

CITY OF PRESIDIO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2025



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FOR THE YEAR ENDED SEPTEMBER 30, 2025

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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, 2025, 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, 2025, 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

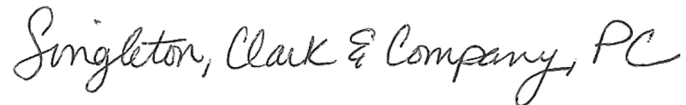
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements 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 January 30, 2026 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

January 30, 2026

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CITY OF PRESIDIO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025. 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 \$326,397 as a result of this year’s current operations, to end at \$4,710,898.
- Net position for the City’s business-type activities (the utility operations for water, sewer, and landfill) increased by \$566,500 for the current year, to end at \$13,950,512. 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, 2025.

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, 2025

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, 2025

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 seven 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, State and Local Fiscal Recovery Fund, and the Debt Service Fund, all of which met the criteria to be reported as *major funds* this year. Data from the other four governmental funds are combined into a single aggregated presentation titled *Total Nonmajor Funds*. Individual fund data for each of these nonmajor governmental funds is however provided in the form of combining schedules in the combining fund schedules section of this report.

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

Proprietary Funds

The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements, only in more detail. The City uses *enterprise funds* to account for its water, sewer, and landfill utility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's functions. The City currently uses an internal service fund to account for its self-insured employee health insurance program. All proprietary funds utilize the full-accrual basis of accounting.

Fiduciary Funds

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

CITY OF PRESIDIO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 \$4,710,898, and business-type activities by \$13,950,512 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, 2025 and September 30, 2024**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 2,244,469	\$ 2,150,321	\$ 3,940,439	\$ 2,862,487	\$ 6,184,908	\$ 5,012,808
Capital assets	4,339,993	4,199,192	12,200,030	12,740,762	16,540,023	16,939,954
Other noncurrent assets	247,433	165,398	47,484	31,166	294,917	196,564
Total assets	6,831,895	6,514,911	16,187,953	15,634,415	23,019,848	22,149,326
Deferred outflows of resources	29,633	77,602	5,687	14,622	35,320	92,224
Current liabilities	745,285	736,288	724,718	643,896	1,470,003	1,380,184
Noncurrent liabilities	1,320,239	1,390,924	1,505,731	1,611,284	2,825,970	3,002,208
Total liabilities	2,065,524	2,127,212	2,230,449	2,255,180	4,295,973	4,382,392
Deferred inflows of resources	85,106	80,800	12,679	9,845	97,785	90,645
Net position:						
Net investment in capital assets	3,249,063	3,011,617	10,693,815	10,693,815	13,942,878	13,705,432
Restricted	1,144,847	1,158,964	-	-	1,144,847	1,158,964
Unrestricted	316,988	213,920	3,256,697	2,690,197	3,573,685	2,904,117
Total net position	\$ 4,710,898	\$ 4,384,501	\$ 13,950,512	\$ 13,384,012	\$ 18,661,410	\$ 17,768,513

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 \$13,942,878 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, 2025

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 \$1,144,847 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 \$3,573,685 as of year-end.

Governmental Activities

Net position for governmental activities increased by \$326,397 from current year operations, to end the year at \$4,710,898. The increase in net position for governmental activities is primarily due to accounting differences between the government-wide financial statements and fund basis statements and a transfer in of resources from the business-type activities of the City.

Business-type Activities

Net position of the City's business-type activities increased by \$566,500 to end the year at \$13,950,512. 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, 2025 and September 30, 2024**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for services	\$ 620,334	\$ 419,852	\$ 2,515,253	\$ 2,497,307	\$ 3,135,587	\$ 2,917,159
Operating grants & contributions	1,283,216	819,780	-	-	1,283,216	819,780
General revenues:						
Property taxes	1,207,107	1,141,953	-	-	1,207,107	1,141,953
Sales and selective taxes and fees	748,015	688,358	-	-	748,015	688,358
Other miscellaneous revenues	263,203	82,975	94,136	25,001	357,339	107,976
Total revenue	4,121,875	3,152,918	2,609,389	2,522,308	6,731,264	5,675,226
Expenses:						
General government	1,279,531	1,041,975	-	-	1,279,531	1,041,975
Public safety	1,803,832	1,709,892	-	-	1,803,832	1,709,892
Culture and recreation	702,393	666,706	-	-	702,393	666,706
Non-departmental	420,486	344,017	-	-	420,486	344,017
Interest on debt	37,469	30,716	-	-	37,469	30,716
Water utilities	-	-	702,629	605,226	702,629	605,226
Sewer utilities	-	-	593,893	634,275	593,893	634,275
Landfill utilities	-	-	308,084	338,394	308,084	338,394
Total expenses	4,243,711	3,793,306	1,604,606	1,577,895	5,848,317	5,371,201
Increase (decrease) in net position before transfers	(121,836)	(640,388)	1,004,783	944,413	882,947	304,025
Gain (Loss) on sale of assets	8,200	-	1,750	-	9,950	-
Transfers in/(out)	440,033	566,346	(440,033)	(566,346)	-	-
Increase (decrease) in net position	326,397	(74,042)	566,500	378,067	892,897	304,025
Net position-beginning	4,384,501	4,458,543	13,384,012	13,005,945	17,768,513	17,464,488
Net position-ending	\$ 4,710,898	\$ 4,384,501	\$13,950,512	\$13,384,012	\$18,661,410	\$17,768,513

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025, the City's governmental funds reported combined ending fund balances of \$1,029,217, which represents an increase of \$82,451 from the prior year. Of this amount, \$656,590 is restricted for debt service expenditures, \$139,336 is restricted for economic development purposes, and \$233,291 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 target fund balance level for the City's General Fund would be approximately \$985,000.

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 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 \$598,506 in unspent pandemic money.

The Debt Service Fund, reported as a major fund this year, is a fund established to account for the resources received, expenditures made, and residual fund balances related to governmental activities long-term debt. This fund reported a fund balance increase of \$182,021 to end at \$656,590. This fund balance increase was the result of property tax revenues dedicated for debt service outpacing debt service requirements for the year.

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 \$793,872 compared to operating expenses of \$656,958. After considering a small amount of interest income and interest expense on outstanding bonds, the Water Fund reported income of \$92,590. These operating results are consistent with prior years. Net position in the Water Fund ended the year at \$3,609,129.

CITY OF PRESIDIO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

The Sewer Fund reported revenues of \$582,184 compared to operating expenses of \$593,893. After a small amount of interest income, the fund experienced a loss of \$9,773. The City has recently increased sewer rates to help address operating losses in this fund. Net position in the Sewer Fund ended the year at \$8,221,658.

The Landfill Fund reported revenues of \$1,231,800 compared to operating expenses of \$304,654, resulting in income of \$923,716 after interest expense. 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 \$440,033. With this transfer to the General Fund, the Landfill Fund experienced a net position increase of \$483,683 to end at \$2,119,725.

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 with various departments. The budget was amended during the year to accommodate these larger than expected expenditure levels. Several budget amendments were considered to be significant: Administrative Departments, Streets & Highways, and EMS.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of September 30, 2025 amounted to \$4,339,993, while the investment in capital assets for business-type activities amounted to \$12,200,030. 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, 2025 and September 30, 2024**

	Governmental Activities 2025	Governmental Activities 2024	Change	Business-Type Activities 2025	Business-Type Activities 2024	Change
Land	\$ 377,400	\$ 377,400	\$ -	\$ 512,731	\$ 512,731	\$ -
Buildings and improvements	3,950,195	3,950,195	-	7,042,695	7,042,695	-
Infrastructure	1,358,948	1,358,948	-	11,167,695	11,140,898	26,797
Machinery and equipment	2,792,132	2,378,382	413,750	1,378,478	1,402,677	(24,199)
Construction in progress	212,484	212,484	-	28,029	28,029	-
Right-to-Use Lease Assets	64,323	130,641	(66,318)	293,182	293,182	-
Total	<u>8,755,482</u>	<u>8,408,050</u>	<u>347,432</u>	<u>20,422,810</u>	<u>20,420,212</u>	<u>2,598</u>
Less accumulated depr.	<u>(4,415,489)</u>	<u>(4,208,858)</u>	<u>(206,631)</u>	<u>(8,222,780)</u>	<u>(7,679,450)</u>	<u>(543,330)</u>
Capital assets, net	<u>\$ 4,339,993</u>	<u>\$ 4,199,192</u>	<u>\$ 140,801</u>	<u>\$ 12,200,030</u>	<u>\$ 12,740,762</u>	<u>\$ (540,732)</u>

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, 2025

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$2,719,453. Within governmental activities the outstanding debt is \$1,230,872, while business activities outstanding debt totaled \$1,488,581. 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, 2025 and September 30, 2024**

	Governmental		Change	Business-Type		Change
	Activities 2025	Activities 2024		Activities 2025	Activities 2024	
General obligation bonds	\$ 1,090,000	\$ 1,145,000	\$ (55,000)	\$ -	\$ -	\$ -
Certificates of obligation	-	-	-	1,365,000	1,410,000	(45,000)
Right-to-use lease assets payable	930	42,575	(41,645)	77,621	137,581	(59,960)
Compensated absences	139,942	115,441	24,501	45,960	47,139	(1,179)
Total	<u>\$ 1,230,872</u>	<u>\$ 1,303,016</u>	<u>\$ (72,144)</u>	<u>\$ 1,488,581</u>	<u>\$ 1,594,720</u>	<u>\$(106,139)</u>

The City's total debt decreased by a net amount \$178,283 during the current fiscal year. This decrease was the result of regularly scheduled payments on long-term debt during the year and lower accrued compensated absences as of year-end.

Additional information on the City's long-term debt can be found in Note 11 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 2026 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 2026 of approximately \$3,490,000, which represents a decrease of \$455,000 from Fiscal Year 2025 final year-end budgeted expenditures. The City adopted an M&O tax rate of \$0.45343 and an I&S tax rate of \$0.08563 for a total tax rate of \$0.53906 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, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Presidio Municipal Dev. District
ASSETS				
Cash and cash equivalents	\$ 1,874,718	\$ 2,565,509	\$ 4,440,227	\$ 836,699
Investments	168,028	6,524	174,552	-
Taxes receivable - delinquent	504,004	-	504,004	-
Allowance for uncollectible taxes	(50,404)	-	(50,404)	-
Accounts receivable, net	337,044	231,181	568,225	14,056
Internal balances	(594,761)	1,137,225	542,464	-
Prepaid items	5,840	-	5,840	-
Net pension asset	247,433	47,484	294,917	-
Capital assets, not being depreciated:				
Land	377,400	512,731	890,131	27,746
Construction in progress	212,484	28,029	240,513	-
Capital assets, being depreciated:				
Buildings and improvements	3,950,195	7,042,695	10,992,890	90,809
Infrastructure	1,358,948	11,167,695	12,526,643	-
Furniture and equipment	2,792,132	1,378,478	4,170,610	27,526
Right-to-use lease assets	64,323	293,182	357,505	-
Accumulated depreciation	(4,415,489)	(8,222,780)	(12,638,269)	(47,341)
Total assets	6,831,895	16,187,953	23,019,848	949,495
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-pension	26,396	5,066	31,462	-
Deferred outflows-OPEB	3,237	621	3,858	-
Total deferred outflows of resources	29,633	5,687	35,320	-
LIABILITIES				
Accounts payable	54,180	21,252	75,432	3,000
Accrued salaries and benefits	89,924	18,211	108,135	1,535
Intergovernmental payable	-	5,255	5,255	-
Due to other funds	-	542,493	542,493	-
Accrued interest payable	2,675	3,568	6,243	-
Unearned revenue	598,506	-	598,506	-
Customer deposits	-	133,939	133,939	-
Noncurrent liabilities:				
Due within one year	130,901	134,833	265,734	-
Due in more than one year	1,099,971	1,353,748	2,453,719	-
Net OPEB liability	89,367	17,150	106,517	-
Total liabilities	2,065,524	2,230,449	4,295,973	4,535
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-leases	19,042	-	19,042	-
Deferred inflows-pensions	46,033	8,835	54,868	-
Deferred inflows-OPEB	20,031	3,844	23,875	-
Total deferred inflows of resources	85,106	12,679	97,785	-
NET POSITION				
Net investment in capital assets	3,249,063	10,693,815	13,942,878	98,740
Restricted for debt service	772,220	-	772,220	-
Restricted for economic development	139,336	-	139,336	84,000
Restricted for other purposes	233,291	-	233,291	-
Unrestricted	316,988	3,256,697	3,573,685	762,220
Total net position	\$ 4,710,898	\$ 13,950,512	\$ 18,661,410	\$ 944,960

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, 2025

Functions/Programs:	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 1,279,531	\$ 114,704	\$ 535,296
Public safety	1,803,832	285,740	684,774
Culture and recreation	702,393	219,890	5,999
Non-departmental	420,486	-	-
Economic development and assistance	-	-	57,147
Interest and debt costs	37,469	-	-
Total governmental activities:	4,243,711	620,334	1,283,216
Business-type activities:			
Water services	702,629	773,000	-
Sewer services	593,893	563,928	-
Landfill services	308,084	1,178,325	-
Total business-type activities:	1,604,606	2,515,253	-
Total primary government	\$ 5,848,317	\$ 3,135,587	\$ 1,283,216
Component unit:			
Presidio Municipal Development District	\$ 131,700	\$ -	\$ -
	\$ 131,700	\$ -	\$ -
General revenues:			
Property taxes			
Sales taxes			
Hotel/motel taxes			
Franchise taxes			
Contributions and donations			
Investment earnings			
Miscellaneous			
Total general revenues			
Special items and transfers			
Transfers in/(out)			
Gain on sale of 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
\$ (629,531)	\$ -	\$ (629,531)	\$ -
(833,318)	-	(833,318)	-
(476,504)	-	(476,504)	-
(420,486)	-	(420,486)	-
57,147	-	57,147	-
(37,469)	-	(37,469)	-
(2,340,161)	-	(2,340,161)	-
-	70,371	70,371	-
-	(29,965)	(29,965)	-
-	870,241	870,241	-
-	910,647	910,647	-
(2,340,161)	910,647	(1,429,514)	-
			(131,700)
			(131,700)
1,207,107	-	1,207,107	-
626,416	-	626,416	206,107
83,622	-	83,622	-
37,977	-	37,977	-
52,965	-	52,965	-
5,974	1,533	7,507	10,094
204,264	92,603	296,867	-
2,218,325	94,136	2,312,461	216,201
440,033	(440,033)	-	-
8,200	1,750	9,950	65,535
448,233	(438,283)	9,950	281,736
326,397	566,500	892,897	150,036
4,384,501	13,384,012	17,768,513	794,924
\$ 4,710,898	\$ 13,950,512	\$ 18,661,410	\$ 944,960

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FUND BASIS FINANCIAL STATEMENTS

CITY OF PRESIDIO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	State and Local Fiscal Recovery Funds	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 891	\$ 598,506	\$ 712,346	\$ 562,975	\$ 1,874,718
Investments	157,475	-	10,553	-	168,028
Taxes receivable - delinquent	375,523	-	128,481	-	504,004
Allowance for uncollectible delinq. taxes	(37,553)	-	(12,851)	-	(50,404)
Accounts receivable	695,200	-	-	14,673	709,873
Allowance for uncollectible accounts rec.	(372,829)	-	-	-	(372,829)
Due from other funds	314,633	-	45,001	-	359,634
Prepaid items	5,840	-	-	-	5,840
Total assets and deferred outflows	<u>\$ 1,139,180</u>	<u>\$ 598,506</u>	<u>\$ 883,530</u>	<u>\$ 577,648</u>	<u>\$ 3,198,864</u>
LIABILITIES					
Accounts payable	\$ 41,930	\$ -	\$ -	\$ 12,250	\$ 54,180
Accrued salaries and benefits	89,924	-	-	-	89,924
Due to other funds	650,314	-	111,310	192,771	954,395
Unearned revenue	-	598,506	-	-	598,506
Total liabilities	<u>782,168</u>	<u>598,506</u>	<u>111,310</u>	<u>205,021</u>	<u>1,697,005</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - property taxes	337,970	-	115,630	-	453,600
Deferred inflows - leases	19,042	-	-	-	19,042
Total deferred inflows of resources	<u>357,012</u>	<u>-</u>	<u>115,630</u>	<u>-</u>	<u>472,642</u>
FUND BALANCES					
Restricted for:					
Debt service	-	-	656,590	-	656,590
Economic development	-	-	-	139,336	139,336
Other purposes	-	-	-	233,291	233,291
Total fund balances	<u>-</u>	<u>-</u>	<u>656,590</u>	<u>372,627</u>	<u>1,029,217</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,139,180</u>	<u>\$ 598,506</u>	<u>\$ 883,530</u>	<u>\$ 577,648</u>	<u>\$ 3,198,864</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, 2025

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

	Total fund balance of all governmental funds	\$	1,029,217
1	Capital assets used in governmental activities are not current financial resources and therefore not reported in the funds.		
	Total governmental activities capital assets	\$	8,755,482
	Less accumulated depreciation	<u>(4,415,489)</u>	
	Governmental capital assets, net of depreciation		4,339,993
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	(1,090,000)	
	Right-to-use lease assets payable	(930)	
	Compensated absences payable	<u>(139,942)</u>	
	Total long-term liabilities		(1,230,872)
3	Accrued interest on long-term debt is not due and payable until matured and therefore not recorded in the governmental funds.		(2,675)
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.		453,600
5	Liabilities and assets for pension and other post-employment benefits (OPEB), including the related deferred inflows and outflows arising from the actuarial measurement of these liabilities, are not payable in the current period and therefore only recorded in the government-wide financial statements.		
	Net pension asset	247,433	
	Net OPEB liability	(89,367)	
	Deferred inflows related to pension and OPEB	(66,064)	
	Deferred outflows related to pension and OPEB	<u>29,633</u>	
	Total pension and OPEB related items		<u>121,635</u>
	Net position of governmental activities	\$	<u><u>4,710,898</u></u>

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

CITY OF PRESIDIO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	State and Local Fiscal Recovery Funds	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 921,637	\$ -	\$ 271,865	\$ -	\$ 1,193,502
Sales taxes	626,416	-	-	-	626,416
Hotel/motel taxes	-	-	-	83,622	83,622
Franchise taxes	37,977	-	-	-	37,977
Intergovernmental revenues	1,066,872	12,880	-	203,464	1,283,216
Charges for services	517,746	-	-	-	517,746
Fines	86,273	-	-	-	86,273
Investment earnings	5,139	-	835	-	5,974
Rents and royalties	16,315	-	-	-	16,315
Grants and contributions	22,965	-	-	30,000	52,965
Miscellaneous revenue	184,145	-	-	417	184,562
Total revenues	<u>3,485,485</u>	<u>12,880</u>	<u>272,700</u>	<u>317,503</u>	<u>4,088,568</u>
EXPENDITURES					
Current:					
General government:					
Administrative departments	775,395	12,880	-	105,707	893,982
Municipal court	93,212	-	-	-	93,212
Streets and highways	169,722	-	-	-	169,722
Public safety:					
Police	838,201	-	-	18,712	856,913
Fire	26,489	-	-	43,894	70,383
EMS	646,716	-	-	-	646,716
Animal control	63,781	-	-	-	63,781
Culture and recreation:					
Parks	150,472	-	-	-	150,472
Library	68,308	-	-	-	68,308
Youth club	25,753	-	-	-	25,753
Senior center	324,083	-	-	-	324,083
Tourism	-	-	-	72,231	72,231
Non-departmental	382,165	-	-	-	382,165
Debt service:					
Principal	21,943	-	55,000	-	76,943
Interest	394	-	35,011	-	35,405
Issuance costs	-	-	668	-	668
Capital outlay	342,241	-	-	181,372	523,613
Total expenditures	<u>3,928,875</u>	<u>12,880</u>	<u>90,679</u>	<u>421,916</u>	<u>4,454,350</u>
Excess (deficiency) of revenues over expenditures	(443,390)	-	182,021	(104,413)	(365,782)
OTHER FINANCING SOURCES (USES)					
Transfers in	440,944	-	-	5,754	446,698
Transfers out	(5,754)	-	-	(911)	(6,665)
Sale of general capital assets	8,200	-	-	-	8,200
Total other financing sources (uses)	<u>443,390</u>	<u>-</u>	<u>-</u>	<u>4,843</u>	<u>448,233</u>
Net change in fund balance	-	-	182,021	(99,570)	82,451
Fund balance - beginning	-	-	474,569	472,197	946,766
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,590</u>	<u>\$ 372,627</u>	<u>\$ 1,029,217</u>

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

CITY OF PRESIDIO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

	Net change in fund balances for total governmental funds	\$	82,451
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	\$ 523,614	
	Governmental activities depreciation expense	<u>(382,813)</u>	140,801
2	Payment on long-term liabilities, such as bonds and notes payable, are expenditures in the governmental funds, but reduce long-term debt in the government-wide financial statements.		96,645
3	Accrued interest on long-term liabilities is not recorded in the governmental funds. Therefore, the changes in this accrued amount each year cause a difference in expense between the governmental funds and the government-wide financial statements.		(1,396)
4	A liability for compensated absences is not recorded in the governmental funds. Therefore, the changes in this accrued amount each year cause a difference in expense between the governmental funds and the government-wide financial statements.		(24,501)
5	Property taxes are recognized as revenue when received in the governmental funds, but recognized when levied within the governmental activities financial statements.		13,605
6	Liabilities and assets for pension and other post-employment benefits (OPEB), including the related deferred inflows and outflows arising from the actuarial measurement of these liabilities, are not payable in the current period and therefore only recorded in the government-wide financial statements. Therefore expense resulting from the changes in these items each year is also only reflected in the government-wide financial statements.		
	Current year pension expense	21,330	
	Current year OPEB expense	<u>(2,538)</u>	18,792
	Change in net position for governmental activities	\$	<u><u>326,397</u></u>

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

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CITY OF PRESIDIO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 958,377	\$ 958,377	\$ 921,637	\$ (36,740)
Sales taxes	520,000	620,000	626,416	6,416
Franchise taxes	28,500	38,339	37,977	(362)
Intergovernmental revenues	148,500	465,927	1,066,872	600,945
Charges for services	480,450	505,099	517,746	12,647
Fines	68,300	92,300	86,273	(6,027)
Investment earnings	2,750	3,250	5,139	1,889
Rents and royalties	15,236	17,136	16,315	(821)
Grants and contributions	-	18,434	22,965	4,531
Miscellaneous revenue	-	71,933	184,145	112,212
Total revenues	<u>2,222,113</u>	<u>2,790,795</u>	<u>3,485,485</u>	<u>694,690</u>
EXPENDITURES				
Current:				
General government:				
Administrative departments	735,647	802,431	775,395	27,036
Municipal court	88,520	109,744	93,212	16,532
Streets and highways	221,150	505,330	169,722	335,608
Public safety:				
Police	541,250	518,583	838,201	(319,618)
Fire	47,850	44,000	26,489	17,511
EMS	837,750	758,495	646,716	111,779
Animal control	74,976	72,839	63,781	9,058
Culture and recreation:				
Parks	177,570	183,136	150,472	32,664
Library	75,680	81,400	68,308	13,092
Youth club	9,800	24,862	25,753	(891)
Senior center	380,350	358,942	324,083	34,859
Non-departmental	476,150	483,117	382,165	100,952
Debt service:				
Principal	4,900	4,900	21,943	(17,043)
Interest	150	150	394	(244)
Capital outlay	3,000	(3,000)	342,241	(345,241)
Total expenditures	<u>3,674,743</u>	<u>3,944,929</u>	<u>3,928,875</u>	<u>16,054</u>
Excess (deficiency) of revenues over expenditures	<u>(1,452,630)</u>	<u>(1,154,134)</u>	<u>(443,390)</u>	<u>710,744</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	440,944	440,944
Transfers out	-	-	(5,754)	(5,754)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>443,390</u>	<u>443,390</u>
Net change in fund balances	<u>(1,452,630)</u>	<u>(1,154,134)</u>	<u>-</u>	<u>1,154,134</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ (1,452,630)</u>	<u>\$ (1,154,134)</u>	<u>\$ -</u>	<u>\$ 1,154,134</u>

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

CITY OF PRESIDIO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities			Governmental Activities	
	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,134,746	\$ 1,042,956	\$ 387,807	\$ 2,565,509	\$ 172,942
Investments	2,314	4,210	-	6,524	-
Accounts receivable, net	91,338	48,828	91,015	231,181	-
Due from other funds	-	-	1,137,225	1,137,225	29
Total current assets	<u>1,228,398</u>	<u>1,095,994</u>	<u>1,616,047</u>	<u>3,940,439</u>	<u>172,971</u>
Noncurrent assets:					
Net pension asset	16,964	13,929	16,591	47,484	-
Land	48,630	174,097	290,004	512,731	-
Construction in progress	28,029	-	-	28,029	-
Buildings and improvements	42,695	7,000,000	-	7,042,695	-
Infrastructure	5,641,409	5,526,286	-	11,167,695	-
Furniture and equipment	230,513	242,369	905,596	1,378,478	-
Right-to-use lease assets	-	-	293,182	293,182	-
Accumulated depreciation	(1,545,702)	(5,792,147)	(884,931)	(8,222,780)	-
Total noncurrent assets	<u>4,462,538</u>	<u>7,164,534</u>	<u>620,442</u>	<u>12,247,514</u>	<u>-</u>
Total assets	<u>5,690,936</u>	<u>8,260,528</u>	<u>2,236,489</u>	<u>16,187,953</u>	<u>172,971</u>
DEF. OUTFLOWS OF RESOURCES					
Deferred outflows-pension	1,810	1,486	1,770	5,066	-
Deferred outflows-OPEB	222	182	217	621	-
Total deferred outflows	<u>2,032</u>	<u>1,668</u>	<u>1,987</u>	<u>5,687</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	11,866	9,047	339	21,252	-
Accrued salaries and benefits	6,674	5,047	6,490	18,211	-
Intergovernmental payable	-	-	5,255	5,255	-
Due to other funds	535,429	4,221	2,843	542,493	-
Accrued interest payable	3,568	-	-	3,568	-
Other current liabilities	-	-	-	-	172,971
Customer deposits	133,939	-	-	133,939	-
Total current liabilities	<u>691,476</u>	<u>18,315</u>	<u>14,927</u>	<u>724,718</u>	<u>172,971</u>
Noncurrent liabilities:					
Due within one year	58,353	6,736	69,744	134,833	-
Due in more than one year	1,323,353	6,737	23,658	1,353,748	-
Net OPEB obligation	6,127	5,031	5,992	17,150	-
Total noncurrent liabilities	<u>1,387,833</u>	<u>18,504</u>	<u>99,394</u>	<u>1,505,731</u>	<u>-</u>
Total liabilities	<u>2,079,309</u>	<u>36,819</u>	<u>114,321</u>	<u>2,230,449</u>	<u>172,971</u>
DEF. INFLOWS OF RESOURCES					
Deferred inflows-pensions	3,157	2,591	3,087	8,835	-
Deferred inflows-OPEB	1,373	1,128	1,343	3,844	-
Total deferred inflows	<u>4,530</u>	<u>3,719</u>	<u>4,430</u>	<u>12,679</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	504,344	9,634,343	555,128	10,693,815	-
Unrestricted	3,104,785	(1,412,685)	1,564,597	3,256,697	-
Total net position	<u>\$ 3,609,129</u>	<u>\$ 8,221,658</u>	<u>\$ 2,119,725</u>	<u>\$ 13,950,512</u>	<u>\$ -</u>

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

CITY OF PRESIDIO, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	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	\$ 721,004	\$ -	\$ -	\$ 721,004	\$ -
Sewerage service	-	557,978	-	557,978	-
Other charges for services	51,996	5,950	1,178,325	1,236,271	-
Miscellaneous revenue	20,872	18,256	53,475	92,603	-
Total operating revenues	<u>793,872</u>	<u>582,184</u>	<u>1,231,800</u>	<u>2,607,856</u>	<u>-</u>
EXPENSES					
Operating expenses:					
Personnel services	170,715	132,227	157,818	460,760	-
Purchased prof. and tech. svcs.	13,148	8,748	1,654	23,550	-
Purchased property services	-	3,703	-	3,703	-
Other purchased services	43,006	9,169	35,657	87,832	-
Materials and supplies	95,064	34,249	40,486	169,799	-
Other operating expenses	160,481	46,379	30,412	237,272	-
Depreciation	174,544	359,418	38,627	572,589	-
Total operating expenses	<u>656,958</u>	<u>593,893</u>	<u>304,654</u>	<u>1,555,505</u>	<u>-</u>
Operating income (loss)	<u>136,914</u>	<u>(11,709)</u>	<u>927,146</u>	<u>1,052,351</u>	<u>-</u>
Nonoperating revenues (expenses)					
Investment earnings	1,347	186	-	1,533	-
Gain on sale of assets	-	1,750	-	1,750	-
Interest expense	(45,671)	-	(3,430)	(49,101)	-
Total nonoperating revenues (expenses)	<u>(44,324)</u>	<u>1,936</u>	<u>(3,430)</u>	<u>(45,818)</u>	<u>-</u>
Income before transfers in (out)	92,590	(9,773)	923,716	1,006,533	-
Transfers out	-	-	(440,033)	(440,033)	-
Change in net position	<u>92,590</u>	<u>(9,773)</u>	<u>483,683</u>	<u>566,500</u>	<u>-</u>
Net position-beginning	3,516,539	8,231,431	1,636,042	13,384,012	-
Net position-ending	<u>\$ 3,609,129</u>	<u>\$ 8,221,658</u>	<u>\$ 2,119,725</u>	<u>\$ 13,950,512</u>	<u>\$ -</u>

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

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CITY OF PRESIDIO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	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	\$ 758,873	\$ 559,100	\$ 1,148,417	\$ 2,466,390	\$ -
Other miscellaneous receipts	20,872	18,256	53,475	92,603	-
Payments to employees for salaries and benefits	(162,647)	(138,113)	(161,620)	(462,380)	-
Payments to suppliers and service providers	(303,803)	(95,614)	(109,450)	(508,867)	103,189
Net cash provided by (used for) oper. act.	<u>313,295</u>	<u>343,629</u>	<u>930,822</u>	<u>1,587,746</u>	<u>103,189</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interfund borrowings	48,518	4,221	(259,610)	(206,871)	-
Interfund transfers	-	-	(440,033)	(440,033)	-
Acquisition and construction of capital assets	(5,060)	(26,797)	-	(31,857)	-
Principal paid on capital debt	(45,000)	-	(59,961)	(104,961)	-
Interest paid on capital debt	(45,857)	-	(3,338)	(49,195)	-
Gain on sale of assets	-	1,750	-	1,750	-
Net cash provided by (used for) capital and related financing activities	<u>(47,399)</u>	<u>(20,826)</u>	<u>(762,942)</u>	<u>(831,167)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of (proceeds from) investments	(103)	(187)	-	(290)	-
Interest on investments	1,347	186	-	1,533	-
Net cash provided by investing activities	<u>1,244</u>	<u>(1)</u>	<u>-</u>	<u>1,243</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	267,140	322,802	167,880	757,822	103,189
Cash and cash equivalents-beginning	867,606	720,154	219,927	1,807,687	69,753
Cash and cash equivalents-ending	<u>\$ 1,134,746</u>	<u>\$ 1,042,956</u>	<u>\$ 387,807</u>	<u>\$ 2,565,509</u>	<u>\$ 172,942</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:					
Operating income (loss)	<u>\$ 136,914</u>	<u>\$ (11,709)</u>	<u>\$ 927,146</u>	<u>\$ 1,052,351</u>	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	174,544	359,418	38,627	572,589	-
(Increase) decrease in accounts receivable	(22,680)	(4,828)	(29,908)	(57,416)	-
(Increase) decrease in net pension asset	(10,150)	(530)	(5,638)	(16,318)	-
(Increase) decrease in deferred outflows	1,165	4,792	2,978	8,935	-
(Decrease) increase in accounts payable	7,896	6,634	(1,241)	13,289	-
(Decrease) increase in accrued liabilities	12,169	(1,952)	(7,874)	2,343	-
(Decrease) increase in other liabilities	-	-	-	-	103,189
(Decrease) increase in customer deposits	8,553	-	-	8,553	-
(Decrease) increase in net pension/OPEB	2,506	(6,687)	4,767	586	-
(Decrease) increase in deferred inflows	2,378	(1,509)	1,965	2,834	-
Total adjustments	<u>176,381</u>	<u>355,338</u>	<u>3,676</u>	<u>535,395</u>	<u>103,189</u>
Net cash provided by (used for) oper. act.	<u>\$ 313,295</u>	<u>\$ 343,629</u>	<u>\$ 930,822</u>	<u>\$ 1,587,746</u>	<u>\$ 103,189</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, 2025

NOTE-1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for state and local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). Descriptions of the significant accounting policies of the City as they relate to the basic financial statements are provided below.

The Financial Reporting Entity

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

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

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City in a consolidated fashion, with the effect of interfund activity removed. Within these statements, *governmental activities*, which are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely on fees and charges for support. The government-wide financial statements employ the full-accrual method of accounting.

Fund Financial Statements

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

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

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

The *Debt Service Fund* is a governmental 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

The *State and Local Fiscal Recovery Fund* 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 the revenues, expenses, and related assets, liabilities, and residual equity amounts of the City's water utility operations.

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

The *Landfill Fund* accounts for 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 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, 2025

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, 2025

2. Excess of expenditures over appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations in the Police Department line item of the Public Safety function by \$319,618, in the Youth Club line item of the Culture and Recreation function by \$891, in the Debt Service line item by \$17,287 and in the Capital Outlay line item by \$345,241.

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, 2025

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, 2025

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, 2024, upon which the levy for the 2024-2025 fiscal year was based, was \$196,204,280. 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, 2025, to finance General Fund and Debt Service Fund operations were \$0.451430 and \$0.129830, respectively, for a total tax rate of \$0.581260 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2024-2025 fiscal year was \$1,140,457. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2025, were 98.3% 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, 2025

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*

Expenditures exceeded appropriations in the City’s legally adopted budget within the Police Department line item by \$319,618, Youth Club line item by \$891, Debt Service line item by \$17,287 and Capital Outlay line item by \$345,241 during the year.

2. *Deficit Fund Equity*

As of September 30, 2025, 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.

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, 2025, the City’s deposits balance at 1st Presidio Bank, including certificates of deposit listed as investments below, was \$4,526,023. All of this listed amount was secured by federal FDIC insurance coverage.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Investments

As of September 30, 2025, 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	\$ 58,635	\$ -	\$ -	\$ -
Local Government Investment Pool	LOGIC	115,917	-	-	-
Total investments		<u>\$ 174,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

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, 2025 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.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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:

Receivables	General Fund	Major Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 375,523	\$ 128,481	\$ -	\$ 504,004
Sales taxes	94,018	-	-	94,018
Franchise taxes	3,785	-	-	3,785
EMS services	474,433	-	-	474,433
Miscellaneous receivables	122,964	-	14,673	137,637
Gross receivables	1,070,723	128,481	14,673	1,213,877
Less: Allowance for uncollectibles	(410,382)	(12,851)	-	(423,233)
Net receivables	\$ 660,341	\$ 115,630	\$ 14,673	\$ 790,644

Proprietary Funds:

Receivables	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds
Utility receivables	\$ 98,048	\$ 55,082	\$ 97,023	\$ 250,153
Non-utility receivables	2,990	-	7,506	10,496
Less: allowance for uncollectibles	(11,177)	(6,254)	(13,514)	(30,945)
Returned checks	1,477	-	-	1,477
Net receivables	\$ 91,338	\$ 48,828	\$ 91,015	\$ 231,181

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE-5 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2025, was as follows:

	Balance 10/1/24	Increases	Decreases	Balance 9/30/25
Capital assets, not being depreciated:				
Land	\$ 377,400	\$ -	\$ -	\$ 377,400
Construction in progress	212,484	-	-	212,484
Total capital assets, not depreciated	589,884	-	-	589,884
Capital assets, being depreciated:				
Buildings and improvements	3,950,195	-	-	3,950,195
Infrastructure	1,358,948	-	-	1,358,948
Machinery and equipment	2,378,382	523,614	(109,864)	2,792,132
Right-to-Use Lease Assets	130,641	-	(66,318)	64,323
Total capital assets, being depreciated	7,818,166	523,614	(176,182)	8,165,598
Less accumulated depreciation for:				
Buildings and improvements	(1,418,478)	(97,608)	-	(1,516,086)
Infrastructure	(1,004,539)	(21,146)	-	(1,025,685)
Machinery and equipment	(1,681,632)	(237,627)	109,864	(1,809,395)
Right-to-Use Lease Assets	(104,209)	(26,432)	66,318	(64,323)
Total accumulated depreciation	(4,208,858)	(382,813)	176,182	(4,415,489)
Total capital assets depreciated, net	3,609,308	140,801	-	3,750,109
Governmental activities capital assets, net	\$ 4,199,192	\$ 140,801	\$ -	\$ 4,339,993

Capital asset activity for proprietary activities for the year ended September 30, 2025, was as follows:

	Balance 10/1/24	Increases	Decreases	Balance 9/30/25
Capital assets, not being depreciated:				
Land	\$ 512,731	\$ -	\$ -	\$ 512,731
Construction in progress	28,029	-	-	28,029
Total capital assets, not being depreciated	540,760	-	-	540,760
Capital assets, being depreciated:				
Buildings and improvements	7,042,695	-	-	7,042,695
Infrastructure	11,140,898	26,797	-	11,167,695
Machinery and equipment	1,402,677	5,059	(29,258)	1,378,478
Right-to-Use Lease Assets	293,182	-	-	293,182
Total capital assets, being depreciated	19,879,452	31,856	(29,258)	19,882,050
Less accumulated depreciation for:				
Buildings and improvements	(2,842,695)	(200,000)	-	(3,042,695)
Infrastructure	(3,504,587)	(328,545)	-	(3,833,132)
Machinery and equipment	(1,256,550)	(18,837)	29,258	(1,246,129)
Right-to-Use Lease Assets	(75,618)	(25,206)	-	(100,824)
Total accumulated depreciation	(7,679,450)	(572,588)	29,258	(8,222,780)
Total capital assets being depreciated, net	12,200,002	(540,732)	-	11,659,270
Business-type activities capital assets, net	\$ 12,740,762	\$ (540,732)	\$ -	\$ 12,200,030

CITY OF PRESIDIO, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

Governmental activities:

General government	\$ 116,008
Public safety	164,225
Culture and recreation	64,259
Non-departmental	38,321
Total depreciation expense - governmental activities	\$ 382,813

NOTE-6 ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at September 30, 2025, were as follows:

Governmental Funds:

Classification	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts payable	\$ 41,930	\$ 12,250	\$ 54,180
Salaries and benefits	89,924	-	89,924
Total accrued liabilities	\$ 131,854	\$ 12,250	\$ 144,104

Proprietary Funds:

Classification	Water Fund	Sewer Fund	Landfill Fund	Total Proprietary Funds
Accounts payable	\$ 11,866	\$ 9,047	\$ 339	\$ 21,252
Salaries and benefits	6,674	5,047	6,490	18,211
Total accrued liabilities	\$ 18,540	\$ 14,094	\$ 6,829	\$ 39,463

NOTE-7 DEFERRED REVENUE

Unearned revenue at September 30, 2025, consisted of the following amounts:

Fund	Federal Grants
State and Local Fiscal Recovery Fund	\$ 598,506
Total	\$ 598,506

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE-8 DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of more than 930 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 TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (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, and the city-financed monetary credits with interest. 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, 2025

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	32
Active employees	44
Total	89

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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 2.06% and 2.05% in calendar years 2025 and 2024, respectively. The City’s contributions to TMRS for the year ended September 30, 2025 rates for the City were \$42,894 and were equal to the required contribution amount.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% 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 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, 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 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Allocation Table

Asset Class	Allocation	Long-Term Expected Real (Arithmetic)
Global equity	35.0%	7.1%
Core fixed income	6.0%	5.0%
Non-core fixed income	6.0%	6.8%
Hedge funds	5.0%	6.4%
Private equity	13.0%	8.5%
Private Debt	13.0%	8.2%
Real estate	12.0%	6.7%
Infrastructure	6.0%	6.0%
Other Private Markets	4.0%	7.3%
Total	100%	

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, 2025

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 12/31/23	\$ 2,455,881	\$ 2,652,445	\$ (196,564)
Changes for the year:			
Service cost	142,392	-	142,392
Interest (on the TPL)	167,281	-	167,281
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,218	-	1,218
Changes of assumptions	-	-	-
Contributions - employer	-	39,894	(39,894)
Contributions - employee	-	95,447	(95,447)
Net investment income	-	275,712	(275,712)
Benefit payments, including refunds of emp. contr.	(97,683)	(97,683)	-
Administrative expense	-	(1,768)	1,768
Other changes	-	(41)	41
Net changes	213,208	311,561	(98,353)
Balance at 12/31/24	<u>\$ 2,669,089</u>	<u>\$ 2,964,006</u>	<u>\$ (294,917)</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/(Asset)	\$ 60,837	\$ (294,917)	\$ (590,425)

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, 2025, the City recognized pension expense of \$21,330.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

At September 30, 2025, 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	\$ -	\$ 33,809
Differences between expected and actual economic experience	-	14,131
Difference in assumption changes	-	6,928
Contributions subsequent to the measurement date	31,462	-
Total	<u>\$ 31,462</u>	<u>\$ 54,868</u>

\$31,462 reported as deferred outflows or 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 for the measurement year ending December 31, 2025 (i.e. recognized in the City’s financial statements for the year ended September 30, 2025). 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
2025	\$ (12,795)
2026	20,341
2027	(43,104)
2028	(19,310)
2029	-
Thereafter	-
Total	<u>\$ (54,868)</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, 2025

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	11
Active employees	44
	67
	67

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, 2025 and September 30, 2024 were \$5,445 and \$5,446 respectively, which equaled the required contributions each year.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.60%-11.85% including inflation per year
Discount rate	4.08%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Mortality rates for disabled retirees are calculated using the 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 Bond Buyer “20-Bond GO Index” rate closest to, but not later than the measurement date. This rate was 4.08% for the valuation period ending December 31, 2024.

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 12/31/23	\$ 104,472	\$ -	\$ 104,472
Changes for the year:			
Service cost	4,758	-	4,758
Interest on Total OPEB Liability	4,000	-	4,000
Difference between expected and actual experience	759	-	759
Changes in assumptions or other inputs	(5,949)	-	(5,949)
Benefit payments, including refunds of emp. contr.	(1,523)	-	(1,523)
Net changes	2,045	-	2,045
Balance at 12/31/24	<u>\$ 106,517</u>	<u>\$ -</u>	<u>\$ 106,517</u>

Sensitivity of the Net OPEB Liability to a Change in the Discount Rate

The following presents the OPEB liability of the City, calculated using the discount rate of 4.08%, 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 (3.08%) or one-percentage-higher (5.08%) than the current rate:

	1% Decrease in Discount Rate 3.08%	Current Discount Rate 4.08%	1% Increase in Discount Rate 5.08%
Total OPEB Liability	\$ 127,412	\$ 106,517	\$ 89,978

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

For the year ended September 30, 2025, the City recognized OPEB expense of (\$2,538) 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, 2025

At September 30, 2025, 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	\$ -	\$ 2,877
Difference in assumptions and other inputs	-	20,998
Contributions subsequent to the measurement date	3,858	-
Total	\$ 3,858	\$ 23,875

Of the amount reported as deferred outflows above, \$3,858 resulted from contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability for the measurement year ending December 31, 2025 (i.e. recognized in the City’s financial statements for the year ended September 30, 2025). 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
2025	\$ (8,659)
2026	(9,890)
2027	(5,186)
2028	280
2029	(420)
Thereafter	-
Total	\$ (23,875)

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
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025 are as follows:

Governmental Activities:

Type	Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/25
Bonds Payable					
Limited Tax Refunding Bonds, Series 2020	2020	\$ 1,350,000	3.133%	2040	\$ 1,090,000
Total bonds payable					<u>1,090,000</u>
Other Long-Term Debt					
Right-to-Use Lease Assets Payable					930
Compensated absences					139,942
Total other long-term debt					<u>140,872</u>
Grand total long-term debt					<u>\$ 1,230,872</u>

Proprietary Activities:

Type	Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/25
General Obligation Bonds:					
Certificates of Obligation, Series 2020	2020	\$ 1,500,000	3.305%	2045	\$ 1,365,000
Total General Obligation Bonds					<u>1,365,000</u>
Other Long-Term Debt					
Right-to-Use Lease Assets Payable					77,621
Compensated absences					45,960
Total other long-term debt					<u>123,581</u>
Grand total long-term debt					<u>\$ 1,488,581</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Changes in Long-Term Liabilities

Changes in the City’s long-term liabilities for the year ended September 30, 2025 are as follows:

Governmental Activities:

Description	Balance 10/1/24	Additions	Deletions	Adjustments	Balance 9/30/25	Due in One Year
Bonds Payable						
Limited Tax Refunding Bonds	\$ 1,145,000	\$ -	\$ (55,000)	\$ -	\$ 1,090,000	\$ 60,000
Total bonds payable	<u>1,145,000</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>1,090,000</u>	<u>60,000</u>
Other Long-Term Debt						
Right-to-Use Lease Assets Payable	42,575	-	(21,943)	(19,702)	930	930
Compensated absences*	115,441	24,501	-	-	139,942	69,971
Total governmental activities long-term liabilities	<u>\$ 1,303,016</u>	<u>\$ 24,501</u>	<u>\$ (76,943)</u>	<u>\$ (19,702)</u>	<u>\$ 1,230,872</u>	<u>\$ 130,901</u>

* The change in compensated absences liability is presented as a net change.

Proprietary Activities:

Description	Balance 10/1/24	Additions	Deletions	Adjustments	Balance 9/30/25	Due in One Year
Bonds Payable						
Certificates of Obligation	\$ 1,410,000	\$ -	\$ (45,000)	\$ -	\$ 1,365,000	\$ 50,000
Total bonds payable	<u>1,410,000</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>1,365,000</u>	<u>50,000</u>
Other Long-Term Debt						
Right-to-Use Lease Assets Payable	137,581	-	(59,960)	-	77,621	61,853
Compensated absences*	47,139	-	(1,179)	-	45,960	22,980
Proprietary activities long-term liabilities	<u>\$ 1,594,720</u>	<u>\$ -</u>	<u>\$ (106,139)</u>	<u>\$ -</u>	<u>\$ 1,488,581</u>	<u>\$ 134,833</u>

* The change in compensated absences liability is presented as a net change.

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

Governmental Activities:

Year Ended September 30,	<u>Governmental Activities</u>		<u>Total</u>	
	<u>Bonds Payable</u>		<u>Governmental Activities</u>	
	Principal	Interest	Principal	Interest
2026	\$ 60,000	\$ 33,210	\$ 60,000	\$ 33,210
2027	60,000	31,330	60,000	31,330
2028	60,000	29,450	60,000	29,450
2029	65,000	27,492	65,000	27,492
2030	65,000	25,456	65,000	25,456
2031-2035	360,000	94,460	360,000	94,460
2036-2040	420,000	33,680	420,000	33,680
Totals	<u>\$ 1,090,000</u>	<u>\$ 275,078</u>	<u>\$ 1,090,000</u>	<u>\$ 275,078</u>

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Proprietary Activities:

Year Ended September 30,	Business-Type Activities		Total Primary	
	Bonds Payable		Government Debt	
	Principal	Interest	Principal	Interest
2026	\$ 50,000	\$ 44,287	\$ 110,000	\$ 77,497
2027	50,000	42,635	110,000	73,965
2028	50,000	40,982	110,000	70,432
2029	55,000	39,247	120,000	66,739
2030	55,000	37,429	120,000	62,885
2031-2035	310,000	157,483	670,000	251,943
2036-2040	365,000	101,711	785,000	135,391
2041-2045	430,000	36,355	430,000	36,355
Totals	\$ 1,365,000	\$ 500,129	\$ 2,455,000	\$ 775,207

The debt service requirement for right to use lease assets payable as of September 30, 2025 are as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities		
	Right-to-Use Lease Assets Payable		
	Principal	Interest	Total Requirements
2026	\$ 930	\$ 7	\$ 937
Total	\$ 930	\$ 7	\$ 937

Proprietary Activities:

Year Ended September 30,	Business-Type Activities		
	Right-to-Use Lease Assets Payable		
	Principal	Interest	Total Requirements
2026	\$ 61,853	\$ 1,538	\$ 63,391
2027	15,768	82	15,850
Total	\$ 77,621	\$ 1,620	\$ 79,241

NOTE-12 COMPENSATED ABSENCES

General Information

The City has a compensated absences policy that awards vacation and personal leave days to each applicable full-time employee annually in varying amounts based on tenure. Vacation and personal leave days are accrued beyond the fiscal year in which they are awarded and can be used by employees in future years. Vacation leave may be accumulated for a total of not more than 416 hours, depending on the years of service.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Upon termination, City employees with a minimum of one (1) year employment will be paid for the accrued, but not taken, vacation hours (subject to the limitations), which will be added to the final paycheck, using the employee's then current, straight-time hourly rate for conversion.

Accrued Compensated Absences

The City's Compensated Absences Liability represents only days and hours that accumulate beyond one fiscal year, are for services already rendered, and are considered more likely than not to be utilized or paid in cash. For the year ended September 30, 2025, the governmental activities of the City reported a beginning liability balance of \$115,441, an increase of \$24,501, and an ending balance related to compensated absences in the amount of \$139,942. Of this amount, the City considers \$69,971 to be due within one year. The business-type activities reported a beginning liability balance of \$47,139, a decrease of \$1,179 and an ending balance of \$45,960, with \$22,980 considered to be due in one year.

Changes in Liabilities

There were no significant changes to the City's policies or rates of usage for the year ended September 30, 2025.

Methods and Assumptions

The City determines the Compensated Absences Liability by calculating each employees accrued days as of the balance sheet date and multiplying those days by the employee's daily and/or hourly rate. Extended costs not eligible for cash payment as of the balance sheet date are then analyzed for long-term usage rates based on the best available historical data. The City applies a First-in, First-Out (FIFO) flow assumption as it relates to compensated absences.

Once a usage rate is calculated, a percentage of days that are awarded and subsequently go entirely unused is estimated and applied against the gross Compensated Absences Liability to calculate a net Compensated Absences Liability. The City then analyzes the best available historical data to estimate near-term usage rates in order to determine the estimated current portion of the liability.

Expense Recognition

The changes in the Compensated Absences Liability in a fiscal year is recognized as expense and reported as a net change in accordance with Governmental Accounting Standards Board Statement No. 101 – Compensated Absences. This net change includes both additions and deletions to the City's Compensated Absences Liability. Additions include days awarded to employees annually. Deletions to the Compensated Absences Liability include days that are utilized during the fiscal year and days removed from the City's liability as employees exit the City's employment.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE-13 INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2025 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
GOVERNMENTAL FUNDS		
General Fund	Hotel/Motel Tax Fund	\$ 8,634
	Grants Fund	184,137
	Debt Service Fund	111,310
	Proprietary Funds	10,552
Total General Fund		<u>314,633</u>
Debt Service Fund	Water Fund	45,001
Total Debt Service Fund		<u>45,001</u>
PROPRIETARY FUNDS		
Landfill Fund	General Fund	650,314
	Water Fund	486,911
Total Proprietary Funds		<u>1,137,225</u>
Internal Service Fund	Landfill Fund	29
Total Internal Service Fund		<u>29</u>
Grand Total		<u><u>\$ 1,496,888</u></u>

The composition of interfund transfers for the year ended September 30, 2025 is as follows:

Transfer From:	Transfer To:	Amount
Governmental Funds		
General Fund	Municipal Court Fund	\$ 5,162
	Hotel/Motel Tax Fund	592
Total General Fund		<u>5,754</u>
Special Revenue Fund		
Hotel/Motel Tax Fund	General Fund	911
Total Governmental Funds		<u>911</u>
Proprietary Funds		
Landfill Fund	General Fund	440,033
Total Proprietary Funds		<u>440,033</u>
Grand Total Transfers		<u><u>\$ 446,698</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.

CITY OF PRESIDIO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE-14 CONTINGENCIES

The City participates in various federal grant programs, many 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-15 IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARD

Governmental Accounting Standards Board Statement No. 101 – Compensated Absences

During the year the City implemented *Governmental Accounting Standards Board Statement No. 101 – Compensated Absences* ("GASB 101"). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

In the year of implementation, GASB 101 requires a retroactive restatement of prior periods to reflect the effect on net position as if the standard had been in effect in prior years. However, the City did not report a restatement as a result of implementing GASB 101. The City had previously reported a compensated absences liability and the recognition of this standard did not materially affect the method of calculation or measurement of the City's compensated absences liability.

Governmental Accounting Standards Board Statement No. 102 – Certain Risk Disclosures

Governmental Accounting Standards Board Statement No. 102 – Certain Risk Disclosures (GASB 102). This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

For the year ended September 30, 2025, no concentration or constraints were required to be disclosed by the City.

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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, 2025

	Measurement Year		
	2024	2023	2022
A. Total pension liability			
1. Service cost	\$ 142,392	\$ 143,225	\$ 136,102
2. Interest (on the Total Pension Liability)	167,281	156,240	144,452
3. Changes of benefit terms	-	-	77,721
4. Difference between expected and actual experience	1,218	(12,263)	(28,587)
5. Changes of assumptions	-	(13,231)	-
6. Benefit payments/refunds of employee contributions	(97,683)	(122,299)	(39,473)
7. Net change in total pension liability	213,208	151,672	290,215
8. Total pension liability - beginning	2,455,881	2,304,209	2,013,994
9. Total pension liability - ending	<u>\$ 2,669,089</u>	<u>\$ 2,455,881</u>	<u>\$ 2,304,209</u>
B. Plan fiduciary net position			
1. Contributions - employer	\$ 39,894	\$ 40,180	\$ 16,492
2. Contributions - employee	95,447	96,124	90,614
3. Net investment income	275,712	274,007	(180,984)
4. Benefit payments/refunds of employee contributions	(97,683)	(122,299)	(39,473)
5. Administrative expense	(1,768)	(1,742)	(1,566)
6. Other changes	(41)	(12)	1,867
7. Net change in plan fiduciary net position	311,561	286,258	(113,050)
8. Plan fiduciary net position - beginning	2,652,445	2,366,187	2,479,237
9. Plan fiduciary net position - ending	<u>\$ 2,964,006</u>	<u>\$ 2,652,445</u>	<u>\$ 2,366,187</u>
C. Net pension liability/(asset) [A.9 - B.9]	<u>\$ (294,917)</u>	<u>\$ (196,564)</u>	<u>\$ (61,978)</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	111.05%	108.00%	102.69%
E. Covered-employee payroll	\$ 1,903,634	\$ 1,922,485	\$ 1,812,274
F. Net position as a percentage of covered employee payroll [C / E]	-15.49%	-10.22%	-3.42%

		Measurement Year									
		2021	2020	2019	2018	2017	2016				
\$	109,460	\$	110,411	\$	104,981	\$	102,503	\$	99,423	\$	87,639
	127,376		118,487		107,258		99,913		88,065		80,941
	-		-		-		-		-		-
	(18,901)		(33,676)		8,220		(51,630)		17,231		(31,797)
	-		-		(2,609)		-		-		-
	(72,535)		(53,561)		(54,863)		(31,574)		(29,870)		(44,405)
	145,400		141,661		162,987		119,212		174,849		92,378
	1,868,594		1,726,933		1,563,946		1,444,734		1,269,885		1,177,507
\$	<u>2,013,994</u>	\$	<u>1,868,594</u>	\$	<u>1,726,933</u>	\$	<u>1,563,946</u>	\$	<u>1,444,734</u>	\$	<u>1,269,885</u>
\$	16,307	\$	15,550	\$	14,093	\$	11,976	\$	15,079	\$	38,079
	87,568		88,329		81,129		79,583		81,540		68,683
	282,416		149,325		257,955		(49,718)		193,969		84,791
	(72,535)		(53,561)		(54,863)		(31,574)		(29,870)		(44,405)
	(1,307)		(967)		(1,460)		(962)		(1,007)		(959)
	8		(37)		(44)		(51)		(52)		(52)
	312,457		198,639		296,810		9,254		259,659		146,137
	2,166,780		1,968,141		1,671,331		1,662,077		1,402,418		1,256,281
\$	<u>2,479,237</u>	\$	<u>2,166,780</u>	\$	<u>1,968,141</u>	\$	<u>1,671,331</u>	\$	<u>1,662,077</u>	\$	<u>1,402,418</u>
\$	<u>(465,243)</u>	\$	<u>(298,186)</u>	\$	<u>(241,208)</u>	\$	<u>(107,385)</u>	\$	<u>(217,343)</u>	\$	<u>(132,533)</u>
	123.10%		115.96%		113.97%		106.87%		115.04%		110.44%
\$	1,751,367	\$	1,766,581	\$	1,622,578	\$	1,591,663	\$	1,553,482	\$	1,373,656
	-26.56%		-16.88%		-14.87%		-6.75%		-13.99%		-9.65%

CITY OF PRESIDIO, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Fiscal Year		
	2025	2024	2023
Actuarially Determined Contribution	\$ 42,894	\$ 39,237	\$ 34,137
Contributions in relation to the actuarially determined contribution	(42,894)	(39,237)	(34,137)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,031,025	\$ 1,877,446	\$ 1,926,769
Contributions as a percentage of covered employee payroll	2.11%	2.09%	1.77%

Fiscal Year						
2022	2021	2020	2019	2018	2017	2016
\$ 16,344	\$ 15,878	\$ 11,397	\$ 13,254	\$ 11,976	\$ 15,079	\$ 38,079
(16,344)	(15,878)	(11,397)	(13,254)	(11,976)	(15,079)	(38,079)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,785,194	\$ 1,732,699	\$ 1,703,029	\$ 1,578,159	\$ 1,591,663	\$ 1,553,482	\$ 1,373,656
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	3.60% to 11.85%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

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, 2025

	Measurement Year		
	2024	2023	2022
A. Total OPEB liability			
1. Service cost	\$ 4,758	\$ 4,806	\$ 8,336
2. Interest on Total OPEB Liability	4,000	3,649	2,593
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience	759	3,092	(9,183)
5. Changes in assumptions or other inputs	(5,949)	6,007	(49,422)
6. Benefit payments	(1,523)	(1,538)	(1,269)
7. Net changes	2,045	16,016	(48,945)
8. Total OPEB Liability - beginning of the year	104,472	88,456	137,401
9. Total OPEB Liability - end of the year	<u>\$ 106,517</u>	<u>\$ 104,472</u>	<u>\$ 88,456</u>
 E. Covered-employee payroll	 \$ 1,903,634	 \$ 1,922,485	 \$ 1,812,274
 F. Total OPEB liability as a percentage of covered payroll	 5.60%	 5.43%	 4.88%

Measurement Year

	2021	2020	2019	2018	2017
\$	7,881	\$ 7,066	\$ 5,517	\$ 6,526	\$ 5,593
	2,613	2,869	2,746	2,348	2,157
	-	-	-	-	-
	(4,139)	(3,253)	798	1,222	-
	4,790	19,848	20,811	(6,216)	5,977
	(876)	(353)	(325)	(318)	(311)
	10,269	26,177	29,547	3,562	13,416
	127,132	100,955	71,408	67,846	54,430
\$	<u>137,401</u>	<u>\$ 127,132</u>	<u>\$ 100,955</u>	<u>\$ 71,408</u>	<u>\$ 67,846</u>
\$	1,751,367	\$ 1,766,581	\$ 1,622,578	\$ 1,591,663	\$ 1,553,482
	7.85%	7.20%	6.22%	4.49%	4.37%

CITY OF PRESIDIO, TEXAS
 SCHEDULE OF EMPLOYER OTHER POST-EMPLOYMENT BENEFITS CONTRIBUTIONS –
 TEXAS MUNICIPAL RETIREMENT SYSTEM – SUPPLEMENTAL DEATH BENEFITS FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Fiscal Year		
	2025	2024	2023
Actuarially determined contribution	\$ 5,445	\$ 5,446	\$ 5,068
Contributions in relation to the actuarially determined contribution	(5,445)	(5,446)	(5,068)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,031,025	\$ 1,877,446	\$ 1,926,769
Contributions as a percentage of covered employee payroll	-0.27%	-0.29%	-0.26%

Fiscal Year				
2022	2021	2020	2019	2018
\$ 3,293	\$ 3,183	\$ 2,843	\$ 3,630	\$ 3,779
(3,293)	(3,183)	(2,843)	(3,630)	(3,779)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,785,194	\$ 1,732,699	\$ 1,703,029	\$ 1,578,159	\$ 1,591,663
-0.18%	-0.18%	-0.17%	-0.23%	-0.24%

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.60% to 11.85%; including inflation
Discount rate*	4.08%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

Note: The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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CITY OF PRESIDIO, TEXAS
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
SEPTEMBER 30, 2025

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 was established to account for all funds seized by the police department.

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.

Grants Fund (Fund 302) – This fund accounts for grants received by the City which require the reporting of revenues, expenditures, and residual balances separately from the General Fund.

CITY OF PRESIDIO, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2025

	<u>Special Revenue Funds</u>				Total Non-Major Governmental Funds
	Police Seizure Fund	Municipal Court Fund	Hotel/Motel Tax Fund	Grants Fund	
ASSETS					
Cash and cash equivalents	\$ 200,459	\$ 32,832	\$ 133,297	\$ 196,387	\$ 562,975
Accounts receivable	-	-	14,673	-	14,673
Total assets	<u>\$ 200,459</u>	<u>\$ 32,832</u>	<u>\$ 147,970</u>	<u>\$ 196,387</u>	<u>\$ 577,648</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 12,250	\$ 12,250
Due to other funds	-	-	8,634	184,137	192,771
Total liabilities	<u>-</u>	<u>-</u>	<u>8,634</u>	<u>196,387</u>	<u>205,021</u>
FUND BALANCES (DEFICITS)					
Restricted for:					
Economic development	-	-	139,336	-	139,336
Other purposes	200,459	32,832	-	-	233,291
Total fund balances	<u>200,459</u>	<u>32,832</u>	<u>139,336</u>	<u>-</u>	<u>372,627</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 200,459</u>	<u>\$ 32,832</u>	<u>\$ 147,970</u>	<u>\$ 196,387</u>	<u>\$ 577,648</u>

CITY OF PRESIDIO, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Special Revenue Funds</u>				Total Non-Major Governmental Funds
	Police Seizure Fund	Municipal Court Fund	Hotel/Motel Tax Fund	Grants Fund	
REVENUES					
Hotel/motel taxes	\$ -	\$ -	\$ 83,622	\$ -	\$ 83,622
Intergovernmental revenues	-	-	-	203,464	203,464
Grants and contributions	-	-	30,000	-	30,000
Miscellaneous revenue	-	-	417	-	417
Total revenues	-	-	114,039	203,464	317,503
EXPENDITURES					
Current:					
General government:					
Administrative departments	-	-	-	105,707	105,707
Public safety:					
Police	18,712	-	-	-	18,712
Fire	-	-	-	43,894	43,894
Culture and recreation:					
Tourism	-	-	72,231	-	72,231
Capital outlay	93,723	-	-	87,649	181,372
Total expenditures	112,435	-	72,231	237,250	421,916
Excess (deficiency) of revenues over expenditures	(112,435)	-	41,808	(33,786)	(104,413)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	5,162	592	-	5,754
Transfers out	-	-	(911)	-	(911)
Total other financing sources (uses)	-	5,162	(319)	-	4,843
Net change in fund balance	(112,435)	5,162	41,489	(33,786)	(99,570)
Fund balance - beginning	312,894	27,670	97,847	33,786	472,197
Fund balance - ending	\$ 200,459	\$ 32,832	\$ 139,336	\$ -	\$ 372,627

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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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2026.

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 or significant deficiencies 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 material noncompliance that is required to be reported under *Government Auditing Standards*. This matter is labeled as 2025-001 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 cursive script that reads "Singleton, Clark & Company, PC". The signature is written in dark ink on a light-colored background.

Singleton, Clark & Company, PC
Alpine, Texas

January 30, 2026

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CITY OF PRESIDIO, TEXAS
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

- Noncompliance material to financial statements noted? Yes No
 Finding 2025-001
 Finding 2025-003

SECTION II – FINANCIAL STATEMENT FINDINGS

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

2025-001 Pledged Collateral Custodial Risk (Material Non-Compliance)

Criteria: Based on the City’s Investment Policy, which is adopted in accordance with Texas Government Code, Chapter 2257 (Public Funds Collateral Act), public funds deposits in excess of FDIC insurance limits are required to be secured by pledged collateral held by an approved third-party custodian.

Condition Found: Review of the City’s cash and investment balances during the year indicated that on April 11, 2025, the combined cash balance at First Presidio National Bank totaled \$4,422,198. However, the total value of FDIC insurance coverage and pledged collateral amounted to \$3,135,532, resulting in uninsured deposits of \$1,286,666.

Cause: Management did not perform timely monitoring of bank balances relative to FDIC insurance limits and pledged collateral coverage, as required by the City’s Investment Policy, and collateral levels were not adjusted when deposit balances increased.

Effect: Uncollateralized deposits exposed the City to custodial credit risk, increasing the potential loss of public funds in the event of a financial institution failure and resulting in noncompliance with Texas Government Code Chapter 2257 and the City’s Investment Policy.

Recommendation: We recommend that the City periodically review collateral agreements and the City’s Investment Policy to ensure that deposits in excess of FDIC insurance limits are fully secured, and that procedures remain aligned with current risk exposure, market conditions, and the requirements of Texas Government Code, Chapter 2257.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

2025-002 Accounting and Financial Reporting

Criteria: Cities are required by state law to issue external financial statements on an annual basis in order to provide information to the public and to 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 did not conduct a sufficient 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: Due to the audit firm preparing an excessive number of accounting adjustments to the financial statements, it has encroached on its independence from the City.

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.

2025-003 Budgetary Non-Compliance (Material 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, within the City's Public Safety function, the Police Department was reported to be over budget by \$319,618. Within the Culture and Recreation function, the Youth Club was reported to be over budget by \$891. In addition, the Capital Outlay and Debt Service functions were reported to be over budget by \$345,241 and \$17,287, respectively.

Cause: Budget amendments for these line items were not brought to the City Council for consideration and approval as needed.

Effect: The effect is noncompliance with the legally adopted expenditures budget of the City.

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.

CITY OF PRESIDIO, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

2024-001 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, within the General Government function of the City budget, the Municipal Court was reported over budget by \$24,443. As of year-end, within the Public Safety function of the City budget, the Police Department was reported over budget by \$45,482.

Cause: Budget amendments for these line items were not brought to the City Council for consideration and approval as needed.

Effect: The effect is noncompliance with the legally adopted expenditures budget of the City.

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.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable.

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CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Current Year Audit Findings:

2025-001 Pledged Collateral Custodial Risk

Corrective Action Planned:

As of the current ongoing fiscal year (FY26), the City financial managers will begin timely monitoring of bank balances and will review collateral agreements and the City's Investment Policy to ensure that deposits in excess of FDIC insurance limits are fully secured.

Anticipated Completion Date: Began in FY26 and is ongoing

Contact Person: Glorissel Muniz, Finance Director

2025-002 Accounting and Financial Reporting

Corrective Action Planned:

As of the current ongoing fiscal year (FY26), 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 FY26 and is ongoing

Contact Person: Glorissel Muniz, Finance Director

2025-003 Budgetary Non-Compliance

Corrective Action Planned:

As of the current ongoing fiscal year (FY26), the City financial managers will begin reviewing budget-to-actual financial information and bring budget amendments to the City Council for consideration as needed.

Anticipated Completion Date: Began in FY26 and is ongoing

Contact Person: Glorissel Muniz, Finance Director