

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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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, 2021, 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 also audited the financial statements of the Presidio Municipal Development District (PMDD) which are presented within the government-wide financial statements. 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, 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, 2021, 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 April 20, 2022 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

April 20, 2022

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CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021. 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 \$523,912 as a result of this year's current operations, to end at \$3,771,657.
- Net position for the City's business-type activities (the utility operations for water, sewer, and landfill) increased by \$2,511,904 for the current year, to end at \$13,005,486. This net position is primarily invested in utility infrastructure and equipment.
- The General Fund of the City reported a fund balance decrease of \$0 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, 2021.

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, 2021

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, 2021

Reporting the City'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 six individual governmental funds during the year. Information is presented separately in the governmental fund *balance sheet* and in the governmental fund *statement of revenues, expenditures, and changes in fund balances* for the General Fund and the Grants Fund, which met the criteria to be reported as a *major fund* this year. Data from the other four 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, 2021

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 \$3,771,657, and business-type activities by \$13,005,486 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, 2021 and September 30, 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 1,560,481	\$ 565,380	\$ 1,067,809	\$ 787,718	\$ 2,628,290	\$ 1,353,098
Capital assets	4,264,289	4,172,029	13,771,447	9,827,040	18,035,736	13,999,069
Other noncurrent assets	210,783	172,525	87,403	68,684	298,186	241,209
Total assets	6,035,553	4,909,934	14,926,659	10,683,442	20,962,212	15,593,376
Deferred outflows of resources	30,294	25,747	12,563	10,054	42,857	35,801
Current liabilities	780,861	115,159	367,041	147,289	1,147,902	262,448
Noncurrent liabilities	1,442,354	1,522,378	1,537,264	28,747	2,979,618	1,551,125
Total liabilities	2,223,215	1,637,537	1,904,305	176,036	4,127,520	1,813,573
Deferred inflows of resources	70,975	59,981	29,431	23,878	100,406	83,859
Net position:						
Net investment in capital assets	2,959,289	2,836,537	10,693,815	10,693,815	13,653,104	13,530,352
Restricted	430,304	184,383	-	-	430,304	184,383
Unrestricted	382,064	217,243	2,311,671	(200,233)	2,693,735	17,010
Total net position	\$ 3,771,657	\$ 3,238,163	\$ 13,005,486	\$ 10,493,582	\$ 16,777,143	\$ 13,731,745

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 \$13,653,104 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, 2021

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 \$430,304 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 \$2,693,735 as of year-end.

Governmental Activities

Net position for governmental activities increased by \$533,494 from current year operations, to end the year at \$3,771,657. While fund balance increased slightly within the governmental funds, net position increased by the noted amount of \$533,494 primarily due to the supplemental financial assistance from the Landfill Fund.

Business-type Activities

Net position of the City's business-type activities increased by \$2,511,904 to end the year at \$13,005,486. 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, 2021 and September 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 584,392	\$ 580,653	\$ 2,066,117	\$ 1,974,031	\$ 2,650,509	\$ 2,554,684
Operating grants & contributions	326,081	231,032	-	-	326,081	231,032
Capital grants and contributions	307,362	221,279	-	-	307,362	221,279
General revenues:						
Property taxes	1,119,013	1,092,551	-	-	1,119,013	1,092,551
Sales and selective taxes and fees	541,657	516,544	-	-	541,657	516,544
Other miscellaneous revenues	100,126	57,846	2,870,756	6,726	2,970,882	64,572
Total revenue	2,978,631	2,699,905	4,936,873	1,980,757	7,915,504	4,680,662
Expenses:						
General government	1,019,911	934,373	-	-	1,019,911	934,373
Public safety	1,092,298	1,251,175	-	-	1,092,298	1,251,175
Culture and recreation	494,968	724,987	-	-	494,968	724,987
Non-departmental	228,430	88,239	-	-	228,430	88,239
Interest on debt	95,024	50,366	-	-	95,024	50,366
Water utilities	-	-	949,423	732,362	949,423	732,362
Sewer utilities	-	-	743,078	656,339	743,078	656,339
Landfill utilities	-	-	246,974	291,202	246,974	291,202
Total expenses	2,930,631	3,049,140	1,939,475	1,679,903	4,870,106	4,729,043
Increase (decrease) in net position before transfers	48,000	(349,235)	2,997,398	300,854	3,045,398	(48,381)
Transfers in/(out)	485,494	584,114	(485,494)	(584,114)	-	-
Increase (decrease) in net position	533,494	234,879	2,511,904	(283,260)	3,045,398	(48,381)
Net position-beginning	3,238,163	3,003,284	10,493,582	10,776,842	13,731,745	13,780,126
Net position-ending	\$ 3,771,657	\$ 3,238,163	\$ 13,005,486	\$ 10,493,582	\$ 16,777,143	\$ 13,731,745

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 of 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, 2021, the City's governmental funds reported combined ending fund balances of \$46,816, which represents an increase of \$293,530 from the prior year. Of this amount, \$178,192 is restricted for debt service expenditures, \$87,177 is restricted for economic development purposes, \$33,992 is restricted for the police department, 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 \$0 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 \$688,000.

The lack of change in the fund balance 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 administrative departments 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. 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 a remaining fund balance of \$37,595.

The Debt Service Fund, not a major fund this year, had an increase in fund balance of \$172,647, to end at \$178,192. This increase 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 \$3,457,788 compared to operating expenses of \$906,485. After a small amount of interest income, the fund had an overall income of \$2,508,530. The primary factor resulting in this gain was the revenue generated by the water pipeline grant. Net position in the Water Fund ended the year at \$2,760,792.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The Sewer Fund reported revenues of \$434,363 compared to operating expenses of \$743,078. After a small amount of interest income, the fund had a loss of \$308,711. The primary factor resulting in this loss was sewer utility charges not quite being sufficient to cover operating costs. Net position in the Sewer Fund ended the year at \$8,913,124.

The Landfill Fund reported revenues of \$1,044,553 compared to operating expenses of \$246,974. The fund had operating income of \$797,579.

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 \$671,994. After considering this transfer, net position of the Landfill Fund increased by \$125,585 for the year to end at \$1,331,570.

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, 2021 amounted to \$4,264,289 while the investment in capital assets for business-type activities amounted to \$13,771,447. 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, 2021 and September 30, 2020

	Governmental Activities 2021	Governmental Activities 2020	Change	Business-Type Activities 2021	Business- Activities 2020	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	1,358,948	1,100,834	258,114	10,837,705	6,411,509	4,426,196
Machinery and equipment	1,942,639	1,925,999	16,640	1,402,676	1,386,616	16,060
Construction in progress	212,484	147,484	65,000	-	6,600	(6,600)
Total	<u>7,777,042</u>	<u>7,437,288</u>	<u>339,754</u>	<u>19,795,807</u>	<u>15,360,151</u>	<u>4,435,656</u>
Less accumulated depr.	<u>(3,512,753)</u>	<u>(3,265,259)</u>	<u>(247,494)</u>	<u>(6,024,360)</u>	<u>(5,533,111)</u>	<u>(491,249)</u>
Capital assets, net	<u>\$ 4,264,289</u>	<u>\$ 4,172,029</u>	<u>\$ 92,260</u>	<u>\$ 13,771,447</u>	<u>\$9,827,040</u>	<u>\$ 3,944,407</u>

Additional information on the City's capital assets can be found in Note 5 on page 44 of this report.

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CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$2,852,497. Within governmental activities the outstanding debt is \$1,352,487. Within business activities the outstanding debt is \$1,500,000. This consisted of a mixture of general obligation bonds, certificates of obligation, and compensated absences payable. A summary of these long-term liabilities follows.

**City of Presidio, Texas
Long-Term Debt
As of September 30, 2021 and September 30, 2020**

	Governmental Activities 2021	Governmental Activities 2020	Change	Business-Type Activities 2021	Business- Activities 2020	Change
General obligation bonds	\$ 1,305,000	\$ 1,145,000	\$ 160,000	\$ -	\$ -	\$ -
Certificates of obligation	-	-	-	1,500,000	\$ -	1,500,000
Notes payable	-	190,492	(190,492)	-	-	-
Compensated absences payable	47,487	114,678	(67,191)	19,353	-	19,353
Total	<u>\$ 1,352,487</u>	<u>\$ 1,450,170</u>	<u>\$ (97,683)</u>	<u>\$ 1,519,353</u>	<u>\$ -</u>	<u>\$ 1,519,353</u>

The City's total debt increased by a net amount \$1,421,670 during the current fiscal year. This was the result of the City refinancing the Series 2012 Certificate of Obligation, the Series 2013 Certificate of Obligation and the Series 2013 Limited Tax Refunding Bonds, paying off the notes and issuing a Certificate of Obligation for the Water Fund. There was also an 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 53-56 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2022 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 2022 of \$3,067,700, which represents an increase of approximately \$524,000 from fiscal year 2021 final year-end budgeted expenditures. The City adopted a tax rate of \$0.626240 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 W. 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, 2021

	Primary Government			Component Unit
				Presidio
	Governmental	Business-Type		Municipal
	Activities	Activities	Total	Development
				District
ASSETS				
Cash and cash equivalents	\$ 1,130,907	\$ 524,355	\$ 1,655,262	\$ 664,633
Investments	117,712	5,586	123,298	-
Taxes receivable - delinquent	491,762	-	491,762	-
Allowance for uncollectible taxes	(49,176)	-	(49,176)	-
Accounts receivable, net	208,398	175,199	383,597	13,197
Internal balances	(362,669)	362,669	-	-
Prepaid items	23,547	-	23,547	-
Net pension asset	210,783	87,403	298,186	-
Capital assets, not being depreciated:				
Land	377,400	512,731	890,131	27,746
Construction in progress	212,484	-	212,484	-
Capital assets, being depreciated:				
Buildings and improvements	3,885,571	7,042,695	10,928,266	131,932
Machinery and equipment	1,942,639	1,402,676	3,345,315	5,682
Infrastructure	1,358,948	-	1,358,948	-
Utility infrastructure	-	10,837,705	10,837,705	-
Accumulated depreciation	(3,512,753)	(6,024,360)	(9,537,113)	(42,311)
Total assets	6,035,553	14,926,659	20,962,212	800,879
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-pension	8,287	3,437	11,724	-
Deferred outflows-OPEB	22,007	9,126	31,133	-
Total deferred outflows of resources	30,294	12,563	42,857	-
LIABILITIES				
Accounts payable	47,508	219,321	266,829	3,904
Accrued salaries and benefits	46,844	39,424	86,268	-
Accrued liabilities	-	3,994	3,994	-
Intergovernmental payable	-	4,748	4,748	-
Accrued interest payable	3,294	-	3,294	-
Unearned revenue	602,742	-	602,742	-
Other current liabilities	80,473	-	80,473	-
Customer deposits	-	99,554	99,554	-
Noncurrent liabilities:				
Due within one year	73,744	-	73,744	-
Due in more than one year	1,278,743	1,500,000	2,778,743	-
Net OPEB liability	89,867	37,264	127,131	-
Total liabilities	2,223,215	1,904,305	4,127,520	3,904
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-pensions	69,979	29,018	98,997	-
Deferred inflows-OPEB	996	413	1,409	-
Total deferred inflows of resources	70,975	29,431	100,406	-
NET POSITION				
Net investment in capital assets	2,959,289	10,693,815	13,653,104	123,049
Restricted for debt service	271,540	-	271,540	-
Restricted for economic development	87,177	-	87,177	84,000
Restricted for police department	33,992	-	33,992	-
Restricted for grants	37,595	-	37,595	-
Unrestricted	382,064	2,311,671	2,693,735	589,926
Total net position	\$ 3,771,657	\$ 13,005,486	\$ 16,777,143	\$ 796,975

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, 2021

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 1,019,911	\$ 58,693	\$ 38,138	\$ 49,248
Public safety	1,092,298	337,910	287,943	-
Culture and recreation	494,968	187,789	-	-
Non-departmental	228,430	-	-	258,114
Interest and issuance costs	95,024	-	-	-
Total governmental activities:	2,930,631	584,392	326,081	307,362
Business-type activities:				
Water services	949,423	587,201	-	-
Sewer services	743,078	434,363	-	-
Landfill services	246,974	1,044,553	-	-
Total business-type activities:	1,939,475	2,066,117	-	-
Total primary government	\$ 4,870,106	\$ 2,650,509	\$ 326,081	\$ 307,362
Component unit:				
Presidio Municipal Development District	\$ 148,553	\$ -	\$ -	\$ -
	\$ 148,553	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
Sales taxes				
Hotel/motel taxes				
Franchise taxes				
Investment earnings				
Miscellaneous				
Total general revenues				
Special items and transfers				
Transfers in/(out)				
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
\$ (873,832)	\$ -	\$ (873,832)	\$ -
(466,445)	-	(466,445)	-
(307,179)	-	(307,179)	-
29,684	-	29,684	-
(95,024)	-	(95,024)	-
(1,712,796)	-	(1,712,796)	-
-	(362,222)	(362,222)	-
-	(308,715)	(308,715)	-
-	797,579	797,579	-
-	126,642	126,642	-
(1,712,796)	126,642	(1,586,154)	-
			(148,553)
			(148,553)
1,119,013	-	1,119,013	-
434,547	-	434,547	142,206
66,085	-	66,085	-
41,025	-	41,025	-
410	169	579	573
99,716	2,870,587	2,970,303	-
1,760,796	2,870,756	4,631,552	142,779
485,494	(485,494)	-	-
2,246,290	2,385,262	4,631,552	142,779
533,494	2,511,904	3,045,398	(5,774)
3,238,163	10,493,582	13,731,745	802,749
\$ 3,771,657	\$ 13,005,486	\$ 16,777,143	\$ 796,975

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FUND BASIS FINANCIAL STATEMENTS

CITY OF PRESIDIO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Grants Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 25,120	\$ 738,036	\$ 287,325	\$ 1,050,481
Investments	108,675	-	9,037	117,712
Taxes receivable - delinquent	388,042	-	103,720	491,762
Allowance for uncollectible delinq. taxes	(38,804)	-	(10,372)	(49,176)
Accounts receivable	336,535	-	19,024	355,559
Allowance for uncollectible accounts receivable	(147,161)	-	-	(147,161)
Due from other funds	28,838	-	-	28,838
Prepaid items	23,547	-	-	23,547
Total assets and deferred outflows	<u>\$ 724,792</u>	<u>\$ 738,036</u>	<u>\$ 408,734</u>	<u>\$ 1,871,562</u>
LIABILITIES				
Accounts payable	\$ 43,507	\$ -	\$ 4,001	\$ 47,508
Accrued salaries and benefits	46,844	-	-	46,844
Due to other funds	285,203	97,699	8,634	391,536
Unearned revenue	-	602,742	-	602,742
Total liabilities	<u>375,554</u>	<u>700,441</u>	<u>12,635</u>	<u>1,088,630</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - property taxes	349,238	-	93,348	442,586
Total deferred inflows of resources	<u>349,238</u>	<u>-</u>	<u>93,348</u>	<u>442,586</u>
FUND BALANCES				
Restricted for:				
Economic Development	-	-	87,177	87,177
Debt Service	-	-	178,192	178,192
Police Department	-	-	33,992	33,992
State and Federal Grants	-	37,595	-	37,595
Committed for:				
Library	-	-	3,390	3,390
Total fund balances	<u>-</u>	<u>37,595</u>	<u>302,751</u>	<u>340,346</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 724,792</u>	<u>\$ 738,036</u>	<u>\$ 408,734</u>	<u>\$ 1,871,562</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, 2021

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

	Total fund balance of all governmental funds		\$ 340,346
1	Capital assets used in governmental activities are not current financial resources and therefore not reported in the funds.		
	<div style="text-align: right;"> Total governmental activities capital assets \$ 7,777,042 Less accumulated depreciation <u>(3,512,753)</u> Governmental capital assets, net of depreciation 4,264,289 </div>		
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.		
	<div style="text-align: right;"> Bonds payable (1,305,000) Compensated absences payable <u>(47,487)</u> Total long-term liabilities (1,352,487) </div>		
3	Accrued interest on long-term debt is not due and payable until matured and therefore not recorded in the governmental funds.		(3,294)
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.		442,586
5	Net Position of the Internal Service Fund is a nonexpendable financial resource and therefore not recorded in the government-wide financial statements.		(18)
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.		
	<div style="text-align: right;"> Net pension asset 210,783 Net OPEB liability (89,867) Deferred inflows related to pension and OPEB (70,975) Deferred outflows related to pension and OPEB <u>30,294</u> Total pension and OPEB related items 80,235 </div>		
	Net position of governmental activities		<u><u>\$ 3,771,657</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, 2021

	General Fund	Grants Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 840,463	\$ -	\$ 244,655	\$ 1,085,118
Sales taxes	434,547	-	-	434,547
Hotel/motel taxes	-	-	66,085	66,085
Franchise taxes	41,025	-	-	41,025
Intergovernmental revenues	301,323	332,138	-	633,461
Charges for services	537,189	-	-	537,189
Fines	34,707	-	-	34,707
Investment earnings	402	-	8	410
Rents and royalties	12,496	-	-	12,496
Miscellaneous revenue	65,716	-	34,000	99,716
Total revenues	2,267,868	332,138	344,748	2,944,754
EXPENDITURES				
Current:				
General government:				
Administrative departments	848,881	50,433	-	899,314
Municipal court	66,550	-	-	66,550
Code enforcement	2,218	-	-	2,218
Public safety:				
Police	467,714	244,110	8	711,832
Fire	22,520	-	-	22,520
EMS	626,480	-	-	626,480
Animal control	54,102	-	-	54,102
Culture and recreation:				
Parks	66,980	-	-	66,980
Library	62,320	-	-	62,320
Youth club	15,246	-	-	15,246
Senior center	274,940	-	-	274,940
Tourism	34,050	-	16,789	50,839
Non-departmental	211,361	-	-	211,361
Debt service:				
Principal	-	-	45,000	45,000
Interest	-	-	46,739	46,739
Issuance costs	-	-	50,277	50,277
Total expenditures	2,753,362	294,543	158,813	3,206,718
Excess (deficiency) of revenues over expenditures	(485,494)	37,595	185,935	(261,964)
OTHER FINANCING SOURCES (USES)				
Transfers in	671,994	-	-	671,994
Transfers out	(186,500)	-	-	(186,500)
Refunding bonds issued	-	-	1,350,000	1,350,000
Payment to refunded bond escrow agent	-	-	(1,280,000)	(1,280,000)
Total other financing sources (uses)	485,494	-	70,000	555,494
Net change in fund balance	-	37,595	255,935	293,530
Fund balance - beginning	-	-	46,816	46,816
Fund balance - ending	\$ -	\$ 37,595	\$ 302,751	\$ 340,346

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, 2021

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

	Net change in fund balances for total governmental funds	\$ 293,530
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	\$ 339,754
	Governmental activities depreciation expense	<u>(247,494)</u>
		92,260
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.	100,492
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.	1,992
4	Net of bond proceeds that provide current financial resources and debt issued that increases long-term liabilities.	(70,000)
5	Net Position of the Internal Service Fund is a nonexpendable financial resource and therefore not recorded in the government-wide financial statements.	(18)
6	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.	67,191
7	Property taxes are recognized as revenue when received in the governmental funds, but recognized when levied within the governmental activities financial statements.	33,895
8	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	25,590
	Current year OPEB expense	<u>(11,438)</u>
		14,152
	Change in net position for governmental activities	<u><u>\$ 533,494</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, 2021

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 742,341	\$ 742,341	\$ 840,463	\$ 98,122
Sales taxes	460,000	460,000	434,547	(25,453)
Franchise taxes	42,000	42,000	41,025	(975)
Intergovernmental revenues	673,200	673,200	301,323	(371,877)
Charges for services	319,500	319,500	537,189	217,689
Fines	32,000	32,000	34,707	2,707
Investment earnings	3,200	3,200	402	(2,798)
Rents and royalties	5,000	5,000	12,496	7,496
Grants and contributions	10,000	10,000	-	(10,000)
Miscellaneous revenue	492,300	492,300	65,716	(426,584)
Total revenues	<u>2,779,541</u>	<u>2,779,541</u>	<u>2,267,868</u>	<u>(511,673)</u>
EXPENDITURES				
Current:				
General government:				
Administrative departments	563,461	563,461	848,881	(285,420)
Municipal court	52,150	52,150	66,550	(14,400)
Code enforcement	-	-	2,218	(2,218)
Public safety:				
Police	409,313	409,313	467,714	(58,401)
Fire	26,000	26,000	22,520	3,480
EMS	704,050	704,050	626,480	77,570
Animal control	56,521	56,521	54,102	2,419
Culture and recreation:				
Parks	53,301	53,301	66,980	(13,679)
Library	61,096	61,096	62,320	(1,224)
Youth club	49,461	49,461	15,246	34,215
Senior center	303,130	303,130	274,940	28,190
Tourism	90,596	90,596	34,050	56,546
Non-departmental	164,600	164,600	211,361	(46,761)
Capital outlay	10,000	10,000	-	10,000
Total expenditures	<u>2,543,679</u>	<u>2,543,679</u>	<u>2,753,362</u>	<u>(209,683)</u>
Excess (deficiency) of revenues over expenditures	<u>235,862</u>	<u>235,862</u>	<u>(485,494)</u>	<u>(721,356)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	671,994	671,994
Transfers out	-	-	(186,500)	(186,500)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>485,494</u>	<u>485,494</u>
Net change in fund balances	235,862	235,862	-	(235,862)
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 235,862</u>	<u>\$ 235,862</u>	<u>\$ -</u>	<u>\$ (235,862)</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, 2021

	Business-Type Activities			Governmental Activities	
	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 93,833	\$ 325,438	\$ 105,084	\$ 524,355	\$ 80,426
Investments	1,981	3,605	-	5,586	-
Accounts receivable, net	39,713	32,731	102,755	175,199	-
Due from other funds	186,500	-	663,109	849,609	29
Total current assets	322,027	361,774	870,948	1,554,749	80,455
Noncurrent assets:					
Net pension asset	48,020	28,860	10,523	87,403	-
Land	48,630	174,097	290,004	512,731	-
Infrastructure	5,338,216	5,499,489	-	10,837,705	-
Buildings	42,695	7,000,000	-	7,042,695	-
Furnishings and equipment	245,953	251,127	905,596	1,402,676	-
Accumulated depreciation	(937,317)	(4,363,715)	(723,328)	(6,024,360)	-
Total noncurrent assets	4,786,197	8,589,858	482,795	13,858,850	-
Total assets	5,108,224	8,951,632	1,353,743	15,413,599	80,455
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows-pension	1,888	1,135	414	3,437	-
Deferred outflows-OPEB	5,014	3,013	1,099	9,126	-
Total deferred outflows	6,902	4,148	1,513	12,563	-
LIABILITIES					
Current liabilities:					
Accounts payable	205,167	6,758	7,396	219,321	-
Accrued salaries and benefits	22,065	13,877	3,482	39,424	-
Accrued liabilities	3,994	-	-	3,994	-
Intergovernmental payable	-	-	4,748	4,748	-
Due to other funds	486,911	-	29	486,940	-
Other current liabilities	-	-	-	-	80,473
Customer deposits	99,554	-	-	99,554	-
Total current liabilities	817,691	20,635	15,655	853,981	80,473
Noncurrent liabilities:					
Bonds payable	1,500,000	-	-	1,500,000	-
Net OPEB obligation	20,473	12,304	4,487	37,264	-
Total noncurrent liabilities	1,520,473	12,304	4,487	1,537,264	-
Total liabilities	2,338,164	32,939	20,142	2,391,245	80,473
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows-pensions	15,943	9,581	3,494	29,018	-
Deferred inflows-OPEB	227	136	50	413	-
Total deferred inflows	16,170	9,717	3,544	29,431	-
NET POSITION					
Net investment in capital assets	504,344	9,634,343	555,128	10,693,815	-
Unrestricted	2,256,448	(721,219)	776,442	2,311,671	(18)
Total net position	\$ 2,760,792	\$ 8,913,124	\$ 1,331,570	\$ 13,005,486	\$ (18)

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, 2021

	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	\$ 560,104	\$ -	\$ -	\$ 560,104	\$ -
Sewerage service	-	425,470	-	425,470	-
Other charges for services	27,097	8,893	1,044,553	1,080,543	-
Miscellaneous revenue	2,870,587	-	-	2,870,587	245,463
Total operating revenues	3,457,788	434,363	1,044,553	4,936,704	245,463
EXPENSES					
Operating expenses:					
Personnel services	387,398	248,152	97,438	732,988	-
Purchased prof. and tech. svcs.	23,274	1,648	1,071	25,993	-
Purchased property services	18,236	-	-	18,236	-
Other purchased services	8,476	21,341	40,992	70,809	-
Materials and supplies	104,395	90,015	64,430	258,840	-
Other operating expenses	249,302	22,159	26,961	298,422	245,483
Depreciation	115,404	359,763	16,082	491,249	-
Total operating expenses	906,485	743,078	246,974	1,896,537	245,483
Operating income (loss)	2,551,303	(308,715)	797,579	3,040,167	(20)
Nonoperating revenues (expenses)					
Investment earnings	165	4	-	169	2
Interest expense	(42,938)	-	-	(42,938)	-
Total nonoperating revenues (expenses)	(42,773)	4	-	(42,769)	2
Income before transfers in (out)	2,508,530	(308,711)	797,579	2,997,398	(18)
Transfers in	186,500	-	-	186,500	-
Transfers out	-	-	(671,994)	(671,994)	-
Change in net position	2,695,030	(308,711)	125,585	2,511,904	(18)
Net position-beginning	65,762	9,221,835	1,205,985	10,493,582	-
Net position-ending	\$ 2,760,792	\$ 8,913,124	\$ 1,331,570	\$ 13,005,486	\$ (18)

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
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	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	\$ 593,601	\$ 435,621	\$ 1,008,938	\$ 2,038,160	\$ -
Other miscellaneous receipts	2,870,587	-	-	2,870,587	245,463
Payments to employees for salaries and benefits	(374,705)	(247,047)	(96,448)	(718,200)	-
Payments to suppliers and service providers	(212,738)	(135,364)	(138,324)	(486,426)	(168,281)
Net cash provided by (used for) oper. act.	<u>2,876,745</u>	<u>53,210</u>	<u>774,166</u>	<u>3,704,121</u>	<u>77,182</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interfund borrowings	183,495	-	(154,028)	29,467	-
Interfund transfers	-	-	(671,994)	(671,994)	-
Acquisition and construction of capital assets	(4,427,626)	(8,030)	-	(4,435,656)	-
Issuance of long-term debt	1,500,000	-	-	1,500,000	-
Interest paid on capital debt	(38,944)	-	-	(38,944)	-
Net cash provided by (used for) capital and related financing activities	<u>(2,783,075)</u>	<u>(8,030)</u>	<u>(826,022)</u>	<u>(3,617,127)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of (proceeds from) investments	(2)	(4)	-	(6)	-
Interest on investments	165	4	-	169	2
Net cash provided by investing activities	<u>163</u>	<u>-</u>	<u>-</u>	<u>163</u>	<u>2</u>
Net increase (decrease) in cash and cash equivalents	93,833	45,180	(51,856)	87,157	77,184
Cash and cash equivalents-beginning	-	280,258	156,940	437,198	3,242
Cash and cash equivalents-ending	<u>\$ 93,833</u>	<u>\$ 325,438</u>	<u>\$ 105,084</u>	<u>\$ 524,355</u>	<u>\$ 80,426</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:					
Operating income (loss)	<u>\$ 2,551,303</u>	<u>\$ (308,715)</u>	<u>\$ 797,579</u>	<u>\$ 3,040,167</u>	<u>\$ (20)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	115,404	359,763	16,082	491,249	-
(Increase) decrease in accounts receivable	3,210	1,258	(40,363)	(35,895)	-
(Increase) decrease in net pension asset	(6,129)	(15,325)	2,735	(18,719)	-
(Increase) decrease in deferred outflows	(185)	(2,487)	163	(2,509)	-
(Decrease) increase in accounts payable	190,945	(201)	(4,870)	185,874	-
(Decrease) increase in accrued liabilities	14,461	7,266	4,967	26,694	77,202
(Decrease) increase in customer deposits	3,190	-	-	3,190	-
(Decrease) increase in net pension/OPEB liabilities	2,940	6,639	(1,062)	8,517	-
(Decrease) increase in deferred inflows	1,606	5,012	(1,065)	5,553	-
Total adjustments	<u>325,442</u>	<u>361,925</u>	<u>(23,413)</u>	<u>663,954</u>	<u>77,202</u>
Net cash provided by (used for) oper. act.	<u>\$ 2,876,745</u>	<u>\$ 53,210</u>	<u>\$ 774,166</u>	<u>\$ 3,704,121</u>	<u>\$ 77,182</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021

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, 2021

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*. Custodial 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, 2021

2. Excess of expenditures over appropriations

For the year ended September 30, 2021, expenditures exceeded appropriations in all departments and the budget was overspent in total by \$209,683. 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, 2021

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, 2021

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, 2020, upon which the levy for the 2020-2021 fiscal year was based, was \$144,005,372. 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, 2021, to finance General Fund and Debt Service Fund operations were \$0.494156 and \$0.132084, respectively, for a total tax rate of \$0.626240 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2020-2021 fiscal year was \$1,082,979. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2021, were 96.5% 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, 2021

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 \$209,683. 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, 2021, 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, 2021

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, 2021, the City's deposits balance at 1st Presidio Bank, including certificates of deposit listed as investments below, was \$123,398. All of this listed amount was secured by federal FDIC insurance coverage.

Investments

As of September 30, 2021, 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	\$ 57,010	\$ -	\$ -	\$ -
Local Government Investment Pool	LOGIC	66,288	-	-	-
Total investments		<u>\$ 123,298</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, 2021

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, 2021 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	Nonmajor	Total
Receivables	Fund	Governmental	Governmental
	Funds	Funds	Funds
Property taxes	\$ 388,042	\$ 103,720	\$ 491,762
Sales taxes	75,908	-	75,908
Franchise taxes	4,194	-	4,194
Hotel/motel taxes	-	19,024	19,024
EMS services	210,231	-	210,231
Miscellaneous receivables	46,202	-	46,202
Gross receivables	724,577	122,744	847,321
Less: Allowance for uncollectibles	(185,965)	(10,372)	(196,337)
Net receivables	\$ 538,612	\$ 112,372	\$ 650,984

Proprietary Funds:

	Water	Sewer	Landfill	Total
Receivables	Fund	Fund	Fund	Proprietary
	Funds	Funds	Funds	Funds
Utility receivables	\$ 49,687	\$ 37,925	\$ 111,415	\$ 199,027
Gross receivables	49,687	37,925	111,415	199,027
Less: Allowance for uncollectibles	(10,889)	(5,194)	(8,660)	(24,743)
Returned Checks	915	-	-	915
Net receivables	\$ 39,713	\$ 32,731	\$ 102,755	\$ 175,199

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE-5 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2021, was as follows:

	Balance 10/1/20	Increases	Decreases	Balance 9/30/21
Capital assets, not being depreciated:				
Land	\$ 377,400	\$ -	\$ -	\$ 377,400
Construction in progress	147,484	65,000	-	212,484
Total capital assets, not depreciated	524,884	65,000	-	589,884
Capital assets, being depreciated:				
Buildings and improvements	3,885,571	-	-	3,885,571
Infrastructure	1,100,834	258,114	-	1,358,948
Machinery and equipment	1,925,999	16,640	-	1,942,639
Total capital assets, being depreciated	6,912,404	274,754	-	7,187,158
Less accumulated depreciation for:				
Buildings and improvements	(1,032,680)	(95,762)	-	(1,128,442)
Infrastructure	(919,955)	(21,146)	-	(941,101)
Machinery and equipment	(1,312,624)	(130,586)	-	(1,443,210)
Total accumulated depreciation	(3,265,259)	(247,494)	-	(3,512,753)
Total capital assets depreciated, net	3,647,145	27,260	-	3,674,405
Governmental activities capital assets, net	\$ 4,172,029	\$ 92,260	\$ -	\$ 4,264,289

Capital asset activity for proprietary activities for the year ended September 30, 2021, was as follows:

	Balance 10/1/20	Increases	Decreases	Balance 9/30/21
Capital assets, not being depreciated:				
Land	\$ 512,731	\$ -	\$ -	\$ 512,731
Construction in progress	6,600	-	(6,600)	-
Total capital assets, not being depreciated	519,331	-	(6,600)	512,731
Capital assets, being depreciated:				
Buildings and improvements	7,042,695	-	-	7,042,695
Infrastructure	6,411,509	4,426,196	-	10,837,705
Machinery and equipment	1,386,616	16,060	-	1,402,676
Total capital assets, being depreciated	14,840,820	4,442,256	-	19,283,076
Less accumulated depreciation for:				
Buildings and improvements	(2,540,514)	(199,695)	-	(2,740,209)
Infrastructure	(1,824,805)	(268,317)	-	(2,093,122)
Machinery and equipment	(1,167,792)	(23,237)	-	(1,191,029)
Total accumulated depreciation	(5,533,111)	(491,249)	-	(6,024,360)
Total capital assets being depreciated, net	9,307,709	3,951,007	-	13,258,716
Business-type activities capital assets, net	\$ 9,827,040	\$ 3,951,007	\$ (6,600)	\$ 13,771,447

CITY OF PRESIDIO, TEXAS
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Depreciation expense for governmental activities was charged to the governmental functions as follows:

Governmental activities:

General government	\$ 78,848
Public safety	113,301
Culture and recreation	38,109
Non-departmental	17,236
Total depreciation expense - governmental activities	<u>\$ 247,494</u>

NOTE-6 ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at September 30, 2021, were as follows:

Governmental Funds:

Classification	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts payable	\$ 43,507	\$ 4,001	\$ 47,508
Salaries and benefits	46,844	-	46,844
Total accrued liabilities	<u>\$ 90,351</u>	<u>\$ 4,001</u>	<u>\$ 94,352</u>

Proprietary Funds:

Classification	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds
Accounts payable	\$ 205,166	\$ 6,759	\$ 7,396	\$ 219,321
Salaries and benefits	22,066	13,876	3,482	39,424
Total accrued liabilities	<u>\$ 227,232</u>	<u>\$ 20,635</u>	<u>\$ 10,878</u>	<u>\$ 258,745</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained online at www.tmrs.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, 2021

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and date, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	7	6
Inactive employees entitled to but not yet receiving benefits	31	33
Active employees	40	40
Total	<u>78</u>	<u>79</u>

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 1.1% and 1.1% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$15,878 and were equal to the required contribution amount.

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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 UMP to account for future mortality improvements. For disabled annuitants, the unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% with a 4-year male and 3-year female set forward. 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 UMP 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, 2021

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	Target	Long-Term Expected Real Rate of Return
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, 2021

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 12/31/19	\$ 1,726,933	\$ 1,968,142	\$ (241,209)
Changes for the year:			
Service cost	110,411	-	110,411
Interest (on the TPL)	118,487	-	118,487
Difference between expected and actual experience	-	-	-
Changes of assumptions	(33,676)	-	(33,676)
Contributions - employer	-	15,550	(15,550)
Contributions - employee	-	88,329	(88,329)
Net investment income	-	149,325	(149,325)
Benefit payments, including refunds of emp. contr.	(53,561)	(53,561)	-
Administrative expense	-	(967)	967
Other changes	-	(38)	38
Net changes	141,661	198,638	(56,977)
Balance at 12/31/20	<u>\$ 1,868,594</u>	<u>\$ 2,166,780</u>	<u>\$ (298,186)</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	\$ (10,460)	\$ (298,186)	\$ (531,492)

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.tmrs.com.

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

For the year ended September 30, 2021, the City recognized pension expense of \$25,590 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, 2021

At September 30, 2021, 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	\$ -	\$ 55,363
Differences between expected and actual economic experience	-	42,240
Difference in assumption changes	-	1,395
Contributions subsequent to the measurement date	11,724	-
Total	<u>\$ 11,724</u>	<u>\$ 98,998</u>

Of the amount reported as deferred outflows above, \$8,287 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, 2021, which will be recognized in the City's financial statements ending September 30, 2021.

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

Four Year Deferred Inflow/Outflow Amortization Chart

Measurement Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (35,540)
2022	(15,010)
2023	(45,153)
2024	(3,295)
Total	<u>\$ (98,998)</u>

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
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Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	12
Active employees	40
	<u>59</u>

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, 2021 and September 30, 2020 were \$3,183 and \$3,788 respectively, which equaled the required contributions each year.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2020 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	2.00% based on Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2020
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. 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 UMP; while for disabled annuitants, the unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% with a 4 year set-forward for males and a 3 year set-forward for females and projected on a fully generational basis with Scale BB to account for future mortality improvements subject to the 3% floor. 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 actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 2.00% for the valuation period ending December 31, 2020.

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 12/31/19	\$ 100,955	\$ -	\$ 100,955
Changes for the year:			
Service cost	7,066	-	7,066
Interest on Total OPEB Liability	2,869	-	2,869
Change of benefit terms including TMRS plan participation	-	-	-
Difference between expected and actual experience	(3,253)	-	(3,253)
Changes in assumptions or other inputs	19,848	-	19,848
Benefit payments, including refunds of emp. contr.	(353)	-	(353)
Net changes	26,177	-	26,177
Balance at 12/31/20	<u>\$ 127,132</u>	<u>\$ -</u>	<u>\$ 127,132</u>

The following presents the OPEB liability of the City, calculated using the discount rate of 2.00%, 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 (1.00%) or one-percentage-higher (3.00%) than the current rate:

	1% Decrease in Discount Rate 1.00%	Current Discount Rate 2.00%	1% Increase in Discount Rate 3.00%
Total OPEB liability	\$ 161,720	\$ 127,132	\$ 101,673

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$11,438 as measured actuarially and reported within the government-wide financial statements.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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At September 30, 2021, 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	\$ -	\$ 1,409
Difference in assumptions and other inputs	28,993	-
Contributions subsequent to the measurement date	2,140	-
Total	<u>\$ 31,133</u>	<u>\$ 1,409</u>

Of the amount reported as deferred outflows above, \$2,140 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, 2021 (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
2021	\$ 6,848
2022	6,848
2023	6,848
2024	5,878
2025	1,162
Thereafter	-
Total	<u>\$ 27,584</u>

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
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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, 2021 are as follows:

Governmental Activities:

Type	Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/21
Bonds Payable					
Limited Tax Refunding Bonds, Series 2020	2020	1,350,000	3.133%	2040	\$ 1,305,000
Total bonds payable					<u>1,305,000</u>
Other Long-Term Debt					
Compensated absences					47,487
Total other long-term debt					<u>47,487</u>
Grand total long-term debt					<u><u>\$ 1,352,487</u></u>

Proprietary Activities:

Type	Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/21
General Obligation Bonds:					
Certificates of Obligation, Series 2020	2020	\$ 1,500,000	3.305%	2045	\$ 1,500,000
Total General Obligation Bonds					<u>1,500,000</u>
Other Long-Term Debt					
Compensated absences					19,353
Total other long-term debt					<u>19,353</u>
Grand total long-term debt					<u><u>\$ 1,519,353</u></u>

During the year the City issued \$1,350,000 of Limited Tax Refunding Bonds, Series 2020. These funds were used for a current refunding of \$395,000 of Limited Tax Refunding Bond, Series 2013; refunding of \$770,000 of Certificate of Obligation, Series 2013; refunding of \$275,000 of Certificate of Obligation, Series 2012. The refunding was undertaken to obtain a more favorable average interest rate and as a result reduce overall future debt service payments. During the year the City also issued \$1,500,000 of Certificates of Obligation, Series 2020 for the Water Fund for funding the water pipeline project.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2021 are as follows:

Governmental Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21	Due in One Year
Bonds Payable					
Certificates of Obligation	\$ 1,045,000	\$ -	\$ (1,045,000)	\$ -	\$ -
Limited Tax Refunding Bonds	100,000	1,350,000	(145,000)	1,305,000	50,000
Total bonds payable	<u>1,145,000</u>	<u>1,350,000</u>	<u>(1,190,000)</u>	<u>1,305,000</u>	<u>50,000</u>
Notes payable	190,492	-	(190,492)	-	-
Compensated absences	114,678	47,487	(114,678)	47,487	23,744
Total governmental activities	<u>\$ 1,450,170</u>	<u>\$ 1,397,487</u>	<u>\$ (1,495,170)</u>	<u>\$ 1,352,487</u>	<u>\$ 73,744</u>

Proprietary Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21	Due in One Year
Bonds Payable					
Certificates of Obligation	-	1,500,000	-	1,500,000	-
Total bonds payable	-	1,500,000	-	1,500,000	-
Compensated absences	-	19,353	-	19,353	9,677
Governmental activities long-term liabilities	<u>\$ -</u>	<u>\$ 1,519,353</u>	<u>\$ -</u>	<u>\$ 1,519,353</u>	<u>\$ 9,677</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Future debt service requirements for the City's long-term debt are as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities		Total	
	Bonds Payable		Governmental Activities	
	Principal	Interest	Principal	Interest
2022	\$ 50,000	\$ 40,102	\$ 50,000	\$ 40,102
2023	55,000	38,458	55,000	38,458
2024	55,000	36,734	55,000	36,734
2025	55,000	35,011	55,000	35,011
2026	60,000	33,210	60,000	33,210
2027-2031	320,000	137,069	320,000	137,069
2032-2036	370,000	83,025	370,000	83,025
2037-2040	340,000	21,774	340,000	21,774
Totals	<u>\$ 1,305,000</u>	<u>\$ 425,383</u>	<u>\$ 1,305,000</u>	<u>\$ 425,383</u>

Proprietary Activities:

Year Ended September 30,	Business-Type Activities		Total Primary	
	Bonds Payable		Government Debt	
	Principal	Interest	Principal	Interest
2022	\$ -	\$ 49,575	\$ 50,000	\$ 89,677
2023	45,000	48,831	100,000	87,289
2024	45,000	47,344	100,000	84,078
2025	45,000	45,857	100,000	80,868
2026	50,000	44,287	110,000	77,497
2027-2031	270,000	195,821	590,000	332,890
2032-2036	320,000	147,073	690,000	230,098
2037-2041	375,000	89,483	715,000	111,257
2042-2045	350,000	23,466	350,000	23,466
Totals	<u>\$ 1,500,000</u>	<u>\$ 691,737</u>	<u>\$ 2,805,000</u>	<u>\$ 1,117,120</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE-11 INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2021 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	20,204
Total General Fund		<u>28,838</u>
PROPRIETARY FUNDS		
Landfill Fund	General Fund	98,703
Landfill Fund	Grants Fund	77,495
Landfill Fund	Water Fund	486,911
Internal Service Fund	Landfill Fund	29
Total Proprietary Funds		<u>663,138</u>
Grand Total		<u><u>\$ 691,976</u></u>

The composition of interfund transfers for the year ended September 30, 2021 is as follows:

Transfer From:	Transfer To:	Amount
Proprietary Funds		
Water Fund	General Fund	186,500
Total Proprietary Funds		<u>186,500</u>
Grand Total Transfers		<u><u>\$ 186,500</u></u>

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.

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CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021

	Measurement Year				
	2020	2019	2018	2017	2016
A. Total pension liability					
1. Service cost	\$ 110,411	\$ 104,981	\$ 102,503	\$ 99,423	\$ 87,639
2. Interest (on the Total Pension Liability)	118,487	107,258	99,913	88,065	80,941
3. Changes of benefit terms	-	-	-	-	-
4. Difference between expected and actual experience	(33,676)	8,220	(51,630)	17,231	(31,797)
5. Changes of assumptions	-	(2,609)	-	-	-
6. Benefit payments/refunds of employee contributions	(53,561)	(54,863)	(31,574)	(29,870)	(44,405)
7. Net change in total pension liability	141,661	162,987	119,212	174,849	92,378
8. Total pension liability - beginning	1,726,933	1,563,946	1,444,734	1,269,885	1,177,507
9. Total pension liability - ending	<u>\$1,868,594</u>	<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	\$ 15,550	\$ 14,093	\$ 11,976	\$ 15,079	\$ 38,079
2. Contributions - employee	88,329	81,129	79,583	81,540	68,683
3. Net investment income	149,325	257,955	(49,718)	193,969	84,791
4. Benefit payments/refunds of employee contributions	(53,561)	(54,863)	(31,574)	(29,870)	(44,405)
5. Administrative expense	(967)	(1,460)	(962)	(1,007)	(959)
6. Other changes	(37)	(44)	(51)	(52)	(52)
7. Net change in plan fiduciary net position	198,639	296,810	9,254	259,659	146,137
8. Plan fiduciary net position - beginning	1,968,141	1,671,331	1,662,077	1,402,418	1,256,281
9. Plan fiduciary net position - ending	<u>\$2,166,780</u>	<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>\$ (298,186)</u>	<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]	115.96%	113.97%	106.87%	115.04%	110.44%
E. Covered-employee payroll	\$1,766,581	\$1,622,578	\$1,591,663	\$1,553,482	\$1,373,656
Net position as a percentage of covered employee payroll [C / E]	-16.88%	-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, 2021

	Fiscal Year					
	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 15,878	\$ 11,397	\$ 13,254	\$ 11,976	\$ 15,079	\$ 38,079
Contributions in relation to the actuarially determined contribution	(15,878)	(11,397)	(13,254)	(11,976)	(15,079)	(38,079)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$1,732,699	\$1,703,029	\$1,578,159	\$1,591,663	\$1,553,482	\$1,373,656
Contributions as a percentage of covered employee payroll	0.92%	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 BENEFIT LIABILITY
AND RELATED RATIOS – TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Measurement Year			
	2020	2019	2018	2017
A. Total OPEB liability				
1. Service cost	\$ 7,066	\$ 5,517	\$ 6,526	\$ 5,593
2. Interest on Total OPEB Liability	2,869	2,746	2,348	2,157
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience	(3,253)	798	1,222	-
5. Changes in assumptions or other inputs	19,848	20,811	(6,216)	5,977
6. Benefit payments	<u>(353)</u>	<u>(325)</u>	<u>(318)</u>	<u>(311)</u>
7. Net changes	26,177	29,547	3,562	13,416
8. Total OPEB Liability - beginning of the year	<u>100,955</u>	<u>71,408</u>	<u>67,846</u>	<u>54,430</u>
9. Total OPEB Liability - end of the year	<u>\$ 127,132</u>	<u>\$ 100,955</u>	<u>\$ 71,408</u>	<u>\$ 67,846</u>
 E. Covered-employee payroll	 \$1,766,581	 \$1,622,578	 \$1,591,663	 \$1,553,482
 Total OPEB liability as a percentage of covered				
F. payroll	7.20%	6.22%	4.49%	4.37%

CITY OF PRESIDIO, TEXAS
SCHEDULE OF EMPLOYER OTHER POST-EMPLOYMENT BENEFIT CONTRIBUTIONS –
TEXAS MUNICIPAL RETIREMENT SYSTEM – SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year			
	2021	2020	2019	2018
Actuarially determined contribution	\$ 3,183	\$ 2,843	\$ 3,630	\$ 3,779
Contributions in relation to the actuarially determined contribution	(3,183)	(2,843)	(3,630)	(3,779)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,732,699	\$ 1,703,029	\$ 1,578,159	\$ 1,591,663
Contributions as a percentage of covered employee payroll	-0.18%	-0.17%	-0.23%	-0.24%

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50%; including inflation
Discount rate*	2.00%
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, 2020.

Note: The actuarial assumptions used in the December 31, 2020 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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CITY OF PRESIDIO, TEXAS
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
AS ON SEPTEMBER 30, 2021

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:

Police Seizure Fund (Fund 110) – This fund accounts for all assets seized by the Police Department.

Library/USDA Fund (Fund 210) -This fund was used to account for USDA funds received for building the library facility.

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.

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CITY OF PRESIDIO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds			Debt Service Fund	Total Non-Major Governmental Funds
	Police Seizure Fund	Library/USD A Fund	Hotel/Motel Tax Fund	Debt Service Fund	
ASSETS					
Cash and cash equivalents	\$ 33,992	\$ 3,390	\$ 80,788	\$ 169,155	\$ 287,325
Investments - current	-	-	-	9,037	9,037
Taxes receivable - delinquent	-	-	-	103,720	103,720
Allowance for uncoll. taxes	-	-	-	(10,372)	(10,372)
Accounts receivable	-	-	19,024	-	19,024
Total assets and deferred outflows	<u>\$ 33,992</u>	<u>\$ 3,390</u>	<u>\$ 99,812</u>	<u>\$ 271,540</u>	<u>\$ 408,734</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 4,001	\$ -	\$ 4,001
Due to other funds	-	-	8,634	-	8,634
Total liabilities	<u>-</u>	<u>-</u>	<u>12,635</u>	<u>-</u>	<u>12,635</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	-	-	-	93,348	93,348
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,348</u>	<u>93,348</u>
FUND BALANCES (DEFICITS)					
Restricted for:					
Economic Development	-	-	87,177	-	87,177
Debt Service	-	-	-	178,192	178,192
Police Department	33,992	-	-	-	33,992
Committed for:					
Library	-	3,390	-	-	3,390
Total fund balances	<u>33,992</u>	<u>3,390</u>	<u>87,177</u>	<u>178,192</u>	<u>302,751</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 33,992</u>	<u>\$ 3,390</u>	<u>\$ 99,812</u>	<u>\$ 271,540</u>	<u>\$ 408,734</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, 2021

	Special Revenue Funds			Debt Service	Total Non-Major Governmental Funds
	Police Seizure Funds	Library/USD A Fund	Hotel/Motel Tax Fund	Debt Service Fund	
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ 244,655	\$ 244,655
Hotel/motel taxes	-	-	66,085	-	66,085
Investment earnings	-	-	-	8	8
Miscellaneous revenue	34,000	-	-	-	34,000
Total revenues	34,000	-	66,085	244,663	344,748
EXPENDITURES					
Current:					
Public safety:					
Police	8	-	-	-	8
Culture and recreation:					
Tourism	-	-	16,789	-	16,789
Debt service:					
Bond principal	-	-	-	45,000	45,000
Interest	-	-	-	46,739	46,739
Issuance Costs	-	-	-	50,277	50,277
Total expenditures	8	-	16,789	142,016	158,813
Excess (deficiency) of revenues over expenditures	33,992	-	49,296	102,647	185,935
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	-	-	1,350,000	1,350,000
Payment to refunded bond escrow agent	-	-	-	(1,280,000)	(1,280,000)
Total other financing sources (uses)	-	-	-	70,000	70,000
Net change in fund balance	33,992	-	49,296	172,647	255,935
Fund balance - beginning	-	3,390	37,881	5,545	46,816
Fund balance - ending	\$ 33,992	\$ 3,390	\$ 87,177	\$ 178,192	\$ 302,751

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

To the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2022.

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 did not note any matters which we consider to be material weaknesses in the internal controls of the City. However, we did identify a matter which we consider to be a significant deficiency. This matter is labeled as 2021-001 in the schedule of findings and questioned costs. Furthermore, additional material weaknesses or significant deficiencies 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This matter is labeled as 2021-002 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.

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Singleton, Clark & Company, PC
Cedar Park, Texas

April 20, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
FOR EACH MAJOR PROGRAM AS REQUIRED BY UNIFORM GUIDANCE AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Report on Compliance for Each Major Federal Program

We have audited City of Presidio, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Presidio, Texas's major federal programs for the year ended September 30, 2021. City of Presidio, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Presidio, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Presidio, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Presidio, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Presidio, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of City of Presidio, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Presidio, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Presidio, Texas's internal control over compliance.

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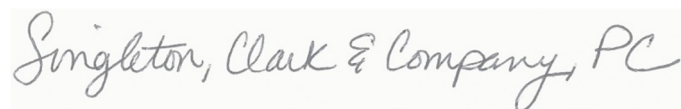
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Report on Schedule of Expenditures of Federal Awards Required by *Uniform Guidance*

We have audited the financial statements of City of Presidio, Texas as of and for the year ended September 30, 2021, and have issued our report thereon dated April 20, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC
Cedar Park, Texas

April 20, 2022

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CITY OF PRESIDIO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal ALN Number	Pass-Through Entity Identifying Number	Federal Expenditures
Direct Programs:			
U.S. Department of the Treasury			
Coronavirus Relief Fund (CRF)	21.019	N/A	120,303
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	482,439
Total U.S. Department of the Treasury			602,742
Total Direct Programs			602,742
Pass-Through Programs:			
U.S. Department of Housing and Urban Development			
Passed-Through Texas Department of Agriculture			
Community Development Block Grant Program for Rural Texas (TxCDBG)	14.218	7218381	\$ 258,114
Community Development Block Grant Program for Rural Texas (TxCDBG)	14.218	7217144	49,248
Total Passed-Through Texas Department of Agriculture			307,362
Total U.S. Department of Housing and Urban Development			307,362
U.S. Department of Homeland Security			
Passed-Through Texas Department of Public Safety			
Operation Stonegarden Grant	97.067	3708503	24,776
Total Passed-Through Texas Department of Public Safety			24,776
Total U.S. Department of Homeland Security			24,776
U.S. Environmental Protection Agency			
Passed-Through North American Development Bank (NADB)			
Border Environment Infrastructure Fund (BEIF) - Water System Imp. Grant	66.202	BEIF TX8090	2,870,587
Total			2,870,587
Subtotal Pass-Through Programs			3,202,725
Total Expenditures of Federal Awards			\$ 3,805,467

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CITY OF PRESIDIO, TEXAS
NOTES TO THE EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards expenditures of City of Presidio, Texas (the “City”) under programs of the federal government for the year ended September 30, 2021. The information in the accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the City’s basic financial statements in the special revenue funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

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CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

2021-001 Accounting and Financial Reporting

Noncompliance material to financial statements noted? ☒ Yes ☐ No

2021-002 Budgetary Non-Compliance

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major program(s):

Border Environment Infrastructure Fund (BEIF) – Water System Improvements Grant	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance? ☐ Yes ☒ No

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.202	High Border Environment Infrastructure Fund (BEIF) – Water System Improvements Grant

Dollar threshold used to distinguish Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

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

2021-001 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: As a result of the annual financial audit an excessive amount of accounting adjustments were required to be proposed by the audit firm in order to bring the financial statements of the City into compliance with generally accepted accounting principles.
- Cause: During the year and also at the time of preparing for the year-end financial audit the City should conduct a higher level of accounting analysis on the individual accounts of the general ledger and make accounting entries as needed in areas such as receivables, accounts payable, and accrued payroll.
- Effect: When the independent auditing firm is required to prepare too many accounting adjustments to the financial statements of the client the effect is the audit firm encroaches on its ability to remain independent due to the fact that it is said it begins auditing its own work.
- Recommendation: We recommend that the City analyze its books on a monthly or quarterly basis and make accounting entries as needed but also make the most thorough effort with this process during the year-end closing of the books prior to the audit commencing.

2021-002 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 \$209,683.
- 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

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended September 30, 2021 or September 30, 2022.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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 a 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.

Current Status Bank reconciliations were completed timely in Fiscal Year 2021.

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 a 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.

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CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

2020-002 Accounting and Financial Reporting (Continued)

Current Status For the fiscal year 2021, a similar condition was reported as matter 2021-001.

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.

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.

Current Status The Finance Director, the appointed Investment Officer, is current with their training requirements.

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 for fiscal year 2020, it was noted that several departmental line items of the General Fund expenditures budget were overspent, and the budget was overspent in total by \$144,439. As of year-end for fiscal year 2019, 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, 2021.

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City of Presidio

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2021

Current Year Audit Findings:

2021-001 Accounting and Financial Reporting

Corrective Action Planned:

As of the current ongoing fiscal year (FY22), the Finance Department has begun reviewing the accounts of the general ledger more frequently and will make needed accounting entries as identified. In addition, a more thorough year-end closing of the books will be conducted prior to the audit taking place.

Anticipated Completion Date: Began in FY2022 and is ongoing.

Contact Person: Glorissel Muniz, Finance Director

2021-002 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