

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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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, 2020, 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.

Opinions on Financial Position

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund in accordance with accounting principles generally accepted in the United States of America.

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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.

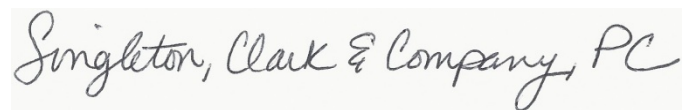
Other Supplementary Information

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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 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.



Singleton, Clark & Company, PC
Cedar Park, Texas

October 25, 2021

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CITY OF PRESIDIO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020. 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 increased by \$234,879 as a result of this year’s current operations, to end at \$3,238,163.
- Net position for the City’s business-type activities (the utility operations for water, sewer, and landfill) decreased by \$283,260 for the current year, to end at \$10,493,582. This net position is primarily invested in utility infrastructure and equipment.
- The General Fund of the City reported a fund balance decrease of \$20,604 for the year, to end at \$-0-.

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 an *Unmodified* opinion on its financial statements for the year ended September 30, 2020.

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, 2020

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, 2020

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, Grants Fund, and the Debt Service Fund, which met the criteria to be reported as *major funds* this year. Data from the other two 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. The City currently uses an internal service fund to account for its self-insured employee health insurance program. 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, 2020

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 \$3,238,163, and business-type activities by \$10,493,582 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, 2020 and September 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 565,380	\$ 607,581	\$ 787,718	\$ 654,986	\$ 1,353,098	\$ 1,262,567
Capital assets	4,172,029	4,226,030	9,827,040	10,226,602	13,999,069	14,452,632
Other noncurrent assets	172,525	75,446	68,684	31,939	241,209	107,385
Total assets	4,909,934	4,909,057	10,683,442	10,913,527	15,593,376	15,822,584
Deferred outflows of resources	25,747	79,973	10,054	33,655	35,801	113,628
Current liabilities	115,159	158,239	147,289	136,563	262,448	294,802
Noncurrent liabilities	1,522,378	1,797,885	28,747	21,238	1,551,125	1,819,123
Total liabilities	1,637,537	1,956,124	176,036	157,801	1,813,573	2,113,925
Deferred inflows of resources	59,981	29,622	23,878	12,539	83,859	42,161
Net position:						
Net investment in capital assets	2,836,537	2,589,553	10,693,815	10,693,815	13,530,352	13,283,368
Restricted	184,383	181,598	-	-	184,383	181,598
Unrestricted	217,243	232,133	(200,233)	83,027	17,010	315,160
Total net position	\$ 3,238,163	\$ 3,003,284	\$ 10,493,582	\$ 10,776,842	\$ 13,731,745	\$ 13,780,126

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 \$13,530,352 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, 2020

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 \$184,383 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 \$17,010 as of year-end.

Governmental Activities

Net position for governmental activities increased by \$234,879 from current year operations, to end the year at \$3,238,163. While fund balance decreased modestly within the governmental funds, net position increased by the noted amount of \$234,879 primarily due to payments on long-term debt during the year improving financial condition.

Business-type Activities

Net position of the City's business-type activities decreased by \$283,260 to end the year at \$10,493,582. 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, 2020 and September 30, 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 580,653	\$ 452,925	\$ 1,974,031	\$ 1,896,040	\$ 2,554,684	\$ 2,348,965
Operating grants & contributions	231,032	185,466	-	-	231,032	185,466
Capital grants and contributions	221,279	-	-	-	221,279	-
General revenues:						
Property taxes	1,092,551	939,858	-	-	1,092,551	939,858
Sales and selective taxes and fees	516,544	534,396	-	-	516,544	534,396
Other miscellaneous revenues	57,846	135,057	6,726	448	64,572	135,505
Total revenue	2,699,905	2,247,702	1,980,757	1,896,488	4,680,662	4,144,190
Expenses:						
General government	934,373	960,150	-	-	934,373	960,150
Public safety	1,251,175	1,131,755	-	-	1,251,175	1,131,755
Culture and recreation	724,987	654,146	-	-	724,987	654,146
Non-departmental	88,239	206,768	-	-	88,239	206,768
Interest on debt	50,366	53,298	-	-	50,366	53,298
Water utilities	-	-	732,362	890,012	732,362	890,012
Sewer utilities	-	-	656,339	617,375	656,339	617,375
Landfill utilities	-	-	291,202	242,851	291,202	242,851
Total expenses	3,049,140	3,006,117	1,679,903	1,750,238	4,729,043	4,756,355
Increase (decrease) in net position before transfers	(349,235)	(758,415)	300,854	146,250	(48,381)	(612,165)
Transfers in/(out)	584,114	207,680	(584,114)	(207,680)	-	-
Increase (decrease) in net position	234,879	(550,735)	(283,260)	(61,430)	(48,381)	(612,165)
Net position-beginning	3,003,284	3,554,019	10,776,842	10,838,272	13,780,126	14,392,291
Net position-ending	\$ 3,238,163	\$ 3,003,284	\$ 10,493,582	\$ 10,776,842	\$ 13,731,745	\$ 13,780,126

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020, the City's governmental funds reported combined ending fund balances of \$46,816, which represents a decrease of \$17,668 from the prior year. Of this amount, \$5,545 is restricted for debt service expenditures, \$37,881 is restricted for economic development purposes, and \$3,390 is committed for library purposes. As of year-end, there was no remaining residual amount to constitute *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 \$-0-, which reflects a decrease of \$20,604 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. Considering this guideline, a good fund balance level for the City's General Fund would be approximately \$664,000.

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 Grants Fund, reported as a major fund this year, primarily received intergovernmental funding during the year to purchase new police department vehicles. Those funds were used for that purpose and other grant funding was transferred to the General Fund where additional purchases were made in relation to other minor grants received. After these transactions, the Grant Fund ended the year with no remaining fund balance.

The Debt Service Fund, also a major fund this year, had a decrease in fund balance of \$3,746, to end at \$5,545. This modest decrease in fund balance for the year was the result of the current year tax levy to service debt principal and interest payments 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 \$582,960 compared to operating expenses of \$732,362. After a small amount of interest income, the fund had an overall operating loss of \$149,378. 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 \$65,762.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The Sewer Fund reported revenues of \$418,954 compared to operating expenses of \$656,339. After a small amount of interest income, the fund had an operating loss of \$237,343. 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 \$9,221,835.

The Landfill Fund reported revenues of \$978,777 compared to operating expenses of \$291,202. After a small amount of interest income, the fund had operating income of \$687,575.

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 \$584,114. After considering this transfer, net position of the Landfill Fund increased by \$103,461 for the year to end at \$1,205,985.

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, 2020 amounted to \$4,172,029 while the investment in capital assets for business-type activities amounted to \$9,827,040. Both of these amounts are net of accumulated depreciation. These investments in capital assets include land, buildings, infrastructure, and machinery and equipment.

**City of Presidio, Texas
Capital Assets, Net of Accumulated Depreciation
As of September 30, 2020 and September 30, 2019**

	Governmental Activities 2020	Governmental Activities 2019	Change	Business- Activities 2020	Business- Activities 2019	Change
Land	\$ 377,400	\$ 377,400	\$ -	\$ 512,731	\$ 512,731	\$ -
Buildings and improvements	3,885,571	3,885,571	-	7,042,695	7,042,695	-
Infrastructure	1,100,834	1,100,834	-	6,411,509	6,411,509	-
Machinery and equipment	1,925,999	1,724,823	201,176	1,386,616	1,386,616	-
Construction in progress	147,484	147,484	-	6,600	-	6,600
Total	<u>7,437,288</u>	<u>7,236,112</u>	<u>201,176</u>	<u>15,360,151</u>	<u>15,353,551</u>	<u>6,600</u>
Less accumulated depr.	<u>(3,265,259)</u>	<u>(3,010,082)</u>	<u>(255,177)</u>	<u>(5,533,111)</u>	<u>(5,126,949)</u>	<u>(406,162)</u>
Capital assets, net	<u>\$ 4,172,029</u>	<u>\$ 4,226,030</u>	<u>\$ (54,001)</u>	<u>\$ 9,827,040</u>	<u>\$ 10,226,602</u>	<u>\$ (399,562)</u>

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

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CITY OF PRESIDIO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$1,450,170, 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.

**City of Presidio, Texas
Long-Term Debt
As of September 30, 2020 and September 30, 2019**

	Governmental Activities	Governmental Activities	Change
	2020	2019	
General obligation bonds	\$ 1,145,000	\$ 1,405,000	\$ (260,000)
Notes payable	190,492	231,477	(40,985)
Compensated absences payable	114,678	111,238	3,440
Total	\$ 1,450,170	\$ 1,747,715	\$ (297,545)

The City’s total debt decreased by a net amount \$297,545 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 a slight increase in the City’s liability for compensated employee absences.

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 2021 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 2021 of \$2,543,679, which represents a decrease of approximately \$113,000 from fiscal year 2020 final year-end expenditures. The City adopted a tax rate of \$.75183 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Presidio Municipal Development District
ASSETS				
Cash and cash equivalents	\$ 65,303	\$ 437,198	\$ 502,501	\$ 654,647
Investments	111,994	5,580	117,574	-
Taxes receivable - delinquent	362,803	-	362,803	-
Allowance for uncollectible taxes	(62,622)	-	(62,622)	-
Accounts receivable, net	293,538	139,304	432,842	20,886
Internal balances	(205,636)	205,636	-	-
Net pension asset	172,525	68,684	241,209	-
Capital assets, not being depreciated:				
Land	377,400	512,731	890,131	27,746
Construction in progress	147,484	6,600	154,084	-
Capital assets, being depreciated:				
Buildings and improvements	3,885,571	7,042,695	10,928,266	126,173
Machinery and equipment	1,925,999	1,386,616	3,312,615	5,682
Infrastructure	1,100,834	-	1,100,834	5,759
Utility infrastructure	-	6,411,509	6,411,509	-
Accumulated depreciation	(3,265,259)	(5,533,111)	(8,798,370)	(38,144)
Total assets	4,909,934	10,683,442	15,593,376	802,749
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-pension	10,957	4,165	15,122	-
Deferred outflows-OPEB	14,790	5,889	20,679	-
Total deferred outflows of resources	25,747	10,054	35,801	-
LIABILITIES				
Accounts payable	68,147	33,447	101,594	-
Accrued salaries and benefits	38,456	17,478	55,934	-
Accrued interest payable	5,286	-	5,286	-
Other current liabilities	3,270	-	3,270	-
Customer deposits	-	96,364	96,364	-
Noncurrent liabilities:				
Due within one year	370,774	-	370,774	-
Due in more than one year	1,079,396	-	1,079,396	-
Net OPEB liability	72,208	28,747	100,955	-
Total liabilities	1,637,537	176,036	1,813,573	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-pensions	59,981	23,878	83,859	-
Total deferred inflows of resources	59,981	23,878	83,859	-
NET POSITION				
Net investment in capital assets	2,836,537	10,693,815	13,530,352	127,216
Restricted for debt service	146,502	-	146,502	-
Restricted for economic development	37,881	-	37,881	84,000
Unrestricted	217,243	(200,233)	17,010	591,533
Total net position	\$ 3,238,163	\$ 10,493,582	\$ 13,731,745	\$ 802,749

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, 2020

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 934,373	\$ 63,884	\$ 71,416	\$ -
Public safety	1,251,175	319,485	159,616	221,279
Culture and recreation	724,987	197,284	-	-
Non-departmental	88,239	-	-	-
Interest and issuance costs	50,366	-	-	-
Total governmental activities:	<u>3,049,140</u>	<u>580,653</u>	<u>231,032</u>	<u>221,279</u>
Business-type activities:				
Water services	732,362	576,360	-	-
Sewer services	656,339	418,954	-	-
Landfill services	291,202	978,717	-	-
Total business-type activities:	<u>1,679,903</u>	<u>1,974,031</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,729,043</u>	<u>\$ 2,554,684</u>	<u>\$ 231,032</u>	<u>\$ 221,279</u>
Component units:				
Presidio Municipal Development District	\$ 78,232	\$ -	\$ -	\$ -
	<u>\$ 78,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Property taxes
- Sales taxes
- Hotel/motel taxes
- Franchise taxes
- Contributions and donations
- Investment earnings
- Miscellaneous
- Total general revenues

Special items and transfers

- Transfers in/(out)
- Gain on sale of property
- Total general revenues, special items, and transfers
- Change in net position

Net position - beginning

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 Activites	Total	Presidio Municipal Development District
\$ (799,073)	\$ -	\$ (799,073)	\$ -
(550,795)	-	(550,795)	-
(527,703)	-	(527,703)	-
(88,239)	-	(88,239)	-
(50,366)	-	(50,366)	-
<u>(2,016,176)</u>	<u>-</u>	<u>(2,016,176)</u>	<u>-</u>
-	(156,002)	(156,002)	-
-	(237,385)	(237,385)	-
-	687,515	687,515	-
-	294,128	294,128	-
<u>(2,016,176)</u>	<u>294,128</u>	<u>(1,722,048)</u>	<u>-</u>
			<u>(78,232)</u>
			<u>(78,232)</u>
1,092,551	-	1,092,551	-
425,209	-	425,209	138,878
51,479	-	51,479	-
39,856	-	39,856	-
10,105	-	10,105	-
1,861	66	1,927	946
45,880	6,660	52,540	-
<u>1,666,941</u>	<u>6,726</u>	<u>1,673,667</u>	<u>139,824</u>
584,114	(584,114)	-	-
-	-	-	108,851
<u>2,251,055</u>	<u>(577,388)</u>	<u>1,673,667</u>	<u>248,675</u>
234,879	(283,260)	(48,381)	170,443
<u>3,003,284</u>	<u>10,776,842</u>	<u>13,780,126</u>	<u>632,306</u>
<u>\$ 3,238,163</u>	<u>\$ 10,493,582</u>	<u>\$ 13,731,745</u>	<u>\$ 802,749</u>

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FUND BASIS FINANCIAL STATEMENTS

CITY OF PRESIDIO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Grants Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 20,203	\$ 2,037	\$ 39,821	\$ 62,061
Investments	108,486	-	3,508	-	111,994
Taxes receivable - delinquent	200,124	-	162,679	-	362,803
Allowance for uncollectible delinq. taxes	(40,900)	-	(21,722)	-	(62,622)
Accounts receivable	283,454	-	-	10,084	293,538
Due from other funds	80,247	-	-	-	80,247
Total assets	<u>\$ 631,411</u>	<u>\$ 20,203</u>	<u>\$ 146,502</u>	<u>\$ 49,905</u>	<u>\$ 848,021</u>
LIABILITIES					
Accounts payable	\$ 68,147	\$ -	\$ -	\$ -	\$ 68,147
Accrued salaries and benefits	38,456	-	-	-	38,456
Due to other funds	257,074	20,203	-	8,634	285,911
Total liabilities	<u>363,677</u>	<u>20,203</u>	<u>-</u>	<u>8,634</u>	<u>392,514</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - property taxes	267,734	-	140,957	-	408,691
Total deferred inflows of resources	<u>267,734</u>	<u>-</u>	<u>140,957</u>	<u>-</u>	<u>408,691</u>
FUND BALANCES					
Restricted for:					
Debt service	-	-	5,545	-	5,545
Economic development	-	-	-	37,881	37,881
Committed:					
Fund balance - committed for Library	-	-	-	3,390	3,390
Total fund balances	<u>-</u>	<u>-</u>	<u>5,545</u>	<u>41,271</u>	<u>46,816</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 631,411</u>	<u>\$ 20,203</u>	<u>\$ 146,502</u>	<u>\$ 49,905</u>	<u>\$ 848,021</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, 2020

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

	Total fund balance of all governmental funds	\$	46,816
1	Capital assets used in governmental activities are not current financial resources and therefore not reported in the funds.		
	Total governmental activities capital assets	\$ 7,437,288	
	Less accumulated depreciation	<u>(3,265,259)</u>	
	Governmental capital assets, net of depreciation		4,172,029
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	(1,045,000)	
	Bonds payable	(100,000)	
	Notes payable	(190,492)	
	Compensated absences payable	<u>(114,678)</u>	
	Total long-term liabilities		(1,450,170)
3	Accrued interest on long-term debt is not due and payable until matured and therefore not recorded in the governmental funds.		(5,286)
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.		408,691
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	172,525	
	Net OPEB liability	(72,208)	
	Deferred inflows related to pension and OPEB	(59,981)	
	Deferred outflows related to pension and OPEB	<u>25,747</u>	
	Total pension and OPEB related items		66,083
	Net position of governmental activities	\$	<u><u>3,238,163</u></u>

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, 2020

	General Fund	Grants Fund	Major Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 738,440	\$ -	\$ 336,760	\$ -	\$ 1,075,200
Sales taxes	425,209	-	-	-	425,209
Hotel/motel taxes	-	-	-	51,479	51,479
Franchise taxes	39,856	-	-	-	39,856
Intergovernmental revenues	164,416	287,895	-	-	452,311
Charges for services	524,917	-	-	-	524,917
Fines	36,596	-	-	890	37,486
Investment earnings	1,820	-	41	-	1,861
Rents and royalties	18,250	-	-	-	18,250
Grants and contributions	7,605	-	-	2,500	10,105
Miscellaneous revenue	45,880	-	-	-	45,880
Total revenues	2,002,989	287,895	336,801	54,869	2,682,554
EXPENDITURES					
Current:					
General government:					
Administrative departments	758,894	-	-	-	758,894
Municipal court	67,529	-	-	-	67,529
Code enforcement	29,430	-	-	-	29,430
Public safety:					
Police	455,660	201,272	-	-	656,932
Fire	330	-	-	-	330
EMS	583,223	69,193	-	-	652,416
Animal control	20,287	-	-	-	20,287
Culture and recreation:					
Parks	79,502	-	-	-	79,502
Library	119,931	-	-	-	119,931
Youth club	67,817	-	-	-	67,817
Senior center	290,427	-	-	-	290,427
Toursim	90,495	-	-	16,596	107,091
Non-departmental	81,174	-	-	-	81,174
Debt service:					
Principal	12,000	-	288,985	-	300,985
Interest	-	-	51,562	-	51,562
Total expenditures	2,656,699	270,465	340,547	16,596	3,284,307
Excess (deficiency) of revenues over expenditures	(653,710)	17,430	(3,746)	38,273	(601,753)
OTHER FINANCING SOURCES (USES)					
Transfers in	633,106	-	-	-	633,106
Transfers out	-	(17,430)	-	(31,591)	(49,021)
Total other financing sources (uses)	633,106	(17,430)	-	(31,591)	584,085
Net change in fund balance	(20,604)	-	(3,746)	6,682	(17,668)
Fund balance - beginning	20,604	-	9,291	34,589	64,484
Fund balance - ending	\$ -	\$ -	\$ 5,545	\$ 41,271	\$ 46,816

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, 2020

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

	Net change in fund balances for total governmental funds	\$	(17,668)
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	\$ 201,176	
	Governmental activities depreciation expense	<u>(255,177)</u>	(54,001)
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.		300,985
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.		1,196
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.		(3,440)
5	Property taxes are recognized as revenue when received in the governmental funds, but recognized when levied within the governmental activities financial statements.		17,351
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	(319)	
	Current year OPEB expense	<u>(9,225)</u>	(9,544)
	Change in net position for governmental activities	\$	<u><u>234,879</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, 2020

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 708,100	\$ 708,100	\$ 738,440	\$ 30,340
Sales taxes	440,000	440,000	425,209	(14,791)
Franchise taxes	34,000	34,000	39,856	5,856
Intergovernmental revenues	212,500	212,500	164,416	(48,084)
Charges for services	514,140	514,140	524,917	10,777
Fines	25,000	25,000	36,596	11,596
Investment earnings	7,200	7,200	1,820	(5,380)
Rents and royalties	15,300	15,300	18,250	2,950
Grants and contributions	105,000	105,000	7,605	(97,395)
Miscellaneous revenue	50,000	50,000	45,880	(4,120)
Total revenues	<u>2,111,240</u>	<u>2,111,240</u>	<u>2,002,989</u>	<u>(108,251)</u>
EXPENDITURES				
Current:				
General government:				
Administrative departments	595,522	595,522	758,894	(163,372)
Municipal court	85,850	85,850	67,529	18,321
Code enforcement	-	-	29,430	(29,430)
Public safety:				
Police	310,000	310,000	455,660	(145,660)
Fire	39,800	39,800	330	39,470
EMS	581,278	581,278	583,223	(1,945)
Animal control	57,850	57,850	20,287	37,563
Culture and recreation:				
Parks	46,830	46,830	79,502	(32,672)
Library	125,400	125,400	119,931	5,469
Youth club	29,280	29,280	67,817	(38,537)
Senior center	281,800	281,800	290,427	(8,627)
Tourism	111,150	111,150	90,495	20,655
Non-departmental	76,500	76,500	81,174	(4,674)
Debt service:				
Principal	-	-	12,000	(12,000)
Capital outlay	171,000	171,000	-	171,000
Total expenditures	<u>2,512,260</u>	<u>2,512,260</u>	<u>2,656,699</u>	<u>(144,439)</u>
Excess (deficiency) of revenues over expenditures	<u>(401,020)</u>	<u>(401,020)</u>	<u>(653,710)</u>	<u>(252,690)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	633,106	633,106
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>633,106</u>	<u>633,106</u>
Net change in fund balances	(401,020)	(401,020)	(20,604)	380,416
Fund balance - beginning	20,604	20,604	20,604	-
Fund balance - ending	<u>\$ (380,416)</u>	<u>\$ (380,416)</u>	<u>\$ -</u>	<u>\$ 380,416</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, 2020

	Business-Type Activities			Governmental Activities	
	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 280,258	\$ 156,940	\$ 437,198	\$ 3,242
Investments	1,979	3,601	-	5,580	-
Accounts receivable, net	42,923	33,989	62,392	139,304	-
Due from other funds	-	-	560,490	560,490	29
Total current assets	<u>44,902</u>	<u>317,848</u>	<u>779,822</u>	<u>1,142,572</u>	<u>3,271</u>
Noncurrent assets:					
Net pension asset	41,891	13,535	13,258	68,684	-
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	(821,913)	(4,003,952)	(707,246)	(5,533,111)	-
Construction in progress	6,600	-	-	6,600	-
Total noncurrent assets	<u>467,846</u>	<u>8,926,266</u>	<u>501,612</u>	<u>9,895,724</u>	<u>-</u>
Total assets	<u>512,748</u>	<u>9,244,114</u>	<u>1,281,434</u>	<u>11,038,296</u>	<u>3,271</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows-pension	3,125	500	540	4,165	-
Deferred outflows-OPEB	3,592	1,161	1,136	5,889	-
Total deferred outflows	<u>6,717</u>	<u>1,661</u>	<u>1,676</u>	<u>10,054</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	14,222	6,959	12,266	33,447	-
Accrued salaries and benefits	7,604	6,611	3,263	17,478	-
Due to other funds	303,416	-	51,438	354,854	-
Other current liabilities	-	-	-	-	3,271
Customer deposits	96,364	-	-	96,364	-
Total current liabilities	<u>421,606</u>	<u>13,570</u>	<u>66,967</u>	<u>502,143</u>	<u>3,271</u>
Noncurrent liabilities:					
Net OPEB obligation	17,533	5,665	5,549	28,747	-
Total noncurrent liabilities	<u>17,533</u>	<u>5,665</u>	<u>5,549</u>	<u>28,747</u>	<u>-</u>
Total liabilities	<u>439,139</u>	<u>19,235</u>	<u>72,516</u>	<u>530,890</u>	<u>3,271</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows-pensions	14,564	4,705	4,609	23,878	-
NET POSITION					
Net investment in capital assets	504,344	9,634,343	555,128	10,693,815	-
Unrestricted	(438,582)	(412,508)	650,857	(200,233)	-
Total net position	<u>\$ 65,762</u>	<u>\$ 9,221,835</u>	<u>\$ 1,205,985</u>	<u>\$ 10,493,582</u>	<u>\$ -</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, 2020

	Business-Type Activities			Governmental Activities	
	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds	Internal Service Fund
REVENUES					
Operating revenues:					
Charges for services:					
Water sales	\$ 547,698	\$ -	\$ -	\$ 547,698	\$ -
Sewerage service	-	414,979	-	414,979	-
Other charges for services	28,662	3,975	978,717	1,011,354	-
Miscellaneous revenue	6,600	-	60	6,660	-
Total operating revenues	<u>582,960</u>	<u>418,954</u>	<u>978,777</u>	<u>1,980,691</u>	<u>-</u>
EXPENSES					
Operating expenses:					
Personnel services	353,047	158,341	133,607	644,995	-
Purchased prof. and tech. svcs.	22,800	1,401	5,045	29,246	-
Purchased property services	-	6,959	-	6,959	-
Other purchased services	9,385	39,876	66,040	115,301	-
Materials and supplies	89,684	76,357	34,396	200,437	-
Other operating expenses	225,523	15,248	36,032	276,803	30
Depreciation	31,923	358,157	16,082	406,162	-
Total operating expenses	<u>732,362</u>	<u>656,339</u>	<u>291,202</u>	<u>1,679,903</u>	<u>30</u>
Operating income (loss)	<u>(149,402)</u>	<u>(237,385)</u>	<u>687,575</u>	<u>300,788</u>	<u>(30)</u>
Nonoperating revenues (expenses)					
Investment earnings	24	42	-	66	1
Total nonoperating revenues (expenses)	<u>24</u>	<u>42</u>	<u>-</u>	<u>66</u>	<u>1</u>
Income before transfers in (out)	<u>(149,378)</u>	<u>(237,343)</u>	<u>687,575</u>	<u>300,854</u>	<u>(29)</u>
Transfers in	-	-	-	-	29
Transfers out	-	-	(584,114)	(584,114)	-
Change in net position	<u>(149,378)</u>	<u>(237,343)</u>	<u>103,461</u>	<u>(283,260)</u>	<u>-</u>
Net position-beginning	215,140	9,459,178	1,102,524	10,776,842	-
Net position-ending	<u>\$ 65,762</u>	<u>\$ 9,221,835</u>	<u>\$ 1,205,985</u>	<u>\$ 10,493,582</u>	<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 CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities				Governmental Activities
	Water Fund	Sewer Fund	Landfill Fund	Total	
				Proprietary Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 604,928	\$ 418,805	\$ 975,507	\$ 1,999,240	\$ -
Other miscellaneous receipts	6,600	-	60	6,660	3,271
Payments to employees for salaries and benefits	(349,164)	(153,259)	(132,580)	(635,003)	-
Payments to suppliers and service providers	(356,147)	(138,543)	(132,798)	(627,488)	(30)
Net cash provided by (used for) oper. act.	(93,783)	127,003	710,189	743,409	3,241
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interfund borrowings	102,338	-	(307,974)	(205,636)	(29)
Interfund transfers	-	-	(584,114)	(584,114)	29
Acquisition and construction of capital assets	(6,600)	-	-	(6,600)	-
Net cash provided by (used for) capital and related financing activities	95,738	-	(892,088)	(796,350)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of (proceeds from) investments	(1,979)	(3,600)	-	(5,579)	-
Interest on investments	24	42	-	66	1
Net cash provided by investing activities	(1,955)	(3,558)	-	(5,513)	1
equivalents	-	123,445	(181,899)	(58,454)	3,242
Cash and cash equivalents-beginning	-	156,813	338,839	495,652	-
Cash and cash equivalents-ending	\$ -	\$ 280,258	\$ 156,940	\$ 437,198	\$ 3,242
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:					
Operating income (loss)	\$ (149,402)	\$ (237,385)	\$ 687,575	\$ 300,788	(30)
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	23,389	(149)	(3,210)	20,030	-
(Increase) decrease in due from other funds					
(Increase) decrease in net pension asset	(22,051)	(6,767)	(7,927)	(36,745)	-
(Increase) decrease in deferred outflows	14,777	5,153	3,671	23,601	-
(Decrease) increase in accounts payable	(8,755)	1,298	8,715	1,258	-
(Decrease) increase in accrued liabilities	42	3,483	763	4,288	3,271
(Decrease) increase in customer deposits	5,179	-	-	5,179	-
liabilities	4,340	1,165	2,004	7,509	-
(Decrease) increase in deferred inflows	6,775	2,048	2,516	11,339	-
Total adjustments	55,619	364,388	22,614	442,621	3,271
Net cash provided by (used for) oper. act.	\$ (93,783)	\$ 127,003	\$ 710,189	\$ 743,409	\$ 3,241

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, 2020

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 *Grants Fund* is a governmental fund which accounts for the revenues and expenditures related to intergovernmental grants received by the City.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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.

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.

Internal Service Funds account for services provided to other funds and the accumulation of resources to supply those services in a manner which levels costs from year to year.

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, 2020

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, 2020

2. Excess of expenditures over appropriations

For the year ended September 30, 2020, expenditures exceeded appropriations in all departments and the budget was overspent in total by \$144,439. 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, 2020

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, 2020

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, 2019, upon which the levy for the 2019-2020 fiscal year was based, was \$143,253,395. 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, 2020, to finance General Fund and Debt Service Fund operations were \$.51125 and \$.24058, respectively, for a total tax rate of \$.75183 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2019-2020 fiscal year was \$1,077,022. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2020, were 96.6% 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, 2020

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 several departmental line items and in total by \$144,439. 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, 2020, 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, 2020

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, 2020, the City’s deposits balance at 1st Presidio Bank, including certificates of deposit listed as investments below, was \$557,063. All of this listed amount was secured by federal FDIC insurance coverage.

Investments

As of September 30, 2020, 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	1st Presidio Bank	\$ 56,871	\$ -	\$ -	\$ -
Local Government Investment Pool	LOGIC	60,703	-	-	-
Total investments		<u>\$ 117,574</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, 2020

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, 2020 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	\$ 308,634	\$ 162,679	\$ -	\$ 471,313
Sales taxes	64,223	-	-	64,223
Franchise taxes	4,116	-	-	4,116
Hotel/motel taxes	-	-	10,084	10,084
EMS services	165,115	-	-	165,115
Miscellaneous receivables	50,000	-	-	50,000
Gross receivables	592,088	162,679	10,084	764,851
Less: Allowance for uncollectibles	(149,410)	(21,722)	-	(171,132)
Net receivables	\$ 442,678	\$ 140,957	\$ 10,084	\$ 593,719

Proprietary Funds:

	Water	Sewer	Landfill	Total
Receivables	Fund	Fund	Fund	Proprietary
	Fund	Fund	Fund	Funds
Utility receivables	\$ 53,812	\$ 39,183	\$ 71,052	\$ 164,047
Gross receivables	53,812	39,183	71,052	164,047
Less: Allowance for uncollectibles	(10,889)	(5,194)	(8,660)	(24,743)
Net receivables	\$ 42,923	\$ 33,989	\$ 62,392	\$ 139,304

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE-5 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2020, was as follows:

	Balance 10/1/19	Increases	Decreases	Balance 9/30/20
Capital assets, not being depreciated:				
Land	\$ 377,400	\$ -	\$ -	\$ 377,400
Construction in progress	147,484	-	-	147,484
Total capital assets, not depreciated	<u>524,884</u>	<u>-</u>	<u>-</u>	<u>524,884</u>
Capital assets, being depreciated:				
Buildings and improvements	3,885,571	-	-	3,885,571
Infrastructure	1,100,834	-	-	1,100,834
Machinery and equipment	1,724,823	201,176	-	1,925,999
Total capital assets, being depreciated	<u>6,711,228</u>	<u>201,176</u>	<u>-</u>	<u>6,912,404</u>
Less accumulated depreciation for:				
Buildings and improvements	(936,918)	(95,762)	-	(1,032,680)
Infrastructure	(907,413)	(12,542)	-	(919,955)
Machinery and equipment	(1,165,751)	(146,873)	-	(1,312,624)
Total accumulated depreciation	<u>(3,010,082)</u>	<u>(255,177)</u>	<u>-</u>	<u>(3,265,259)</u>
Total capital assets depreciated, net	3,701,146	(54,001)	-	3,647,145
Governmental activities capital assets, net	<u>\$ 4,226,030</u>	<u>\$ (54,001)</u>	<u>\$ -</u>	<u>\$ 4,172,029</u>

Capital asset activity for proprietary activities for the year ended September 30, 2020, was as follows:

	Balance 10/1/19	Increases	Decreases	Balance 9/30/20
Capital assets, not being depreciated:				
Land	\$ 512,731	\$ -	\$ -	\$ 512,731
Construction in progress	-	6,600	-	6,600
Total capital assets, not being depreciated	<u>512,731</u>	<u>6,600</u>	<u>-</u>	<u>519,331</u>
Capital assets, being depreciated:				
Buildings and improvements	7,042,695	-	-	7,042,695
Infrastructure	6,411,509	-	-	6,411,509
Machinery and equipment	1,386,616	-	-	1,386,616
Total capital assets, being depreciated	<u>14,840,820</u>	<u>-</u>	<u>-</u>	<u>14,840,820</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,339,294)	(201,220)	-	(2,540,514)
Infrastructure	(1,642,929)	(181,876)	-	(1,824,805)
Machinery and equipment	(1,144,726)	(23,066)	-	(1,167,792)
Total accumulated depreciation	<u>(5,126,949)</u>	<u>(406,162)</u>	<u>-</u>	<u>(5,533,111)</u>
Total capital assets being depreciated, net	9,713,871	(406,162)	-	9,307,709
Business-type activities capital assets, net	<u>\$ 10,226,602</u>	<u>\$ (399,562)</u>	<u>\$ -</u>	<u>\$ 9,827,040</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Governmental activities:

General government	\$	76,475
Public safety		118,949
Culture and recreation		54,513
Non-departmental		5,240
Total depreciation expense - governmental activities		\$ 255,177

NOTE-6 ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at September 30, 2020, were as follows:

Governmental Funds:

Classification	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts payable	\$ 68,148	\$ -	\$ -	\$ 68,148
Salaries and benefits	38,455	-	-	38,455
Total accrued liabilities	\$ 106,603	\$ -	\$ -	\$ 106,603

Proprietary Funds:

Classification	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds
Accounts payable	\$ 14,222	\$ 6,959	\$ 12,266	\$ 33,447
Salaries and benefits	7,604	6,611	3,263	17,478
Total accrued liabilities	\$ 21,826	\$ 13,570	\$ 15,529	\$ 50,925

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE-7 DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates in a 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, 2020

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and date, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	6	6
Inactive employees entitled to but not yet receiving benefits	33	33
Active employees	40	42
Total	79	81

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 .75% and .87% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$14,946 and were equal the required contribution amount.

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

Actuarial assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 2019 Municipal Retirees of Texas mortality tables. 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 4-year male and 3-year female set forward for both males and females. In addition, a 3.5% male and 3.0% female 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, 2020

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for 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)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	<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, 2020

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 12/31/18	\$ 1,563,946	\$ 1,671,331	\$ (107,385)
Changes for the year:			
Service cost	104,981	-	104,981
Interest (on the TPL)	107,258	-	107,258
Difference between expected and actual experience	8,220	-	8,220
Changes of assumptions	(2,609)	-	(2,609)
Contributions - employer	-	14,093	(14,093)
Contributions - employee	-	81,129	(81,129)
Net investment income	-	257,955	(257,955)
Benefit payments, including refunds of emp. contr.	(54,863)	(54,863)	-
Administrative expense	-	(1,460)	1,460
Other changes	-	(43)	43
Net changes	162,987	296,811	(133,824)
Balance at 12/31/19	<u>\$ 1,726,933</u>	<u>\$ 1,968,142</u>	<u>\$ (241,209)</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	\$ 24,256	\$ (241,209)	\$ (456,456)

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, 2020, the City recognized pension expense of \$319 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, 2020

At September 30, 2020, 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	\$ -	\$ 58,690
Differences between expected and actual economic experience	-	25,169
Difference in assumption changes	3,922	-
Contributions subsequent to the measurement date	11,200	-
Total	\$ 15,122	\$ 83,859

Of the amount reported as deferred outflows above, \$11,397 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, 2020, 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
2020	\$ (19,356)
2021	(23,805)
2022	(3,275)
2023	(33,502)
Total	\$ (79,938)

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, 2020

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	13
Active employees	40
	58
	58

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, 2020 and September 30, 2019 were \$3,788 and \$3,630 respectively, which equaled the required contributions each year.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5%-11.5% including inflation per year
Discount rate	2.75% based on Fidelity Index’s “20-year Municipal GO AA Index” rate as of December 31, 2019
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 2019 Municipal Retirees of Texas mortality tables 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, 2020

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for 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 2.75% for the valuation period ending December 31, 2019.

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 12/31/18	\$ 71,408	\$ -	\$ 71,408
Changes for the year:			
Service cost	5,517	-	5,517
Interest on Total OPEB Liability	2,746	-	2,746
Difference between expected and actual experience	798	-	798
Changes in assumptions or other inputs	20,811	-	20,811
Benefit payments, including refunds of emp. contr.	(325)	-	(325)
Net changes	29,547	-	29,547
Balance at 12/31/19	<u>\$ 100,955</u>	<u>\$ -</u>	<u>\$ 100,955</u>

The following presents the OPEB liability of the City, calculated using the discount rate of 2.75%, 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 (1.75%) or one-percentage-higher (3.75%) than the current rate:

	1% Decrease in Discount Rate 1.75%	Current Discount Rate 2.75%	1% Increase in Discount Rate 3.75%
Total OPEB liability	\$ 127,064	\$ 100,955	\$ 81,509

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$9,225 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, 2020

At September 30, 2020, 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	\$ 1,549	\$ -
Difference in assumptions and other inputs	16,288	-
Contributions subsequent to the measurement date	2,843	-
Total	\$ 20,680	\$ -

Of the amount reported as deferred outflows above, \$2,843 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, 2020 (i.e. recognized in the City’s financial statements for the year ended September 30, 2021). 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
2020	\$ 3,797
2021	3,797
2022	3,797
2023	3,797
2024	2,827
Thereafter	(178)
Total	\$ 17,837

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, 2020

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, 2020 are as follows:

Governmental Activities:

Type	Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/20
Bonds Payable					
Certificates of Obligation, Series 2012	2012	\$ 1,200,000	1.25%-3.75%	2022	\$ 275,000
Certificates of Obligation, Series 2013	2013	1,300,000	2.98%	2028	770,000
Limited Tax Refunding Bonds, Series 2013	2013	395,000	2.4%-5.0%	2022	100,000
Total bonds payable					1,145,000
Notes Payable					
U.S. Department of Agriculture - #0416-8	2006	85,000	4.25%	2023	18,000
U.S. Department of Agriculture - #0416-9	2006	100,000	4.25%	2024	29,000
Berkadia - 5301	1985	420,000	5.0%	2024	87,519
Berkadia - 5304	2012	220,000	5.0%	2024	55,973
Total notes payable					190,492
Other Long-Term Debt					
Compensated absences					114,678
Total other long-term debt					114,678
Grand total long-term debt					\$ 1,450,170

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2020 are as follows:

Governmental Activities:

Description	Balance 10/1/19	Additions	Deletions	Balance 9/30/20	Due in One Year
Bonds Payable					
Certificates of Obligation	\$1,260,000	\$ -	\$ (215,000)	\$1,045,000	\$ 220,000
Limited Tax Refunding Bonds	145,000	-	(45,000)	100,000	50,000
Total bonds payable	1,405,000	-	(260,000)	1,145,000	270,000
Notes payable	231,477	-	(40,985)	190,492	43,435
Compensated absences	111,238	3,440	-	114,678	57,339
Total governmental activities	\$1,747,715	\$ 3,440	\$ (300,985)	\$1,450,170	\$ 370,774

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Governmental Activities:

Year Ended	Governmental Activities				Total	
	Bonds Payable		Notes Payable		Governmental Activities	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
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	100,000	14,602	12,312	-	112,312	14,602
2026-2028	310,000	25,777	-	-	310,000	25,777
Totals	\$ 1,145,000	\$ 238,712	\$ 190,492	\$ 23,781	\$ 1,335,492	\$ 262,493

NOTE-11 INTERFUND BALANCES AND TRANSFERS

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
GOVERNMENTAL FUNDS		
General Fund	Hotel/Motel Tax Fund	\$ 8,634
General Fund	Grant Fund	20,203
General Fund	Landfill Fund	51,410
Total General Fund		<u>80,247</u>
PROPRIETARY FUNDS		
Landfill Fund	General Fund	257,074
Landfill Fund	Water Fund	303,416
Landfill Fund	Internal Service Fund	29
Total Proprietary Funds		<u>560,519</u>
Grand Total		<u>\$ 640,766</u>

The composition of interfund transfers for the year ended September 30, 2020 is as follows:

Transfer From:	Transfer To:	Amount
Governmental Funds		
Special Revenue Funds		
Hotel Motel/Tax Fund	General Fund	\$ 31,591
Grants Fund	General Fund	17,430
Total Governmental Funds		<u>49,021</u>
Proprietary Funds		
Landfill Fund	General Fund	584,085
	Internal Service Fund	29
Total Proprietary Funds		<u>584,114</u>
Grand Total Transfers		<u>\$ 633,135</u>

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CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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.

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.

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.

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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, 2020

	Measurement Year			
	2019	2018	2017	2016
A. Total pension liability				
1. Service cost	\$ 104,981	\$ 102,503	\$ 99,423	\$ 87,639
2. Interest (on the Total Pension Liability)	107,258	99,913	88,065	80,941
3. Changes of benefit terms	-	-	-	-
4. Diff. between expected and actual experience	8,220	(51,630)	17,231	(31,797)
5. Changes of assumptions	(2,609)	-	-	-
6. Benefit payments/refunds of employee contr.	(54,863)	(31,574)	(29,870)	(44,405)
7. Net change in total pension liability	162,987	119,212	174,849	92,378
8. Total pension liability - beginning	1,563,946	1,444,734	1,269,885	1,177,507
9. Total pension liability - ending	<u>\$1,726,933</u>	<u>\$1,563,946</u>	<u>\$1,444,734</u>	<u>\$1,269,885</u>
B. Plan fiduciary net position				
1. Contributions - employer	\$ 14,093	\$ 11,976	\$ 15,079	\$ 38,079
2. Contributions - employee	81,129	79,583	81,540	68,683
3. Net investment income	257,955	(49,718)	193,969	84,791
4. Benefit payments/refunds of employee contr.	(54,863)	(31,574)	(29,870)	(44,405)
5. Administrative expense	(1,460)	(962)	(1,007)	(959)
6. Other changes	(44)	(51)	(52)	(52)
7. Net change in plan fiduciary net position	296,810	9,254	259,659	146,137
8. Plan fiduciary net position - beginning	1,671,331	1,662,077	1,402,418	1,256,281
9. Plan fiduciary net position - ending	<u>\$1,968,141</u>	<u>\$1,671,331</u>	<u>\$1,662,077</u>	<u>\$1,402,418</u>
C. Net pension liability [A.9 - B.9]	<u>\$ (241,208)</u>	<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]	113.97%	106.87%	115.04%	110.44%
E. Covered-employee payroll	\$1,622,578	\$1,591,663	\$1,553,482	\$1,373,656
F. Net position as a percentage of covered employee payroll [C / E]	-14.87%	-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, 2020

	Fiscal Year				
	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 11,397	\$ 13,254	\$ 11,976	\$ 15,079	\$ 38,079
Contributions in relation to the actuarially determined contribution	11,397	13,254	11,976	15,079	38,079
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$1,703,029	\$1,578,159	\$1,591,663	\$1,553,482	\$1,373,656
Contributions as a percentage of covered employee payroll	0.67%	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	N/A
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50%, 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

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, 2020

	Measurement Year		
	2019	2018	2017
A. Total OPEB liability			
1. Service cost	\$ 5,517	\$ 6,526	\$ 5,593
2. Interest on Total OPEB Liability	2,746	2,348	2,157
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience	798	1,222	-
5. Changes in assumptions or other inputs	20,811	(6,216)	5,977
6. Benefit payments	(325)	(318)	(311)
7. Net changes	29,547	3,562	13,416
8. Total OPEB Liability - beginning of the year	71,408	67,846	54,430
9. Total OPEB Liability - end of the year	<u>\$ 100,955</u>	<u>\$ 71,408</u>	<u>\$ 67,846</u>
E. Covered-employee payroll	\$ 1,622,578	\$ 1,591,663	\$ 1,553,482
F. Total OPEB liability as a percentage of covered payroll	6.22%	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, 2020

	Fiscal Year		
	2020	2019	2018
Actuarially determined contribution	\$ 2,843	\$ 3,630	\$ 3,779
Contributions in relation to the actuarially determined contribution	2,843	3,630	3,779
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,703,029	\$ 1,578,159	\$ 1,591,663
Contributions as a percentage of covered employee payroll	0.17%	0.23%	0.24%

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50%; including inflation
Discount rate*	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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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.

Library Fund (Fund 210) -This fund accounts for revenues and expenditures at the City Library.

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CITY OF PRESIDIO, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>240</u>	<u>210</u>	Total
	Hotel/Motel	Library Fund	Non-Major
	Tax Fund		Governmental
			Funds
ASSETS			
Cash and cash equivalents	\$ 36,431	\$ 3,390	\$ 39,821
Accounts receivable	10,084	-	10,084
Total assets	<u>\$ 46,515</u>	<u>\$ 3,390</u>	<u>\$ 49,905</u>
LIABILITIES			
Due to other funds	\$ 8,634	-	\$ 8,634
Total liabilities	<u>8,634</u>	<u>-</u>	<u>8,634</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Economic development	37,881	-	37,881
Committed for:			
Committed for Library	-	3,390	3,390
Total fund balances	<u>37,881</u>	<u>3,390</u>	<u>41,271</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 46,515</u>	<u>\$ 3,390</u>	<u>\$ 49,905</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, 2020

	<u>240</u>	<u>210</u>	Total
	Hotel/Motel		Non-Major
	Tax Fund	Library Fund	Governmental
			Funds
REVENUES			
Hotel/motel taxes	\$ 51,479	\$ -	\$ 51,479
Fines	-	890	890
Grants and contributions	-	2,500	2,500
Total revenues	<u>51,479</u>	<u>3,390</u>	<u>54,869</u>
EXPENDITURES			
Current:			
Culture and recreation:			
Tourism	<u>16,596</u>	-	<u>16,596</u>
Total expenditures	<u>16,596</u>	-	<u>16,596</u>
Excess (deficiency) of revenues over expenditures	<u>34,883</u>	<u>3,390</u>	<u>38,273</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(31,591)</u>	-	<u>(31,591)</u>
Total other financing sources (uses)	<u>(31,591)</u>	-	<u>(31,591)</u>
Net change in fund balance	3,292	3,390	6,682
Fund balance - beginning	<u>34,589</u>	-	<u>34,589</u>
Fund balance - ending	<u>\$ 37,881</u>	<u>\$ 3,390</u>	<u>\$ 41,271</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, 2020, 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 25, 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 2020-001 and 2020-002 in the schedule of findings and questioned costs. Furthermore, additional material weaknesses may exist that have not been identified.

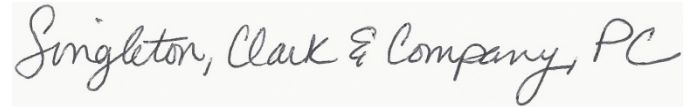
Compliance and Other Matters

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 2020-003 and 2020-004 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 style and is placed on a light gray rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

October 25, 2021

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CITY OF PRESIDIO, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s reports issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
2020-001 Bank Reconciliations		
2020-002 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
2020-004 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*:

2020-001 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 2020 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, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

2020-001 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.

2020-002 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 2020 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, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

2020-002 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.

2020-003 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, 2020.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

2020-003 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, 2020.

Recommendation: We recommend that the City appoint an Investment Officer and that individual receive the required training as soon as possible.

2020-004 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 several departmental line items of the General Fund expenditures budget were overspent, and the budget was overspent in total by \$144,439.

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, 2020 and September 30, 2019 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, 2020

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

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.

Current Status This condition was reported again for the year ended September 30, 2020.

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.

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CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

2019-002 Accounting and Financial Reporting (Continued)

Current Status This condition was reported again for the year ended September 30, 2020.

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.

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.

Current Status This condition was reported again for the year ended September 30, 2020.

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.

Current Status This condition was reported again for the year ended September 30, 2020.

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City of Presidio

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2020

Current Year Audit Findings:

2020-001 Bank Reconciliations

Corrective Action Planned:

The bank reconciliations were caught up for the FYE 2020 audit and have been kept up on a monthly basis in FYE 2021. We have instituted a policy that all bank reconciliations should be completed by no later than the 15th of the following month, but ideally should be completed by the 10th of the month.

Anticipated Completion Date: Currently resolved and ongoing.

Contact Person: Glorissel Muniz, Finance Director

2020-002 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

2020-003 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

2020-004 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