

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of the
City of Presidio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Presidio, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Presidio Municipal Development District (PMDD) which are presented within the government-wide financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the PMDD, is based solely on the report of the other auditors. 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 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 on the financial position of the City. However, we disclaim opinions on the results of operations and cash flows.

Disclaimer of Opinions on the Results of Operations and Cash Flows

We do not express an opinion on the results of operations and cash flows of the City for the year ended September 30, 2019. Because of the significance of the matter described in the Basis for Disclaimer of Opinions on Results of Operations paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows for the year ended September 30, 2019.

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Basis for Disclaimer of Opinions on Results of Operations and Cash Flows

The financial statements for the year ended September 30, 2018 received an adverse opinion from other auditors on the financial statements as a whole. Subsequent to that year, the audits for the years ended September 30, 2019 and September 30, 2020 became past due. We were engaged as auditors of the City in July 2021 to bring these past due audits up-to-date. As such, due to the amount of time that had passed from the adverse opinion for the year ended September 30, 2018, and given cost considerations for catching up the past due audits, in concurrence with City officials we elected to disclaim an opinion on the results of operations and cash flows for the year ended September 30, 2019. This is due to our inability to obtain sufficient reliable evidence on the opening balances for the year ended September 30, 2019 without further costs to the City.

Opinions on Financial Position

In our opinion, based on our audit and the report of other auditors, the government-wide statements of net position for the governmental activities, the business-type activities, and the discretely presented component unit, and the fund-basis balance sheets and statements of net position for each major fund, and the aggregate remaining fund information, present fairly, in all material respects, the respective financial position of the City as of September 30, 2019.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section preceding the basic financial statements and the pension and other post-employment benefit related schedules following the notes to the financials be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

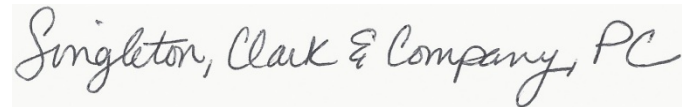
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules 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 schedules balance sheets are fairly stated, in all material respects, in relation to the basic financial statements as a whole. In accordance with the Basis for Disclaimer of Opinions on Results of Operations and Cash Flows paragraph above, we disclaim an opinion on the combining schedule of revenues, expenditures, and changes in funds balance.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive, flowing style.

Singleton, Clark & Company, PC
Cedar Park, Texas

October 12, 2021

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CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of the City of Presidio, Texas, (hereafter the "City") discuss and analyze the financial performance of the City for the year ended September 30, 2019. Please read this information in conjunction with the City's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position for governmental activities decreased by \$550,735 as a result of this year's current operations, to end at \$3,003,284.
- Net position for the City's business-type activities (the utility operations for water, sewer, and landfill) decreased by \$61,430 for the current year, to end at \$10,776,842. This net position is primarily invested in utility infrastructure and equipment.
- The General Fund of the City reported a fund balance decrease of \$608,648 for the year, to end at \$20,604.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section is the most substantial part of this Annual Financial Report. It consists of the independent auditor's report, management's discussion and analysis (this section), a set of basic financial statements with required note disclosures, and finally, required supplementary information and other supporting schedules as applicable.

Independent Auditor's Report

State law requires the City's financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual financial audit is for the auditor to express an opinion as to whether the financial statements of the City appear to be free from material misstatement. The audit is required to be conducted 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. The City received *Unmodified* opinions on its balance sheet and statement of net position this year. However, the City received a *Disclaimer* of opinions on the results of its operations and cash flows. The basis for the disclaimer of opinion is described within the independent auditor's report on page 1 of this report.

Management's Discussion and Analysis

The management's discussion and analysis (MD&A) section of the report is intended to introduce the financial statements and to provide discussion and analysis regarding the financial performance of the City during the year. The MD&A is written by management of the City and provides for a less formal presentation of the financial activities of the City than is found within the basic financial statements themselves.

Basic Financial Statements

The basic financial statements consist of a series of financial statements and required note disclosures. These statements include government-wide financial statements which present the City in a consolidated and long-term manner using full-accrual accounting similar to that of a business enterprise, and fund financial statements which present a more detailed view of the City using a short-term view and traditional modified-accrual governmental accounting. These financial statements are followed with detailed notes which provide narrative explanations and additional data for full disclosure of information.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Required Supplementary Information

The previously discussed MD&A section is considered to be required supplementary information, however, the governmental reporting framework requires that it be presented before the financial statements. When applicable, additional required supplementary information must follow the financial statements. Within this financial report, the City presents required schedules related to its participation in the Texas Municipal Retirement System (TMRS) pension and supplemental death benefits plans.

Combining Schedules

The combining schedules provide detailed information about the City's nonmajor funds. While the primary financial statements present the nonmajor funds in a consolidated manner, the combining schedules list all of the nonmajor funds separately, each in its own column for enhanced analysis when needed.

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 with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements 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, deferred outflows, liabilities, and deferred inflows 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 apply the full-accrual basis of accounting which is the same basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided between those provided by governmental sources such as from tax levies or intergovernmental payments, and those provided by customers in exchange for services, such as City utilities. All of the City's assets are reported whether they serve the current year or future years. Likewise, all liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in net position. The City's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) provides one measure of the City's financial health. 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, you should consider nonfinancial factors as well, such as changes in the City's property tax base, the condition of the City's facilities, and the local economy.

In the Statement of Net Position and the Statement of Activities, the City divides up and reports its financial activities as follows:

- Governmental activities – Basic services are reported here, including the provision of general government services, public safety, and culture and recreation services. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities –The City charges fees to "customers" to help it cover all or most of the cost of services it provides for items such as water, sewer, and landfill operations in an arrangement much like a business venture.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Reporting the District's Most Significant Funds

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 City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund types available for use by local governments fall into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially 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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. To achieve this change in focus within the governmental fund financial statements, the modified-accrual basis of accounting is used.

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 City's near-term financing decisions. Both the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintained five individual governmental funds during the year. Information is presented separately in the governmental fund *balance sheet* and in the governmental fund *statement of revenues, expenditures, and changes in fund balances* for the General Fund and the Debt Service Fund, which met the criteria to be reported as *major funds* this year. Data from the other three governmental funds are combined into a single aggregated presentation titled *Total NonMajor Funds*. Individual fund data for each of these nonmajor governmental funds is however provided in the form of combining schedules in the combining fund schedules section of this report.

The City adopts an annual appropriated budget for its General Fund. A comparison statement has been provided for the General Fund to present the City's current year originally adopted budget, the budget as amended by year-end, and the final actual reported amounts for revenues and expenditures in each line item.

Proprietary Funds

The City has the option of maintaining 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, only in more detail. The City uses *enterprise funds* to account for its water, sewer, and landfill utility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a city's functions. However, the City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements. All proprietary funds utilize the full-accrual basis of accounting.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. However, during the current year the City did not engage in activities that required the use of a fiduciary fund.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements and should be considered an integral component to the overall financial analysis of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Reviewing a City's net position levels for both governmental activities and business-type activities can help in assessing a City's current financial health. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$3,003,284, and business-type activities by \$10,776,842 at the close of the most recent fiscal year. The components of these amounts are summarized in the chart below.

City of Presidio, Texas
Condensed Statement of Net Position
As of September 30, 2019 and September 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 607,581	\$ 732,674	\$ 654,986	\$ 256,393	\$ 1,262,567	\$ 989,067
Capital assets	4,226,030	4,411,578	10,226,602	850,892	14,452,632	5,262,470
Other noncurrent assets	75,446	-	31,939	-	107,385	-
Total assets	4,909,057	5,144,252	10,913,527	1,107,285	15,822,584	6,251,537
Deferred outflows of resources	79,973	-	33,655	-	113,628	-
Current liabilities	158,239	359,979	136,563	2,453	294,802	362,432
Noncurrent liabilities	1,797,885	1,636,477	21,238	86,944	1,819,123	1,723,421
Total liabilities	1,956,124	1,996,456	157,801	89,397	2,113,925	2,085,853
Deferred inflows of resources	29,622	-	12,539	-	42,161	-
Net position:						
Net investment in capital assets	2,589,553	2,485,496	10,693,815	850,892	13,283,368	3,336,388
Restricted	181,598	-	-	86,944	181,598	86,944
Unrestricted	232,133	662,300	83,027	80,052	315,160	742,352
Total net position	\$ 3,003,284	\$ 3,147,796	\$ 10,776,842	\$ 1,017,888	\$ 13,780,126	\$ 4,165,684

By far, the largest portion of the City's combined total net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related outstanding debt that was used to acquire those assets. This amount, reported as *net investment in capital assets*, totaled \$13,283,368 as of year-end. The City uses these capital assets to provide a variety of services to its citizens within both the governmental and business-type activities categories. Accordingly, these assets are not liquid and are therefore not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

An additional portion of the City's net position represents resources that are subject to external constraints on how they may be used, and as such that portion of net position is reported as *restricted* net position. Restricted net position totaled \$181,598 as of year-end. The remaining portion of net position is reported as *unrestricted* and may be used to meet the City's ongoing obligations to its citizens and creditors. Unrestricted net position totaled \$315,160 as of year-end. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities

Net position for governmental activities decreased by \$550,735 from current year operations, to end the year at \$3,003,284. The reason for this overall decrease in net position is primarily from the results of operations within the City's General Fund, which is discussed within the financial analysis of the governmental funds.

Business-type Activities

Net position of the City's business-type activities decreased modestly, by \$61,430, to end the year at \$10,776,842. Results within the business-type activities were consistent with prior years.

A summary of the components of these changes in net position is summarized below:

**City of Presidio, Texas
Condensed Statement of Activities
For the Years Ended September 30, 2019 and September 30, 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	\$ 452,925	\$ 168,857	\$ 1,896,040	\$ 1,826,020	\$ 2,348,965	\$ 1,994,877
Operating grants & contributions	185,466	-	-	-	185,466	-
General revenues:						
Property taxes	939,858	1,068,480	-	-	939,858	1,068,480
Sales and selective taxes and fees	534,396	445,713	-	-	534,396	445,713
Other miscellaneous revenues	135,057	170,266	448	-	135,505	170,266
Total revenue	2,247,702	1,853,316	1,896,488	1,826,020	4,144,190	3,679,336
Expenses:						
General government	960,150	3,842,828	-	-	960,150	3,842,828
Public safety	1,131,755	1,065,038	-	-	1,131,755	1,065,038
Culture and recreation	654,146	666,854	-	-	654,146	666,854
Non-departmental	206,768	-	-	-	206,768	-
Interest on debt	53,298	-	-	-	53,298	-
Water utilities	-	-	890,012	1,351,459	890,012	1,351,459
Sewer utilities	-	-	617,375	109,168	617,375	109,168
Landfill utilities	-	-	242,851	110,835	242,851	110,835
Total expenses	3,006,117	5,574,720	1,750,238	1,571,462	4,756,355	7,146,182
Increase (decrease) in net position before transfers	(758,415)	(3,721,404)	146,250	254,558	(612,165)	(3,466,846)
Transfers	207,680	-	(207,680)	-	-	-
Increase (decrease) in net position	(550,735)	(3,721,404)	(61,430)	254,558	(612,165)	(3,466,846)
Net position-beg. (as restated 2019)	3,554,019	6,869,200	10,838,272	763,330	14,392,291	7,632,530
Net position-ending	\$ 3,003,284	\$ 3,147,796	\$ 10,776,842	\$ 1,017,888	\$ 13,780,126	\$ 4,165,684

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Financial Analysis of the City's Governmental Funds

The focus of the City's *governmental funds* is to provide information on the near-term inflows, outflows, and balances of spendable resources of these funds. Such information is useful in assessing the City's ability to continue to provide a consistent level services to citizens in the coming years. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

As of September 30, 2019, the City's governmental funds reported combined ending fund balances of \$64,484, which represents a decrease of \$597,815 from the prior year. Of this amount, \$9,291 is restricted for debt service expenditures and \$34,589 is restricted for economic development purposes. The remaining residual amount of \$20,604 constitutes *unassigned fund balance*. The unassigned portion of fund balance represents funds available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$20,604, which reflects a decrease of \$608,648 from the prior year. As a measure of the General Fund's liquidity, it is useful to compare total fund balance of the General Fund to the total normal General Fund annual expenditures level. A healthy fund balance level for the General Fund of a governmental entity is said to be approximately 25% of annual General Fund expenditures. As of year-end, fund balance of the General Fund represented approximately 1% of annual General Fund expenditures.

The fund balance decrease of the General Fund during the current fiscal year was primarily the result of expenditures being made during the year in excess of budgeted amounts. Some of the excess expenditures were the result of the General Fund covering certain expenditures of the utility funds during the year. These expenditures were reimbursed to some degree with a transfer from the Landfill Fund, however the City opted to allow a certain amount of the remaining expenditures to be accommodated by the General Fund.

The Debt Service Fund, also a major governmental fund this year, had an increase in fund balance of \$5,909, to end at \$9,291. The modest increase in fund balance for the year was the result of the current year tax levy to service debt principal and interest differing slightly from actual requirements.

Financial Analysis of the City's Proprietary Funds

The City's proprietary funds provide the same information reported for the overall consolidated business-type activities in the government-wide financial statements, but in more detail through the use of a separate fund for each utility operation of the City.

The Water Fund reported revenues of \$553,458 compared to operating expenses of \$890,012, resulting in an operating loss of \$336,506. The primary factor resulting in this operating loss was water utility charges not quite being sufficient to cover operating costs. Net position in the Water Fund ended the year at \$215,140.

The Sewer Fund reported revenues of \$393,045 compared to operating expenses of \$617,375, resulting in an operating loss of \$224,243. The primary factor resulting in this operating loss was sewer utility charges not quite being sufficient to cover operating costs. Net position in the sewer fund ended the year at \$9,459,178

The Landfill Fund reported revenues of \$949,850 compared to operating expenses of \$242,851, resulting in operating income of \$706,999.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

In addition, the Landfill Fund provided supplemental financial assistance to the City's General Fund during the year with a transfer of funds in the amount of \$207,680. After considering this transfer, net position of the Landfill Fund increased by \$499,319 for the year to end at \$1,102,524. In recent years, subsidy of the City's General Fund with Landfill Fund resources has been an expected occurrence.

General Fund Budgetary Highlights

The City adopted an original budget of estimated revenues and expenditures prior to the beginning of the fiscal year. As the year progressed, expenditure needs exceeded the originally adopted amounts. However, the budget was not amended during the year in order to accommodate the larger than expected expenditure levels. The Finance Department is working to address operational practices to ensure that needed budget amendments will be brought to the City Council in the future for consideration and possible approval.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of September 30, 2019 amounted to \$4,226,030 while the investment in capital assets for business-type activities amounted to \$10,226,602. Both of these amounts are net of accumulated depreciation. These investments in capital assets include land, buildings, infrastructure, and machinery and equipment. There was a significant increase in business-type activities capital assets due to a prior year restatement of capital assets balances being recorded to add the values of certain infrastructure items not previously reflected.

**City of Presidio, Texas
Capital Assets, Net of Accumulated Depreciation
As of September 30, 2019 and September 30, 2018**

	Governmental Activities 2019	Governmental Activities 2018	Change	Business- Activities 2019	Business- Activities 2018	Change
Land	\$ 377,400	\$ 431,504	\$ (54,104)	\$ 512,731	\$ 32,000	\$ 480,731
Buildings and improvements	3,885,571	6,789,095	(2,903,524)	7,042,695	42,695	7,000,000
Infrastructure	1,100,834	-	1,100,834	6,411,509	1,273,661	5,137,848
Machinery and equipment	1,724,823	39,248	1,685,575	1,386,616	1,396,574	(9,958)
Construction in progress	147,484	-	147,484	-	-	-
Total	<u>7,236,112</u>	<u>7,259,847</u>	<u>(23,735)</u>	<u>15,353,551</u>	<u>2,744,930</u>	<u>12,608,621</u>
Less accumulated depr.	<u>(3,010,082)</u>	<u>(2,848,269)</u>	<u>(161,813)</u>	<u>(5,126,949)</u>	<u>(1,894,038)</u>	<u>(3,232,911)</u>
Capital assets, net	<u>\$ 4,226,030</u>	<u>\$ 4,411,578</u>	<u>\$ (185,548)</u>	<u>\$ 10,226,602</u>	<u>\$ 850,892</u>	<u>\$ 9,375,710</u>

Additional information on the City's capital assets can be found in Note 5 on page 46 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$1,747,715, all within governmental activities. This consisted of a mixture of general obligation bonds, notes payable, and compensated absences payable. A summary of these long-term liabilities follows.

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CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

City of Presidio, Texas
Long-Term Debt
As of September 30, 2019 and September 30, 2018

	Governmental		Change
	Activities	Activities	
	2019	2018	
General obligation bonds	\$ 1,405,000	\$ 1,655,000	\$ (250,000)
Notes payable	231,477	271,082	(39,605)
Compensated absences payable	111,238	-	111,238
Total	\$ 1,747,715	\$ 1,926,082	\$ (178,367)

The City's total debt decreased by a net amount \$178,367 during the current fiscal year. This was the result of the City making regularly scheduled payments on the bonds and notes payable outstanding balances as well as the addition of compensated absences payable which had not previously been recorded.

Additional information on the City's long-term debt can be found in Note 10 on pages 55-57 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2020 budget, such as needs of the citizens, the City's long-term plan, and the status of the local economy. Based on these considerations, the City adopted a General Fund expenditures budget for fiscal year 2020 of \$2,512,260, which represents a decrease of approximately \$210,000 from fiscal year 2019 final year-end expenditures. The City adopted a tax rate of \$.79548 per \$100 property valuation to assist with financing this budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Presidio's finances for all those with an interest. For questions concerning any of the information provided in this report, or requests for additional information, please contact the City's Finance Department at 507 E. O'Reilly Street, Presidio, Texas 79845 or by calling (432) 229-3517.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF PRESIDIO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Presidio Municipal Development District
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 29,486	\$ 495,652	\$ 525,138	\$ 462,902
Taxes receivable - delinquent	457,552	-	457,552	-
Allowance for uncollectible taxes	(66,212)	-	(66,212)	-
Accounts receivable, net	186,755	159,334	346,089	13,010
Notes receivable, net	-	-	-	31,883
Net pension asset	75,446	31,939	107,385	-
Capital assets, not being depreciated:				
Land	377,400	512,731	890,131	28,894
Construction in progress	147,484	-	147,484	-
Capital assets, being depreciated:				
Buildings and improvements	3,885,571	7,042,695	10,928,266	-
Machinery and equipment	1,724,823	1,386,616	3,111,439	-
Infrastructure	1,100,834	-	1,100,834	-
Utility infrastructure	-	6,411,509	6,411,509	-
Other capital assets, depreciable	-	-	-	137,076
Accumulated depreciation	(3,010,082)	(5,126,949)	(8,137,031)	(33,959)
Total assets	4,909,057	10,913,527	15,822,584	639,806
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-pension	77,273	32,513	109,786	-
Deferred outflows-OPEB	2,700	1,142	3,842	-
Total deferred outflows of resources	79,973	33,655	113,628	-
LIABILITIES				
Accounts payable	118,846	32,188	151,034	7,500
Accrued salaries and benefits	32,911	13,190	46,101	-
Accrued interest payable	6,482	-	6,482	-
Customer deposits	-	91,185	91,185	-
Noncurrent liabilities:				
Due within one year	356,604	-	356,604	-
Due in more than one year	1,391,111	-	1,391,111	-
Net OPEB liability	50,170	21,238	71,408	-
Total liabilities	1,956,124	157,801	2,113,925	7,500
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-pensions	28,899	12,233	41,132	-
Deferred inflows-OPEB	723	306	1,029	-
Total deferred inflows of resources	29,622	12,539	42,161	-
NET POSITION				
Net investment in capital assets	2,589,553	10,693,815	13,283,368	132,011
Restricted for debt service	147,009	-	147,009	-
Restricted for economic development	34,589	-	34,589	61,850
Unrestricted	232,133	83,027	315,160	438,445
Total net position	\$ 3,003,284	\$ 10,776,842	\$ 13,780,126	\$ 632,306

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

CITY OF PRESIDIO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs:	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
Governmental activities:			
General government	\$ 960,150	\$ 33,942	\$ 14,751
Public safety	1,131,755	336,616	170,715
Culture and recreation	654,146	82,367	-
Non-departmental	206,768	-	-
Interest and issuance costs	53,298	-	-
Total governmental activities:	<u>3,006,117</u>	<u>452,925</u>	<u>185,466</u>
Business-type activities:			
Water services	890,012	553,458	-
Sewer services	617,375	393,045	-
Landfill services	242,851	949,537	-
Total business-type activities:	<u>1,750,238</u>	<u>1,896,040</u>	<u>-</u>
Total primary government	<u>\$ 4,756,355</u>	<u>\$ 2,348,965</u>	<u>\$ 185,466</u>
Component units:			
Presidio Municipal Development District	\$ 145,598	\$ -	\$ -
	<u>\$ 145,598</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
Sales taxes			
Hotel/motel taxes			
Franchise taxes			
Rents and royalties			
Contributions and donations			
Investment earnings			
Miscellaneous			
Total general revenues			
Special items and transfers			
Transfers in			
Transfers out			
Sale of property			
Total general revenues, special items, and transfers			
Change in net position			
Net position - beginning (as restated)			
Net position - ending			

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Presidio Municipal Development District
\$ (911,457)	\$ -	\$ (911,457)	\$ -
(624,424)	-	(624,424)	-
(571,779)	-	(571,779)	-
(206,768)	-	(206,768)	-
(53,298)	-	(53,298)	-
<u>(2,367,726)</u>	<u>-</u>	<u>(2,367,726)</u>	<u>-</u>
-	(336,554)	(336,554)	-
-	(224,330)	(224,330)	-
-	706,686	706,686	-
-	145,802	145,802	-
<u>(2,367,726)</u>	<u>145,802</u>	<u>(2,221,924)</u>	<u>-</u>
			<u>(145,598)</u>
			<u>(145,598)</u>
939,858	-	939,858	-
431,194	-	431,194	146,545
61,318	-	61,318	-
41,884	-	41,884	-
14,605	-	14,605	-
5,425	-	5,425	-
2,689	135	2,824	950
112,338	313	112,651	-
<u>1,609,311</u>	<u>448</u>	<u>1,609,759</u>	<u>147,495</u>
207,680	-	-	-
-	(207,680)	-	-
-	-	-	41,739
<u>1,816,991</u>	<u>(207,232)</u>	<u>1,609,759</u>	<u>189,234</u>
(550,735)	(61,430)	(612,165)	43,636
<u>3,554,019</u>	<u>10,838,272</u>	<u>14,392,291</u>	<u>588,670</u>
<u>\$ 3,003,284</u>	<u>\$ 10,776,842</u>	<u>\$ 13,780,126</u>	<u>\$ 632,306</u>

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FUND BASIS FINANCIAL STATEMENTS

CITY OF PRESIDIO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Major Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 9,291	\$ 20,195	\$ 29,486
Taxes receivable - delinquent	296,533	161,019	-	457,552
Allowance for uncollectible delinquent taxes	(42,911)	(23,301)	-	(66,212)
Accounts receivable	311,418	-	15,842	327,260
Allowance for uncollectible accounts receivable	(140,505)	-	-	(140,505)
Due from other funds	1,448	-	-	1,448
Total assets	<u>\$ 425,983</u>	<u>\$ 147,009</u>	<u>\$ 36,037</u>	<u>\$ 609,029</u>
LIABILITIES				
Accounts payable	\$ 118,846	\$ -	\$ -	\$ 118,846
Accrued salaries and benefits	32,911	-	-	32,911
Due to other funds	-	-	1,448	1,448
Total liabilities	<u>151,757</u>	<u>-</u>	<u>1,448</u>	<u>153,205</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - property taxes	253,622	137,718	-	391,340
Total deferred inflows of resources	<u>253,622</u>	<u>137,718</u>	<u>-</u>	<u>391,340</u>
FUND BALANCES				
Restricted for:				
Debt service	-	9,291	-	9,291
Economic development	-	-	34,589	34,589
Unassigned	20,604	-	-	20,604
Total fund balances	<u>20,604</u>	<u>9,291</u>	<u>34,589</u>	<u>64,484</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 425,983</u>	<u>\$ 147,009</u>	<u>\$ 36,037</u>	<u>\$ 609,029</u>

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

CITY OF PRESIDIO, TEXAS
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

	Total fund balance of all governmental funds	\$	64,484
1	Capital assets used in governmental activities are not current financial resources and therefore not reported in the funds.		
	Total governmental activities capital assets	\$	7,236,112
	Less accumulated depreciation		(3,010,082)
	Governmental capital assets, net of depreciation		4,226,030
2	Long-term liabilities, such as bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
	Certificates of Obligation payable	(1,260,000)	
	Bonds payable	(145,000)	
	Notes payable	(231,477)	
	Compensated absences payable	(111,238)	
	Total long-term liabilities		(1,747,715)
3	Accrued interest on long-term debt is not due and payable until matured and therefore not recorded in the governmental funds.		(6,482)
4	Other long-term assets, such as uncollected property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds rather than equity.		391,340
5	Liabilities and assets for pension and other post-employment benefits (OPEB), including the related deferred inflows and outflows arising from the actuarial measurement of these liabilities, are not payable in the current period and therefore only recorded in the government-wide financial statements.		
	Net pension asset	75,446	
	Net OPEB liability	(50,170)	
	Deferred inflows related to pension and OPEB	(29,622)	
	Deferred outflows related to pension and OPEB	79,973	
	Total pension and OPEB related items		75,627
	Net position of governmental activities		\$ 3,003,284

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

CITY OF PRESIDIO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Major Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 607,177	\$ 342,245	\$ -	\$ 949,422
Sales taxes	431,194	-	-	431,194
Hotel/motel taxes	-	-	61,318	61,318
Franchise taxes	41,884	-	-	41,884
Intergovernmental revenues	185,466	-	-	185,466
Charges for services	428,896	-	-	428,896
Fines	24,029	-	-	24,029
Investment earnings	2,604	85	-	2,689
Rents and royalties	14,605	-	-	14,605
Grants and contributions	5,425	-	-	5,425
Miscellaneous revenue	112,338	-	-	112,338
Total revenues	<u>1,853,618</u>	<u>342,330</u>	<u>61,318</u>	<u>2,257,266</u>
EXPENDITURES				
Current:				
General government:				
Administrative departments	708,099	-	-	708,099
Municipal court	56,875	-	-	56,875
Code enforcement	43,097	-	-	43,097
Public safety:				
Police	313,781	-	-	313,781
Fire	39,669	-	-	39,669
EMS	609,519	-	-	609,519
Animal control	9,171	-	-	9,171
Culture and recreation:				
Parks	39,672	-	-	39,672
Library	113,212	-	-	113,212
Youth club	38,516	-	-	38,516
Senior center	280,825	-	-	280,825
Toursim	113,596	-	4,096	117,692
Non-departmental	137,676	-	-	137,676
Debt service:				
Principal	-	289,605	-	289,605
Interest	-	46,816	-	46,816
Capital outlay	218,536	-	-	218,536
Total expenditures	<u>2,722,244</u>	<u>336,421</u>	<u>4,096</u>	<u>3,062,761</u>
Excess (deficiency) of revenues over expenditures	<u>(868,626)</u>	<u>5,909</u>	<u>57,222</u>	<u>(805,495)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	259,978	-	-	259,978
Transfers out	-	-	(52,298)	(52,298)
Total other financing sources (uses)	<u>259,978</u>	<u>-</u>	<u>(52,298)</u>	<u>207,680</u>
Net change in fund balance	(608,648)	5,909	4,924	(597,815)
Fund balance - beginning	629,252	3,382	29,665	662,299
Fund balance - ending	<u>\$ 20,604</u>	<u>\$ 9,291</u>	<u>\$ 34,589</u>	<u>\$ 64,484</u>

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

CITY OF PRESIDIO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

	Net change in fund balances for total governmental funds	\$	(597,815)
1	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. Below are the capital expenditures and depreciation expense for the current period.		
	Governmental funds capital expenditures	\$	147,484
	Governmental activities depreciation expense		<u>(245,704)</u>
			(98,220)
2	Payment on long-term liabilities, such as bonds and notes payable, are expenditures in the governmental funds, but reduce long-term debt in the government-wide financial statements.		289,605
3	Accrued interest on long-term liabilities is not recorded in the governmental funds. Therefore, the changes in this accrued amount each year cause a difference in expense between the governmental funds and the government-wide financial statements.		(6,482)
4	A liability for compensated absences is not recorded in the governmental funds. Therefore, the changes in this accrued amount each year cause a difference in expense between the governmental funds and the government-wide financial statements.		(111,238)
5	Property taxes are recognized as revenue when received in the governmental funds, but recognized when levied within the governmental activities financial statements.		(9,564)
6	Liabilities and assets for pension and other post-employment benefits (OPEB), including the related deferred inflows and outflows arising from the actuarial measurement of these liabilities, are not payable in the current period and therefore only recorded in the government-wide financial statements. Therefore expense resulting from the changes in these items each year is also only reflected in the government-wide financial statements.		
	Current year pension expense		(10,884)
	Current year OPEB expense		<u>(6,137)</u>
			(17,021)
	Change in net position for governmental activities	\$	<u><u>(550,735)</u></u>

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

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CITY OF PRESIDIO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 837,002	\$ 837,002	\$ 607,177	\$ (229,825)
Sales taxes	420,000	420,000	431,194	11,194
Franchise taxes	47,000	47,000	41,884	(5,116)
Intergovernmental revenues	11,500	11,500	185,466	173,966
Charges for services	524,500	524,500	428,896	(95,604)
Fines	72,200	72,200	24,029	(48,171)
Investment earnings	7,200	7,200	2,604	(4,596)
Rents and royalties	7,200	7,200	14,605	7,405
Grants and contributions	-	-	5,425	5,425
Miscellaneous revenue	294,142	294,142	112,338	(181,804)
Total revenues	<u>2,220,744</u>	<u>2,220,744</u>	<u>1,853,618</u>	<u>(367,126)</u>
EXPENDITURES				
Current:				
General government:				
Administrative departments	528,620	528,620	708,099	(179,479)
Municipal court	12,000	12,000	56,875	(44,875)
Code enforcement	-	-	43,097	(43,097)
Public safety:				
Police	197,200	197,200	313,781	(116,581)
Fire	15,000	15,000	39,669	(24,669)
EMS	530,000	530,000	609,519	(79,519)
Animal control	-	-	9,171	(9,171)
Culture and recreation:				
Parks	-	-	39,672	(39,672)
Library	90,900	90,900	113,212	(22,312)
Youth club	35,500	35,500	38,516	(3,016)
Senior center	157,200	157,200	280,825	(123,625)
Tourism	66,000	66,000	113,596	(47,596)
Non-departmental	534,000	534,000	137,676	396,324
Capital outlay	29,000	29,000	218,536	(189,536)
Total expenditures	<u>2,195,420</u>	<u>2,195,420</u>	<u>2,722,244</u>	<u>(526,824)</u>
Excess (deficiency) of revenues over expenditures	<u>25,324</u>	<u>25,324</u>	<u>(868,626)</u>	<u>(893,950)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	52,000	52,000	259,978	207,978
Total other financing sources (uses)	<u>52,000</u>	<u>52,000</u>	<u>259,978</u>	<u>207,978</u>
Net change in fund balances	77,324	77,324	(608,648)	(685,972)
Fund balance - beginning	629,252	629,252	629,252	-
Fund balance - ending	<u>\$ 706,576</u>	<u>\$ 706,576</u>	<u>\$ 20,604</u>	<u>\$ (685,972)</u>

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

CITY OF PRESIDIO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities			Total Proprietary Funds
	Water Fund	Sewer Fund	Landfill Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 156,813	\$ 338,839	\$ 495,652
Accounts receivable, net	66,312	33,840	59,182	159,334
Due from other funds	-	-	201,078	201,078
Total current assets	<u>66,312</u>	<u>190,653</u>	<u>599,099</u>	<u>856,064</u>
Noncurrent assets:				
Net pension asset	19,840	6,768	5,331	31,939
Land	48,630	174,097	290,004	512,731
Infrastructure	912,020	5,499,489	-	6,411,509
Buildings	42,695	7,000,000	-	7,042,695
Furnishings and equipment	237,923	243,097	905,596	1,386,616
Accumulated depreciation	(789,990)	(3,645,795)	(691,164)	(5,126,949)
Total noncurrent assets	<u>471,118</u>	<u>9,277,656</u>	<u>509,767</u>	<u>10,258,541</u>
Total assets	<u>537,430</u>	<u>9,468,309</u>	<u>1,108,866</u>	<u>11,114,605</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-pension	20,784	6,572	5,157	32,513
Deferred outflows-OPEB	710	242	190	1,142
Total deferred outflows of resources	<u>21,494</u>	<u>6,814</u>	<u>5,347</u>	<u>33,655</u>
LIABILITIES				
Current liabilities:				
Accounts payable	22,977	5,660	3,551	32,188
Accrued salaries and benefits	7,562	3,128	2,500	13,190
Due to other funds	201,078	-	-	201,078
Customer deposits	91,185	-	-	91,185
Total current liabilities	<u>322,802</u>	<u>8,788</u>	<u>6,051</u>	<u>337,641</u>
Noncurrent liabilities:				
Net OPEB obligation	13,193	4,500	3,545	21,238
Total noncurrent liabilities	<u>13,193</u>	<u>4,500</u>	<u>3,545</u>	<u>21,238</u>
Total liabilities	<u>335,995</u>	<u>13,288</u>	<u>9,596</u>	<u>358,879</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-pensions	7,599	2,592	2,042	12,233
Deferred inflows-OPEB	190	65	51	306
Total deferred inflows of resources	<u>7,789</u>	<u>2,657</u>	<u>2,093</u>	<u>12,539</u>
NET POSITION				
Net investment in capital assets	504,344	9,634,343	555,128	10,693,815
Unrestricted	(289,204)	(175,165)	547,396	83,027
Total net position	<u>\$ 215,140</u>	<u>\$ 9,459,178</u>	<u>\$ 1,102,524</u>	<u>\$ 10,776,842</u>

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

CITY OF PRESIDIO, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities			Total Proprietary Funds
	Water Fund	Sewer Fund	Landfill Fund	
REVENUES				
Operating revenues:				
Charges for services:				
Water sales	\$ 526,605	\$ -	\$ -	\$ 526,605
Sewerage service	-	390,207	-	390,207
Other charges for services	26,853	2,838	949,537	979,228
Miscellaneous revenue	-	-	313	313
Total operating revenues	<u>553,458</u>	<u>393,045</u>	<u>949,850</u>	<u>1,896,353</u>
EXPENSES				
Operating expenses:				
Personnel services	473,962	151,497	114,569	740,028
Purchased prof. and technical services	46,995	-	11,208	58,203
Purchased property services	81	1,350	-	1,431
Other purchased services	17,350	22,527	27,874	67,751
Materials and supplies	135,580	72,629	60,500	268,709
Other operating expenses	184,121	11,215	12,618	207,954
Depreciation	31,923	358,157	16,082	406,162
Total operating expenses	<u>890,012</u>	<u>617,375</u>	<u>242,851</u>	<u>1,750,238</u>
Operating income (loss)	<u>(336,554)</u>	<u>(224,330)</u>	<u>706,999</u>	<u>146,115</u>
Nonoperating revenues (expenses)				
Intergovernmental	-	-	-	-
Investment earnings	48	87	-	135
Loss on disposal of property	-	-	-	-
Interest expense	-	-	-	-
Total nonoperating revenues (expenses)	<u>48</u>	<u>87</u>	<u>-</u>	<u>135</u>
Income before transfers in (out)	<u>(336,506)</u>	<u>(224,243)</u>	<u>706,999</u>	<u>146,250</u>
Transfers in	-	-	-	-
Transfers out	-	-	(207,680)	(207,680)
Change in net position	<u>(336,506)</u>	<u>(224,243)</u>	<u>499,319</u>	<u>(61,430)</u>
Net position-beginning (as restated)	<u>551,646</u>	<u>9,683,421</u>	<u>603,205</u>	<u>10,838,272</u>
Net position-ending	<u>\$ 215,140</u>	<u>\$ 9,459,178</u>	<u>\$ 1,102,524</u>	<u>\$ 10,776,842</u>

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

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CITY OF PRESIDIO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities			Total Proprietary Funds
	Water Fund	Sewer Fund	Landfill Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 553,090	\$ 388,637	\$ 939,426	\$ 1,881,153
Other miscellaneous receipts	-	-	313	313
Payments to employees for salaries and benefits	(382,463)	9,276,091	168,101	9,061,729
Payments to suppliers and service providers	(362,692)	(102,520)	(109,101)	(574,313)
Net cash provided by (used for) operating activities	<u>(192,065)</u>	<u>9,562,208</u>	<u>998,739</u>	<u>10,368,882</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interfund borrowings	201,078	-	(201,078)	-
Interfund transfers	-	-	(207,680)	(207,680)
Acquisition and construction of capital assets	(59,724)	(9,436,656)	(285,492)	(9,781,872)
Net cash provided by (used for) capital and related financing activities	<u>141,354</u>	<u>(9,436,656)</u>	<u>(694,250)</u>	<u>(9,989,552)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	48	87	-	135
Net cash provided by investing activities	<u>48</u>	<u>87</u>	<u>-</u>	<u>135</u>
Net increase (decrease) in cash and cash equivalents	(50,663)	125,639	304,489	379,465
Cash and cash equivalents-beginning	50,663	31,174	34,350	116,187
Cash and cash equivalents-ending	<u>\$ -</u>	<u>\$ 156,813</u>	<u>\$ 338,839</u>	<u>\$ 495,652</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:				
Operating income (loss)	<u>\$ (336,554)</u>	<u>\$ (224,330)</u>	<u>\$ 706,999</u>	<u>\$ 146,115</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	31,923	358,157	16,082	406,162
(Increase) decrease in accounts receivable	(4,609)	(4,408)	(10,111)	(19,128)
(Increase) decrease in net pension asset	(19,840)	(6,768)	(5,331)	(31,939)
(Increase) decrease in deferred outflows	(21,494)	(6,814)	(5,347)	(33,655)
(Decrease) increase in accounts payable	21,435	5,201	3,099	29,735
(Decrease) increase in accrued liabilities	7,562	3,128	2,500	13,190
(Decrease) increase in customer deposits	4,241	-	-	4,241
(Decrease) increase in net pension/OPEB liabilities	117,482	9,435,385	288,755	9,841,622
(Decrease) increase in deferred inflows	7,789	2,657	2,093	12,539
Total adjustments	<u>144,489</u>	<u>9,786,538</u>	<u>291,740</u>	<u>10,222,767</u>
Net cash provided by (used for) operating activities	<u>\$ (192,065)</u>	<u>\$ 9,562,208</u>	<u>\$ 998,739</u>	<u>\$ 10,368,882</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE-1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Presidio, Texas (the “City”) was incorporated in December of 1983 under the provisions of the Constitution of the State of Texas and operates under a City Council-City Administrator form of government. The City Council is composed of a Mayor and five Council members, all of whom are elected at large for two-year staggered terms. The Council has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

The accounting policies of the City relating to 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 state and local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). Descriptions of the significant accounting policies of the City as they relate to the basic financial statements are provided below.

The Financial Reporting Entity

The City is a financial reporting entity as defined by GASB in its Statement No. 14, “The Financial Reporting Entity”, as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34”.

Based on the criteria provided in the aforementioned GASB standards for reporting component units, the City presents the financial statements of the Presidio Municipal Development District (the “PMDD”) within its own financial statements as a discretely presented component unit. This reporting classification was determined based on the fact that while the PMDD is a legally separate entity, the City of Presidio appoints the PMDD board members and can exercise significant influence over the PMDD.

Government-Wide 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 City in a consolidated fashion, with the effect of interfund activity removed. Within these statements, *governmental activities*, which are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely on fees and charges for support. The government-wide financial statements employ the full-accrual method of accounting.

Fund Financial Statements

Governmental entities utilize fund accounting to demonstrate accountability for the receipt and proper usage of financial resources which are often restricted for certain purposes. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. In addition, a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance can be found within this annual financial report for each fund the City utilizes. *Major* individual governmental and proprietary funds are reported within the basic financial statements. Non-major governmental and proprietary funds are reported later within the annual financial report as supplementary information.

The City reports the following major governmental funds for the current year:

The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the City that are not required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The City reports the following major proprietary funds for the current year:

The *Water Fund* accounts for separately the revenues, expenses, and related assets, liabilities, and residual equity amounts of the City's water utility operations.

The *Sewer Fund* accounts for separately the revenues, expenses, and related assets, liabilities, and residual equity amounts of the City's wastewater utility operations.

The *Landfill Fund* accounts for separately the revenues, expenses, and related assets, liabilities, and residual equity amounts of the City's landfill operations.

Additionally, the City reports the following fund types:

Special Revenue Funds account for resources received by the City that are restricted, committed, or assigned for specific purposes. The revenues, expenditures, and related assets, liabilities, and residual fund balances are accounted for separately in these funds.

During the course of operations, the City has activity between funds for various purposes. For example, the General Fund may temporarily loan funds to a Special Revenue Fund for purposes of a cost-reimbursement grant. Any residual balances outstanding at year end are reported as *due from* or *due to* other funds balances to appropriately track these amounts for settlement in the future. While these balances are reported in fund financial statements, certain eliminations of these balances are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving *transfers* of resources between funds. Exchanges of this manner are intended to be permanent, therefore not requiring repayment by the receiving fund. In the fund financial statements these amounts are reported at gross amounts as *transfers in* or *transfers out*. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment for a given fund or activity is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period unless considered immaterial. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary, pension and other post-employment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

Budgetary Information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. Capital projects, when underway, are appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. Excess of expenditures over appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations in all departments and the budget was overspent in total by \$526,824. This matter is being addressed and going forward the City expects to monitor the budget more closely and bring amendments to the City Council for consideration and possible approval as needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition. This includes the City's deposits within Local Government Investment Pools since these funds are available for withdrawal at any time.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although they are not registered with the SEC.

3. Inventories and prepaid items

Inventories are valued at cost when recorded and generally consist of expendable supplies and utility operations repair parts and components. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The City currently only records inventory and prepaid items when the cost of goods and services paid for in advance or before consumed is deemed to be significant to the financial statements.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets have been generally defined by the City in the past as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. In the future the City expects to adopt a formal policy containing these capital asset definitions.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

CITY OF PRESIDIO, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Land and construction in progress are not depreciated. Other property, plant, equipment, and infrastructure of the City are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	20-40
Machinery and equipment	5-20
Vehicles	5-10
Improvements	10-20
Infrastructure	50
Water and wastewater distribution systems	50

5. *Deferred outflows/inflows of resources*

In addition to assets, the Statement of Financial Position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources until the later period. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The financial statement item, *unavailable revenue*, is a type of deferred inflow which is reported only on the governmental funds Balance Sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. *Net position flow assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted–net position to have been depleted before unrestricted–net position is applied.

7. *Fund balance flow assumptions*

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until the committed fund balance has been used on the committed purpose or until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Administrator has been granted the authority to assign fund balance as needed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or department of the City and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or department. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the property tax roll as of January 1, 2018, upon which the levy for the 2018-2019 fiscal year was based, was \$131,922,615. Taxes are due upon receipt of the tax bill and are past due and subject to penalties, interest, and delinquent collection fees for attorney costs if not paid by February 1 of the year following the October 1 levy date.

The tax rates assessed for the year ended September 30, 2019, to finance General Fund and Debt Service Fund operations were \$.4643 and \$.252120, respectively, for a total tax rate of \$.71642 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2018-2019 fiscal year was \$945,120. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2019, were 99.0% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. *Compensated absences*

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the City and, upon separation from service, no monetary obligation exists.

4. *Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund, Sewer Fund, and Landfill Fund are charges to customers for utility and refuse services. The Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds also include the cost of providing sales and services to customers, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE-2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. *Violations of Legal or Contractual Provisions*

The City's adopted budget was exceeded in all departmental line items and in total by \$526,824. Because the City's budget is adopted by ordinance, exceeding the budget is a matter of legal noncompliance which has been reported in this report within the schedule of findings and questioned costs.

2. *Deficit Fund Equity*

As of September 30, 2019, the City did not report any individual funds with a deficit in ending equity nor any activities within the government-wide financial statements with a deficit net position.

CITY OF PRESIDIO, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE-3 CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash Deposits

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City addresses this risk by ensuring all cash deposits held at banks in the City's name are insured by either federal FDIC coverage or pledged collateral. As of September 30, 2019, the City's deposits balance at Big Bend Banks, including certificates of deposit listed as investments below, was \$510,434. All of this listed amount was secured by federal FDIC insurance coverage.

Investments

As of September 30, 2019, the City had the following investments:

Investment Type	Depository	Maturity Time in Years			
		Less than 1	1-5	6-10	More Than 10
Certificates of Deposit	Big Bend Banks	\$ 369,436	\$ -	\$ -	\$ -
Local Government Investment Pool	LOGIC	59,989	-	-	-
Total investments		<u>\$ 429,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The investments listed above are reported in the financial statements as part of *cash and cash equivalents* due to them either being available for withdrawal at any time or having initially short maturities.

Certificates of deposit are purchased periodically from the City's local depository bank periodically to take advantage of slightly higher interest rates than deposits within demand accounts.

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control.

LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise.

Since September 2005, J.P. Morgan Investment Management Inc. (JPMIM) has served as investment adviser to LOGIC. JPMIM is an SEC registered investment adviser and an affiliate of J.P. Morgan Asset Management (JPMAM), which is the marketing name for the asset management business of JPMorgan Chase & Co. Hilltop Securities Inc. (Hilltop Securities) and JPMIM serve as co-administrators to LOGIC, and Hilltop Securities provides administrative, participant support, and marketing services. Hilltop Securities is a registered broker dealer, member of FINRA/SIPC, which provides financial advisory and investment banking services to governmental entities across the country. JPMorgan Chase Bank N.A. provides custodial services.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City’s policy to limit its investments in these investment types to the top rating issued by NRSROs. The City does not generally invest in commercial paper or corporate bonds. The credit quality rating of the LOGIC local government investment pool as of September 30, 2019 was “AAAm” by Standard and Poor’s.

Concentration of credit risk. The City’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City’s total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This City has determined its custodial credit risk for investments is minimal due to its certificates of deposits being covered primarily by FDIC insurance and a smaller portion by pledged securities and its usage of local government investment pools with high credit quality ratings.

NOTE-4 RECEIVABLES

The City displays amounts for accounts receivable and any related allowance for uncollectible accounts in separate lines in the financial statements for governmental funds. Receivables are shown net of allowance within the proprietary funds. Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the City, including the applicable allowances for uncollectible accounts:

Governmental Funds:

	General	Major	Nonmajor	Total
Receivables	Fund	Debt Service	Governmental	Governmental
	Fund	Fund	Funds	Funds
Property taxes	\$ 296,533	\$ 161,019	\$ -	\$ 457,552
Sales taxes	71,211	-	-	71,211
Franchise taxes	4,532	-	-	4,532
Hotel/motel taxes	-	-	15,842	15,842
EMS services	200,722	-	-	200,722
Miscellaneous receivables	34,953	-	-	34,953
Gross receivables	607,951	161,019	15,842	784,812
Less: Allowance for uncollectibles	(183,416)	(23,301)	-	(206,717)
Net receivables	\$ 424,535	\$ 137,718	\$ 15,842	\$ 578,095

Proprietary Funds:

	Water	Sewer	Landfill	Total
Receivables	Fund	Fund	Fund	Proprietary
	Fund	Fund	Fund	Funds
Utility receivables	\$ 77,201	\$ 39,034	\$ 67,842	\$ 184,077
Gross receivables	77,201	39,034	67,842	184,077
Less: Allowance for uncollectibles	(10,889)	(5,194)	(8,660)	(24,743)
Net receivables	\$ 66,312	\$ 33,840	\$ 59,182	\$ 159,334

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE-5 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2019, was as follows:

	Balance 10/1/18	Increases	Decreases	Adjustments	Balance 9/30/19
Capital assets, not being depreciated:					
Land	\$ 431,504	\$ -	\$ -	\$ (54,104)	\$ 377,400
Construction in progress	-	147,484	-	-	147,484
Total capital assets, not depreciated	431,504	147,484	-	(54,104)	524,884
Capital assets, being depreciated:					
Buildings and improvements	6,789,095	-	-	(2,903,524)	3,885,571
Infrastructure	-	-	-	1,100,834	1,100,834
Machinery and equipment	39,248	-	-	1,685,575	1,724,823
Total capital assets, being depreciated	6,828,343	-	-	(117,115)	6,711,228
Less accumulated depreciation for:					
Buildings and improvements	(2,848,269)	(95,762)	-	2,007,113	(936,918)
Infrastructure	-	(12,542)	-	(894,871)	(907,413)
Machinery and equipment	-	(137,400)	-	(1,028,351)	(1,165,751)
Total accumulated depreciation	(2,848,269)	(245,704)	-	83,891	(3,010,082)
Total capital assets depreciated, net	3,980,074	(245,704)	-	(33,224)	3,701,146
Governmental activities capital assets, net	\$ 4,411,578	\$ (98,220)	\$ -	\$ (87,328)	\$ 4,226,030

Capital asset activity for proprietary activities for the year ended September 30, 2019, was as follows:

	Balance 10/1/18	Increases	Decreases	Adjustments	Balance 9/30/19
Capital assets, not being depreciated:					
Land	\$ 32,000	\$ -	\$ -	\$ 480,731	\$ 512,731
Total capital assets, not being depreciated	32,000	-	-	480,731	512,731
Capital assets, being depreciated:					
Buildings and improvements	42,695	-	-	7,000,000	7,042,695
Infrastructure	1,273,661	-	-	5,137,848	6,411,509
Machinery and equipment	1,396,574	12,370	-	(22,328)	1,386,616
Total capital assets, being depreciated	2,712,930	12,370	-	12,115,520	14,840,820
Less accumulated depreciation for:					
Buildings and improvements	(581,154)	(158,140)	-	(1,600,000)	(2,339,294)
Infrastructure	(406,901)	(224,956)	-	(1,011,072)	(1,642,929)
Machinery and equipment	(905,983)	(23,066)	-	(215,677)	(1,144,726)
Total accumulated depreciation	(1,894,038)	(406,162)	-	(2,826,749)	(5,126,949)
Total capital assets being depreciated, net	818,892	(393,792)	-	9,288,771	9,713,871
Business-type activities capital assets, net	\$ 850,892	\$ (393,792)	\$ -	\$ 9,769,502	\$ 10,226,602

CITY OF PRESIDIO, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Depreciation expense for governmental activities was charged to the governmental functions as follows:

Governmental activities:

General government		\$	79,170
Public safety			95,247
Culture and recreation			57,798
Non-departmental			13,489
Total depreciation expense - governmental activities			\$ 245,704

NOTE-6 ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at September 30, 2019, were as follows:

Governmental Funds:

Classification	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts payable	\$ 118,846	\$ -	\$ -	\$ 118,846
Salaries and benefits	32,911	-	-	32,911
Total accrued liabilities	\$ 151,757	\$ -	\$ -	\$ 151,757

Proprietary Funds:

Classification	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds
Accounts payable	\$ 22,977	\$ 5,660	\$ 3,551	\$ 32,188
Salaries and benefits	7,562	3,128	2,500	13,190
Total accrued liabilities	\$ 30,539	\$ 8,788	\$ 6,051	\$ 45,378

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE-7 DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained online at www.tmr.com.

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

Benefits Provided

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

Upon retirement, 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 200% of the employee's accumulated contributions. In addition, the City has the option to grant, either annually or on an annually repeating basis, another type of credit referred to as an updated service credit.

This monetary credit is determined by hypothetically recomputing the member's account balance by assuming the current member deposit rate of the City (5%) has always been in effect. The computation also assumes the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by three percent each year, and increased by the City match currently in effect (100%). The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted (100%). At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity. The plan provisions also include an annually repeating basis cost of living adjustment for retirees equal to a certain percentage of the change in the consumer price index. However, this is currently set at 0% for the City.

Members can retire at ages 60 and above with five or more years of service or with twenty-five years of service regardless of age. A member is vested after five years.

CITY OF PRESIDIO, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and date, the following employees were covered by the benefit terms:

	2018	2017
Inactive employees or beneficiaries currently receiving benefits	6	5
Inactive employees entitled to but not yet receiving benefits	33	22
Active employees	42	44
Total	81	71

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were .87% and .74% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$13,254 and were equal the required contribution amount.

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RF2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to a 3% floor.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

The TMRS target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Allocation Table

Asset Class	Allocation	Long-Term Expected Real (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.90%
Real return	10.0%	3.80%
Real estate	10.0%	4.50%
Absolute return	10.0%	3.75%
Private equity	5.0%	7.50%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 5% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Changes in the Net Pension Liability

The following is a summary of the changes in the TPL and related NPL:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/17	\$ 1,444,734	\$ 1,662,077	\$ (217,343)
Changes for the year:			
Service cost	102,503	-	102,503
Interest (on the TPL)	99,913	-	99,913
Difference between expected and actual experience	(51,630)	-	(51,630)
Contributions - employer	-	11,976	(11,976)
Contributions - employee	-	79,583	(79,583)
Net investment income	-	(49,718)	49,718
Benefit payments, including refunds of emp. contr.	(31,574)	(31,574)	-
Administrative expense	-	(962)	962
Other changes	-	(51)	51
Net changes	119,212	9,254	109,958
Balance at 12/31/18	<u>\$ 1,563,946</u>	<u>\$ 1,671,331</u>	<u>\$ (107,385)</u>

Sensitivity of the Net Pension Liability to changes in the discount rate

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
Net Pension Liability	\$ 124,906	\$ (107,385)	\$ (295,844)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained online at www.tmr.com.

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

For the year ended September 30, 2019, the City recognized pension expense of \$10,884 as measured actuarially and reported within the government-wide financial statements.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 86,013	\$ -
Differences between expected and actual economic experience	-	41,132
Difference in assumption changes	13,425	-
Contributions subsequent to the measurement date	10,348	-
Total	\$ 109,786	\$ 41,132

Of the amount reported as deferred outflows above, \$10,348 represents resources related to pensions resulting from contributions subsequent to the pension liability measurement date and as such will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2019, which will be recognized in the City's financial statements ending September 30, 2020.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Five Year Deferred Inflow/Outflow Amortization Chart

Measurement Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 26,438
2020	8,367
2021	3,918
2022	24,448
2023	(4,865)
Total	\$ 58,306

NOTE-8 OTHER POST-EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

Plan Description

The Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits Provided

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

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	13
Active employees	42
	59
	59

Valuation of Assets

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded OPEB plan and therefore no assets are accumulated for OPEB for the purpose of calculating the Total OPEB Liability.

Contributions

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

The City’s contributions to the TMRS SDBF for the years ended September 30, 2019 and September 30, 2018 were \$3,630 and \$3,779 respectively, which equaled the required contributions each year. The retiree portion of the contributions for fiscal years 2019 and 2018 were \$73 and \$76, respectively.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5%-10.5% including inflation per year
Discount rate	3.71% based on Fidelity Index’s “20-year Municipal GO AA Index” rate as of December 31, 2018
Retirees’ share of benefit costs	\$0

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries are calculated using the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% . Based on the size of the city, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis with scale BB; while the mortality rate for disabled retirees are calculated using the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females and projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method.

Discount Rate

Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date. This rate was 3.71% for the valuation period ending December 31, 2018.

Changes in the Net OPEB Liability

The following is a summary of the changes in the Total OPEB Liability and related Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/17	\$ 67,846	\$ -	\$ 67,846
Changes for the year:			
Service cost	6,526	-	6,526
Interest on Total OPEB Liability	2,348	-	2,348
Difference between expected and actual experience	1,222	-	1,222
Changes of assumptions	(6,216)	-	(6,216)
Benefit payments, including refunds of employee contr.	(318)	-	(318)
Net changes	3,562	-	3,562
Balance at 12/31/18	\$ 71,408	\$ -	\$ 71,408

The following presents the OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.71%) or one-percentage-higher (4.71%) than the current rate:

	1% Decrease in Discount Rate 2.71%	Current Discount Rate 3.71%	1% Increase in Discount Rate 4.71%
Total OPEB liability	\$ 88,502	\$ 71,408	\$ 58,457

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$6,137 as measured actuarially and reported within the government-wide financial statements.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,054	\$ -
Difference in assumption changes	-	1,029
Contributions subsequent to the measurement date	2,788	-
Total	\$ 3,842	\$ 1,029

Of the amount reported as deferred outflows above, \$2,788 reported as deferred outflows of resources related to the retiree portion of OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the measurement year ending December 31, 2019 (i.e. recognized in the City's financial statements for the year ended September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 135
2020	135
2021	135
2022	135
2023	135
Thereafter	(650)
Total	\$ 25

NOTE-9 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; and natural disasters. During the year, the City purchased commercial insurance to cover general liabilities. There are no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE-10 LONG-TERM DEBT

General Obligation Bonds and Certificates of Obligation

The City utilizes general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities and large-dollar equipment purchases or other projects. General obligation bonds and certificates of obligation have been issued for governmental activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the City. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 10 to 30 years.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The City also issues maintenance tax notes or obtains regular notes payable financing arrangements from banks or state and federal agencies to provide funds for the acquisition of equipment or minor capital projects. Tax notes and regular notes payable are direct obligations and pledge the full faith and credit of the City. These debt instruments are generally repaid in equal installments of principal and interest over a period of 3 to 10 years.

Details of long-term debt obligations outstanding at September 30, 2019 are as follows:

Governmental Activities:

Type	Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/19
Bonds Payable					
Certificates of Obligation, Series 2012	2012	\$ 1,200,000	1.25%-3.75%	2022	\$ 405,000
Certificates of Obligation, Series 2013	2013	1,300,000	2.98%	2028	855,000
Limited Tax Refunding Bonds, Series 2013	2013	395,000	2.4%-5.0%	2022	145,000
Total bonds payable					<u>1,405,000</u>
Notes Payable					
U.S. Department of Agriculture - #0416-8	2006	85,000	4.25%	2023	24,000
U.S. Department of Agriculture - #0416-9	2006	100,000	4.25%	2023	35,000
Berkadia - 5301	1985	420,000	5.0%	2024	106,857
Berkadia - 5304	2012	220,000	5.0%	2024	65,620
Total notes payable					<u>231,477</u>
Other Long-Term Debt					
Compensated absences					111,238
Total other long-term debt					<u>111,238</u>
Grand total long-term debt					<u>\$ 1,747,715</u>

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2019 are as follows:

Governmental Activities:

Description	Balance 10/1/18	Additions	Deletions	Balance 9/30/19	Due in One Year
Bonds Payable					
Certificates of Obligation	\$1,465,000	\$ -	\$ (205,000)	\$1,260,000	\$ 215,000
Limited Tax Refunding Bonds	190,000	-	(45,000)	145,000	45,000
Total bonds payable	<u>1,655,000</u>	<u>-</u>	<u>(250,000)</u>	<u>1,405,000</u>	<u>260,000</u>
Notes payable	271,082	-	(39,605)	231,477	40,985
Compensated absences	-	111,238	-	111,238	55,619
Total governmental activities	<u>\$1,926,082</u>	<u>\$ 111,238</u>	<u>\$ (289,605)</u>	<u>\$1,747,715</u>	<u>\$ 356,604</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Future debt service requirements for the City’s long-term debt are as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities				Total	
	Bonds Payable		Notes Payable		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 260,000	\$ 87,938	\$ 40,985	\$ 10,112	\$ 300,985	\$ 98,050
2021	270,000	84,763	43,435	9,428	313,435	94,191
2022	280,000	76,022	44,957	7,353	324,957	83,375
2023	90,000	20,115	46,555	5,203	136,555	25,318
2024	95,000	17,433	43,233	1,797	138,233	19,230
2025-2028	410,000	40,379	12,312	-	422,312	40,379
Totals	\$ 1,405,000	\$ 326,650	\$ 231,477	\$ 33,893	\$ 1,636,477	\$ 360,543

NOTE-11 INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2019 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Grant Fund	\$ 1,448
Landfill Fund	Water Fund	201,078
Total		\$ 202,526

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the General Fund expects to collect in the subsequent year.

The composition of interfund transfers for the year ended September 30, 2019 is as follows:

Transfer out from:	Transfer in to:	
	General Fund	
Hotel/Motel Tax Fund	\$	28,300
EMS Fund		23,998
Landfill Fund		207,680
Total	\$	259,978

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move general fund resources to provide subsidies to other funds as needs arise, and 3) move resources from the utility funds to the General Fund to subsidize governmental activities as needed.

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CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE-12 CONTINGENCIES

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended and related federal grant *Uniform Guidance*. Accordingly, the City’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

NOTE-13 RESTATEMENT OF NET POSITION

The City implemented GASB Statement No. 68 – Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27 (GASB-68), and GASB Statement No. 75 – Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (GASB-75) during the year. In the year of implementation, these standards require a restatement of beginning net position to reflect the effect these statements would have had if in effect at the beginning of the period.

In addition, the City applied corrections during the year to values reported for capital assets and related accumulated depreciation in the proprietary funds and the government-wide financial statements.

The effect on beginning net position of the proprietary funds related to these issues is as follows:

	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds
Net position as previously stated at 9/30/18	\$ 447,357	\$ 252,536	\$ 317,995	\$ 1,017,888
Effect of implementation of GASB 68	61,809	4,187	2,689	68,685
Effect of implementation of GASB 75	(11,059)	(3,772)	(2,971)	(17,802)
Correction of capital assets and accum. depreciation	53,539	9,430,470	285,492	9,769,501
Net position as restated at 9/30/18	<u>\$ 551,646</u>	<u>\$ 9,683,421</u>	<u>\$ 603,205</u>	<u>\$ 10,838,272</u>

The effect on beginning net position of the governmental activities and business-type activities related to these issues is as follows:

	Governmental Activities	Business-Type Activities
Net position as previously stated at 9/30/18	\$ 3,147,796	\$ 1,017,888
Effect of implementation of GASB 68	134,704	68,685
Effect of implementation of GASB 75	(42,056)	(17,802)
Correction of capital assets and accum. depreciation	(87,328)	9,769,501
Correction of prior year deferred property taxes	400,903	-
Net position as restated at 9/30/18	<u>\$ 3,554,019</u>	<u>\$ 10,838,272</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRESIDIO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Measurement Year		
	2018	2017	2016
A. Total pension liability			
1. Service cost	\$ 102,503	\$ 99,423	\$ 87,639
2. Interest (on the Total Pension Liability)	99,913	88,065	80,941
3. Changes of benefit terms	-	-	-
4. Diff. between expected and actual experience	(51,630)	17,231	(31,797)
5. Changes of assumptions	-	-	-
6. Benefit payments/refunds of employee contributions	(31,574)	(29,870)	(44,405)
7. Net change in total pension liability	119,212	174,849	92,378
8. Total pension liability - beginning	1,444,734	1,269,885	1,177,507
9. Total pension liability - ending	<u>\$ 1,563,946</u>	<u>\$ 1,444,734</u>	<u>\$ 1,269,885</u>
B. Plan fiduciary net position			
1. Contributions - employer	\$ 11,976	\$ 15,079	\$ 38,079
2. Contributions - employee	79,583	81,540	68,683
3. Net investment income	(49,718)	193,969	84,791
4. Benefit payments/refunds of employee contributions	(31,574)	(29,870)	(44,405)
5. Administrative expense	(962)	(1,007)	(959)
6. Other changes	(51)	(52)	(52)
7. Net change in plan fiduciary net position	9,254	259,659	146,137
8. Plan fiduciary net position - beginning	1,662,077	1,402,418	1,256,281
9. Plan fiduciary net position - ending	<u>\$ 1,671,331</u>	<u>\$ 1,662,077</u>	<u>\$ 1,402,418</u>
C. Net pension liability [A.9 - B.9]	<u>\$ (107,385)</u>	<u>\$ (217,343)</u>	<u>\$ (132,533)</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	106.87%	115.04%	110.44%
E. Covered-employee payroll	\$ 1,591,663	\$ 1,553,482	\$ 1,373,656
F. Net position as a percentage of covered employee payroll [C / E]	-6.75%	-13.99%	-9.65%

CITY OF PRESIDIO, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Fiscal Year			
	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 13,254	\$ 11,976	\$ 15,079	\$ 38,079
Contributions in relation to the actuarially determined contribution	<u>13,254</u>	<u>11,976</u>	<u>15,079</u>	<u>38,079</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,578,159	\$ 1,591,663	\$ 1,553,482	\$ 1,373,656
Contributions as a percentage of covered employee payroll	0.84%	0.75%	0.97%	2.77%

Notes to the Schedule of Employer Contributions:

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	25 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIOS – TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Measurement Year	
	2018	2017
A. Total OPEB liability		
1. Service cost	\$ 6,526	\$ 5,593
2. Interest on Total OPEB Liability	2,348	2,157
3. Changes of benefit terms	-	-
4. Difference between expected and actual experience	1,222	-
5. Changes of assumptions	(6,216)	5,977
6. Benefit payments	(318)	(311)
7. Net changes	3,562	13,416
8. Total OPEB Liability - beginning of the year	67,846	54,430
9. Total OPEB Liability - end of the year	\$ 71,408	\$ 67,846
E. Covered-employee payroll	\$ 1,591,663	\$ 1,553,482
F. Total OPEB liability as a percentage of covered payroll	4.49%	4.37%

CITY OF PRESIDIO, TEXAS
SCHEDULE OF EMPLOYER OTHER POST-EMPLOYMENT BENEFITS CONTRIBUTIONS –
TEXAS MUNICIPAL RETIREMENT SYSTEM – SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Fiscal Year	
	2019	2018
Actuarially determined contribution	\$ 3,630	\$ 3,779
Contributions in relation to the actuarially determined contribution	3,630	3,779
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 1,578,159	\$ 1,591,663
Contributions as a percentage of covered employee payroll	0.00%	0.00%

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.50%; including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

Notes

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The Actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

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Nonmajor Governmental Fund Descriptions

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes. The City currently maintains the following special revenue funds:

Hotel/Motel Tax Fund (Fund 240) – This fund accounts for Hotel/Motel taxes received by the City which are restricted for expenditures for economic development purposes.

EMS Fund (Fund 300) – This fund previously accounted for revenues, expenditures, and residual assets, liabilities, and fund balances related to the City’s EMS operations. However, in Fiscal Year 2019 this fund was discontinued and residual funds were transferred to the General Fund where this activity is now reported.

Operation Stonegarden Grant Fund (Fund 302) – This fund accounts for grant revenues received through the federal Operation Stonegarden grant program and related qualifying expenditures of those funds.

Debt Service Fund

Debt service funds are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of government funds. The City currently maintains the following debt service fund:

Debt Service Fund (Fund 490) – This fund accounts for ad valorem taxes levied by the City for the purpose of paying principal and interest on outstanding general obligation bonds, certificates of obligations, and notes payable.

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CITY OF PRESIDIO, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>240</u>	<u>300</u>	<u>302</u>	Total
	Hotel/Motel Tax Fund	EMS Fund	Operation Stonegarden Grant Fund	Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,747	\$ -	\$ 1,448	\$ 20,195
Accounts receivable	15,842	-	-	15,842
Total assets	<u>\$ 34,589</u>	<u>\$ -</u>	<u>\$ 1,448</u>	<u>\$ 36,037</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 1,448	\$ 1,448
Total liabilities	<u>-</u>	<u>-</u>	<u>1,448</u>	<u>1,448</u>
FUND BALANCES (DEFICITS)				
Restricted for:				
Economic development	34,589	-	-	34,589
Total fund balances	<u>34,589</u>	<u>-</u>	<u>-</u>	<u>34,589</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 34,589</u>	<u>\$ -</u>	<u>\$ 1,448</u>	<u>\$ 36,037</u>

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CITY OF PRESIDIO, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>240</u>	<u>300</u>	<u>302</u>	Total
	Hotel/Motel Tax Fund	EMS Fund	Operation Stonegarden Grant Fund	Non-Major Governmental Funds
REVENUES				
Hotel/motel taxes	\$ 61,318	\$ -	\$ -	\$ 61,318
Total revenues	<u>61,318</u>	<u>-</u>	<u>-</u>	<u>61,318</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Tourism	4,096	-	-	4,096
Total expenditures	<u>4,096</u>	<u>-</u>	<u>-</u>	<u>4,096</u>
Excess (deficiency) of revenues over expenditures	<u>57,222</u>	<u>-</u>	<u>-</u>	<u>57,222</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(28,300)	(23,998)	-	(52,298)
Total other financing sources (uses)	<u>(28,300)</u>	<u>(23,998)</u>	<u>-</u>	<u>(52,298)</u>
Net change in fund balance	28,922	(23,998)	-	4,924
Fund balance - beginning	5,667	23,998	-	29,665
Fund balance - ending	<u>\$ 34,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,589</u>

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

To the Honorable Mayor and Members of the City Council of the
City of Presidio, Texas

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Presidio, Texas (the “City”), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated October 12, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 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 noted two matters which we consider to be material weaknesses in the internal controls of the City. These matters are labeled as 2019-001 and 2019-002 in the schedule of findings and questioned costs. Furthermore, additional material weaknesses may exist that have not been identified.

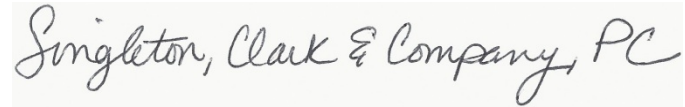
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*. These matters are labeled as 2019-003 and 2019-004 in the schedule of findings and questioned costs.

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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.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive, flowing style. The text is centered horizontally within a light gray rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

October 12, 2021

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CITY OF PRESIDIO, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s reports issued:

Balance Sheets and Statements of Net Position Results of Operations and Cash Flows	Unmodified Disclaimed
---	--------------------------

Internal control over financial reporting:

- | | | | | |
|---|-------------------------------------|-----|--------------------------|----|
| • Material weakness(es) identified? | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 2019-001 Bank Reconciliations | | | | |
| 2019-002 Accounting and Financial Reporting | | | | |

 - | | | | | |
|--|--------------------------|-----|-------------------------------------|---------------|
| • Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | None reported |
|--|--------------------------|-----|-------------------------------------|---------------|

 - | | | | | |
|---|-------------------------------------|-----|--------------------------|----|
| Noncompliance material to financial statements noted? | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 2019-004 Budgetary Non-Compliance | | | | |
-

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*:

2019-001 Bank Reconciliations

Criteria: The bank account balances per the City's general ledger accounting system should be reconciled to the corresponding bank statement for each account in a timely manner every month in order to detect possible accounting errors and to ensure that the proper accountability and handling of City funds has occurred.

Condition Found: During our audit, it was noted that the bank accounts had not been reconciled each month as the year progressed. The bank reconciliations were ultimately assembled before our audits began, however this was done after-the-fact. In addition, several problematic issues with the bank reconciliations were ultimately not resolved, and instead moved to write-off accounts in order to reset the cash balances for a fresh start.

Cause: The cause of this condition appears to be lack of policy to prepare the bank reconciliations timely, insufficient resources during Fiscal Year 2019 for accounting staff to reach out to for assistance with troublesome issues, and an accounting software change in a prior year with a difficult transition.

Effect: The effect of this condition is the funds of the City were not being monitored in a timely manner in order to ensure accurate handling, posting to the accounting system, and security, and accountability over all funds.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Findings Related to Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: (Continued)

2019-001 Bank Reconciliations (Continued)

Recommendation: During the course of our audit, we noted significant improvements have already been made with the bank reconciliation processes, and believe the City is getting back on the right track. We recommend the City make further progress by implementing the following bank reconciliation procedures as soon as possible:

1. Implement a deadline for bank reconciliation preparation each month of no longer than the end of the subsequent month. The 15th of the subsequent month would be even more ideal.
2. Require a preparer sign-off and date on each prepared bank reconciliation in order to document the preparer and completion date.
3. Designate a bank reconciliation reviewer/approver. This individual would review each bank reconciliation for timely completion, accuracy, and unusual items. The reviewer should document the review with a sign-off and date.

2019-002 Accounting and Financial Reporting

Criteria: Cities are required by state law to issue external financial statements on an annual basis in order to provide information to the public and to the state and federal agencies regarding the City's finances. In addition, a city needs current and accurate information available from its accounting system at all times in order to provide for the effective management of daily financial matters and to ensure proper accountability and security of all funds.

Condition Found: During the year, the City did not keep its bookkeeping and accounting information current on a monthly basis as needed to support its financial reporting requirements. This led to the City's annual financial audits ultimately falling behind and not being completed timely. In addition, the financial audit resulted in several accounting adjustments that were needed to prepare the City's financial records for accurate reporting in the external financial statements.

Cause: The cause of this condition appears to be lack of policy to conduct key accounting procedures on a monthly basis, insufficient resources during Fiscal Year 2019 for accounting staff to reach out to for assistance with troublesome issues, and an accounting software change in a prior year with a difficult transition.

Effect: The noted accounting deficiencies resulted in not having current and accurate accounting information available for both internal and external reporting needs, neither as the year progressed, nor for the regularly scheduled time of the year-end financial audit.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Findings Related to Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: (Continued)

2019-002 Accounting and Financial Reporting (Continued)

Recommendation: In order to ensure that accurate accounting is being produced to meet both internal and external reporting needs, the financial personnel of the City should perform certain accounting procedures at intervals not less than monthly. Specifically, the following procedures should be conducted after the conclusion of each month of the fiscal year as part of an informal "monthly close".

1. Bank reconciliations for all accounts should be assembled by a preparer and reviewed/approved by a second person.
2. All investment accounts (government pools, CD's, etc.) should be updated for interest income and any other activity.
3. All interfund accounts (Due To/Due From's and Transfers In/Out) should be reviewed for balancing and proper accounting.
4. All payroll withholding accounts should be reviewed for expected balances.
5. Governmental revenue accounts should be reviewed to verify proper transactions year-to-date (Property, Hotel/Motel, Franchise, Sales Tax, etc.)
6. Utility revenue and receivable accounts should be reviewed and adjusted as needed.
7. General expenditure accounts should be reviewed for appearance of proper and accurate postings.
8. Special expenditure accounts should be reviewed for proper usage and transactions. (Capital Outlay and Debt Service accounts)
9. Grant revenue and expenditure accounts should be reviewed for proper postings. Also, any required grant reports should be filed with grantors.
10. Review/verifications that all non-standard journal entries made to the general ledger are properly supported.

2019-003 Investment Officer Training

Criteria: The Public Funds Investment Act, Chapter 2256 of the Texas Government code, requires cities to appoint an Investment Officer responsible for overseeing investment activities of the City. The appointed individual is required to receive 10 hours of investment training within 12 months, and then 8 hours of continuing training every two years.

Condition Found: During our review of compliance requirements related to cash and investments during the audit, it was determined that the City did not have an Investment Officer with required training during the fiscal year ended September 30, 2019.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Findings Related to Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: (Continued)

2019-003 Investment Officer Training (Continued)

- Cause: The City was not aware of this requirement.
- Effect: The effect of this condition is noncompliance with the Public Funds Investment act during the fiscal year ended September 30, 2019.
- Recommendation: We recommend that the City appoint an Investment Officer and that individual receive the required training as soon as possible.

2019-004 Budgetary Non-Compliance

- Criteria: As a financial control, each year the City Council adopts an expenditures budget by ordinance which places legal limits on the amount of expenditures that can be made from various departmental line items by the City. As a year progresses, if unanticipated expenditures arise, the City Council may approve amendments to the originally adopted budget to accommodate higher expenditure needs in a given department.
- Condition Found: As of year-end, it was noted all departmental line items of the General Fund expenditures budget were overspent, and the budget was overspent in total by \$526,824.
- Cause: The adopted budget of the City is not being used as an effective tool to help guide expenditures, and the budget is not being amended as needed as a year progresses.
- Effect: The effect is the City has not complied with the legally adopted expenditures budget and actual expenditures made were more than anticipated.
- Recommendation: We recommend the City financial managers monitor budget-to-actual progress at least quarterly. The City Council should also receive budget to actual reports within their regular Council packets at each meeting. As needed, budget amendments should be proposed to the City Council.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable for the years ended September 30, 2019 and September 30, 2018 due to the City not expending \$750,000 or more in federal grant awards.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS WHICH ARE REQUIRED TO BE RESTATED WITH CURRENT STATUS:

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.

Context: In the course of the audit work performed it was determined the City’s bank accounts were not being reconciled.

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 preparing bank reconciliations can cause transactions to be missed and not recognized in the financial statements.

Current Status: This matter was again reported as an audit finding for the year ended September 30, 2019.

4-2012 – Material Weakness – The City is not in compliance with the bond covenants for both the Library and 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 fire station were out of compliance due to repeated unanswered requests for items associated with the bond covenants.

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 timely.

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

Current Status: Required financial submissions to the USDA were not provided through FY2020. However, these bonds were refinanced with another financial institution in December 2020 and the new institution is aware that the audits of FY19 and FY20 are pending and is agreeable to receiving those reports upon completion of the audits.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS WHICH ARE REQUIRED TO BE RESTATED WITH CURRENT STATUS: (CONTINUED)

5-2012 – Significant Deficiency – No reconciliation as to what is owed between the City of Presidio 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.

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.

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.

Current Status: Resolved. The City Council authorized approval to forgive all amounts owed to the City by 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 is not imported or reconciled to the associated accounts receivable and enterprise fund revenue accounts in the primary accounting system.

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.

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 basis to ensure it is both complete and accurate.

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

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PRIOR YEAR FINANCIAL STATEMENT FINDINGS WHICH ARE REQUIRED TO BE RESTATED WITH CURRENT STATUS: (CONTINUED)

Current Status: The City is now using the Utility Billing module and the Accounts Receivable module for billing and collecting revenues from the City's utilities. The module automatically posts the revenue to the Incode GL and the software provides reports that are utilized for reconciling between the GL and the subsidiary ledgers in the Utility and A/R modules.

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 did not file its quarterly payroll reports with the federal government.

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.

Current Status: Form 941 is required to be completed and filed as soon after the end of the quarter as possible, but by no later than the 15th of the following month – April 15th, July 15th, October 15th, and January 15th. Taxable wages, tax liability/expense, and tax deposits per the Forms 941 should be reconciled to the wages and taxes recorded for the quarter in the GL prior to filing. The Forms 941 that were delinquent were all filed prior to the end of FYE 2018 and all unpaid taxes (plus penalties and interest) were remitted to US Treasury at that time. Forms 941 for FYEs 2019, 2020, and 2021 are all timely filed and paid.

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City of Presidio

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2019

Current Year Audit Findings:

2019-001 Bank Reconciliations

Corrective Action Planned:

Bank reconciliations are required to be completed by the 10th of the following month. Reconciliations will be prepared by either Glorissel Muniz or by Maria Loyola and will then be reviewed by either Malynda Richardson or Glorissel Muniz with sign off by both the preparer and reviewer.

Anticipated Completion Date: Began in FY2022 and is ongoing.

Contact Person: Glorissel Muniz, Finance Director

2019-002 Accounting and Financial Reporting

Corrective Action Planned:

Monthly journal entries will be completed by the 15th of the following month and monthly financial statements will be presented to City Council at the 2nd council meeting each month.

Anticipated Completion Date: Began in FY2022 and is ongoing.

Contact Person: Glorissel Muniz, Finance Director

2019-003 Investment Officer Training

Corrective Action Planned:

Glorissel Muniz, Finance Director for City of Presidio has completed an online Investment Officer Training through Virtual Learning Center on September 20, 2021 and is now in compliance with requirements.

Anticipated Completion Date: September 2021

Contact Person: Glorissel Muniz, Finance Director

2019-004 Budgetary Non-Compliance

Corrective Action Planned:

As of the current ongoing fiscal year (FY22), the City financial managers will begin reviewing budget-to-actual financial information and bring budget amendments to the City Council for consideration as needed.

Anticipated Completion Date: Began in FY2022 and is ongoing.

Contact Person: Glorissel Muniz, Finance Director