from independent insurance carriers covering structural property, dishonesty, errors, and omissions, personal property and general liability. There have been no significant reductions in insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

11. Related Party Transactions

From time to time the City may enter into transactions with related parties through the normal course of business. If a member of the City Council 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 for the year ended September 30, 2018.

13. Subsequent Events

In preparing the financial statements the management of the City of Presidio, Texas has evaluated events and transactions for potential recognition or disclosure through December 31, 2020 the date the financial statements were issued. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date that would require adjustment to or further disclosure in the financial statements.

The City of Presidio, Texas
Schedule of Findings
Year Ended September 30, 2018

Section I Summary of Auditor's Results

Financial Statements:

Type of audit report issued:	Adverse
Internal control over financial reporting:	
* Material weaknesses identified?	2-2012, 4-2012, 1-2013
* Significant deficiencies That are not considered to be material weaknesses?	5-2012, 2-2013
Noncompliance material to financial statements noted?	2-2012

Section II Financial Statement Findings

2-2012 – Material Weakness – Bank reconciliations for all bank accounts held by the City of Presidio.

Criteria: Entities should reconcile all bank accounts on a contemporaneous basis.

Condition: Repeat Finding – The City's bank reconciliation procedures were deemed to be ineffective.

Questioned Costs: No questioned costs were identified.

Context: In the course of the audit work performed it was determined the City's bank accounts were not being reconciled on a contemporaneous basis.

Cause: The City's month end close process and schedule for which adherence to on a routine basis should enable the City's bank accounts to be reconciled on a contemporaneous basis.

Effect: Continued recurring lack of contemporaneous bank account reconciliations can cause transactions to be missed and not recognized in the financial statements.

Recommendation: We recommend procedures be resumed requiring performance and documentation of bank reconciliation procedures for all bank account to the general ledger detail within 20 days of receiving the bank statement.

View of Responsible Officials and Planned Corrective Actions: The City has included in its current period end close schedule and identified the necessary dates for completing bank reconciliations.

4-2012 – Material Weakness – The City is not in compliance with the bond covenants for both the library and the fire station.

Criteria: Entities should remain in compliance with all bond covenants when transacting with lending agencies.

Condition: Repeat Finding – We were contacted by the grantor agency stating the bond covenants for both the library and the fire station were out of compliance due to repeated unanswered requests for items associated with bond covenants.

Questioned Costs: No questioned costs were identified.

Context: In the course of the audit work performed it was determined the City was not meeting its obligations for the bond covenants of the library and the fire station.

Cause: The City's month end close process and schedule for which adherence to on a routine basis should enable the City's financial information to be sent to grantor agencies.

Effect: Continued recurring lack of adherence to bond covenants could cause grantors to be reluctant to enter into contracts with the City.

Recommendation: We recommend the City review its bond covenants and develop a policy to ensure it reports all required information in a timely manner to requesting agencies.

View of Responsible Officials and Planned Corrective Actions: The City has included in its current period end close schedule and identified the necessary dates for submitting the required reports with grantor agencies.

5-2012 – Significant Deficiency – No reconciliation as to what is owed between the City and the Presidio Municipal Development District

Criteria: Entities should perform regular reconciliations between amounts due to and due from other entities to ensure the financial statements recognize the rights and obligations of amounts due to and from other entities.

Condition: Repeat Finding – No reconciliation has been performed to determine the amount that is owed between the City of Presidio and the Presidio Municipal Development District.

Questioned Costs: No questioned costs were identified.

Context: In the course of the audit work performed it was determined the City was not performing any reconciliations between what was due to other entities and the amounts recognized on the City's financial statements.

**The City of Presidio, Texas
Schedule of Findings, (continued)**

Cause: The City's month end close process and schedule for which adherence to on a routine basis should enable the City's financial information to be reconciled to be both complete and accurate.

Effect: Failure to reconcile amounts owed between the two entities can create shortfalls in funding and cause balances in the financial statements to be misstated.

Recommendation: We recommend procedures to be put into place to reconcile amounts owed between the two entities on a monthly basis.

View of Responsible Officials and Planned Corrective Actions: The City has included in its current period end close schedule a control to ensure a monthly reconciliation is performed between the City of Presidio and the Presidio Municipal Development District.

1-2013 – Material Weakness – No reconciliation to and inclusion of the enterprise fund revenue, generated in a third party software, into the primary accounting information system used in the generation of the financial statements

Criteria: Entities should perform regular reconciliations between the main accounting reporting software and any third party software to ensure the financial statements properly reflect the financial transactions which have occurred for the period.

Condition: Repeat Finding – The enterprise revenue fund that is accounted for and maintained in a separate accounting software system other than the primary accounting software system is not imported or reconciled to the associated accounts receivable and enterprise fund revenue accounts in the primary accounting system.

Questioned Costs: No questioned costs were identified.

Context: In the course of the audit work performed it was determined the City was not recognizing the accounts receivable and associated revenues from the enterprise fund accounting software system.

Cause: The City's month end close process and schedule for which adherence to on a routine basis should enable the City's financial information to be reconciled on a regular recurring basis to ensure it is both complete and accurate.

Effect: Failure to input and reconcile the two accounting systems information leads to improper revenue recognition and misstatement of the financial statements.

Recommendation: We recommend procedures to be put into place to reconcile the two accounting systems so the accounts receivable and enterprise fund revenues are properly accounted for.

View of Responsible Officials and Planned Corrective Actions: The City has included in its current period end close schedule a control to ensure enterprise fund revenue is recognized properly and a reconciliation is performed between the two accounting systems.

2-2013 – Significant Deficiency – No quarterly filing of the Form 941 with the Internal Revenue Service

Criteria: Entities should file all required federal and state payroll reports by their corresponding due dates.

Condition: Repeat Finding – The City's did not file its quarterly payroll reports with the federal government.

Questioned Costs: No questioned costs were identified.

Context: In the course of the audit work performed it was determined the City had not filed its quarterly employment reports nor paid the corresponding taxes.

Cause: The City's month end close process and schedule for which adherence to on a routine basis should enable the City to submit their federal employment reports and payments by the required due dates.

Effect: Failure to file the required quarterly reports with the Internal Revenue Service will subject the City to fines and penalties.

Recommendation: We recommend procedures to be put into place to ensure the required quarterly reports are filed with the Internal Revenue Service.

View of Responsible Officials and Planned Corrective Actions: The City has included in its current period end close schedule and identified the necessary dates for filing quarterly reports with the Internal Revenue Service.