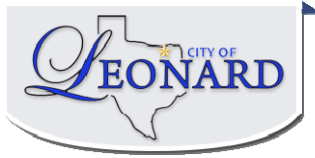


ANNUAL FINANCIAL REPORT

City of Leonard, Texas

Fiscal Year Ended September 30, 2021



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

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INTRODUCTORY SECTION

City of Leonard, Texas
City Council
For the Year Ended September 30, 2021

Council Members:

Michael Pye	Mayor
Noel Nixon	Mayor Pro-Tem
Garry Doyle	Council Member
Debra Wilcox	Council Member
Billy Wayne Martin	Council Member

FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

(903) 269-6211
mward@mikewardcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Leonard, Texas
111 West Collin Street
Leonard, Texas 75452

I 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 Leonard, Texas ("City") as of and for the year ended September 30, 2021, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no opinion. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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, and the aggregate remaining fund information of the City of Leonard, Texas as of September 30, 2021, and the respective changes in financial position, where applicable, and cash flows, thereof, and the respective budgetary comparison for the General

Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

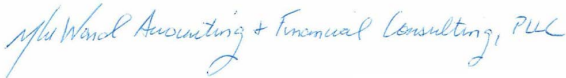
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Introductory section has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Respectfully Submitted,



Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas
July 11, 2022

CITY OF LEONARD, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2021

Our discussion and analysis of the City of Leonard's ("City") financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets exceeded liabilities of the City at the close of the fiscal year by \$3,765,591 (net position).
- The City's total net position increased by \$292,162 at the close of the fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,150,210, an increase of \$226,084, or 30% in comparison with the prior year. Approximately 81% of this total amount, or \$934,060, is available for spending at the City's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$934,060, or 65%, of total general fund expenditures.
- The City's total debt decreased by (\$139,650), or 48% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

**CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Basic Financial Statements

The first two statements (pages 15-18) in the basic financial statements are the **Government-wide Financial Statements**. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The next statements (pages 19-25) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (pages 26-42). The notes to the financial statements explain in detail some of the data contained in those statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City of Leonard's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government and streets. The business-type activities of the City include a Utility Fund consisting of sewer and garbage collection services.

The government-wide financial statements are on pages 15-18 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. 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 of Leonard, like all other governmental entities in Texas, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements. All of the funds of the City of Leonard can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those 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

**CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 Governmental Fund financial statements can be found on pages 19-22 of this report.

The City of Leonard adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the final budget as amended by the council; 2) the original budget adopted by council, and 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Leonard has one type of proprietary fund which is the Utility Fund. The City uses proprietary funds to account for its sewer and garbage collection services. Proprietary Funds are reported in the same way that all activities are reported in the statement of position and the statement of activities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26-42 of this report.

CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,697,209	\$ 1,089,616	\$ 282,039	\$ 308,949	\$ 1,979,248	\$ 1,398,565
Capital assets	1,296,520	1,356,247	1,394,183	1,361,901	2,690,703	2,718,148
Total assets	2,993,729	2,445,863	1,676,222	1,670,850	4,669,951	4,116,713
Deferred outflows-pension	31,008	38,069	16,697	20,499	47,705	58,568
Current liabilities	420,711	114,499	144,633	87,301	565,344	201,800
Long-term liabilities	194,790	219,081	116,727	169,091	311,517	388,172
Total liabilities	615,501	333,580	261,360	256,392	876,861	589,972
Deferred inflows-pension	48,882	72,721	26,322	39,160	75,204	111,881
Net position:						
Net investment in capital assets	1,105,545	1,082,110	1,297,061	1,208,294	2,402,606	2,290,404
Restricted	216,150	167,671	-	-	216,150	167,671
Unrestricted	1,038,659	827,850	108,176	187,503	1,146,835	1,015,353
Total net position	\$ 2,360,354	\$ 2,077,631	\$ 1,405,237	\$ 1,395,797	\$ 3,765,591	\$ 3,473,428

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net assets of the City exceeded liabilities by, \$3,765,591, as of September 30, 2020. Net position increased by \$292,163, or 8%, including prior period adjustment, for the fiscal year ended September 30, 2021.

Net investment in capital assets:

The largest portion of the City's net position, \$2,402,606, or 64%, reflects the City's investment in capital assets, (e.g. buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Leonard's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position in the amount of \$216,150, or 6%, represents external restrictions on how they may be used, or by enabling legislation.

Unrestricted net position:

The City has an unrestricted net position of \$1,146,835.

CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUE						
Program Revenues						
Charge for Services	\$ 340,019	\$ 364,189	\$ 721,119	\$ 730,188	\$ 1,061,138	\$ 1,094,377
General Revenues						
Property Tax	647,316	627,209	-	-	647,316	627,209
Franchise Tax	88,493	89,387	-	-	88,493	89,387
Sales Tax	371,931	346,261	-	-	371,931	346,261
Investment Income	6,778	7,597	167	3,317	6,945	10,914
Miscellaneous	237,089	129,057	31,702	-	268,791	129,057
Total Revenues	<u>1,691,626</u>	<u>1,563,700</u>	<u>752,988</u>	<u>733,505</u>	<u>2,444,614</u>	<u>2,297,205</u>
EXPENSES						
Program Expenses						
General Government	590,527	518,810	-	-	590,527	518,810
Police	417,582	379,082	-	-	417,582	379,082
Court expenses	977	9,434	-	-	977	9,434
Streets	151,391	49,348	-	-	151,391	49,348
Parks and recreation	96,077	178,527	-	-	96,077	178,527
Fire	76,097	32,257	-	-	76,097	32,257
Library	32,831	35,686	-	-	32,831	35,686
Interest Expense	9,385	15,870	-	-	9,385	15,870
Water and sewer	-	-	777,585	717,328	777,585	717,328
Total Expenses	<u>1,374,867</u>	<u>1,219,014</u>	<u>777,585</u>	<u>717,328</u>	<u>2,152,452</u>	<u>1,936,342</u>
Increase (decrease) in net position before transfers	316,759	344,686	(24,597)	16,177	292,162	360,863
Transfers	<u>(34,037)</u>	<u>(6,712)</u>	<u>34,037</u>	<u>6,712</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	282,722	337,974	9,440	22,889	292,162	360,863
Net Position - October 1	2,077,632	1,692,868	1,394,797	1,371,908	3,472,429	3,064,776
Prior Period Adjustments	-	46,790	-	-	-	46,790
Net Position - September 30	<u>\$ 2,360,354</u>	<u>\$ 2,077,632</u>	<u>\$ 1,404,237</u>	<u>\$ 1,394,797</u>	<u>\$ 3,764,591</u>	<u>\$ 3,472,429</u>

The Governmental Activities reports an increase in net position during the 2021 fiscal year by \$281,722.

The Business-type Activities report an increase in net position during the 2021 fiscal year by \$9,440.

**CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Financial Analysis of the City's Funds

As noted earlier, the City of Leonard uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Leonard's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$934,060. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 65% of total General Fund expenditures.

At September 30, 2021, the governmental funds of the City of Leonard reported a combined fund balance of \$1,150,210, a 24% increase from last year.

General Fund Budgetary Highlights: During the fiscal year, the City did not revise the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Total revenues were more than the budgeted amounts overall. Expenditures were also slightly more than the budget overall.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The unrestricted net position of the Proprietary Fund at the end of the fiscal year amounted to \$108,176.

Request for Information

This report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Leonard, 111 West Collin Street, Leonard, Texas 75452.

**CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2021**

Capital assets - The City of Leonard's capital assets for its governmental and business-type activities as of September 30, 2020, totals, \$2,690,703, net of accumulated depreciation. The capital assets include buildings, roads and bridges, machinery and equipment.

**Capital Assets
As of September 30, 2021
(net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Infrastructure	\$ -	\$ -	\$ 1,185,929	\$ 1,193,841	\$ 1,185,929	\$ 1,193,841
Buildings	803,654	872,629	-	-	803,654	872,629
Machinery & Equipment	386,376	377,128	204,044	163,850	590,420	540,978
Land	106,490	106,490	4,210	4,210	110,700	110,700
Total	\$ 1,296,520	\$ 1,356,247	\$ 1,394,183	\$ 1,361,901	\$ 2,690,703	\$ 2,718,148

More detailed information about the City's capital asset activity is presented in Note F to the financial statements.

Long-term Debt - As of September 30, 2021, the City of Leonard had total long-term debt outstanding of \$288,097 which decreased \$139,650 from the previous year.

**Outstanding Long-term Debt
As of September 30, 2021**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes payable	190,975	274,140	44,122	48,607	235,097	322,747
Bonds payable	-	-	53,000	105,000	53,000	105,000
Total	\$ 190,975	\$ 274,140	\$ 97,122	\$ 153,607	\$ 288,097	\$ 427,747

More detailed information about the City's long-term debt is presented in Note G to the financial statements.

BASIC FINANCIAL STATEMENTS

**CITY OF LEONARD, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 864,311	\$ 56,641	\$ 920,952	\$ 388,764
Receivables (net of allowance for uncollectibles)	132,786	107,455	240,241	18,560
Net Pension Asset	106,866	56,148	163,014	-
Restricted assets:				
Cash and cash equivalents	593,246	61,795	655,041	-
Capital assets not being depreciated:				
Land	106,490	4,210	110,700	100,110
Capital assets, net of accumulated depreciation:				
Infrastructure	-	1,185,929	1,185,929	-
Buildings and improvements	803,654	-	803,654	-
Machinery and equipment	386,376	204,044	590,420	-
Total assets	2,993,729	1,676,222	4,669,951	507,434
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension	31,008	16,697	47,705	-
LIABILITIES				
Current Liabilities:				
Accounts payable	32,907	74,978	107,885	12,264
Other liabilities	10,213	-	10,213	-
Deferred revenue	344,996	-	344,996	-
Deposits payable	-	69,655	69,655	-
Notes payable	32,595	4,690	37,285	-
Bonds payable	-	53,000	53,000	-
Noncurrent liabilities:				
Net OPEB liability	36,410	19,605	56,015	-
Notes payable	158,380	39,432	197,812	-
Bonds payable	-	-	-	-
Total liabilities	615,501	261,360	876,861	12,264
DEFERRED INFLOW OF RESOURCES				
Deferred pension	48,882	26,322	75,204	-
NET POSITION				
Net investment in capital assets	1,105,545	1,297,061	2,402,606	100,110
Restricted for:				
Debt service	216,150	-	216,150	-
Unrestricted	1,038,659	108,176	1,146,835	395,060
Total net position	\$ 2,360,354	\$ 1,405,237	\$ 3,765,591	\$ 495,170

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



**CITY OF LEONARD, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 590,527	\$ 301,893	\$ 1,000	\$ -
Law Enforcement	417,582	-	-	-
Courts	977	37,861	-	-
Fire	76,097	-	-	-
Library	32,831	265	-	-
Streets	151,391	-	-	-
Parks	96,077	-	-	-
Interest	9,385	-	-	-
Total governmental activities	<u>1,374,867</u>	<u>340,019</u>	<u>1,000</u>	<u>-</u>
Business-type activities:				
Water and Sewer	777,585	721,119	-	-
Total business-type activities	<u>777,585</u>	<u>721,119</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,152,452</u>	<u>\$ 1,061,138</u>	<u>\$ 1,000.00</u>	<u>\$ -</u>
Component Unit				
Community Development Corporation	\$ 3,949		\$ -	\$ -

General revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 Investment income
 Miscellaneous
 Transfers
 Total general revenues
 Change in net position
 Net position - beginning
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Activities	Total	
\$ (287,634)	\$ -	\$ (287,634)	\$ -
(417,582)	-	(417,582)	-
36,884	-	36,884	-
(76,097)	-	(76,097)	-
(32,566)	-	(32,566)	-
(151,391)	-	(151,391)	-
(96,077)	-	(96,077)	-
(9,385)	-	(9,385)	-
<u>(1,033,848)</u>	<u>-</u>	<u>(1,033,848)</u>	<u>-</u>
-	(56,466)	(56,466)	-
-	(56,466)	(56,466)	-
<u>\$ (1,033,848)</u>	<u>\$ (56,466)</u>	<u>\$ (1,090,314)</u>	<u>\$ -</u>

(3,949)

\$ 647,316	\$ -	\$ 647,316	\$ -
371,931	-	371,931	75,201
88,493	-	88,493	-
6,778	167	6,945	699
236,089	31,702	267,791	-
(34,037)	34,037	-	-
<u>1,316,570</u>	<u>65,906</u>	<u>1,382,476</u>	<u>75,900</u>
282,722	9,440	292,162	71,951
2,077,632	1,395,797	3,473,429	423,219
<u>\$ 2,360,354</u>	<u>\$ 1,405,237</u>	<u>\$ 3,765,591</u>	<u>\$ 495,170</u>

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

**CITY OF LEONARD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2021**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,247,316	\$ 210,242	\$ 1,457,558
Receivables (net of allowance for uncollectibles)	126,880	5,908	132,788
Total assets	<u>1,374,196</u>	<u>216,150</u>	<u>1,590,346</u>
LIABILITIES			
Accounts payable	32,906	-	32,906
Other liabilities	10,213	-	10,213
Total liabilities	<u>43,119</u>	<u>-</u>	<u>43,119</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	397,017	-	397,017
Total deferred inflows of resources	<u>397,017</u>	<u>-</u>	<u>397,017</u>
FUND BALANCE			
Restricted - Debt	-	216,150	216,150
Unassigned	934,060	-	934,060
Total fund balance	<u>934,060</u>	<u>216,150</u>	<u>1,150,210</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,374,196</u>	<u>\$ 216,150</u>	<u>\$ 1,590,346</u>

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

**CITY OF LEONARD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total fund balance - governmental funds balance sheet	\$ 1,150,210
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	3,669,690
Accumulated depreciation has not been included in governmental fund financial statements.	(2,373,172)
Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statement.	52,020
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the fund financial statements	(190,975)
Net pension asset and OPEB liability is not due and payable within the current period	52,581
Net position of governmental activities - statement of net position	<u>\$ 2,360,354</u>

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

**CITY OF LEONARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 481,117	\$ 161,829	642,946
Franchise taxes	88,493	-	88,493
Sales tax	371,931	-	371,931
Charges for services	286,157	-	286,157
Permits	16,001	-	16,001
Fines	37,861	-	37,861
Miscellaneous	229,876	7,213	237,089
Total revenues	<u>1,511,436</u>	<u>169,042</u>	<u>1,680,478</u>
EXPENDITURES			
Current:			
General government	619,362	-	619,362
Court	977	-	977
Library	32,831	-	32,831
Streets	109,529	-	109,529
Fire	48,188	-	48,188
Police	389,675	-	389,675
Parks	54,215	-	54,215
Capital outlays:			
Fire	15,192	-	15,192
Parks	64,620	-	-
Debt Service			
Principal Retirement	83,162	-	83,162
Interest and Fiscal Agent Fees	9,385	-	9,385
Total expenditures	<u>1,427,136</u>	<u>-</u>	<u>1,362,516</u>
Excess (Deficiency) of Revenues over Expenditures	<u>84,300</u>	<u>169,042</u>	<u>317,962</u>
OTHER FINANCING SOURCES (USES)			
Sale proceeds	-	-	-
Interest income	6,665	113	-
Transfers	92,547	(126,583)	(34,036)
Total Other Financing Sources (Uses)	<u>99,212</u>	<u>(126,470)</u>	<u>(34,036)</u>
Net change in fund balance	183,512	42,572	226,084
Fund balance, beginning of year	750,548	173,578	924,126
Fund balance, end of year	<u>\$ 934,060</u>	<u>\$ 216,150</u>	<u>\$ 1,150,210</u>

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

**CITY OF LEONARD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balance - total governmental funds	\$ 226,084
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reports as depreciation expense. This is the amount of capital in the current period.	79,812
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(139,539)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statement.	4,368
Changes in net pension assets are not shown in the fund financial statements.	28,835
Current year debt principal payments on contractual obligations are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements	83,162
Change in net position of governmental activities - statement of activities	<u><u>\$ 282,722</u></u>

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

**CITY OF LEONARD, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021**

	Proprietary Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 56,641
Receivables (net of allowance for uncollectible)	107,455
Restricted cash and cash equivalents	61,795
Total current assets	<u>225,891</u>
Noncurrent assets:	
Net pension asset	56,148
Capital assets:	
Land	4,210
Machinery & equipment	482,574
Infrastructure	5,077,030
Less: accumulated depreciation	<u>(4,169,631)</u>
Total noncurrent assets	<u>1,450,331</u>
Total assets	<u>1,676,222</u>
DEFERRED OUTFLOW OF RECOURCES	
Deferred pension	<u>16,697</u>
LIABILITIES	
Current liabilities:	
Accounts payable	74,978
Payable from restricted assets:	
Customer deposits	69,655
Notes payable - current	39,432
Bonds payable	53,000
Net OPEB liability	19,605
Total current liabilities	<u>256,670</u>
Noncurrent Liabilities:	
Notes payable	4,690
Bonds payable	-
Total noncurrent liabilities	<u>4,690</u>
Total liabilities	<u>261,360</u>
DEFERRED INFLOW OF RECOURCES	
Deferred pension	<u>26,322</u>
NET POSITION	
Net investment in capital assets	1,297,061
Unrestricted	108,176
Total net position	<u>\$ 1,405,237</u>

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

**CITY OF LEONARD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Proprietary Fund</u>
OPERATING REVENUES:	
Charges for services:	
Sewer fees	\$ 410,921
Water fees	310,197
Miscellaneous revenue	31,702
Total operating revenues	<u>752,820</u>
OPERATING EXPENSES:	
Salaries and payroll expense	337,263
Supplies and materials	57,976
Maintenance and repair	126,585
Contractual services	105,994
Depreciation	145,214
Total operating expenses	<u>773,032</u>
Operating income (loss)	<u>(20,212)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(4,552)
Investment income	167
Total non-operating revenues (expenses)	<u>(4,385)</u>
Change in net position	9,440
Net position - beginning	1,395,797
Net position - ending	<u>\$ 1,405,237</u>

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

**CITY OF LEONARD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Proprietary Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 758,626
Cash payments to employees for services	(301,409)
Cash payments to suppliers for goods and services	(290,556)
Net cash provided by (used in) operating activities	166,661
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	34,037
Cash used in noncapital financing activities	34,037
Cash Flows from Capital and Related Financing Activities	
Interest and fiscal charges on debt	(4,552)
Acquisition of capital assets	(177,496)
Issuance of debt	(56,485)
Cash used in capital and related financing activities	(238,533)
Cash Flows from Investing Activities	
Investment earnings	167
Cash provided by (used in) investing activities	167
Net increase (decrease) in cash and cash equivalents	(37,668)
Cash and cash equivalents at beginning of year	156,104
Cash and cash equivalents at end of year	\$ 118,436
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ (20,213)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	145,214
Change in assets and liabilities:	
Decrease (increase) in receivables	1,748
Increase (decrease) in accounts payable	51,433
Increase (decrease) in other liabilities	(19,381)
Total adjustments	186,874
Net cash provided by (used in) operating activities	\$ 166,661

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leonard ("City") was incorporated on September 16, 1889. The City operates under a Council-Manager form of government. The City's major operations include public safety, public works, and general government services. Additionally, the City operates a water and sewer system.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP"), applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*, and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, 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".

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government, or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including as component units entities which meet all three of the following requirements:

- the organization is legally separate (can sue and be sued in their own name);
- the City appoints a voting majority of the organization's board;
- the City is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the City; and
- there is fiscal dependency by the organization on the City.

Based upon the application of these tests, the City of Leonard has one component unit, the Leonard Community Development Corporation.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria, may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. The evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

2. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the government funds. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis provides an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is prepared that compares the original adopted and final amended General Fund budget with actual results.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation (continued)

The City's basic financial statements include both government-wide (based on the City as a whole) and fund 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 non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities, demonstrates the degree to which the direct expenses of a functional category (Streets, Administrative Services, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items properly excluded from program revenues are reported instead as general revenues.

The net cost by function is normally covered by general revenues (property and sales taxes, franchise taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statement. The major governmental fund is the General Fund and Debt Service Fund. The major proprietary fund is the Water and Sewer Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The City does not have any nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 proprietary fund is charges to customers for services. Operating expenses for the proprietary fund include the cost of sales and service, administrative expenses, and depreciation on assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, 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 government considers revenues to be available if they are collected within 30 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 the obligation has matured and is due and payable shortly after year-end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues in the Proprietary Fund are recognized under the susceptible to accrual concept. Charges for services, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are both measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources, as needed.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the governmental fund of the City:

The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreements to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of general obligation debt of governmental funds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City has one proprietary fund:

The **Water and Sewer Fund** accounts for the operations of the sanitary sewer and water utilities which is a self-supporting activity rendering services on a user-charge basis.

4. Financial Statement Amounts

a. 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 three months or less from the date of acquisition.

The City may invest in certificates of deposits, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements.

b. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid obscuring of significant components by aggregation.

Trade receivables are shown net of an allowance for uncollectible. The uncollectible amount of property tax receivables is recorded as an allowance.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for bond covenants.

Customer deposits received for utility service are, by law, to be considered restricted assets. These activities are included in the Water and Sewer Fund.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

d. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or donated, are reported in the applicable governmental or business-type activities columns within the government-wide financial statements and proprietary fund financial statements. The City defines a capital asset as an item with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Construction in progress is not depreciated until the asset is placed in service. There was no interest capitalized in the current period.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	7 - 40 years
Buildings	10 - 30 years
Building Improvements	5 - 10 years
Vehicles and Machinery	5 - 7 years

e. 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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The government has recorded a deferred outflow of resources related to its pension benefit.

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, *deferred inflows of resources*, represents an increase 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 governmental funds report a deferred inflow or resources related to its pension benefit. This amounts is deferred and recognized as an inflow of resources in the period that the amounts become available.

f. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types within the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are expensed during the year they are incurred in accordance year they are incurred in accordance with GASB Statement No. 65.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

g. Fund Balance Policies

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* - amounts that are constrained by the City's *intent* to be used for specific purposes. The intent can be established by the City Council.
- *Unassigned fund balance* - the residual classification for the City General Fund that includes amounts not contained in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. Committed funds will be used first followed by assigned funds.

When both restricted and unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by the unassigned resources as they are needed.

h. Comparative Data

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

i. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

B. COMPLIANCE AND ACCOUNTABILITY (continued)

1. Finance-Related Legal and Contractual Provisions

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance.
- Total estimated expenditures of the General Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The Mayor and Mayor Pro-tem approval is required to approve a transfer of budgeted amounts within accounts; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets for the General Fund are legally adopted on a modified accrual basis of accounting.

C. DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect the City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC").

Cash Deposits:

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,575,993 and the bank balance was \$1,595,951. The City's cash deposits at September 30, 2021, and during the year ended September 30, 2021, were entirely covered by FDIC or additional pledged securities.

Cash and investments as of September 30, 2021 consist of and are classified as follows:

Statement of net position:

Primary Government:	
Cash and cash equivalents	\$ 920,952
Restrict cash and cash equivalents	<u>655,041</u>
Total cash and cash equivalents	<u>\$ 1,575,993</u>
 Governmental restricted cash:	
Covid funding	368,876
Court	14,128
Debt service	<u>210,242</u>
Total governmental restricted cash and cash equivalents	<u>\$ 593,246</u>
 Business-type restricted cash	
Customer deposits	\$ 61,795
Total business-type restricted cash and cash equivalents	<u>\$ 61,795</u>
 Total restricted cash and cash equivalents	 <u>\$ 655,041</u>

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

C. DEPOSITS AND INVESTMENTS (continued)

Investments:

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized costs and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investment values vary with market interest rate changes. Non-negotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Public Funds Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state or local governmental units by pledging unit. The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from increasing interest rates, 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 from the time of purchase.

D. PROPERTY TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised value at 100% of estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 (immediately following the levy date) and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectable within 30 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years, however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous years.

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

E. RECEIVABLES

Receivables at September 30, 2021 for the government's individual major funds, including the applicable allowances for uncollectable accounts are as follows:

	General	Proprietary	Total
Receivables:			
Taxes	\$ 114,868	\$ -	\$ 114,868
Fees & Services	40,539	108,480	149,019
Allowance for uncollectible	(22,621)	(1,025)	(23,646)
Net Receivables	<u>\$ 132,786</u>	<u>\$ 107,455</u>	<u>\$ 240,241</u>

F. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2021 was as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 106,490	\$ -	\$ -	\$ 106,490
Total capital assets, not being depreciated	<u>106,490</u>	<u>-</u>	<u>-</u>	<u>106,490</u>
Capital assets, being depreciated:				
Buildings & Improvements	2,045,703	-	-	2,045,703
Machinery & Equipment	1,437,687	79,812	-	1,517,499
Total capital assets being depreciated	<u>3,483,390</u>	<u>79,812</u>	<u>-</u>	<u>3,563,202</u>
Less accumulated depreciation for:				
Buildings & Improvements	(1,173,074)	(68,975)	-	(1,242,049)
Machinery & Equipment	(1,060,559)	(70,564)	-	(1,131,123)
Total accumulated depreciation	<u>(2,233,633)</u>	<u>(139,539)</u>	<u>-</u>	<u>(2,373,172)</u>
Total capital assets being depreciated, net	<u>1,249,757</u>	<u>(59,727)</u>	<u>-</u>	<u>1,190,030</u>
Governmental activities capital assets, net	<u>\$ 1,356,247</u>	<u>\$ (59,727)</u>	<u>\$ -</u>	<u>\$ 1,296,520</u>

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

F. CAPITAL ASSETS (continued)

	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Total capital assets, not being depreciated	4,210	-	-	4,210
Capital assets, being depreciated				
Infrastructure	4,980,919	113,163	-	5,094,082
Equipment	418,241	64,333	-	482,574
Total assets being depreciated	5,399,160	177,496	-	5,576,656
Less accumulated depreciation for:				
Infrastructure	(3,787,078)	(121,075)	-	(3,908,153)
Equipment	(254,391)	(24,139)	-	(278,530)
Total accumulated depreciation	(4,041,469)	(145,214)	-	(4,186,683)
Total capital assets, being depreciated, net	1,357,691	32,282	-	1,389,973
Business-type activities capital assets, net	<u>\$ 1,361,901</u>	<u>\$ 32,282</u>	<u>\$ -</u>	<u>\$ 1,394,183</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
Law enforcement and fire		\$ 55,816
Parks and Library		41,862
Streets		41,861
Total depreciation expense - governmental activities		<u>\$ 139,539</u>
Business-type activities:		
Water and Sewer Fund		<u>\$ 145,214</u>

G. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions for the year ended September 30, 2021, follows:

Primary Government:

Governmental Activities:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30,		Amounts Outstanding September 30,		Due Within One Year
			2020	Issued	Retired	2021	
Series 2016	4.500%	\$ 319,719	\$ 52,725	\$ -	\$ (52,725)	\$ -	\$ -
Series 2018	5.214%	52,002	26,985	-	(13,148)	13,837	13,837
Series 2019	4.581%	211,555	194,430	-	(17,292)	177,138	18,758
Total		<u>\$ 583,276</u>	<u>\$ 274,140</u>	<u>\$ -</u>	<u>\$ (83,165)</u>	<u>\$ 190,975</u>	<u>\$ 32,595</u>

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2022	32,595	8,806	41,401
2023	19,621	7,226	26,847
2024	20,519	6,327	26,846
2025	21,459	5,387	26,846
2026	22,442	4,404	26,846
2027-28	74,339	6,852	81,191
Totals	<u>\$ 190,975</u>	<u>\$ 39,002</u>	<u>\$ 229,977</u>

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

G. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30,		Amounts Outstanding September 30,		Due Within One Year
			2020	Issued	Retired	2021	
Series 2016	2.500%	\$ 254,000	\$ 105,000	\$ -	\$ (52,000)	\$ 53,000	\$ 53,000
Series 2019	4.581%	52,889	48,607	-	(4,485)	44,122	4,690
Total		<u>\$ 306,889</u>	<u>\$ 153,607</u>	<u>\$ -</u>	<u>\$ (56,485)</u>	<u>\$ 97,122</u>	<u>\$ 57,690</u>

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2022	57,690	3,346	61,036
2023	4,905	1,806	6,711
2024	5,129	1,581	6,710
2025	5,364	1,346	6,710
2026	5,611	1,101	6,712
2027-28	18,423	1,713	20,136
Totals	<u>\$ 97,122</u>	<u>\$ 10,893</u>	<u>\$ 108,015</u>

\$319,719 Series 2016 notes payable was issued for the purpose of refinancing past debt issuances previously used purchasing machinery for the street department.

\$52,002 Series 2018 notes payable issued to purchase a 2018 Ford police car and related police equipment.

\$211,555 Series 2019 notes payable issued to purchase a Ford Skeeter 2-door 600 gallon fire truck.

\$254,000 Series 2016 combination tax and surplus revenue refunding bonds used to pay in full Series 2000 "Greater Texoma Utility Authority Contract Revenue Bonds" in the original amount of \$40,000, and Series 2002 "Greater Texoma Utility Authority Contract Revenue Bonds" in original amount of \$305,000.

\$52,889 Series 2019 notes payable issued to purchase utility pipe bursting equipment.

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

H. INSURANCE COVERAGE & RISK MANAGEMENT

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League Intergovernmental Risk Pool ("TMLIRP"), a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code.

The City is exposed to various risks of loss related to torts: theft, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has general liability coverage at a cost that is considered to be economically justifiable. TMLIRP is a self-funded pool operating as a common risk management and insurance program.

GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. There were no liabilities incurred at the end of the current fiscal period.

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last four years.

I. DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

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

B. 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 benefit is calculated as if the sum of the employee's contribution, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposit and interest.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	21
Active employees	16
	47

C. Contributions

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

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

I. DEFINED BENEFIT PENSION PLANS

C: Contributions (Continued)

Employees of the City of Leonard were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates of the City of Leonard were 1.93% and 1.15% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 was \$8,897, and was equal to the required contribution.

D. Net Pension Liability

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

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	2.75%
Investment Rate of Return	6.75%

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

The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial liability.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

**I. DEFINED BENEFIT PENSION PLANS
D. Net Pension Liability (Continued)**

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

	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
	100.0%	

Discount Rate

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

Sensitivity of the net position 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%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ (35,387)	\$ (163,014)	\$ (266,431)

Pension Plan Fiduciary Net Position

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

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

I. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended September 30, 2021, the city recognized pension expense of (\$30,628).

At September 30, 2020, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	-	(8,610)
Changes in actuarial assumptions	-	(472)
Difference between projected and actual investment earnings	-	(27,177)
Contributions subsequent to the measurement date	12,502	-
Total	12,502	(36,259)

A total of \$11,5400 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:		
2021	\$	(15,816)
2022		(2,314)
2023		(16,542)
2024		(1,587)
2025		-
Thereafter		-
Total	\$	(36,259)

F. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1, of any year to be effective the following January 1.

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

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. 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 employees' entire careers.

G. Total OPEB Liability

The City of Leonard's total OPEB liability of \$56,015 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

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

I. DEFINED BENEFIT PENSION PLANS

G. Total OPEB Liability (Continued)

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	2.00%

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA index" rate as of December 31, 2020.

Mortality rates - service retirees:

2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates - disabled retirees:

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

Membership	
Number of:	
-Inactive employees currently receiving benefits	7
-Inactive employees entitled to but not yet receiving benefits	3
-Active employees	16
Total	<u>26</u>

Changes in the Total OPEB Liability:

Total OPEB Liability - beginning of year	\$ 44,241
Changes for the year:	
Service costs	1,988
Interest on Total OPEB Liability	1,240
Changes in benefit terms	-
Differences between expected and actual experience	1,362
Changes in assumptions or other inputs	7,505
Benefit payments	(321)
Total OPEB Liability - end of year	<u>\$ 56,015</u>

The following presents the Total OPEB Liability of the City of Leonard, Texas, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75 percent) or 1-percentage-point higher (3.75%) than the current discount rate.

	1% Decrease (1.00%)	Current Discount (2.00)	1% Increase (3.00%)
Total OPEB Liability	\$ 68,851	\$ 56,015	\$ 46,350

Deferred (Inflows)/Outflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (3,426)
Changes in assumptions and other inputs	10,956	-
Contributions made subsequent to measurement date	1,230	-
Total	<u>\$ 12,186</u>	<u>\$ (3,426)</u>

Amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense follows:

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

I. DEFINED BENEFIT PENSION PLANS

G. Total OPEB Liability (Continued)

	Net Deferred Outflows (Inflows) of Resources
2022	\$ 1,052
2023	435
2024	2,420
2025	2,591
2026	1,032
Thereafter	-
Total	<u>\$ 7,530</u>

J. LITIGATION

Currently, management is unaware of significant pending litigation against the City of Leonard, Texas.

K. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2021 up through July 11, 2022, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.

L. ECONOMIC DEVELOPMENT CORPORATION

The Leonard Community Development Corporation (LCDC) is financed with a voter approved 1/6 of one percent sales tax to aid, promote, and further the economic development within the City.

1. Stewardship, Compliance and Contractual Provisions

a. Finance-related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violation of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

Violation	Actions Taken
N/A	N/A

b. Deficit Fund Balance of Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at fiscal year-end, if any along with remarks which address such deficits:

Violation	Actions Taken
N/A	N/A

2. Deposits and Investments

Cash Deposits

At September 30, 2021, the carrying amount of the LCDC's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$388,764 and the bank balance was \$388,764. LCDC's cash deposits at September 30, 2021 and during the year ended September 30, 2021 were entirely covered by FDIC.

Cash and investments, as of September 30, 2021, consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Leonard Community Development Corporation	
Cash and Cash Equivalents	<u>\$ 388,764</u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the LCDC adheres to the requirements of the Act.

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

M. ECONOMIC DEVELOPMENT CORPORATION (continued)

3. Receivables

Accounts receivable at the end of the fiscal year is due from the City in the amount of \$18,560 for collection of sales tax revenues. No allowance for uncollectible is calculated since there is a minimal chance that the entire amount will not be collected.

4. Subsequent Events

The LCDC has evaluated all events or transactions that occurred after September 30, 2021 up through July 11, 2022, the date the financial statements were available to be issued. Management noted no subsequent events requiring disclosure.

5. Capital Assets

	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 60,110	\$ 40,000	\$ -	\$ 100,110
Total capital assets, not being depreciated	<u>60,110</u>	<u>40,000</u>	<u>-</u>	<u>100,110</u>
Capital assets, being depreciated				
Buildings & Improvements	-	-	-	-
Total assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings & Improvements	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 60,110</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 100,110</u>



REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LEONARD, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**SCHEDULE OF CONTRIBUTIONS
 LAST FISCAL YEAR (UNAUDITED)**

	2020	2019	2018
Actuarially determined contribution	\$ 6,534	\$ 8,897	\$ 15,353
Contributions in relation to the actuarially determined contribution	6,534	8,897	15,353
Contributions deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 641,178	\$ 662,172	\$ 653,941
Contributions as a percentage of covered employee payroll	1.02%	1.34%	2.35%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10-year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year
 Years will continue to be added until there are 10 years for comparison

**CITY OF LEONARD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS**

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total pension liability			
Service cost	\$ 54,500	\$ 59,198	\$ 60,947
Interest (on the Total Pension Liability)	56,544	53,820	52,872
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(5,715)	(10,169)	(48,600)
Change of assumptions	-	(1,194)	-
Benefit payments, including refunds of employee contributions	(68,829)	(49,080)	(51,507)
Net Change in Total Pension Liability	<u>36,500</u>	<u>52,575</u>	<u>13,712</u>
Total Pension Liability - Beginning	<u>844,850</u>	<u>792,275</u>	<u>778,563</u>
Total Pension Liability - Ending	<u><u>\$ 881,350</u></u>	<u><u>\$ 844,850</u></u>	<u><u>\$ 792,275</u></u>
Plan Fiduciary Net Position			
Contribution - employer	\$ 15,314	\$ 15,429	\$ 15,353
Contribution - employee	44,882	46,352	45,776
Net investment income	74,047	129,306	(25,569)
Benefit payments, including refunds of employee contributions	(68,829)	(49,080)	(51,507)
Administrative expense	(481)	(732)	(495)
Other	(19)	(23)	(26)
Net Change in Plan Fiduciary Net Position	<u>64,914</u>	<u>141,252</u>	<u>(16,468)</u>
Plan Fiduciary Net Position - Beginning	<u>979,450</u>	<u>838,198</u>	<u>854,666</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 1,044,364</u></u>	<u><u>\$ 979,450</u></u>	<u><u>\$ 838,198</u></u>
Net Pension Liability - Ending	\$ (163,014)	\$ (134,600)	\$ (45,923)
Plan Fiduciary Net Position as a percentage of			
Total Pension Liability	118.50%	115.93%	105.80%
Covered employee payroll	\$ 641,178	\$ 662,172	\$ 653,941
Net Pension Liability as a percentage of			
covered employee payroll	-25.42%	-20.33%	-7.02%

Note: Years will continue to be added until there are 10 years for comparison

**CITY OF LEONARD, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total OPEB liability			
Service cost	\$ 1,988	\$ 1,722	\$ 2,681
Interest (on the Total OPEB Liability)	1,240	1,332	1,465
Changes of benefit terms	-	-	-
Difference between expected and actual experience	1,362	(1,303)	(8,944)
Change of assumptions	7,505	7,717	(2,661)
Benefit payments, including refunds of employee contributions	(321)	(530)	(327)
Net Change in Total Pension Liability	<u>11,774</u>	<u>8,938</u>	<u>(7,786)</u>
Total OPEB Liability - Beginning	44,241	35,303	43,089
Total OPEB Liability - Ending	<u><u>\$ 56,015</u></u>	<u><u>\$ 44,241</u></u>	<u><u>\$ 35,303</u></u>
Covered employee payroll	\$ 641,178	\$ 662,172	\$ 653,941
Total OPEB Liability as a percentage of covered employee payroll	8.74%	6.68%	5.40%

Note: Years will continue to be added until there are 10 years for comparison

**CITY OF LEONARD, TEXAS
GENERAL FUND-STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUE				
Property taxes	\$ 686,460	\$ 686,460	\$ 481,117	\$ (205,343)
Franchise taxes	89,250	89,250	88,493	(757)
Sales tax	252,300	252,300	371,931	119,631
Fines	35,000	35,000	37,861	2,861
Sanitation revenues	306,895	306,895	286,157	(20,738)
Permits	23,000	23,000	16,001	(6,999)
Miscellaneous	101,952	101,952	229,876	127,924
Total revenues	1,494,857	1,494,857	1,511,436	16,579
EXPENDITURES				
Current:				
General government	637,522	637,522	619,362	18,160
Court	14,600	14,600	977	13,623
Library	39,181	39,181	32,831	6,350
Streets	53,400	53,400	94,337	(40,937)
Fire	45,150	45,150	63,380	(18,230)
Police	425,527	425,527	389,675	35,852
Parks	76,900	76,900	54,215	22,685
				-
Capital outlays:				
Fire	25,000	25,000	15,192	9,808
Parks	98,827	98,827	64,620	34,207
				-
Debt Service				
Principal Retirement	-	-	83,162	(83,162)
Interest and Fiscal Agent Fees	-	-	9,385	(9,385)
Total expenditures	1,416,107	1,416,107	1,427,136	(11,029)
Excess (deficiency) of revenues over (under) expenditures	78,750	78,750	84,300	27,608
OTHER FINANCING SOURCES (USES)				
Interest income	2,000	2,000	6,665	4,665
Transfers	-	-	92,547	92,547
Total other financing sources (uses)	2,000	2,000	99,212	97,212
Net change in Fund Balance	80,750	80,750	183,512	
Fund Balance/Equity, October 1	750,548	750,548	750,548	
Prior Period Adjustments	-	-	-	
Fund Balance/Equity, September 30	\$ 831,298	\$ 831,298	\$ 934,060	

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