

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. We also audited the financial statements of the Presidio Municipal Development District (PMDD) which are presented within the government-wide financial statements. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

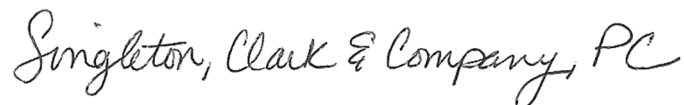
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 accompanying combining schedules of non-major governmental funds are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 of non-major governmental funds 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 February 11, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC".

Singleton, Clark & Company, PC
Alpine, Texas

February 11, 2023

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CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022. 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 \$276,344 as a result of this year's current operations, to end at \$4,028,711.
- Net position for the City's business-type activities (the utility operations for water, sewer, and landfill) decreased by \$35,415 for the current year, to end at \$12,970,071. This net position is primarily invested in utility infrastructure and equipment.
- The General Fund of the City reported a fund balance of \$0 as of year-end, which was unchanged from the prior year.

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, 2022.

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, 2022

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.

Other Supplementary Information

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, 2022

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 eight 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, the Grants Fund, and the ARPA State and Local Fiscal Recovery Fund all of which met the criteria to be reported as a *major fund* this year. Data from the other five 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, 2022

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 \$4,028,711, and business-type activities by \$12,970,071 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, 2022 and September 30, 2021**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 1,975,603	\$ 1,560,481	\$ 1,215,948	\$ 1,067,809	\$ 3,191,551	\$ 2,628,290
Capital assets	4,379,152	4,264,289	13,654,670	13,771,447	18,033,822	18,035,736
Other noncurrent assets	374,290	210,783	90,953	87,403	465,243	298,186
Total assets	6,729,045	6,035,553	14,961,571	14,926,659	21,690,616	20,962,212
Deferred outflows of resources	32,159	30,294	7,814	12,563	39,973	42,857
Current liabilities	1,059,945	780,861	155,760	367,041	1,215,705	1,147,902
Noncurrent liabilities	1,518,755	1,442,354	1,806,183	1,537,264	3,324,938	2,979,618
Total liabilities	2,578,700	2,223,215	1,961,943	1,904,305	4,540,643	4,127,520
Deferred inflows of resources	153,793	70,975	37,371	29,431	191,164	100,406
Net position:						
Net investment in capital assets	3,078,590	2,959,289	10,693,813	10,693,815	13,772,403	13,653,104
Restricted	608,832	430,304	-	-	608,832	430,304
Unrestricted	341,289	382,064	2,276,258	2,311,671	2,617,547	2,693,735
Total net position	\$ 4,028,711	\$ 3,771,657	\$ 12,970,071	\$ 13,005,486	\$ 16,998,782	\$ 16,777,143

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 \$13,772,403 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, 2022

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 \$608,832 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 \$2,617,547 as of year-end.

Governmental Activities

Net position for governmental activities increased by \$276,344 from current year operations, to end the year at \$4,028,711. The slight increase in net position for governmental activities closely mirrors the results at the governmental funds level, due to accounting differences between the government-wide financial statements and fund basis statements not resulting in significant differences.

Business-type Activities

Net position of the City's business-type activities decreased by \$35,415 to end the year at \$12,970,071. Operating results within the business-type activities were consistent with prior years. In addition, the utility funds provided supplemental financing assistance to the General Fund again this year.

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, 2022 and September 30, 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 513,395	\$ 584,392	\$ 2,144,212	\$ 2,066,117	\$ 2,657,607	\$ 2,650,509
Operating grants & contributions	736,862	326,081	-	-	736,862	326,081
Capital grants and contributions	-	307,362	-	-	-	307,362
General revenues:						
Property taxes	977,069	1,119,013	-	-	977,069	1,119,013
Sales and selective taxes and fees	614,394	541,657	-	-	614,394	541,657
Other miscellaneous revenues	77,661	100,126	164,758	2,870,756	242,419	2,970,882
Total revenue	2,919,381	2,978,631	2,308,970	4,936,873	5,228,351	7,915,504
Expenses:						
General government	1,145,539	1,019,911	-	-	1,145,539	1,019,911
Public safety	1,356,269	1,092,298	-	-	1,356,269	1,092,298
Culture and recreation	608,498	494,968	-	-	608,498	494,968
Non-departmental	126,191	228,430	-	-	126,191	228,430
Interest on debt	42,237	95,024	-	-	42,237	95,024
Water utilities	-	-	652,156	949,423	652,156	949,423
Sewer utilities	-	-	665,262	743,078	665,262	743,078
Landfill utilities	-	-	329,449	246,974	329,449	246,974
Total expenses	3,278,734	2,930,631	1,646,867	1,939,475	4,925,601	4,870,106
Increase (decrease) in net position before transfers	(359,353)	48,000	662,103	2,997,398	302,750	3,045,398
Gain (Loss) on sale of assets	(61,821)	-	-	-	(61,821)	-
Transfers in/(out)	697,518	485,494	(697,518)	(485,494)	-	-
Increase (decrease) in net position	276,344	533,494	(35,415)	2,511,904	240,929	3,045,398
Net position-beginning	3,752,367	3,238,163	13,005,486	10,493,582	16,757,853	13,731,745
Net position-ending	\$ 4,028,711	\$ 3,771,657	\$ 12,970,071	\$ 13,005,486	\$ 16,998,782	\$ 16,777,143

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022, the City's governmental funds reported combined ending fund balances of \$474,896, which represents an increase of \$134,550 from the prior year. Of this amount, \$299,725 is restricted for debt service expenditures, \$123,717 is restricted for economic development purposes, and \$51,454 is restricted for other specific 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 remained unchanged 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 \$800,000.

The lack of change in the fund balance of the General Fund during the current fiscal year was primarily the result of a deficit budget being adopted at the beginning of the fiscal year without the General Fund having the resources to cover this deficit. As a result, at year end the General Fund initially experienced a negative fund balance. This negative condition was remedied with transfers in from the City's utility funds. The City is working to improve its budgeting function to help ensure these conditions do not persist.

The Grants Fund, reported as a major fund this year, primarily received intergovernmental grants funding during the year. Grants received should generally not report fund balances due to funds received not counting as revenues until expended. As a result, the Grants Fund did not report a fund balance as of year-end.

The ARPA State and Local Fiscal Recovery Fund, reported as a major fund this year, is a fund established to account for the receipt of pandemic recovery funds. This fund does not report a fund balance due to funds received not being recognized as revenue until spent. As of year-end, this fund maintained approximately \$860,000 in unspent pandemic money.

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 \$781,091 compared to operating expenses of \$602,581. After considering a small amount of interest income and interest expense on outstanding bonds, the fund reported income before transfers in and out of \$129,033. These operating results are consistent with prior years. Net position in the Water Fund ended the year at \$2,995,437.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The Sewer Fund reported revenues of \$427,353 compared to operating expenses of \$665,262. After a small amount of interest income, the fund experienced a loss of \$237,881 before transfers out. The City has recently increased sewer rates to help address operating losses in this fund. The fund also provided supplemental financing to the General Fund in the amount of \$267,991 with a transfer out. Net position in the Sewer Fund ended the year at \$8,407,252.

The Landfill Fund reported revenues of \$1,100,400 compared to operating expenses of \$329,449, resulting in income of \$770,951. 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 \$535,139. After considering this transfer, net position of the Landfill Fund increased by \$235,812 for the year to end at \$1,567,382.

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 within some departments. The budget was amended during the year to accommodate these larger than expected expenditure levels. No budget amendments were considered to be significant.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of September 30, 2022 amounted to \$4,379,152, while the investment in capital assets for business-type activities amounted to \$13,654,670. 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, 2022 and September 30, 2021

	Governmental Activities 2022	Governmental Activities 2021	Change	Business-Type Activities 2022	Business- Activities 2021	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	1,358,948	-	10,866,044	10,837,705	28,339
Machinery and equipment	2,003,997	1,942,639	61,358	1,402,676	1,402,676	-
Construction in progress	225,142	212,484	12,658	82,759	-	82,759
Right to Use Leased Assets	84,297	-	84,297	293,182	-	293,182
Total	7,935,355	7,777,042	158,313	20,200,087	19,795,807	404,280
Less accumulated depr.	(3,556,203)	(3,512,753)	(43,450)	(6,545,417)	(6,024,360)	(521,057)
Capital assets, net	\$ 4,379,152	\$ 4,264,289	\$ 114,863	\$ 13,654,670	\$ 13,771,447	\$ (116,777)

Additional information on the City's capital assets can be found in Note 5 of the notes to the financial statements section of this report.

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CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$3,187,537. Within governmental activities the outstanding debt is \$1,408,215, while business activities outstanding debt totaled \$1,779,322. Debt consisted of a mixture of general obligation bonds, certificates of obligation, lease obligations, and compensated absences payable.

A summary of these long-term liabilities follows.

**City of Presidio, Texas
Long-Term Debt
As of September 30, 2022 and September 30, 2021**

	Governmental Activities 2022	Governmental Activities 2021	Change	Business- Activities 2022	Business- Activities 2021	Change
General obligation bonds	\$ 1,255,000	\$ 1,305,000	\$ (50,000)	\$ -	\$ -	\$ -
Certificates of obligation	-	-	-	1,500,000	1,500,000	-
Right-to-Use Lease Obligations	45,562	-	45,562	252,055	-	252,055
Compensated absences payable	107,653	47,487	60,166	27,267	19,353	7,914
Total	<u>\$ 1,408,215</u>	<u>\$ 1,352,487</u>	<u>\$ 55,728</u>	<u>\$ 1,779,322</u>	<u>\$ 1,519,353</u>	<u>\$ 259,969</u>

The City's total debt increased by a net amount \$315,697 during the current fiscal year. This increase was primarily the result of the adoption of Governmental Accounting Standards Board Statement No. 87 - Leases during the year, which required the recognition of certain right-to-use lease obligations as long-term debts.

Additional information on the City's long-term debt can be found in Note 10 of the notes to the financial statements section of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2023 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 2023 of \$3,405,554, which represents an increase of approximately \$142,000 from fiscal year 2022 final year-end budgeted expenditures. The City adopted a tax rate of \$0.595088 per \$100 of 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, 2022

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Presidio Municipal Development District
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 1,315,606	\$ 852,685	\$ 2,168,291	\$ 580,973
Investments	118,374	5,630	124,004	-
Taxes receivable - delinquent	493,273	-	493,273	-
Allowance for uncollectible taxes	(49,328)	-	(49,328)	-
Accounts receivable, net	244,491	181,463	425,954	12,745
Internal balances	(176,170)	176,170	-	-
Prepaid items	29,357	-	29,357	-
Net pension asset	374,290	90,953	465,243	-
Capital assets, not being depreciated:				
Land	377,400	512,731	890,131	27,746
Construction in progress	225,142	82,759	307,901	-
Capital assets, being depreciated:				
Buildings and improvements	3,885,571	7,042,695	10,928,266	131,932
Infrastructure	1,358,948	10,866,044	12,224,992	-
Furniture and equipment	2,003,997	1,402,676	3,406,673	10,219
Right-to-use leased assets	84,297	293,182	377,479	-
Accumulated depreciation	(3,556,203)	(6,545,417)	(10,101,620)	(47,642)
Total assets	6,729,045	14,961,571	21,690,616	715,973
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-pension	9,462	2,299	11,761	-
Deferred outflows-OPEB	22,697	5,515	28,212	-
Total deferred outflows of resources	32,159	7,814	39,973	-
LIABILITIES				
Accounts payable	50,446	20,731	71,177	6,907
Accrued salaries and benefits	64,131	17,280	81,411	-
Intergovernmental payable	-	5,031	5,031	-
Accrued interest payable	3,167	3,994	7,161	-
Unearned revenue	852,582	-	852,582	-
Other current liabilities	89,619	-	89,619	-
Customer deposits	-	108,724	108,724	-
Noncurrent liabilities:				
Due within one year	139,475	114,981	254,456	-
Due in more than one year	1,268,740	1,664,341	2,933,081	-
Net OPEB liability	110,540	26,861	137,401	-
Total liabilities	2,578,700	1,961,943	4,540,643	6,907
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-pensions	149,304	37,371	186,675	-
Deferred inflows-OPEB	4,489	-	4,489	-
Total deferred inflows of resources	153,793	37,371	191,164	-
NET POSITION				
Net investment in capital assets	3,078,590	10,693,813	13,772,403	122,255
Restricted for debt service	433,661	-	433,661	-
Restricted for economic development	123,717	-	123,717	84,000
Restricted for other purposes	51,454	-	51,454	-
Unrestricted	341,289	2,276,258	2,617,547	502,811
Total net position	\$ 4,028,711	\$ 12,970,071	\$ 16,998,782	\$ 709,066

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, 2022

Functions/Programs:	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 1,145,539	\$ 49,444	\$ 344,429
Public safety	1,356,269	263,134	392,433
Culture and recreation	608,498	200,817	-
Non-departmental	126,191	-	-
Interest and debt costs	42,237	-	-
Total governmental activities:	<u>3,278,734</u>	<u>513,395</u>	<u>736,862</u>
Business-type activities:			
Water services	652,156	650,600	-
Sewer services	665,262	427,353	-
Landfill services	329,449	1,066,259	-
Total business-type activities:	<u>1,646,867</u>	<u>2,144,212</u>	<u>-</u>
Total primary government	<u>\$ 4,925,601</u>	<u>\$ 2,657,607</u>	<u>\$ 736,862</u>
Component unit:			
PMDD	\$ 288,220	\$ -	\$ -
	<u>\$ 288,220</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
Sales taxes			
Hotel/motel taxes			
Franchise taxes			
Intergovernmental revenue			
Contributions and donations			
Investment earnings			
Miscellaneous			
Total general revenues			
Special items and transfers			
Transfers in/(out)			
Loss on disposal of capital assets			
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
\$ (751,666)	\$ -	\$ (751,666)	\$ -
(700,702)	-	(700,702)	-
(407,681)	-	(407,681)	-
(126,191)	-	(126,191)	-
(42,237)	-	(42,237)	-
(2,028,477)	-	(2,028,477)	-
-	(1,556)	(1,556)	-
-	(237,909)	(237,909)	-
-	736,810	736,810	-
-	497,345	497,345	-
(2,028,477)	497,345	(1,531,132)	-
			(288,220)
			(288,220)
977,069	-	977,069	-
504,526	-	504,526	163,220
69,489	-	69,489	-
40,379	-	40,379	-
-	-	-	35,785
40,848	-	40,848	-
856	126	982	1,266
35,957	164,632	200,589	40
1,669,124	164,758	1,833,882	200,311
697,518	(697,518)	-	-
(61,821)	-	(61,821)	-
2,304,821	(532,760)	1,772,061	200,311
276,344	(35,415)	240,929	(87,909)
3,752,367	13,005,486	16,757,853	796,975
\$ 4,028,711	\$ 12,970,071	\$ 16,998,782	\$ 709,066

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FUND BASIS FINANCIAL STATEMENTS

CITY OF PRESIDIO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General	Grants	State and Local	Total	Total
	Fund	Funds	Fiscal Recovery	Nonmajor	Governmental
	Fund	Funds	Funds	Funds	Funds
ASSETS					
Cash and cash equivalents	\$ (188,975)	\$ 100,449	\$ 857,989	\$ 456,569	\$ 1,226,032
Investments	109,267	-	-	9,107	118,374
Taxes receivable - delinquent	344,455	-	-	148,818	493,273
Allowance for uncollectible delinq. taxes	(34,446)	-	-	(14,882)	(49,328)
Accounts receivable	407,712	-	-	17,854	425,566
Allowance for uncollectible accounts rec.	(181,075)	-	-	-	(181,075)
Due from other funds	28,838	-	-	-	28,838
Prepaid items	29,357	-	-	-	29,357
Total assets and deferred outflows	<u>\$ 515,133</u>	<u>\$ 100,449</u>	<u>\$ 857,989</u>	<u>\$ 617,466</u>	<u>\$ 2,091,037</u>
LIABILITIES					
Accounts payable	\$ 42,290	\$ 2,750	\$ 5,407	\$ -	\$ 50,447
Accrued salaries and benefits	64,131	-	-	-	64,131
Due to other funds	98,703	97,699	-	8,634	205,036
Total liabilities	<u>205,124</u>	<u>100,449</u>	<u>857,989</u>	<u>8,634</u>	<u>1,172,196</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - property taxes	310,009	-	-	133,936	443,945
Total deferred inflows of resources	<u>310,009</u>	<u>-</u>	<u>-</u>	<u>133,936</u>	<u>443,945</u>
FUND BALANCES					
Restricted for:					
Economic development	-	-	-	123,717	123,717
Debt service	-	-	-	299,725	299,725
Other purposes	-	-	-	51,454	51,454
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,896</u>	<u>474,896</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 515,133</u>	<u>\$ 100,449</u>	<u>\$ 857,989</u>	<u>\$ 617,466</u>	<u>\$ 2,091,037</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, 2022

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

	Total fund balance of all governmental funds		\$	474,896
1	Capital assets used in governmental activities are not current financial resources and therefore not reported in the funds.			
	Total governmental activities capital assets	\$	7,935,355	
	Less accumulated depreciation		(3,556,203)	
	Governmental capital assets, net of depreciation			4,379,152
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.			
	Bonds payable		(1,255,000)	
	Right-to-use leases payable		(45,562)	
	Compensated absences payable		(107,653)	
	Total long-term liabilities			(1,408,215)
3	Accrued interest on long-term debt is not due and payable until matured and therefore not recorded in the governmental funds.			(3,167)
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.			443,945
5	Net Position of the Internal Service Fund is a nonexpendable financial resource and therefore not recorded in the government-wide financial statements.			(16)
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.			
	Net pension asset		374,290	
	Net OPEB liability		(110,540)	
	Deferred inflows related to pension and OPEB		(153,793)	
	Deferred outflows related to pension and OPEB		32,159	
	Total pension and OPEB related items			142,116
	Net position of governmental activities		\$	<u>4,028,711</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, 2022

	General Fund	Grants Funds	State and Local Fiscal Recovery Funds	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 763,768	\$ -	\$ -	\$ 211,942	\$ 975,710
Sales taxes	504,526	-	-	-	504,526
Hotel/motel taxes	-	-	-	69,489	69,489
Franchise taxes	40,379	-	-	-	40,379
Intergovernmental revenues	309,558	313,101	114,203	-	736,862
Charges for services	469,922	-	-	-	469,922
Fines	30,562	-	-	-	30,562
Investment earnings	786	-	-	70	856
Rents and royalties	12,911	-	-	-	12,911
Grants and contributions	40,848	-	-	-	40,848
Miscellaneous revenue	29,302	-	-	6,655	35,957
Total revenues	2,202,562	313,101	114,203	288,156	2,918,022
EXPENDITURES					
Current:					
General government:					
Administrative departments	682,816	2,846	6,573	-	692,235
Municipal court	101,985	-	-	-	101,985
Code enforcement	72,413	-	-	-	72,413
Streets and highways	186,384	-	-	-	186,384
Public safety:					
Police	478,366	-	-	12,690	491,056
Fire	199,345	-	-	-	199,345
EMS	854,985	-	-	-	854,985
Animal control	51,177	-	-	-	51,177
Culture and recreation:					
Parks	150,404	-	-	-	150,404
Library	68,857	-	-	-	68,857
Youth club	8,229	-	-	-	8,229
Senior center	322,128	-	-	-	322,128
Tourism	402	-	-	32,949	33,351
Non-departmental	115,541	-	-	-	115,541
Debt service:					
Principal	38,736	-	-	50,000	88,736
Interest	1,885	-	-	40,102	41,987
Issuance costs	-	-	-	377	377
Capital outlay	1,800	-	-	-	1,800
Total expenditures	3,335,453	2,846	6,573	136,118	3,480,990
Excess (deficiency) of revenues over expenditures	(1,132,891)	310,255	107,630	152,038	(562,968)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,342,888	-	-	23,497	1,366,385
Transfers out	(209,997)	(347,850)	(107,630)	(3,390)	(668,867)
Total other financing sources (uses)	1,132,891	(347,850)	(107,630)	20,107	697,518
Net change in fund balance	-	(37,595)	-	172,145	134,550
Fund balance - beginning	-	37,595	-	302,751	340,346
Fund balance - ending	\$ -	\$ -	\$ -	\$ 474,896	\$ 474,896

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, 2022

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

	Net change in fund balances for total governmental funds	\$ 134,550
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	\$ 420,283
	Governmental activities depreciation expense	<u>(308,607)</u>
		111,676
2	Losses incurred on the disposal of capital assets are only recorded in the Statement of Activities.	(61,821)
3	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.	88,736
4	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.	127
5	The activities of internal service funds are not reported with the governmental funds but are reported in the Statement of Activities.	1
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.	(60,164)
7	Property taxes are recognized as revenue when received in the governmental funds, but recognized when levied within the governmental activities financial statements.	1,358
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	84,479
	Current year OPEB expense	<u>(22,598)</u>
		61,881
	Change in net position for governmental activities	<u>\$ 276,344</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, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 723,066	\$ 760,078	\$ 763,768	\$ 3,690
Sales taxes	336,247	431,000	504,526	73,526
Franchise taxes	33,228	38,680	40,379	1,699
Intergovernmental revenues	142,500	247,623	309,558	61,935
Charges for services	121,500	460,125	469,922	9,797
Fines	32,000	32,000	30,562	(1,438)
Investment earnings	349	349	786	437
Rents and royalties	12,500	10,236	12,911	2,675
Grants and contributions	-	-	40,848	40,848
Miscellaneous revenue	410,500	1,000	29,302	28,302
Total revenues	1,811,890	1,981,091	2,202,562	221,471
EXPENDITURES				
Current:				
General government:				
Administrative departments	753,540	726,006	682,816	43,190
Municipal court	117,200	118,781	101,985	16,796
Code enforcement	78,180	94,062	72,413	21,649
Streets	356,100	375,658	186,384	189,274
Public safety:				
Police	348,200	373,231	478,366	(105,135)
Fire	35,500	164,300	199,345	(35,045)
EMS	644,800	675,890	854,985	(179,095)
Animal control	56,530	58,067	51,177	6,890
Culture and recreation:				
Parks	118,500	137,624	150,404	(12,780)
Library	55,850	56,850	68,857	(12,007)
Youth club	-	-	8,229	(8,229)
Senior center	284,100	334,697	322,128	12,569
Tourism	-	-	402	(402)
Non-departmental	218,000	95,335	115,541	(20,206)
Debt service:				
Principal	-	-	38,736	(38,736)
Interest	-	-	1,885	(1,885)
Capital outlay	-	53,230	1,800	51,430
Total expenditures	3,066,500	3,263,731	3,335,453	(71,722)
Excess (deficiency) of revenues over expenditures	(1,254,610)	(1,282,640)	(1,132,891)	149,749
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,342,888	1,342,888
Transfers out	-	-	(209,997)	(209,997)
Total other financing sources (uses)	-	-	1,132,891	1,132,891
Net change in fund balances	(1,254,610)	(1,282,640)	-	1,282,640
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ (1,254,610)	\$ (1,282,640)	\$ -	\$ 1,282,640

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, 2022

	Business-Type Activities			Total	Governmental
				Business-Type	Activities
	Water Fund	Sewer Fund	Landfill Fund	Activities	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 331,608	\$ 173,875	\$ 347,202	\$ 852,685	\$ 89,574
Investments	1,997	3,633	-	5,630	-
Accounts receivable, net	51,484	34,982	94,997	181,463	-
Due from other funds	-	-	663,110	663,110	28
Total current assets	385,089	212,490	1,105,309	1,702,888	89,602
Noncurrent assets:					
Net pension asset	34,309	31,164	25,480	90,953	-
Land	48,630	174,097	290,004	512,731	-
Construction in progress	82,759	-	-	82,759	-
Buildings and improvements	42,695	7,000,000	-	7,042,695	-
Infrastructure	5,366,555	5,499,489	-	10,866,044	-
Furniture and equipment	245,953	251,127	905,596	1,402,676	-
Right-to-use leased assets	-	-	293,182	293,182	-
Accumulated depreciation	(1,057,323)	(4,723,478)	(764,616)	(6,545,417)	-
Total noncurrent assets	4,763,578	8,232,399	749,646	13,745,623	-
Total assets	5,148,667	8,444,889	1,854,955	15,448,511	89,602
DEF. OUTFLOWS OF RESOURCES					
Deferred outflows-pension	867	788	644	2,299	-
Deferred outflows-OPEB	2,080	1,890	1,545	5,515	-
Total deferred outflows	2,947	2,678	2,189	7,814	-
LIABILITIES					
Current liabilities:					
Accounts payable	11,036	4,153	5,542	20,731	-
Accrued salaries and benefits	8,577	3,656	5,047	17,280	-
Intergovernmental payable	-	-	5,031	5,031	-
Due to other funds	486,911	-	29	486,940	-
Accrued interest payable	3,994	-	-	3,994	-
Other current liabilities	-	-	-	-	89,619
Customer deposits	108,724	-	-	108,724	-
Total current liabilities	619,242	7,809	15,649	642,700	89,619
Noncurrent liabilities:					
Due in more than one year	1,512,706	10,497	256,119	1,779,322	-
Net OPEB obligation	10,132	9,204	7,525	26,861	-
Total noncurrent liabilities	1,522,838	19,701	263,644	1,806,183	-
Total liabilities	2,142,080	27,510	279,293	2,448,883	89,619
DEF. INFLOWS OF RESOURCES					
Deferred inflows-pensions	14,097	12,805	10,469	37,371	-
Total deferred inflows	14,097	12,805	10,469	37,371	-
NET POSITION					
Net investment in capital assets	504,342	9,634,345	555,126	10,693,813	-
Unrestricted	2,491,095	(1,227,093)	1,012,256	2,276,258	(17)
Total net position	\$ 2,995,437	\$ 8,407,252	\$ 1,567,382	\$ 12,970,071	\$ (17)

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, 2022

	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	\$ 610,551	\$ -	\$ -	\$ 610,551	\$ -
Sewerage service	-	423,153	-	423,153	-
Other charges for services	40,049	4,200	1,066,259	1,110,508	-
Miscellaneous revenue	130,491	-	34,141	164,632	-
Total operating revenues	781,091	427,353	1,100,400	2,308,844	-
EXPENSES					
Operating expenses:					
Personnel services	204,152	179,773	140,255	524,180	-
Purchased prof. and tech. svcs.	8,130	-	2,920	11,050	-
Purchased property services	-	14,092	-	14,092	-
Other purchased services	15,824	9,546	52,857	78,227	-
Materials and supplies	66,206	44,509	36,631	147,346	-
Other operating expenses	188,263	57,579	55,498	301,340	-
Depreciation	120,006	359,763	41,288	521,057	-
Total operating expenses	602,581	665,262	329,449	1,597,292	-
Operating income (loss)	178,510	(237,909)	770,951	711,552	-
Nonoperating revenues (expenses)					
Investment earnings	98	28	-	126	1
Interest expense	(49,575)	-	-	(49,575)	-
Total nonoperating revenues (expenses)	(49,477)	28	-	(49,449)	1
Income before transfers in (out)	129,033	(237,881)	770,951	662,103	1
Transfers in	294,130	-	-	294,130	-
Transfers out	(188,518)	(267,991)	(535,139)	(991,648)	-
Change in net position	234,645	(505,872)	235,812	(35,415)	1
Net position-beginning	2,760,792	8,913,124	1,331,570	13,005,486	(18)
Net position-ending	\$ 2,995,437	\$ 8,407,252	\$ 1,567,382	\$ 12,970,071	\$ (17)

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, 2022

	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	\$ 647,999	\$ 425,102	\$ 1,074,300	\$ 2,147,401	\$ -
Other miscellaneous receipts	130,491	-	34,141	164,632	-
Payments to employees for salaries and benefits	(212,388)	(190,840)	(144,360)	(547,588)	-
Payments to suppliers and service providers	(472,554)	(128,331)	(149,760)	(750,645)	9,146
Net cash provided by (used for) oper. act.	93,548	105,931	814,321	1,013,800	9,146
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interfund borrowings	186,500	-	(1)	186,499	1
Interfund transfers	105,612	(267,991)	(535,139)	(697,518)	-
Acquisition and construction of capital assets	(111,098)	-	(293,182)	(404,280)	-
Issuance of long-term debt	12,706	10,497	256,119	279,322	-
Interest paid on capital debt	(49,575)	-	-	(49,575)	-
Net cash provided by (used for) capital and related financing activities	144,145	(257,494)	(572,203)	(685,552)	1
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of (proceeds from) investments	(16)	(28)	-	(44)	-
Interest on investments	98	28	-	126	1
Net cash provided by investing activities	82	-	-	82	1
Net increase (decrease) in cash and cash equivalents	237,775	(151,563)	242,118	328,330	9,148
Cash and cash equivalents-beginning	93,833	325,438	105,084	524,355	80,426
Cash and cash equivalents-ending	<u>\$ 331,608</u>	<u>\$ 173,875</u>	<u>\$ 347,202</u>	<u>\$ 852,685</u>	<u>\$ 89,574</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:					
Operating income (loss)	<u>\$ 178,510</u>	<u>\$ (237,909)</u>	<u>\$ 770,951</u>	<u>\$ 711,552</u>	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	120,006	359,763	41,288	521,057	-
(Increase) decrease in accounts receivable	(11,771)	(2,251)	7,758	(6,264)	-
(Increase) decrease in due from other funds	-	-	-	-	1
(Increase) decrease in net pension asset	13,711	(2,304)	(14,957)	(3,550)	-
(Increase) decrease in deferred outflows	3,955	1,470	(676)	4,749	-
(Decrease) increase in accounts payable	(194,131)	(2,605)	(1,854)	(198,590)	-
(Decrease) increase in accrued liabilities	(13,488)	(10,221)	1,848	(21,861)	9,145
(Decrease) increase in customer deposits	9,170	-	-	9,170	-
(Decrease) increase in net pension/OPEB	(10,341)	(3,100)	3,038	(10,403)	-
(Decrease) increase in deferred inflows	(2,073)	3,088	6,925	7,940	-
Total adjustments	<u>(84,962)</u>	<u>343,840</u>	<u>43,370</u>	<u>302,248</u>	<u>9,146</u>
Net cash provided by (used for) oper. act.	<u>\$ 93,548</u>	<u>\$ 105,931</u>	<u>\$ 814,321</u>	<u>\$ 1,013,800</u>	<u>\$ 9,146</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, 2022

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, 2022

The ARPA Fund is a Major Special Revenue fund which accounts for the revenues and expenditures related to funds received for the purpose of alleviating the impact of the COVID-19 Public Health Emergency

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, 2022

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, 2022

2. Excess of expenditures over appropriations

For the year ended September 30, 2022, expenditures exceeded appropriations in all departments and the budget was overspent in total by \$71,722. This matter is being addressed and going forward the City expects to monitor the budget more closely and bring amendments to the City Council in a more timely manner 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, 2022

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, 2022

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, 2021, upon which the levy for the 2021-2022 fiscal year was based, was \$155,454,777. 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, 2022, 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 2021-2022 fiscal year was \$973,520. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2022, were 97.15% 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, 2022

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 \$71,722. 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, 2022, 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, 2022

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, 2022, the City's deposits balance at 1st Presidio Bank, including certificates of deposit listed as investments below, was \$124,003. All of this listed amount was secured by federal FDIC insurance coverage.

Investments

As of September 30, 2022, 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	\$ 57,199	\$ -	\$ -	\$ -
Local Government Investment Pool	LOGIC	66,804	-	-	-
Total investments		\$ 124,003	\$ -	\$ -	\$ -

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, 2022

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, 2022 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
	Fund	Funds	Funds
Property taxes	\$ 344,455	\$ 148,818	\$ 493,273
Sales taxes	76,848	-	76,848
Franchise taxes	3,212	-	3,212
EMS services	236,380	-	236,380
Miscellaneous receivables	91,272	17,856	109,128
Gross receivables	752,167	166,674	918,841
Less: Allowance for uncollectibles	(215,521)	(14,884)	(230,405)
Net receivables	\$ 536,646	\$ 151,790	\$ 688,436

Proprietary Funds:

	Water	Sewer	Landfill	Total
Receivables	Fund	Fund	Fund	Proprietary
	Fund	Fund	Fund	Funds
Utility receivables	\$ 61,710	\$ 41,236	\$ 115,911	\$ 218,856
Less: allowance for uncollectibles	(11,178)	(6,254)	(20,914)	(38,345)
Returned checks	952	-	-	952
Net receivables	\$ 51,484	\$ 34,982	\$ 94,997	\$ 181,463

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE-5 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2022, was as follows:

	Balance 10/1/21	Increases	Decreases	Adjustments	Balance 9/30/22
Capital assets, not being depreciated:					
Land	\$ 377,400	\$ -	\$ -	\$ -	\$ 377,400
Construction in progress	212,484	12,658	-	-	225,142
Total capital assets, not depreciated	589,884	12,658	-	-	602,542
Capital assets, being depreciated:					
Buildings and improvements	3,885,571	-	-	-	3,885,571
Infrastructure	1,358,948	-	-	-	1,358,948
Machinery and equipment	1,942,639	407,625	(346,267)	-	2,003,997
Right-to-Use Leased Assets	-	-	-	84,297	84,297
Total capital assets, being depreciated	7,187,158	407,625	(346,267)	84,297	7,332,813
Less accumulated depreciation for:					
Buildings and improvements	(1,128,442)	(95,762)	-	-	(1,224,204)
Infrastructure	(941,101)	(21,146)	-	-	(962,247)
Machinery and equipment	(1,443,210)	(162,989)	284,446	-	(1,321,753)
Right-to-Use Leased Assets	-	(28,710)	-	(19,289)	(47,999)
Total accumulated depreciation	(3,512,753)	(308,607)	284,446	(19,289)	(3,556,203)
Total capital assets depreciated, net	3,674,405	99,018	(61,821)	65,008	3,776,610
Governmental activities capital assets, net	\$ 4,264,289	\$ 111,676	\$ (61,821)	\$ 65,008	\$ 4,379,152

Capital asset activity for proprietary activities for the year ended September 30, 2022, was as follows:

	Balance 10/1/21	Increases	Decreases	Adjustments	Balance 9/30/22
Capital assets, not being depreciated:					
Land	\$ 512,731	\$ -	\$ -	\$ -	\$ 512,731
Construction in progress	-	82,759	-	-	82,759
Total capital assets, not being depreciated	512,731	82,759	-	-	595,490
Capital assets, being depreciated:					
Buildings and improvements	7,042,695	-	-	-	7,042,695
Infrastructure	10,837,706	28,338	-	-	10,866,044
Machinery and equipment	1,402,676	-	-	-	1,402,676
Right-to-Use Leased Assets	-	293,182	-	-	293,182
Total capital assets, being depreciated	19,283,077	321,520	-	-	19,604,597
Less accumulated depreciation for:					
Buildings and improvements	(2,242,695)	(200,000)	-	-	(2,442,695)
Infrastructure	(2,590,635)	(272,890)	-	-	(2,863,525)
Machinery and equipment	(1,191,030)	(22,961)	-	-	(1,213,991)
Right-to-Use Leased Assets	-	(25,206)	-	-	(25,206)
Total accumulated depreciation	(6,024,360)	(521,057)	-	-	(6,545,417)
Total capital assets being depreciated, net	13,258,717	(199,537)	-	-	13,059,180
Business-type activities capital assets, net	\$ 13,771,448	\$ (116,778)	\$ -	\$ -	\$ 13,654,670

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Governmental activities:

General government	\$ 95,762
Public safety	21,146
Culture and recreation	162,989
Non-departmental	28,710
Total depreciation expense - governmental activities	<u>\$ 308,607</u>

NOTE-6 ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at September 30, 2022, were as follows:

Governmental Funds:

Classification	General Fund	Grants Funds	State and Local Fiscal Recovery Funds	Total Governmental Funds
Accounts payable	\$ 42,290	\$ 2,750	\$ 5,407	\$ 50,447
Salaries and benefits	64,131	-	-	64,131
Total accrued liabilities	<u>\$ 106,421</u>	<u>\$ 2,750</u>	<u>\$ 5,407</u>	<u>\$ 114,578</u>

Proprietary Funds:

Classification	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds
Accounts payable	\$ 11,036	\$ 4,153	\$ 5,542	\$ 20,731
Salaries and benefits	8,577	3,656	5,047	17,280
Total accrued liabilities	<u>\$ 19,613</u>	<u>\$ 7,809</u>	<u>\$ 10,589</u>	<u>\$ 38,011</u>

NOTE-7 DEFERRED REVENUE

Unearned revenue at September 30, 2022, consisted of the following amounts:

Fund	Federal Grants	Total
Non-Major Gov. Funds	\$ 852,582	\$ 852,582
Total	<u>\$ 852,582</u>	<u>\$ 852,582</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE-8 DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of more than 920 plans in the defined benefit cash-balance 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 Texas Government Code, Title 8, Subtitle G (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 does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at 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.

At retirement, the member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

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, 2022

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and date, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	33	31
Active employees	42	40
Total	<u>82</u>	<u>78</u>

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City were 0.91% and 0.97% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$16,344 and were equal to the required contribution amount.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, 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 the floor.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Allocation Table

Asset Class	Allocation	Long-Term Expected Real (Arithmetic)
Global equity	35.0%	7.55%
Core fixed income	6.0%	2.00%
Non-core fixed income	20.0%	5.68%
Other public and private markets	12.0%	7.22%
Real estate	12.0%	6.85%
Hedge funds	5.0%	5.35%
Private equity	10.0%	10.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 12/31/20	\$ 1,868,594	\$ 2,166,779	\$ (298,185)
Changes for the year:			
Service cost	109,460	-	109,460
Interest (on the TPL)	127,376	-	127,376
Difference between expected and actual experience	(18,901)	-	(18,901)
Changes of assumptions	-	-	-
Contributions - employer	-	16,307	(16,307)
Contributions - employee	-	87,568	(87,568)
Net investment income	-	282,416	(282,416)
Benefit payments, including refunds of emp. contr.	(72,535)	(72,535)	-
Administrative expense	-	(1,307)	1,307
Other changes	-	9	(9)
Net changes	145,400	312,458	(167,058)
Balance at 12/31/21	<u>\$ 2,013,994</u>	<u>\$ 2,479,237</u>	<u>\$ (465,243)</u>

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability 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	\$ (163,771)	\$ (465,243)	\$ (710,850)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

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

For the year ended September 30, 2022, the City recognized pension expense of \$84,479.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

At September 30, 2022, 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	\$ -	\$ 144,487
Differences between expected and actual economic experience	-	41,400
Difference in assumption changes	-	788
Contributions subsequent to the measurement date	11,761	-
Total	<u>\$ 11,761</u>	<u>\$ 186,675</u>

The \$11,761 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Five Year Deferred Inflow/Outflow Amortization Chart

Measurement Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2022	\$ (46,852)
2023	(76,995)
2024	(35,137)
2025	(27,691)
2026	-
Thereafter	-
Total	<u>\$ (186,675)</u>

NOTE-9 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 another post-employment benefit, or OPEB.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Employees Covered by Benefit Terms

At the December 31, 2021 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	13
Active employees	42
	<u>62</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, 2022 and September 30, 2021 were \$3,294 and \$3,183 respectively, which equaled the required contributions each year.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2021 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	1.84% based on Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2021
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, 2022

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, 2021.

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 12/31/20	\$ 127,132	\$ -	\$ 127,132
Changes for the year:			
Service cost	7,881	-	7,881
Interest on Total OPEB Liability	2,613	-	2,613
Change of benefit terms including TMRS plan participation	-	-	-
Difference between expected and actual experience	(4,139)	-	(4,139)
Changes in assumptions or other inputs	4,790	-	4,790
Benefit payments, including refunds of emp. contr.	(876)	-	(876)
Net changes	10,269	-	10,269
Balance at 12/31/21	\$ 137,401	\$ -	\$ 137,401

The following presents the OPEB liability of the City, calculated using the discount rate of 1.84%, 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 (0.84%) or one-percentage-higher (2.84%) than the current rate:

	1% Decrease in Discount Rate 0.84%	Current Discount Rate 1.84%	1% Increase in Discount Rate 2.84%
Total OPEB liability	\$ 173,209	\$ 137,401	\$ 110,628

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

For the year ended September 30, 2022, the City recognized OPEB expense of (\$22,598) 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, 2022

At September 30, 2022, 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	\$ -	\$ 4,489
Difference in assumptions and other inputs	25,756	-
Contributions subsequent to the measurement date	2,456	-
Total	<u>\$ 28,212</u>	<u>\$ 4,489</u>

Of the amount reported as deferred outflows above, \$2,456 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, 2022 (i.e. recognized in the City's financial statements for the year ended September 30, 2022). 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
2022	\$ 6,968
2023	6,968
2024	5,998
2025	1,282
2026	51
Thereafter	-
Total	<u>\$ 21,267</u>

NOTE-10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; 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-11 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, 2022 are as follows:

Governmental Activities:

Type	Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/22
Bonds Payable					
Limited Tax Refunding Bonds, Series 2020	2020	\$ 1,350,000	3.133%	2040	\$ 1,255,000
Total bonds payable					<u>1,255,000</u>
Other Long-Term Debt					
Right to Use Lease Obligations					45,562
Compensated absences					107,653
Total other long-term debt					<u>153,215</u>
Grand total long-term debt					<u>\$ 1,408,215</u>

Proprietary Activities:

Type	Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/22
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					
Right to Use Lease Obligations					252,055
Compensated absences					27,267
Total other long-term debt					<u>279,322</u>
Grand total long-term debt					<u>\$ 1,779,322</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2022 are as follows:

Governmental Activities:

Description	Balance 10/1/21	Additions	Deletions	Adjustments	Balance 9/30/22	Due in One Year
Bonds Payable						
Limited Tax Refunding Bonds	\$ 1,305,000	\$ -	\$ (50,000)	\$ -	\$ 1,255,000	\$ 55,000
Total bonds payable	1,305,000	-	(50,000)	-	1,255,000	55,000
Other Long-Term Debt						
Right-to-Use Lease Obligations	-	-	(38,736)	84,298	45,562	30,648
Compensated absences	47,487	60,166	-	-	107,653	53,827
Total governmental activities	\$ 1,352,487	\$ 60,166	\$ (88,736)	\$ 84,298	\$ 1,408,215	\$ 139,475

Proprietary Activities:

Description	Balance 10/1/21	Additions	Deletions	Adjustments	Balance 9/30/22	Due in One Year
Bonds Payable						
Certificates of Obligation	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 45,000
Total bonds payable	1,500,000	-	-	-	1,500,000	45,000
Other Long-Term Debt						
Right-to-Use Lease Obligations	-	293,182	(41,127)	-	252,055	56,348
Compensated absences	19,353	7,914	-	-	27,267	13,633
Governmental activities long-term	\$ 1,519,353	\$ 301,096	\$ (41,127)	\$ -	\$ 1,779,322	\$ 114,981

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
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	60,000	31,330	60,000	31,330
2028-2032	330,000	126,887	330,000	126,887
2033-2037	380,000	71,276	380,000	71,276
2038-2040	260,000	12,375	260,000	12,375
Totals	\$ 1,255,000	\$ 385,281	\$ 1,255,000	\$ 385,281

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Proprietary Activities:

Year Ended September 30,	Business-Type Activities		Total Primary	
	Bonds Payable		Government Debt	
	Principal	Interest	Principal	Interest
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	50,000	42,635	110,000	73,965
2028-2032	280,000	186,733	610,000	313,620
2033-2037	330,000	136,331	710,000	207,607
2038-2042	390,000	76,841	650,000	89,216
2043-2045	265,000	13,303	265,000	13,303
Totals	\$ 1,500,000	\$ 642,162	\$ 2,755,000	\$ 1,027,443

The debt service requirement for right to use leased assets payable as of September 30, 2022 are as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities		
	Right to Use Leased Assets Payable		Total
	Principal	Interest	Requirements
2023	30,648	\$ 1,009	\$ 31,656
2024	9,464	318	9,782
2025	2,684	127	2,811
2026	2,766	1,538	4,304
Total	\$ 45,562	\$ 2,991	\$ 48,553

Proprietary Activities:

Year Ended September 30,	Business-Type Activities		
	Right to Use Leased Assets Payable		
	Principal	Interest	Total Requirements
2023	56,348	\$ 7,043	\$ 63,391
2024	58,126	5,264	63,391
2025	59,961	3,430	63,391
2026	61,853	1,538	63,391
2027	15,768	82	15,850
Total	\$ 252,056	\$ 17,356	\$ 269,412

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE-12 INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2022 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, 2022 is as follows:

Transfer From:	Transfer To:	Amount
Governmental Funds		
Special Revenue Funds		
General Fund	Water Fund	\$ 186,500
General Fund	Municipal Court Fund	23,497
Library Fund	General Fund	3,390
Grants Fund	General Fund	347,850
Grants Fund	Proprietary Fund	107,631
Total Governmental Funds		<u>668,868</u>
Proprietary Funds		
Water Fund	General Fund	188,518
Sewer Fund	General Fund	267,991
Landfill Fund	General Fund	535,138
Total Proprietary Funds		<u>991,647</u>
Grand Total Transfers		<u><u>\$ 1,660,515</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, 2022

NOTE-13 CONTINGENCIES

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

NOTE-14 RESTATEMENT OF BEGINNING NET POSITION

In accordance with the implementation of Governmental Accounting Standards Board Statement No. 87 – Leases, beginning net position for governmental activities was restated as follows:

	Governmental Activities	Business-Type Activities	Total Statement of Net Position
Net position as previously stated at 9/30/21	\$ 3,771,657	\$ 8,913,124	\$ 12,684,781
Effect of implementation of GASB/87 on capital assets	65,008	-	65,008
Effect of implementation of GASB/87 on long-term debt	(84,298)	-	(84,298)
Net position as restated at 9/30/21	<u>\$ 3,752,367</u>	<u>\$ 8,913,124</u>	<u>\$ 12,665,491</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRESIDIO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Measurement Year		
	2021	2020	2019
A. Total pension liability			
1. Service cost	\$ 109,460	\$ 110,411	\$ 104,981
2. Interest (on the Total Pension Liability)	127,376	118,487	107,258
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience	(18,901)	(33,676)	8,220
5. Changes of assumptions	-	-	(2,609)
6. Benefit payments/refunds of employee contributions	(72,535)	(53,561)	(54,863)
7. Net change in total pension liability	145,400	141,661	162,987
8. Total pension liability - beginning	1,868,594	1,726,933	1,563,946
9. Total pension liability - ending	<u>\$ 2,013,994</u>	<u>\$ 1,868,594</u>	<u>\$ 1,726,933</u>
B. Plan fiduciary net position			
1. Contributions - employer	\$ 16,307	\$ 15,550	\$ 14,093
2. Contributions - employee	87,568	88,329	81,129
3. Net investment income	282,416	149,325	257,955
4. Benefit payments/refunds of employee contributions	(72,535)	(53,561)	(54,863)
5. Administrative expense	(1,307)	(967)	(1,460)
6. Other changes	8	(37)	(44)
7. Net change in plan fiduciary net position	312,457	198,639	296,810
8. Plan fiduciary net position - beginning	2,166,780	1,968,141	1,671,331
9. Plan fiduciary net position - ending	<u>\$ 2,479,237</u>	<u>\$ 2,166,780</u>	<u>\$ 1,968,141</u>
C. Net pension liability [A.9 - B.9]	<u>\$ (465,243)</u>	<u>\$ (298,186)</u>	<u>\$ (241,208)</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	123.10%	115.96%	113.97%
E. Covered-employee payroll	\$ 1,751,367	\$ 1,766,581	\$ 1,622,578
F. Net position as a percentage of covered employee payroll [C / E]	-26.56%	-16.88%	-14.87%

CITY OF PRESIDIO, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Year		
2018	2017	2016
\$ 102,503	\$ 99,423	\$ 87,639
99,913	88,065	80,941
-	-	-
(51,630)	17,231	(31,797)
-	-	-
(31,574)	(29,870)	(44,405)
119,212	174,849	92,378
1,444,734	1,269,885	1,177,507
<u>\$ 1,563,946</u>	<u>\$ 1,444,734</u>	<u>\$ 1,269,885</u>

\$ 11,976	\$ 15,079	\$ 38,079
79,583	81,540	68,683
(49,718)	193,969	84,791
(31,574)	(29,870)	(44,405)
(962)	(1,007)	(959)
(51)	(52)	(52)
9,254	259,659	146,137
1,662,077	1,402,418	1,256,281
<u>\$ 1,671,331</u>	<u>\$ 1,662,077</u>	<u>\$ 1,402,418</u>
<u>\$ (107,385)</u>	<u>\$ (217,343)</u>	<u>\$ (132,533)</u>

106.87% 115.04% 110.44%

\$ 1,591,663 \$ 1,553,482 \$ 1,373,656

-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, 2022

	Fiscal Year						
	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 16,344	\$ 15,878	\$ 11,397	\$ 13,254	\$ 11,976	\$ 15,079	\$ 38,079
Contributions in relation to the actuarially determined contribution	(16,344)	(15,878)	(11,397)	(13,254)	(11,976)	(15,079)	(38,079)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,785,194	\$ 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%	0.92%	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 BENEFITS LIABILITY
AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Measurement Year				
	2021	2020	2019	2018	2017
A. Total OPEB liability					
1. Service cost	\$ 7,881	\$ 7,066	\$ 5,517	\$ 6,526	\$ 5,593
2. Interest on Total OPEB Liability	2,613	2,869	2,746	2,348	2,157
3. Changes of benefit terms	-	-	-	-	-
4. Difference between exp. and actual exp.	(4,139)	(3,253)	798	1,222	-
5. Changes in assumptions or other inputs	4,790	19,848	20,811	(6,216)	5,977
6. Benefit payments	(876)	(353)	(325)	(318)	(311)
7. Net changes	10,269	26,177	29,547	3,562	13,416
8. Total OPEB Liability - beg. of the year	127,132	100,955	71,408	67,846	54,430
9. Total OPEB Liability - end of the year	<u>\$ 137,401</u>	<u>\$ 127,132</u>	<u>\$ 100,955</u>	<u>\$ 71,408</u>	<u>\$ 67,846</u>
E. Covered-employee payroll	\$ 1,751,367	\$ 1,766,581	\$ 1,622,578	\$ 1,591,663	\$ 1,553,482
F. Total OPEB liability as a percentage of covered payroll	7.85%	7.20%	6.22%	4.49%	4.37%

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CITY OF PRESIDIO, TEXAS
SCHEDULE OF EMPLOYER OTHER POST-EMPLOYMENT BENEFITS CONTRIBUTIONS –
TEXAS MUNICIPAL RETIREMENT SYSTEM – SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 3,293	\$ 3,183	\$ 2,843	\$ 3,630	\$ 3,779
Contributions in relation to the actuarially determined contribution	(3,293)	(3,183)	(2,843)	(3,630)	(3,779)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,785,194	\$ 1,732,699	\$ 1,703,029	\$ 1,578,159	\$ 1,591,663
Contributions as a percentage of covered employee payroll	-0.18%	-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*	1.84%
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, 2021.

Note: The actuarial assumptions used in the December 31, 2021 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
SEPTEMBER 30, 2022

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. This will be the final year of presenting this fund.

Municipal Court Fund (Fund 235) – This fund was established to account for funds collected by the municipal court which must be used for specific purposes such as court technology.

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.

Debt Service Funds

Debt Service Fund (Fund 490) – This fund is used to account for the resources received, expenditures made, and residual fund balances related to governmental activities long-term debt.

CITY OF PRESIDIO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue Funds				Debt Service Fund	Total Non-Major Governmental Funds
	Police Seizure Fund	Library/USDA Fund	Municipal Court Fund	Hotel/Motel Tax Fund	Debt Service Fund	
ASSETS						
Cash and cash equivalents	\$ 27,957	\$ -	\$ 23,497	\$ 114,497	\$ 290,618	\$ 456,569
Investments - current	-	-	-	-	9,107	9,107
Taxes receivable - delinquent	-	-	-	-	148,818	148,818
Allowance for uncoll. taxes	-	-	-	-	(14,882)	(14,882)
Accounts receivable	-	-	-	17,854	-	17,854
Total assets	<u>\$ 27,957</u>	<u>\$ -</u>	<u>\$ 23,497</u>	<u>\$ 132,351</u>	<u>\$ 433,661</u>	<u>\$ 617,466</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ 8,634	\$ -	\$ 8,634
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,634</u>	<u>-</u>	<u>8,634</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	-	-	-	-	133,936	133,936
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,936</u>	<u>133,936</u>
FUND BALANCES (DEFICITS)						
Restricted for:						
Economic development	-	-	-	123,717	-	123,717
Debt service	-	-	-	-	299,725	299,725
Other purposes	27,957	-	23,497	-	-	51,454
Total fund balances	<u>27,957</u>	<u>-</u>	<u>23,497</u>	<u>123,717</u>	<u>299,725</u>	<u>474,896</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 27,957</u>	<u>\$ -</u>	<u>\$ 23,497</u>	<u>\$ 132,351</u>	<u>\$ 433,661</u>	<u>\$ 617,466</u>

CITY OF PRESIDIO, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue Funds				Debt Service Fund	Total Non-Major Governmental Funds
	Police Seizure Funds	Library/USDA Fund	Municipal Court Fund	Hotel/Motel Tax Fund	Debt Service Fund	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 211,942	\$ 211,942
Hotel/motel taxes	-	-	-	69,489	-	69,489
Investment earnings	-	-	-	-	70	70
Miscellaneous revenue	6,655	-	-	-	-	6,655
Total revenues	6,655	-	-	69,489	212,012	288,156
EXPENDITURES						
Current:						
Public safety:						
Police	12,690	-	-	-	-	12,690
Culture and recreation:						
Tourism	-	-	-	32,949	-	32,949
Debt service:						
Bond principal	-	-	-	-	50,000	50,000
Interest	-	-	-	-	40,102	40,102
Issuance Costs	-	-	-	-	377	377
Total expenditures	12,690	-	-	32,949	90,479	136,118
Excess (deficiency) of revenues over expenditures	(6,035)	-	-	36,540	121,533	152,038
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	23,497	-	-	23,497
Transfers out	-	(3,390)	-	-	-	(3,390)
Total other financing sources (uses)	-	(3,390)	23,497	-	-	20,107
Net change in fund balance	(6,035)	(3,390)	23,497	36,540	121,533	172,145
Fund balance - beginning	33,992	3,390	-	87,177	178,192	302,751
Fund balance - ending	\$ 27,957	\$ -	\$ 23,497	\$ 123,717	\$ 299,725	\$ 474,896

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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2023.

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, 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 2022-001 in the schedule of findings and questioned costs.

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Purpose of this Report

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

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

Singleton, Clark & Company, PC
Alpine, Texas

February 11, 2023

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CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

2022-001 Accounting and Financial Reporting

Noncompliance material to financial statements noted? ☒ Yes ☐ No

2022-002 Budgetary Non-Compliance

SECTION II – FINANCIAL STATEMENT FINDINGS

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

2022-001 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.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

2022-002 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 \$71,722.
- 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 monthly. 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.

Prior year financial statement findings as required to restated with current status:

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.
- Current Status: This condition was observed again for the year ended September 30, 2022.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

Current Status: This condition was observed again for the year ended September 30, 2022.

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, 2022 or September 30, 2021.

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City of Presidio

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2022

Current Year Audit Findings:

2022-001 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 FY2023 and is ongoing.

Contact Person: Glorissel Muniz, Finance Director

2022-002 Budgetary Non-Compliance

Corrective Action Planned:

As of the current ongoing fiscal year (FY23), 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 FY2023 and is ongoing.

Contact Person: Glorissel Muniz, Finance Director