

ANNUAL FINANCIAL REPORT

City of Leonard, Texas

Fiscal Year Ended September 30, 2024



**CITY OF LEONARD, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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INTRODUCTORY SECTION

City of Leonard, Texas
City Council
For the Year Ended September 30, 2024

Council Members:

Michael Pye	Mayor
Al Stephens	Mayor Pro-Tem
Leonard Philips	Council Member
Peyton Webster	Council Member
Billy Wayne Martin	Council Member
Bobby Hanson	Council Member

FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
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Point, Texas 75472

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INDEPENDENT AUDITOR'S REPORT

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

Members of the City Council:

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leonard, Texas as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Leonard, Texas' basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leonard, Texas as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Leonard, Texas, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from

material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Leonard, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Leonard, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement that basis financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leonard, Texas' basic financial statements. The individual component unit financial statements are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual component unit financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

Respectfully Submitted,

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas
January 21, 2025

CITY OF LEONARD, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2024

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, 2024. 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 \$3,451,903 (net position).
- The City's total net position increased by \$288,522 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 \$667,600, a decrease of (\$236,559), or (37%) in comparison with the prior year. Approximately 94% of this total amount, or \$626,428, 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 \$626,428, or 26%, of total general fund expenditures.
- The City's total debt increased by \$4,121,437, or 44% 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, 2024**

Basic Financial Statements

The first two statements (pages 17-20) 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 21-27) 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 28-44). 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 17-20 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, 2024

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 21-24 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 25-27 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 28-44 of this report.

CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2024

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 1,023,366	\$ 1,146,076	\$ 15,808,634	\$ 7,864,751	\$16,832,000	\$ 9,010,827
Capital assets	1,716,010	1,674,954	2,335,480	1,855,427	4,051,490	3,530,381
Total assets	2,739,376	2,821,030	18,144,114	9,720,178	20,883,490	12,541,208
Deferred outflows-pension	94,858	111,411	51,078	59,990	145,936	171,401
Current liabilities	238,241	173,255	7,966,643	4,105,111	8,204,884	4,278,366
Long-term liabilities	248,056	319,517	9,033,239	4,817,329	9,281,295	5,136,846
Total liabilities	486,297	492,772	16,999,882	8,922,440	17,486,179	9,415,212
Deferred inflows-pension	59,374	87,110	31,970	46,905	91,344	134,015
Net position:						
Net investment in capital assets	1,418,022	1,283,601	1,395,260	1,310,515	2,813,282	2,594,116
Restricted	41,172	260,583	-	-	41,172	260,583
Unrestricted	829,369	808,375	(231,920)	(499,692)	597,449	308,683
Total net position	\$ 2,288,563	\$ 2,352,559	\$ 1,163,340	\$ 810,823	\$ 3,451,903	\$ 3,163,382

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, \$3,451,903, as of September 30, 2024. Net position increased by \$288,521, or 9% for the fiscal year ended September 30, 2024.

Net investment in capital assets:

The largest portion of the City's net position, \$2,813,282, or 82%, 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 \$41,172, or 1%, represents external restrictions on how they may be used, or by enabling legislation.

Unrestricted net position:

The City has an unrestricted net position of \$597,449.

CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2024

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
REVENUE						
Program Revenues						
Charge for Services	\$ 649,653	\$ 534,612	\$ 1,028,706	\$ 901,378	\$ 1,678,359	\$ 1,435,990
General Revenues						
Property Tax	826,435	716,063	-	-	826,435	716,063
Franchise Tax	94,925	96,549	-	-	94,925	96,549
Sales Tax	449,731	402,675	-	-	449,731	402,675
Investment Income	14,957	19,719	449,703	131,842	464,660	151,561
Miscellaneous	3,189	182,768	25,905	-	29,094	182,768
Grant income	321,424	17,844	512,756	142,308	834,180	160,152
Total Revenues	2,360,314	1,970,230	2,017,070	1,175,528	4,377,384	3,145,758
EXPENSES						
Program Expenses						
General Government	883,910	739,053	-	-	883,910	739,053
Police	622,190	588,297	-	-	622,190	588,297
Court expenses	25,862	17,132	-	-	25,862	17,132
Code enforcement	188,773	-	-	-	188,773	-
Streets	251,195	176,349	-	-	251,195	176,349
Parks and recreation	85,137	131,694	-	-	85,137	131,694
Fire	80,653	84,810	-	-	80,653	84,810
Library	55,485	49,540	-	-	55,485	49,540
Interest Expense	19,887	16,690	-	-	19,887	16,690
Water and sewer	-	-	1,875,771	1,547,771	1,875,771	1,547,771
Total Expenses	2,213,092	1,803,565	1,875,771	1,547,771	4,088,863	3,351,336
Increase (decrease) in net position before transfers	147,222	166,665	141,299	(372,243)	288,521	(205,578)
Transfers	(211,218)	(6,712)	211,218	6,712	-	-
Increase (decrease) in net position	(63,996)	159,953	352,517	(365,531)	288,521	(205,578)
Net Position - October 1	2,352,559	2,192,606	810,823	1,176,354	3,163,382	3,368,960
Prior Period Adjustments	-	-	-	-	-	-
Net Position - September 30	\$ 2,288,563	\$ 2,352,559	\$ 1,163,340	\$ 810,823	\$ 3,451,903	\$ 3,163,382

CITY OF LEONARD, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2024

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 \$626,428. 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 26% of total General Fund expenditures.

At September 30, 2024, the governmental funds of the City of Leonard reported a combined fund balance of \$667,600, a 26% 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 (\$231,920), a deficit balance.

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, 2024

Capital assets - The City of Leonard's capital assets for its governmental and business-type activities as of September 30, 2024, totals, \$4,051,490, net of accumulated depreciation. The capital assets include buildings, roads and bridges, machinery and equipment.

Capital Assets
As of September 30, 2024
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Infrastructure	\$ 400,367	\$ 334,813	\$ 2,039,973	\$ 1,523,956	\$ 2,440,340	\$ 1,858,769
Buildings	646,144	712,346	-	-	646,144	712,346
Machinery & Equipment	563,009	521,305	291,297	327,261	854,306	848,566
Land	106,490	106,490	4,210	4,210	110,700	110,700
Total	\$ 1,716,010	\$ 1,674,954	\$ 2,335,480	\$ 1,855,427	\$ 4,051,490	\$ 3,530,381

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, 2024, the City of Leonard had total long-term debt outstanding of \$5,197,089 which increased \$4,121,437 from the previous year.

Outstanding Long-term Debt
As of September 30, 2024

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Notes payable	297,988	391,353	187,538	205,736	485,526	597,089
Bonds payable	-	-	8,833,000	4,600,000	8,833,000	4,600,000
Total	\$ 297,988	\$ 391,353	\$ 9,020,538	\$ 4,805,736	\$ 9,318,526	\$ 5,197,089

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, 2024

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 598,952	\$ -	\$ 598,952	\$ 540,536
Receivables (net of allowance for uncollectibles)	132,158	106,839	238,997	31,535
Due from other funds	5,127	35,188	40,315	-
Net Pension Asset	126,210	66,312	192,522	-
Restricted assets:				
Cash and cash equivalents	160,919	1,509,695	1,670,614	-
Cash held in escrow	-	14,090,600	14,090,600	-
Capital assets not being depreciated:				
Land	106,490	4,210	110,700	100,110
Capital assets, net of accumulated depreciation:				
Infrastructure	400,367	2,039,973	2,440,340	-
Buildings and improvements	646,144	-	646,144	-
Machinery and equipment	563,009	291,297	854,306	-
Total assets	2,739,376	18,144,114	20,883,490	672,181
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension	94,858	51,078	145,936	-
LIABILITIES				
Current Liabilities:				
Accounts payable	111,809	111,796	223,605	733
Due to other funds	40,313	-	40,313	-
Other liabilities	12,600	5,301	17,901	-
Deficit cash balance	-	549,603	549,603	-
Deferred covid funding	-	308,863	308,863	-
Deferred TWDB grant funding	-	6,896,513	6,896,513	-
Deposits payable	-	94,567	94,567	-
Notes payable	73,519	19,200	92,719	-
Bonds payable	-	263,000	263,000	-
Noncurrent liabilities:				
Net OPEB liability	23,587	12,701	36,288	-
Notes payable	224,469	168,338	392,807	-
Bonds payable	-	8,570,000	8,570,000	-
Total liabilities	486,297	16,999,882	17,486,179	733
DEFERRED INFLOW OF RESOURCES				
Deferred pension	59,374	31,970	91,344	-
NET POSITION				
Net investment in capital assets	1,418,022	1,395,260	2,813,282	100,110
Restricted for:				
Debt service	41,172	-	41,172	-
Unrestricted	829,369	(231,920)	597,449	571,338
Total net position	\$ 2,288,563	\$ 1,163,340	\$ 3,451,903	\$ 671,448

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, 2024**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 883,910	\$ 460,316	\$ 218,677	\$ 61,408
Law Enforcement	622,190	84	7,502	7,677
Courts	25,862	44,010	-	-
Code enforcement	188,773	99,189	-	-
Fire	80,653	-	-	20,000
Library	55,485	343	6,160	-
Streets	251,195	-	-	-
Parks	85,137	45,710	-	-
Interest	19,887	-	-	-
Total governmental activities	2,213,092	649,652	232,339	89,085
Business-type activities:				
Water and Sewer	1,875,771	1,028,706	20,313	492,443
Total business-type activities	1,875,771	1,028,706	20,313	492,443
Total primary government	\$ 4,088,863	\$ 1,678,358	\$ 252,652	\$ 581,528
Component Unit				
Community Development Corporation	\$ 26,620		\$ -	\$ -

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	
\$ (143,509)	\$ -	\$ (143,509)	\$ -
(606,927)	-	(606,927)	-
18,148	-	18,148	-
(89,584)	-	(89,584)	-
(60,653)	-	(60,653)	-
(48,982)	-	(48,982)	-
(251,195)	-	(251,195)	-
(39,427)	-	(39,427)	-
(19,887)	-	(19,887)	-
(1,242,016)	-	(1,242,016)	-
-	(334,309)	(334,309)	-
-	(334,309)	(334,309)	-
\$ (1,242,016)	\$ (334,309)	\$ (1,576,325)	\$ -
			\$ (26,620)
\$ 826,435	\$ -	\$ 826,435	\$ -
449,731	-	449,731	89,534
94,925	-	94,925	-
14,957	449,703	464,660	14,884
3,189	25,907	29,096	167
(211,218)	211,218	-	-
1,178,019	686,828	1,864,847	104,585
(63,997)	352,519	288,522	77,965
2,352,560	810,821	3,163,381	593,483
\$ 2,288,563	\$ 1,163,340	\$ 3,451,903	\$ 671,448

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, 2024

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 729,731	\$ 30,140	\$ 759,871
Receivables (net of allowance for uncollectibles)	126,251	5,905	132,156
Due from other funds	-	5,127	5,127
Total assets	855,982	41,172	897,154
LIABILITIES			
Accounts payable	111,809	-	111,809
Due to other funds	40,313	-	40,313
Other liabilities	12,595	-	12,595
Total liabilities	164,717	-	164,717
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	64,837	-	64,837
Total deferred inflows of resources	64,837	-	64,837
FUND BALANCE			
Restricted - Debt	-	41,172	41,172
Unassigned	626,428	-	626,428
Total fund balance	626,428	41,172	667,600
Total liabilities, deferred inflows of resources and fund balance	\$ 855,982	\$ 41,172	\$ 897,154

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, 2024

Total fund balance - governmental funds balance sheet	\$ 667,600
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.	4,553,318
Accumulated depreciation has not been included in governmental fund financial statements.	(2,837,311)
Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statement.	64,837
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.	(297,988)
Net pension asset and OPEB liability is not due and payable within the current period.	138,107
Net position of governmental activities - statement of net position	<u>\$ 2,288,563</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, 2024

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 725,908	\$ 103,687	\$ 829,595
Franchise taxes	94,925	-	94,925
Sales tax	449,731	-	449,731
Charges for services	603,241	-	603,241
Permits	69,188	-	69,188
Fines	44,010	-	44,010
Grant proceeds	96,587	-	96,587
Intergovernmental	93,313	-	93,313
Miscellaneous	6,160	-	6,160
Total revenues	2,183,063	103,687	2,286,750
EXPENDITURES			
Current:			
General government	850,811	-	850,811
Court	25,862	-	25,862
Code enforcement	188,773	-	188,773
Library	49,657	-	49,657
Streets	203,923	-	203,923
Fire	58,861	-	58,861
Police	610,282	-	610,282
Parks	71,925	-	71,925
Capital outlays:			
General government	67,948	-	67,948
Police	77,349	-	77,349
Library	8,188	-	8,188
Streets	22,635	-	22,635
Fire	39,349	-	39,349
Debt Service			
Principal Retirement	93,365	-	93,365
Interest and Fiscal Agent Fees	17,840	2,048	19,888
Total expenditures	2,386,768	2,048	2,388,816
Excess (Deficiency) of Revenues over Expenditures	(203,705)	101,639	(102,066)
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Insurance proceeds	3,189	-	3,189
Rental income	58,578	-	58,578
Interest income	13,584	1,374	14,958
Transfers	111,205	(322,423)	(211,218)
Total Other Financing Sources (Uses)	186,556	(321,049)	(134,493)
Net change in fund balance	(17,149)	(219,410)	(236,559)
Fund balance, beginning of year	643,577	260,582	904,159
Fund balance, end of year	\$ 626,428	\$ 41,172	\$ 667,600

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, 2024

Net change in fund balance - total governmental funds \$ (236,559)

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

Governmental funds report capital outlays as expenditures. However, in the 215,470
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.

Depreciation is not recognized as an expense in governmental funds since it (174,413)
does not require the use of current financial resources.

Revenues in the statement of activities that do not provide current financial (3,161)
resources are not reported as revenue in the fund financial statement.

Changes in net pension assets are not shown in the fund financial 41,301
statements.

Current year debt principal payments on contractual obligations are expenditures 93,365
in the fund financial statements but are shown as reductions in long-term
debt in the government-wide financial statements

Change in net position of governmental activities - statement of activities \$ (63,997)

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, 2024

	Proprietary Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ -
Receivables (net of allowance for uncollectible)	106,839
Due from other funds	35,188
Restricted cash and cash equivalents	1,509,695
Cash held in escrow	14,090,600
Total current assets	<u>15,742,322</u>
Noncurrent assets:	
Net pension asset	66,312
Capital assets:	
Land	4,210
Machinery & equipment	661,783
Infrastructure	6,261,757
Less: accumulated depreciation	<u>(4,592,270)</u>
Total noncurrent assets	<u>2,401,792</u>
Total assets	<u>18,144,114</u>
DEFERRED OUTFLOW OF REOURCES	
Deferred pension	<u>51,078</u>
LIABILITIES	
Current liabilities:	
Accounts payable	111,796
Deficit cash balance	549,603
Other Liabilities	5,301
Deferred covid funding	308,863
Deferred TWDB grant proceeds	6,896,513
Payable from restricted assets:	
Customer deposits	94,567
Notes payable - current	19,200
Bonds payable	263,000
Net OPEB liability	12,701
Total current liabilities	<u>8,261,544</u>
Noncurrent Liabilities:	
Notes payable	168,338
Bonds payable	8,570,000
Total noncurrent liabilities	<u>8,738,338</u>
Total liabilities	<u>16,999,882</u>
DEFERRED INFLOW OF REOURCES	
Deferred pension	<u>31,970</u>
NET POSITION	
Net investment in capital assets	1,395,260
Unrestricted	<u>(231,920)</u>
Total net position	<u>\$ 1,163,340</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, 2024

	Proprietary Fund
OPERATING REVENUES:	
Charges for services:	
Sewer fees	\$ 390,976
Water fees	637,730
Grant income	492,443
Intergovernmental revenue	20,313
Miscellaneous revenue	25,907
Total operating revenues	<u>1,567,369</u>
OPERATING EXPENSES:	
Salaries and payroll expense	487,763
Supplies and materials	192,970
Maintenance and repair	203,698
Contractual services	437,024
Depreciation	138,492
Total operating expenses	<u>1,459,947</u>
Operating income (loss)	<u>107,422</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(178,520)
Debt issue costs	(237,304)
Investment income	449,703
Total non-operating revenues (expenses)	<u>33,879</u>
Income (loss) before capital contributions and transfers	<u>141,301</u>
Transfers out	<u>211,218</u>
Change in net position	352,519
Net position - beginning	810,821
Net position - ending	<u><u>\$ 1,163,340</u></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, 2024

	Proprietary Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,455,518
Cash payments to employees for services	(497,777)
Cash payments to suppliers for goods and services	(833,692)
Net cash provided by (used in) operating activities	<u>124,049</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	211,218
Cash used in noncapital financing activities	<u>211,218</u>
Cash Flows from Capital and Related Financing Activities	
Interest and fiscal charges on debt	(415,824)
Acquisition of capital assets	(618,545)
Principal forgiveness grant proceeds	4,050,513
Principal paid on debt	(110,201)
Issuance of debt	4,325,000
Cash used in capital and related financing activities	<u>7,230,943</u>
Cash Flows from Investing Activities	
Investment earnings	449,703
Cash provided by (used in) investing activities	<u>449,703</u>
Net increase (decrease) in cash and cash equivalents	8,015,913
Cash and cash equivalents at beginning of year	7,034,779
Cash and cash equivalents at end of year	<u>\$ 15,050,692</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ 107,422
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	138,492
Change in assets and liabilities:	
Decrease (increase) in receivables	22,762
Increase (decrease) in accounts payable	(2,096)
Increase (decrease) in customer deposits	6,225
Increase (decrease) in unearned revenues	(96,738)
Increase (decrease) in other liabilities	(52,018)
Total adjustments	<u>16,627</u>
Net cash provided by (used in) operating activities	<u>\$ 124,049</u>

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, 2024**

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"), and the American Institute of Certified Public Accountants, in the publication entitled *State and Local Governments-Audit and Accounting Guide*. The more significant policies of the City are described below:

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- there is a fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. The GASB Codification requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the following is a brief review of the component unit addressed in defining the government's reporting entity. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB codification.

The Leonard Community Economic Development Corporation is a nonprofit corporation organized in accordance with the Texas Development Corporation Act of 1979. It is a Type B Economic Development Corporation governed by the Texas Local Government Code Sections 501-505 and is operated exclusively for the purpose of benefitting and accomplishing public purposes of the City of Leonard, Texas. The economic benefits provided by the Corporation will benefit the City by stimulating the need for housing, retail sales, entertainment, etc. within the City. The services provided by the Corporation are almost entirely for the benefit of the City. The sales tax that funds the Leonard Community Economic Development Corporation Type B is received by the City from the State and is passed to the Corporation. The Corporation's financial statements are "blended" within the City of Leonard's Basic Financial Statements.

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, 2024**

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 has no 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.

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.

**CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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.

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.

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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.

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's General Fund that includes amounts not contained in the other classifications.

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

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.

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, 2024, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,020,524 and the bank balance was \$990,520. The City's cash deposits at September 30, 2024, and during the year ended September 30, 2024, were entirely covered by FDIC or additional pledged securities.

Cash and investments as of September 30, 2024 consist of and are classified as follows:

Statement of net position:

Primary Government:

Cash and cash equivalents	\$ 143,916
Restricted cash and cash equivalents	1,576,046
Cash held in escrow	14,090,600
Total cash and cash equivalents	<u>\$ 15,810,562</u>

Governmental restricted cash:

Court	19,335
Covid	36,994
Police	10,377
Street maintenance	64,073
Debt service	30,140
Total governmental restricted cash and cash equivalents	<u>\$ 160,919</u>

Business-type restricted cash

Customer deposits	\$ 94,567
Covid funds	298,531
Construction funds	1,116,597
Construction funds - Escrowed by Third Party	14,090,600
Total business-type restricted cash and cash equivalents	<u>\$ 15,600,295</u>

Total restricted cash and cash equivalents	<u>\$ 15,761,214</u>
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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.

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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.

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.

E. RECEIVABLES

Receivables at September 30, 2024 for the government's individual major funds, including the applicable allowances for uncollectable accounts are as follows:

	General	Proprietary	Total
Receivables:			
Taxes	\$ 138,860	\$ -	\$ 138,860
Fees & Services	26,055	106,839	132,894
Allowance for uncollectible	(32,758)	-	(32,758)
Net Receivables	<u>\$ 132,157</u>	<u>\$ 106,839</u>	<u>\$ 238,996</u>

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

F. CAPITAL ASSETS

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 106,490	\$ -	\$ -	\$ 106,490
Construction In Progress	-	-	-	-
Total capital assets, not being depreciated	106,490	-	-	106,490
Capital assets, being depreciated:				
Buildings & Improvements	2,092,344	8,188	-	2,100,532
Infrastructure	353,370	90,583	-	443,953
Machinery & Equipment	1,785,644	116,699	-	1,902,343
Total capital assets being depreciated	4,231,358	215,470	-	4,446,828
Less accumulated depreciation for:				
Buildings & Improvements	(1,379,999)	(74,390)	-	(1,454,389)
Infrastructure	(18,557)	(25,029)	-	(43,586)
Machinery & Equipment	(1,284,339)	(74,994)	-	(1,359,333)
Total accumulated depreciation	(2,682,895)	(174,413)	-	(2,857,308)
Total capital assets being depreciated, net	1,548,463	41,057	-	1,589,520
Governmental activities capital assets, net	<u>\$ 1,654,953</u>	<u>\$ 41,057</u>	<u>\$ -</u>	<u>\$ 1,696,010</u>
	Beginning Balances	Additions	Decreases	Ending Balances
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 4,210	\$ -	\$ -	\$ 4,210
Construction In Progress	-	-	-	-
Total capital assets, not being depreciated	4,210	-	-	4,210
Capital assets, being depreciated				
Infrastructure	5,643,212	618,545	-	6,261,757
Equipment	661,783	-	-	661,783
Total assets being depreciated	6,304,995	618,545	-	6,923,540
Less accumulated depreciation for:				
Buildings & Improvements	-	-	-	-
Infrastructure	(4,119,255)	(102,528)	-	(4,221,783)
Equipment	(334,523)	(35,964)	-	(370,487)
Total accumulated depreciation	(4,453,778)	(138,492)	-	(4,592,270)
Total capital assets, being depreciated, net	1,851,217	480,053	-	2,331,270
Business-type activities capital assets, net	<u>\$ 1,855,427</u>	<u>\$ 480,053</u>	<u>\$ -</u>	<u>\$ 2,335,480</u>

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

Governmental activities:	
Administration	\$ 33,099
Law enforcement and fire	33,702
Parks and Library	19,040
Streets	88,572
Total depreciation expense - governmental activities	<u>\$ 174,413</u>
Business-type activities:	
Water and Sewer Fund	<u>\$ 138,492</u>

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

G. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions for the year ended September 30, 2024, follows:

Primary Government:

Governmental Activities:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2023	Issued	Retired	Amounts Outstanding September 30, 2024	Due Within One Year
2018 Fire Truck Loan	4.581%	\$ 211,555	\$ 138,107	\$ -	\$ (20,520)	\$ 117,587	\$ 21,459
2022 Ford Interceptor	3.149%	69,811	23,131	-	(23,131)	-	-
2021 Asphalt Zipper Loan	4.250%	188,217	153,566	-	(36,123)	117,443	37,659
2023 GCC 2023 Ford F150	5.975%	76,549	76,549	-	(13,591)	62,958	14,401
Total		<u>\$ 546,132</u>	<u>\$ 391,353</u>	<u>\$ -</u>	<u>\$ (93,365)</u>	<u>\$ 297,988</u>	<u>\$ 73,519</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2025	73,519	10,128	83,647
2026	76,961	10,687	87,648
2027	80,162	7,495	87,657
2028	41,676	3,321	44,997
2029	25,670	1,176	26,846
Totals	<u>\$ 297,988</u>	<u>\$ 32,807</u>	<u>\$ 330,795</u>

\$211,555 Series 2019 notes payable issued to purchase a Ford Skeeter 2-door 600 gallon fire truck. The note matures in fiscal year 2028.

\$69,310 Series 2022 notes payable issued to purchase a 2022 Ford Interceptor police car. The note matures in fiscal 2024.

\$188,217 Series 2022 notes payable issued to purchase a 2021 asphalt zipper machine. The note matures in fiscal year 2027.

\$76,549 Series 2023 notes payable with Government Capital Corporation to purchase a 2023 Ford F150 pickup truck. The note mature in fiscal year 2

Business-Type Activities:

Notes Payable:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2023	Issued	Retired	Amounts Outstanding September 30, 2024	Due Within One Year
Pipe Bursting Equipment Loan	4.581%	\$ 52,889	\$ 34,527	\$ -	\$ (5,130)	\$ 29,397	\$ 5,365
GCC Jetter System Loan	5.872%	171,209	171,209	-	(13,068)	158,141	13,835
Total		<u>\$ 224,098</u>	<u>\$ 205,736</u>	<u>\$ -</u>	<u>\$ (18,198)</u>	<u>\$ 187,538</u>	<u>\$ 19,200</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2025	19,200	10,633	29,833
2026	20,258	9,575	29,833
2027	21,375	8,457	29,832
2028	22,554	7,278	29,832
2029	23,800	6,033	29,833
2030 to 2033	80,351	12,132	92,483
Totals	<u>\$ 187,538</u>	<u>\$ 54,108</u>	<u>\$ 241,646</u>

\$52,889, Series 2022 note payable to purchase pipe bursting equipment. The note payable matures on December 15, 2028.

\$171,209, Series 2023 note payable with Government Capital Corporation for a Jetter System. The note matures in fiscal year 2028.

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Bonds Payable:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2023	Issued	Retired	Amounts Outstanding September 30, 2023	Due Within One Year
Series 2023 A - TWDB	1.66% to 2.79%	\$ 815,000	\$ 815,000	\$ -	\$ (20,000)	\$ 795,000	\$ 20,000
Series 2023 B - TWDB	0.000%	2,035,000	2,035,000	-	(70,000)	1,965,000	70,000
Series 2024 A - TWDB	0.000%	2,040,000	-	2,040,000	-	2,040,000	70,000
Series 2024 B - TWDB	2.42% to 3.15%	2,285,000	-	2,285,000	-	2,285,000	50,000
Series 2022 CO.	5.580%	1,750,000	1,750,000	-	(2,000)	1,748,000	53,000
Total		<u>\$ 8,925,000</u>	<u>\$ 4,600,000</u>	<u>\$ 4,325,000</u>	<u>\$ (92,000)</u>	<u>\$ 8,833,000</u>	<u>\$ 263,000</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2025	263,000	174,010	437,010
2026	261,000	174,371	435,371
2027	264,000	169,675	433,675
2028	268,000	164,839	432,839
2029	272,000	159,699	431,699
2030 to 2034	1,474,000	712,368	2,186,368
2035 to 2039	1,666,000	535,323	2,201,323
2040 to 2044	1,765,000	305,150	2,070,150
2045 to 2049	1,310,000	160,296	1,470,296
2049 to 2054	1,290,000	61,078	1,351,078
Totals	<u>\$ 8,833,000</u>	<u>\$ 2,616,809</u>	<u>\$ 11,449,809</u>

\$815,000, Series 2023A with the Texas Water Development Board to be used for the purpose of paying all or a portion of the issuer's contractual obligations incurred in connection with: (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the Issuer's waterworks system, including sewerlines, lift stations, manholes, pipes, fittings, valves, and related infrastructure; and (ii) paying legal, fiscal and engineering fees in connection with such projects. The bonds mature in fiscal year 2053.

\$2,035,000, Series 2023B with the Texas Water Development Board to be used for the purpose of paying all or a portion of the issuer's contractual obligations incurred in connection with: (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the Issuer's waterworks system, including sewer lines, lift stations, manholes, pipes, fittings, valves, and related infrastructure; and (ii) paying legal, fiscal and engineering fees in connection with such projects. The bonds mature in fiscal year 2053.

\$1,750,000, Series 2022 Certificates of Obligation to be used for the purpose of paying all or a portion of the issuer's contractual obligations incurred (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the Issuer's waterworks system, including facilities, water lines, water storage facilities, pumps, valves, meters and related infrastructure improvements; and (ii) legal, fiscal and engineering connection with these projects.

\$2,040,000, Series 2024A with the Texas Water Development Board to be used for the purpose of paying all or a portion of the issuer's contractual obligations incurred in connection with: (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the Issuer's waterworks system, including water storage facilities, water lines, pumps, valves, fittings, SCADA, electrical system and related infrastructure; and (ii) paying legal, fiscal and engineering fees in connection with such projects. The bonds mature in fiscal year 2054.

\$2,285,000, Series 2024B with the Texas Water Development Board to be used for the purpose of paying all or a portion of the issuer's contractual obligations incurred in connection with: (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the Issuer's waterworks system, including water storage facilities, water lines, pumps, valves, fittings, SCADA, electrical system and related infrastructure; and (ii) paying legal, fiscal and engineering fees in connection with such projects. The bonds mature in fiscal year 2054.

The City also received in fiscal year 2023 additional funding of \$2,846,000 in assistance in the form of Principal Forgiveness to be used to fund the water/utility system improvements within the City.

The City also received in fiscal year 2024 additional funding of \$4,155,000 in assistance in the form of Principal Forgiveness to be used to fund the water/utility system improvements within the City.

**CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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.

**CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	27
Active employees	17
	<hr/> 55

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.

Employees of the City of Leonard were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates of the City of Leonard were 2.17% and 4.80% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 was \$49,034, and was in excess of the required contribution.

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 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.

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	35.0%	6.70%
Core fixed income	6.0%	4.70%
Non-core fixed income	20.0%	8.00%
Other public and private markets	12.0%	8.00%
Real estate	12.0%	7.60%
Hedge funds	5.0%	6.40%
Private equity	10.0%	11.60%
	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.

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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	\$ (45,131)	\$ (192,522)	\$ (313,735)

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.

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

For the year ended September 30, 2024, the city recognized pension expense of (\$13,067).

At September 30, 2024, 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	7	1,739
Changes in actuarial assumptions	-	3,289
Difference between projected and actual investment earnings	98,510	70,459
Contributions subsequent to the measurement date	37,780	-
Total	136,297	75,487

A total of \$37,780 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, 2024. 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:	
2024	\$ 3,016
2025	8,579
2026	22,134
2027	(10,699)
2028	-
Thereafter	-
Total	\$ 23,030

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.

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

G. Total OPEB Liability

The City of Leonard's total OPEB liability of \$36,288 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA index" rate as of December 31, 2022.

Mortality rates - service retirees:

2023 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2001 (with immediate convergence).

Mortality rates - disabled retirees:

2022 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 MP-2021 (with immediate convergence) to account for mortality improvements subject to the floor.

Membership	
Number of:	
-Inactive employees currently receiving benefits	5
-Inactive employees entitled to but not yet receiving benefits	3
-Active employees	17
Total	<u>25</u>

Changes in the Total OPEB Liability:

Total OPEB Liability - beginning of year	\$ 33,122
Changes for the year:	
Service costs	2,182
Interest on Total OPEB Liability	1,322
Changes in benefit terms	-
Differences between expected and actual experience	1,490
Changes in assumptions or other inputs	1,302
Benefit payments	(3,130)
Total OPEB Liability - end of year	<u>\$ 36,288</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 (-2.77 percent) or 1-percentage-point higher (4.77%) than the current discount rate.

	1% Decrease (2.77%)	Current Discount 3.77%	1% Increase 4.77%
Total OPEB Liability	\$ 42,547	\$ 36,288	\$ 31,387

Deferred (Inflows)/Outflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,193
Changes in assumptions and other inputs	-	3,931
Contributions made subsequent to measurement date	2,906	-
Total	<u>\$ 2,906</u>	<u>\$ 9,124</u>

CITY OF LEONARD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

	Net Deferred Outflows (Inflows) of Resources
2024	\$ (2,779)
2025	(4,338)
2026	(2,475)
2027	468
2028	-
Thereafter	-
Total	<u>\$ (9,124)</u>

H. LITIGATION

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

I. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2024 up through January 21, 2025, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.

K. 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.

<u>Violation</u>	<u>Actions Taken</u>
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:

<u>Violation</u>	<u>Actions Taken</u>
N/A	N/A

2. Deposits and Investments

Cash Deposits

At September 30, 2024, the carrying amount of the LCDC's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$540,536 and the bank balance was \$540,536. LCDC's cash deposits at September 30, 2024 and during the year ended September 30, 2024 were entirely covered by FDIC or pledged securities.

Cash and investments, as of September 30, 2024, 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>\$ 540,536</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, 2024

L. ECONOMIC DEVELOPMENT CORPORATION (continued)

3. Receivables

Accounts receivable at the end of the fiscal year is due from the City in the amount of \$31,5355 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, 2024 up through January 21, 2025, 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	\$ 100,110	\$ -	\$ -	\$ 100,110
Total capital assets, not being depreciated	100,110	-	-	100,110
Capital assets, being depreciated				
Buildings & Improvements	-	-	-	-
Total assets being depreciated	-	-	-	-
Less accumulated depreciation for:				
Buildings & Improvements	-	-	-	-
Total accumulated depreciation	-	-	-	-
Total capital assets, being depreciated, net	-	-	-	-
Business-type activities capital assets, net	<u>\$ 100,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,110</u>



REQUIRED SUPPLEMENTARY INFORMATION

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, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUE				
Property taxes	\$ 707,003	\$ 707,003	\$ 725,908	\$ 18,905
Franchise taxes	95,036	95,036	94,925	(111)
Sales tax	349,416	349,416	449,731	100,315
Fines	51,643	51,643	44,010	(7,633)
Charges for services	463,868	463,868	603,241	139,373
Permits	33,000	33,000	69,188	36,188
Grant proceeds	-	-	96,587	96,587
Intergovernmental	-	-	93,313	93,313
Miscellaneous	-	-	6,160	6,160
Total revenues	1,699,966	1,699,966	2,183,063	483,097
EXPENDITURES				
Current:				
General government	772,873	772,873	850,811	(77,938)
Court	18,651	18,651	25,862	(7,211)
Code enforcement	41,935	41,935	188,773	(146,838)
Library	45,858	45,858	49,657	(3,799)
Streets	136,714	136,714	203,923	(67,209)
Fire	74,764	74,764	58,861	15,903
Police	642,623	642,623	610,282	32,341
Parks	33,375	33,375	71,925	(38,550)
Capital outlays:				
General government	-	-	67,948	(67,948)
Police	-	-	77,349	(77,349)
Library	-	-	8,188	(8,188)
Streets	-	-	22,635	(22,635)
Fire	-	-	39,349	(39,349)
Parks	-	-	-	-
Debt Service				
Principal Retirement	-	-	93,365	(93,365)
Interest and Fiscal Agent Fees	-	-	17,840	(17,840)
Total expenditures	1,766,793	1,766,793	2,386,768	(619,975)
Excess (deficiency) of revenues over (under) expenditures	(66,827)	(66,827)	(203,705)	1,103,072
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	3,189	3,189
Rental income	58,578	58,578	58,578	-
Interest income	15,600	15,600	13,584	(2,016)
Transfers	-	-	111,205	111,205
Total other financing sources (uses)	74,178	74,178	186,556	112,378
Net change in Fund Balance	7,351	7,351	(17,149)	
Fund Balance/Equity, October 1	643,577	643,577	643,577	
Fund Balance/Equity, September 30	\$ 650,928	\$ 650,928	\$ 626,428	

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

**CITY OF LEONARD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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

	9.30.2024	9.30.2023	9.30.2022	9.30.2021	9.30.2020
Actuarially determined contribution	\$ 42,470	\$ 17,265	\$ 6,586	\$ 6,533	\$ 8,897
Contributions in relation to the actuarially determined contribution	42,470	17,265	6,586	6,533	8,897
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 982,313	\$ 938,057	\$ 728,998	\$ 683,721	\$ 641,786
Contributions as a percentage of covered employee payroll	4.32%	1.84%	0.90%	0.96%	1.39%

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	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%

Retirement Age

Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully general basis by the most recent Scale MP-2021 (with immediate convergence)

Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence)

Other Information:

Notes

There were no benefit changes during the year.

CITY OF LEONARD, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total pension liability						
Service cost	\$ 121,129	\$ 95,161	\$ 67,854	\$ 54,500	\$ 59,198	\$ 60,947
Interest (on the Total Pension Liability)	67,619	65,695	60,846	56,544	53,820	52,872
Changes of benefit terms	-	17,447	20,724	-	-	-
Difference between expected and actual experience	13	(88,711)	(29,668)	(5,715)	(10,169)	(48,600)
Change of assumptions	(6,054)	-	-	-	(1,194)	-
Benefit payments, including refunds of employee contributions	(65,793)	(47,455)	(69,154)	(68,829)	(49,080)	(51,507)
Net Change in Total Pension Liability	116,914	42,137	50,602	36,500	52,575	13,712
Total Pension Liability - Beginning	974,089	931,952	881,350	844,850	792,275	778,563
Total Pension Liability - Ending	\$ 1,091,003	\$ 974,089	\$ 931,952	\$ 881,350	\$ 844,850	\$ 792,275
Plan Fiduciary Net Position						
Contribution - employer	\$ 37,278	\$ 22,090	\$ 14,861	\$ 15,314	\$ 15,429	\$ 15,353
Contribution - employee	66,398	57,129	45,671	44,882	46,352	45,776
Net investment income	128,940	(85,157)	135,663	74,047	129,306	(25,569)
Benefit payments, including refunds of employee contributions	(65,793)	(47,455)	(69,154)	(68,829)	(49,080)	(51,507)
Administrative expense	(823)	(740)	(630)	(481)	(732)	(495)
Other	(6)	884	5	(19)	(23)	(26)
Net Change in Plan Fiduciary Net Position	165,994	(53,249)	126,416	64,914	141,252	(16,468)
Plan Fiduciary Net Position - Beginning	1,117,531	1,170,780	1,044,364	979,450	838,198	854,666
Plan Fiduciary Net Position - Ending	\$ 1,283,525	\$ 1,117,531	\$ 1,170,780	\$ 1,044,364	\$ 979,450	\$ 838,198
Net Pension Liability - Ending	\$ (192,522)	\$ (143,442)	\$ (238,828)	\$ (163,014)	\$ (134,600)	\$ (45,923)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	117.65%	114.73%	125.63%	118.50%	115.93%	105.80%
Covered employee payroll	\$ 948,543	\$ 816,134	\$ 652,439	\$ 641,178	\$ 662,172	\$ 653,941
Net Pension Liability as a percentage of covered employee payroll	-20.30%	-17.58%	-36.61%	-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, 2024

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total OPEB liability						
Service cost	\$ 2,182	\$ 2,612	\$ 2,675	\$ 1,988	\$ 1,722	\$ 2,681
Interest (on the Total OPEB Liability)	1,322	1,019	1,136	1,240	1,332	1,465
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	1,490	(7,599)	(5,448)	1,362	(1,303)	(8,944)
Change of assumptions	1,302	(16,186)	1,639	7,505	7,717	(2,661)
Benefit payments, including refunds of employee contributions	(3,130)	(1,632)	(1,110)	(321)	(530)	(327)
Net Change in Total Pension Liability	3,166	(21,786)	(1,108)	11,774	8,938	(7,786)
Total OPEB Liability - Beginning	33,122	54,908	56,016	44,241	35,303	43,089
Total OPEB Liability - Ending	<u>\$ 36,288</u>	<u>\$ 33,122</u>	<u>\$ 54,908</u>	<u>\$ 56,015</u>	<u>\$ 44,241</u>	<u>\$ 35,303</u>

Covered employee payroll	\$ 948,543	\$ 816,134	\$ 652,439	\$ 641,178	\$ 662,172	\$ 653,941
Total OPEB Liability as a percentage of covered employee payroll	3.83%	4.06%	8.42%	8.74%	6.68%	5.40%

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



ECONOMIC DEVELOPMENT CORPORATION

**CITY OF LEONARD, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2024**

	EDC Fund
ASSETS	
Cash and cash equivalents	\$ 540,536
Receivables (net of allowance for uncollectibles)	31,535
Fixed assets	100,110
Total assets	<u>672,181</u>
LIABILITIES	
Accounts payable	733
Total liabilities	<u>733</u>
FUND BALANCE	
Unassigned	671,448
Total fund balance	<u>671,448</u>
Total liabilities and fund balance	<u>\$ 672,181</u>

**CITY OF LEONARD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	EDC Fund
REVENUES	
Sales tax income	\$ 89,534
Investment income	14,884
Miscellaneous income	167
Total revenues	<u>104,585</u>
EXPENDITURES	
Current:	
Contract services	1,270
Projects	25,350
Total expenditures	<u>26,620</u>
Net change in fund balance	77,965
Fund balance, beginning of year	593,483
Fund balance, end of year	<u><u>\$ 671,448</u></u>