

CITY OF LEFORS, TEXAS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

City of Lefors, Texas
 Annual Financial Report
 for the Year Ended September 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement Of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Net Position – Proprietary Funds.....	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	16
Statement of Cash Flows – Proprietary Fund.....	17
Notes to the Financial Statements.....	18
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	35
Schedule of Changes in Net Pension Liability and Related Ratios.....	36
Schedule of Contributions.....	37
Schedule of Changes in OPEB Liability and Related Ratios.....	38
Schedule of City's OPEB contributions.....	39
OTHER INFORMATION	
Schedule of Delinquent Taxes Receivable.....	40
OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42
Schedule of Findings and Questioned Costs.....	43
Corrective Action Plan.....	44

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Lefors
P. O. Box 185
Lefors, Texas 79054

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lefors, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Lefors, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major

fund, and the aggregate remaining fund information of City of Lefors, Texas, as of September 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the managements discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions, schedule of changes in OPEB liability and related ratios, and schedule of the city's OPEB contributions on pages 3-8 and 34-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March, 14, 2022 on our consideration of City of Lefors, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Lefors, Texas' internal control over financial reporting and compliance.

Foster, Lambert & Foard LLC

Foster, Lambert & Foard, LLC
March 14, 2022

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Within this section of the City of Lefors (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focused on the City's primary government.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, education, and culture and recreation. Business-type activities include water utilities, and solid waste management.

The City's financial reporting entity includes the funds of the City (primary government). Most of these legally separate organizations operate like City departments or are governed by a board of trustees wholly comprised of the City's Mayor and Council.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

The City has two kinds of funds:

Governmental funds-Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds-The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but contain more detail and additional information, such as cash flows.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Financial Analysis of the City as a Whole

The following table provides a summary of the City's net position at September 30, 2021.

SUMMARY OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 37,554	\$ 837,078	\$ 233,123	\$ 308,832	\$ 270,677	\$ 333,503
Capital assets-net	<u>47,350</u>	<u>85,024</u>	<u>893,397</u>	<u>835,588</u>	<u>940,747</u>	<u>920,612</u>
Total assets	<u>84,904</u>	<u>109,695</u>	<u>1,126,520</u>	<u>1,144,420</u>	<u>1,211,424</u>	<u>1,254,115</u>
Deferred outflows	<u>4,971</u>	<u>3,419</u>	<u>3,750</u>	<u>5,347</u>	<u>8,721</u>	<u>8,766</u>
Other liabilities	13,893	6,052	73,941	83,562	87,834	89,614
Noncurrent liabilities	<u>6,618</u>	<u>2,502</u>	<u>626,774</u>	<u>521,496</u>	<u>633,392</u>	<u>523,998</u>
Total liabilities	<u>20,511</u>	<u>8,554</u>	<u>700,715</u>	<u>605,058</u>	<u>721,226</u>	<u>613,612</u>
Deferred inflows	<u>3,379</u>	<u>2,465</u>	<u>2,548</u>	<u>3,856</u>	<u>5,927</u>	<u>6,321</u>
Net position:						
Net investment in						
capital assets	47,350	85,024	271,616	318,006	318,966	689,924
Restricted	757,610	812,407	-	-	757,610	812,407
Unrestricted – (Deficit)	<u>18,635</u>	<u>17,071</u>	<u>155,391</u>	<u>222,847</u>	<u>36,572</u>	<u>(46,976)</u>
Total net position	<u>\$ 823,595</u>	<u>\$ 914,502</u>	<u>\$ 427,007</u>	<u>\$ 540,853</u>	<u>\$ 1,250,602</u>	<u>\$ 1,455,355</u>

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Revenues:						
Program revenues						
Charges for services	\$ 11,375	\$ 9,127	\$ 592,135	\$ 641,779	\$ 603,510	\$ 650,906
Operating grants and Contributions	5,192	79,145	400,000	-	405,192	79,145
Capital Grants and Contributions	-	29,415	-	-	-	29,415
General revenues						
Property taxes	68,464	71,572	-	-	68,464	71,572
Franchise taxes	17,479	18,887	-	-	17,479	18,887
Sales taxes	22,175	28,421	-	-	22,175	28,421
Interest income	66	152	134	-	200	152
Other income	<u>8,080</u>	<u>4,467</u>	<u>623</u>	<u>-</u>	<u>8,703</u>	<u>4,467</u>
Total revenues	<u>132,831</u>	<u>241,186</u>	<u>992,892</u>	<u>641,779</u>	<u>1,125,723</u>	<u>882,965</u>
Expenses:						
General government	1,863	1,174	-	-	1,863	1,174
Administration	175,645	271,277	-	-	175,645	271,277
Public safety	4,085	1,878	-	-	4,085	1,878
Water, Sewer, Sanitation	-	-	382,546	390,006	382,546	390,006
Gas operations	<u>-</u>	<u>-</u>	<u>57,625</u>	<u>82,500</u>	<u>57,625</u>	<u>82,500</u>
Total expenses	<u>181,593</u>	<u>274,329</u>	<u>440,171</u>	<u>472,506</u>	<u>621,764</u>	<u>746,835</u>
Increase (decrease) in net assets before transfers	(48,762)	(33,143)	552,721	169,273	503,959	136,130
Transfers In (Out)	<u>809,631</u>	<u>116,351</u>	<u>(809,631)</u>	<u>(116,351)</u>	<u>-</u>	<u>-</u>
Change in net position	760,869	83,208	(256,910)	52,922	503,959	136,130
Beginning net position	69,832	823,595	683,917	427,007	753,749	1,250,602
Prior period adjustment	<u>(7,106)</u>	<u>7,699</u>	<u>-</u>	<u>60,924</u>	<u>(7,106)</u>	<u>68,623</u>
Ending net position	<u>\$ 823,595</u>	<u>\$ 914,502</u>	<u>\$ 427,007</u>	<u>\$ 540,853</u>	<u>\$1,250,602</u>	<u>\$ 1,455,355</u>

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$826,338. Of this year-end total, the city had unrestricted funds totaling \$13,931.

The total ending fund balances of governmental funds showed an increase of \$42,615 from current year activity.

Proprietary funds

Proprietary Funds - Revenues of the City's business-type activities were \$641,779 which consisted mostly of water, gas, sewer, and sanitation system charges. Water, gas, sewer, and sanitation system revenues for the year ended September 30, 2021, exceeded expenses by \$169,273.

General Fund Budgetary Highlights

The General Fund budgeted expenditures for fiscal year 2021 were \$207,900.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its government-wide activities as of September 30, 2021, amounts to \$920,612 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements.

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities 2020	Governmental Activities 2021	Business- type Activities 2020	Business- type Activities 2021	Total 2020	Total 2021
Land	\$ 16,938	\$ 16,938	\$ -	\$ -	\$ 10,250	\$ 16,938
Improvements	-	-	841,389	796,135	841,389	796,135
Buildings	36,000	33,600	-	-	36,000	33,600
Equipment	1,100	34,486	52,008	39,453	53,108	73,939
Totals	<u>\$ 47,350</u>	<u>\$ 85,024</u>	<u>\$ 893,397</u>	<u>\$ 835,588</u>	<u>\$ 940,747</u>	<u>\$ 920,612</u>

CITY OF LEFORS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Debt

At year-end, the City had long term debt of \$561,887, as shown below:

Outstanding Debt at Year-end

	Governmental Activities 2020	Governmental Activities 2021	Business-type Activities 2020	Business-type Activities 2021	Total 2020	Total 2021
Notes payable	\$ -	\$ -	\$ 271,677	\$ 230,688	\$ 271,677	\$ 230,688
Certificates of Obligation	-	-	<u>332,870</u>	<u>331,199</u>	<u>332,870</u>	<u>331,199</u>
Total	<u>-</u>	<u>-</u>	<u>604,547</u>	<u>561,887</u>	<u>604,547</u>	<u>561,887</u>

Economic Factors and Next Year

Budgeted revenues for the general fund for the 2021-22 year are up \$6,920 from the 2019-20 final budget, while expenditures are up by \$20,700.

The City is in the process of a \$400,000 grant project awarded by the Texas Water Development Board. As part of the grant the City was required to match funds in the form of a \$395,000 one percent imputed interest note from the Texas Water Development Board. The grant project will be used to rebuild the current sewer plant.

During the 2018 fiscal year, conditions arose that caused the City to consider its ability to continue as a going concern. Conditions included negative cash balances at year end and the City's inability to meet debt requirements. During the 2019 fiscal year those charged with governance of the City evaluated the current financial situation and took the following steps to alleviate doubt of its ability to continue as a going concern. The City engaged a financial advisor who helped the City restructure its utility billing rates to start bringing in more utility revenue for the City. Also, in September 2018, the City changed from a Type B municipality to a Type A municipality. This allowed the City to raise their tax rate with a roll back election. Since taking these steps the City has managed to increase cash balances, increase fund balance and meet debt obligations. The City should continue to remain cautious of its financial health, considering the new debt agreements entered into in 2020 and the ongoing sewer plant project.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City of Lefors, P.O. Box 383, Lefors, Texas, 79054.

CITY OF LEFORS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,830	\$ 253,645	\$ 257,475
Receivables (net of allowances for uncollectibles)	20,841	48,187	69,028
Restricted assets;			
Cash and cash equivalents	812,407	7,000	819,407
Capital assets (net of accumulated depreciation):			
Land	16,938	-	16,938
Buildings and systems	33,600	796,135	829,735
Equipment	34,486	39,453	73,939
	922,102	1,144,420	2,066,522
Total assets			
Deferred Outflows of Resources			
Pension-related outflows	3,186	4,982	8,168
OPEB-related outflows	233	365	598
Total deferred outflows of resources	3,419	5,347	8,766
Liabilities			
Current Liabilities:			
Accounts payable and other current liabilities	3,325	28,161	31,486
Accrued wages payable	2,727	4,096	6,823
Utility meter deposits	-	7,000	7,000
Note payable - current	-	42,617	42,617
Certificate of obligation - current	-	1,688	1,688
	6,052	83,562	89,614
Total current liabilities			
Noncurrent liabilities:			
Note payable - long term	-	188,071	188,071
Certificate of obligation- long term	-	329,511	329,511
Net pension liability	1,724	2,697	4,421
Net OPEB liability	778	1,217	1,995
	2,502	521,496	523,998
Total noncurrent liabilities			
Total liabilities	8,554	605,058	613,612
Deferred Inflows of Resources			
Pension-related inflows	2,261	3,536	5,797
OPEB-related inflows	204	320	524
Total deferred inflows of resources	2,465	3,856	6,321
Net Position			
Net investment in capital assets	85,024	604,900	689,924
Restricted	812,407	-	812,407
Unrestricted	17,071	(64,047)	(46,976)
Total net position	\$ 914,502	\$ 540,853	\$ 1,455,355

The accompanying notes are an integral part of this financial statement

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
Judicial	\$ 1,174	\$ 4,377	\$ -	\$ -	\$ 3,203	\$ -	\$ 3,203
Financial administration	271,277	-	79,145	19,843	(172,289)	-	(172,289)
Police	1,878	-	-	-	(1,878)	-	(1,878)
Cemetery	-	4,750	-	9,572	14,322	-	14,322
Total governmental activities	<u>274,329</u>	<u>9,127</u>	<u>79,145</u>	<u>29,415</u>	<u>(156,642)</u>	<u>-</u>	<u>(156,642)</u>
Business-type activities:							
Water, Sewer and Sanitation	390,006	498,291	-	-	-	108,285	108,285
Gas Fund	82,500	143,488	-	-	-	60,988	60,988
Total business-type activities	<u>472,506</u>	<u>641,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,273</u>	<u>169,273</u>
Total primary government	<u>746,835</u>	<u>650,906</u>	<u>79,145</u>	<u>29,415</u>	<u>(156,642)</u>	<u>169,273</u>	<u>12,631</u>
General revenues:							
Property taxes					71,572	-	71,572
Sales tax					18,887	-	18,887
Franchise taxes					28,421	-	28,421
Unrestricted investment earnings					152	-	152
Miscellaneous income					4,467	-	4,467
Transfers					116,351	(116,351)	-
Total general revenues and transfers					<u>239,850</u>	<u>(116,351)</u>	<u>123,499</u>
Change in net positin					83,208	52,922	136,130
Net position - October 1					823,595	427,007	1,250,602
Prior period adjustment					7,699	60,924	68,623
Net position - September 30					<u>\$ 914,502</u>	<u>\$ 540,853</u>	<u>\$ 1,455,355</u>

The accompanying notes are an integral part of this statement

CITY OF LEFORS, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	2021		
	General Fund	Capital Project Fund	Total Government Funds
ASSETS			
Cash and cash equivalents	\$ 3,830	\$ -	\$ 3,830
Receivables (net of allowances for uncollectibles)	20,841	-	20,841
Restricted assets:			
Cash and cash equivalents	73,264	739,143	812,407
Total assets	<u>\$ 97,935</u>	<u>\$ 739,143</u>	<u>\$ 837,078</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	3,325	-	3,325
Accrued wages payable	2,727	-	2,727
Total liabilities	<u>6,052</u>	<u>-</u>	<u>6,052</u>
Deferred inflows:			
Property tax revenue	4,688	-	4,688
Fund balances:			
Restricted for:			
Financial administration	59,519		59,519
Security	1,980	-	1,980
Technology	1,048	-	1,048
Capital projects	-	739,143	739,143
Assigned:			
Cemetery	10,717	-	10,717
Unassigned	13,931	-	13,931
Total fund balances	<u>87,195</u>	<u>739,143</u>	<u>826,338</u>
Total liabilities and fund balances	<u>\$ 97,935</u>	<u>\$ 739,143</u>	<u>\$ 837,078</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LEFORS, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$ 826,338
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. At the beginning of the year, the cost of these assets was \$165,486 and the accumulated depreciation was \$118,136. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.

	47,350
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Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases to capital assets and reductions in long-term debt in the government wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase (decrease) net position

	42,491
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The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

	(4,817)
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Included in the items related to liabilities is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,724, a deferred resource inflow related to TMRS in the amount of \$2,261 and a deferred resource outflow related to TMRS in the amount of \$3,186. The net affect of this is to decrease net position.

	(799)
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Included in the items related to liabilities is the recognition of the City's proportionate share of the OPEB liability required by GASB 75 in the amount of \$778, a deferred resource inflow related to OPEB in the amount of \$204, and a deferred resource outflow related to OPEB in the amount of \$233. The net affect of this is to decrease net position.

	(749)
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Property tax and fines receivables are not available for current period expenditures and therefore are deferred in the funds.

	4,688
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Net Position of Governmental Activities	<u>\$ 914,502</u>
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The accompanying notes are an integral part of this statement

CITY OF LEFORS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021		
	General Fund	Capital Projects Fund	Total Government Funds
Revenues			
Taxes:			
Property	\$ 72,131	\$ -	\$ 72,131
Sales	18,887	-	18,887
Franchise	28,421	-	28,421
Cemetery revenue	4,750	-	4,750
Grants and contributions	98,988	-	98,988
Fines and forfeitures	4,377	-	4,377
Investment earnings	79	73	152
Other revenues	7,351	-	7,351
Total revenues	234,984	73	235,057
Expenditures			
Current:			
General Government:			
Judicial	1,174	-	1,174
Financial administration	304,153	-	304,153
Police	1,878	-	1,878
Total expenditures	307,205	-	307,205
Excess of revenues over (under) expenditures	(72,221)	73	(72,148)
Other financing sources (uses)			
Operating transfers net	114,813	(50)	114,763
Total other financing sources (uses)	114,813	(50)	114,763
Net change in fund balance	42,592	23	42,615
Fund balance - October 1	44,603	739,120	783,723
Fund balance - September 30	\$ 87,195	\$ 739,143	\$ 826,338

The accompanying notes are an integral part of this statement

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

Net change in fund balances-total governmental funds	\$	42,615
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		37,674
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current-year change recognized in the government-wide financial statements is \$559. This results in a increase in net assets.		(559)
The implementation of GASB 68 & GASB 75 required that certain expenditures be de-expended and recorded as deferred resource inflows. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date had to be amortized. The net effect is to increase net position		3,478
Changes in net assets of governmental activities	<u>\$</u>	<u>83,208</u>

The accompanying notes are an integral part of this statement.

CITY OF LEFORS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2021

	2021		
	Water, Sewer and Sanitation	Gas Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 222,020	\$ 31,625	\$ 253,645
Accounts receivable (net of allowance for uncollectibles)	43,300	4,887	48,187
Restricted assets:			
Cash and cash equivalents	4,000	3,000	7,000
Total current assets	269,320	39,512	308,832
Noncurrent assets:			
Capital assets:			
Improvements	1,438,752	-	1,438,752
Machinery and equipment	260,097	21,340	281,437
Less accumulated depreciation	(863,261)	(21,340)	(884,601)
Total noncurrent assets	835,588	-	835,588
Total assets	1,104,908	39,512	1,144,420
Deferred Outflows of Resources			
Pension-related outflows	4,982	-	4,982
OPEB-related outflows	365	-	365
Total deferred outflows of resources	5,347	-	5,347
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	22,369	5,792	28,161
Accrued wages payable	4,096	-	4,096
Utility meter deposits	4,000	3,000	7,000
Note payable-current	42,617	-	42,617
Certificate of obligation-current	1,688	-	1,688
Total current liabilities	74,770	8,792	83,562
Noncurrent liabilities:			
Net pension liability	2,697	-	2,697
Net OPEB liability	1,217	-	1,217
Note payable-noncurrent	188,071	-	188,071
Certificate of obligation-noncurrent	329,511	-	329,511
Total noncurrent liabilities	521,496	-	521,496
Total liabilities	596,266	8,792	605,058
Deferred Inflows of Resources			
Pension-related inflows	3,536	-	3,536
OPEB-related inflows	320	-	320
Total deferred inflows of resources	3,856	-	3,856
Net Position			
Net investment in capital assets	604,900	-	604,900
Unrestricted	(94,767)	30,720	(64,047)
Total net position	\$ 510,133	\$ 30,720	\$ 540,853

The accompanying notes are an integral part of this statement.

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

	2021		
	Water, Sewer and Sanitation	Gas Fund	Total Enterprise Funds
Operating revenues:			
Charges for sales and services:			
Water	\$ 498,291	\$ -	\$ 498,291
Gas	-	143,488	143,488
Total operating revenues	<u>498,291</u>	<u>143,488</u>	<u>641,779</u>
Operating expenses:			
Personnel services - salaries and wages	100,918	-	100,918
Personnel services - employee benefits	12,818	-	12,818
Purchased professional & technical services	26,491	-	26,491
Purchased property services	158,581	3,381	161,962
Other operating expenses	18,682	8,032	26,714
Gas purchases	-	71,087	71,087
Depreciation and amortization	57,809	-	57,809
Total operating expenses	<u>375,299</u>	<u>82,500</u>	<u>457,799</u>
Operating income	<u>122,992</u>	<u>60,988</u>	<u>183,980</u>
Non-operating revenues (expenses):			
Capital contribution	-	-	-
Interest expense	(14,707)	-	(14,707)
Total non-operating revenues (expenses)	<u>(14,707)</u>	<u>-</u>	<u>(14,707)</u>
Income before contributions and transfers	108,285	60,988	169,273
Non-operating transfer net	<u>(64,403)</u>	<u>(51,948)</u>	<u>(116,351)</u>
Change in net position	43,882	9,040	52,922
Total net position - October 1	405,327	21,680	427,007
Prior period adjustment	<u>60,924</u>	<u>-</u>	<u>60,924</u>
Total net position - September 30	<u>\$ 510,133</u>	<u>\$ 30,720</u>	<u>\$ 540,853</u>

The accompanying notes are an integral part of this statement.

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

	2021		
	Water, Sewer and Sanitation	Gas Fund	Total Business-type Activities
Cash flows from operating activities			
Receipts from customers and users	\$ 497,506	\$ 143,970	\$ 641,476
Payments to suppliers	(202,027)	(78,289)	(280,316)
Payments to employees	(112,625)	-	(112,625)
Net cash provided by operating activities	<u>182,854</u>	<u>65,681</u>	<u>248,535</u>
Cash flows provided by noncapital financing activities			
Operating transfers	<u>(64,403)</u>	<u>(51,948)</u>	<u>(116,351)</u>
Cash flows from capital and related financing activities			
Interest paid on debt	(13,512)	-	(13,512)
Long-term debt advances	(2,877)	-	(2,877)
Principal paid on long-term debt	<u>(40,989)</u>	<u>-</u>	<u>(40,989)</u>
Net cash (used) by capital and related financing activities	<u>(57,378)</u>	<u>-</u>	<u>(57,378)</u>
Cash flows from investing activities			
Receipts (repayment) of customer deposits	<u>1,600</u>	<u>(1,000)</u>	<u>600</u>
Net increase in cash and cash equivalents	62,673	12,733	75,406
Cash and cash equivalents at beginning of year	<u>163,347</u>	<u>21,892</u>	<u>185,239</u>
Cash and cash equivalents at end of year	<u>\$ 226,020</u>	<u>\$ 34,625</u>	<u>\$ 260,645</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 122,992	\$ 60,988	\$ 183,980
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	57,809	-	57,809
(Increase) decrease in current assets:			
Receivables	(785)	482	(303)
Deferred outflow	(1,597)	-	(1,597)
Increase (decrease) in current liabilities:			
Accounts payable	1,727	4,211	5,938
Postemployment liabilities	(1,079)	-	(1,079)
Deferred inflow	1,308	-	1,308
Accrued wages	2,479	-	2,479
Net cash provided by operating activities	<u>\$ 182,854</u>	<u>\$ 65,681</u>	<u>\$ 248,535</u>

The accompanying notes are an integral part of this statement.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

City of Lefors (the "City") is a Governmental agency operating under the applicable laws and regulations of the State of Texas. It is governed by a six-member City Council (the "Council") elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board.

A. REPORTING ENTITY:

The City Council (the "Council") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity."

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Lefors nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include utility charges in the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING:

The City reports the following major governmental funds:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** – The capital projects fund is used to account for funds reserved for capital improvements.

Proprietary Funds:

1. **Enterprise Funds** – The City uses this fund for water, sewer, sanitation, and gas service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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

E. OTHER ACCOUNTING POLICIES:

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, and proprietary fund types in 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.
3. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Amount</u>
Land/Land Improvements		Any Amount
Building/Building Improvements	50	25,000
Facilities and Other Improvements	30	25,000
Infrastructure	35	50,000
Personal Property/Equipment	10	5,000
Leasehold Improvements	20	25,000

4. Under the GASB 34 reporting rules, governmental entities with gross annual revenues under \$10 million are exempt from reporting infrastructure assets retroactively prior to October 1, 2004. The City has elected to only report their infrastructure assets acquired after October 1, 2004, in regard to their capitalization policy.
5. Fund Equity, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
 - Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
 - Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

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

- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City’s governmental funds have been restated to reflect the above classifications.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

6. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first, the unrestricted resources as they are needed.
7. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2021, the government carried insurance through various commercial carriers, including the Texas Municipal League, to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.
8. In addition to assets, the statement of net position and/or balance sheet can report deferred outflows and resources. Deferred outflow of resources represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. The City has no items that qualify for reporting in this category in the governmental funds. However, for the governmental activities, the amount reported in the category pertains to the City’s participation in the Texas Municipal Retirement System (TMRS) of \$3,419.

In addition to liabilities, the statement of net position and/or balance sheet can report deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date. The City has property taxes 4,688, that will be recognized in the governmental funds in a future period. For the governmental activities, the amount reported in this category pertains to the City’s participation in TMRS 2,465.

9. The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. BUDGETARY DATA

The City Council adopts an "appropriated budget" for the General Fund. 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.

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

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to September 1 the City prepares a budget for the succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS:

A. DEPOSITS AND INVESTMENTS:

Cash includes demand deposits. The City is authorized to invest its funds under State law in obligations of the United States or its agencies, the State of Texas or its agencies, other obligations which are unconditionally guaranteed by the State of Texas or the United States, obligations of other governmental agencies with a bond rating of not less than AA or its equivalent, and certificates of deposit that are insured by Federal depository insurance and fully collateralized direct repurchase agreements. During the year ended September 30, 2021, the City did not own any investments other than those permitted by statute.

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing accounts) was \$1,076,882 and the bank balance was \$1,083,526. The City's cash deposits at September 30, 2021, and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

For purposes of the statements of cash flows, investments with an original maturity of three months or less when purchased are considered cash equivalents.

Deposits of the City can be exposed to risk that has the potential to result in losses. The following is an analysis of those risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will minimize credit risk by limiting investments to certain types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security of from any one individual issuer will be minimized. At year-end, the City was not significantly exposed to credit risk.

- Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging of financial institution, or collateralized with securities held by the pledging of financial institutions trust department or agent but not in the City's name. At year-end, the City was not significantly exposed to custodial credit risk.

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

- Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

To eliminate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer, and class of security. At year-end, the City was not significantly exposed to concentration of credit risk related to deposits and investments.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City’s policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The City will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio. At year-end, the City was not exposed to interest rate risk.

- Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the city was not exposed to foreign currency risk.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

C. DELINQUENT TAXES RECEIVABLE:

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund is based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. RECEIVABLES:

Receivables at September 30, 2021, were as follows:

	General Fund	Enterprise Fund	Total
Taxes and assessments	\$ 25,528	\$ -	\$ 25,528
Customer-trade	<u>-</u>	<u>49,587</u>	<u>49,587</u>
Gross receivables	25,528	49,587	75,115
Less: Allowance for uncollectible accounts	<u>4,687</u>	<u>1,400</u>	<u>6,087</u>
Net total receivables	<u>\$ 20,841</u>	<u>\$ 48,187</u>	<u>\$ 69,028</u>

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

E. RESTRICTED ASSETS

Restricted assets in the General Fund and Water and Sewer Fund, held for specific purposes in accordance with legal restrictions, are comprised of the following:

Governmental Fund:	
Financial Administrative	\$ 59,519
Cemetery	10,717
Security and Technology	3,028
Capital Projects	<u>739,143</u>
Cash and cash equivalents	<u>\$ 812,407</u>
Proprietary Fund:	
Meter deposits	<u>\$ 7,000</u>

F. CAPITAL ASSET ACTIVITY;

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

	Primary Government			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Land	\$ 10,250	\$ 6,688	\$ -	\$ 16,938
Buildings and Improvements	120,000	-	-	120,000
Equipment	<u>35,236</u>	<u>35,803</u>	<u>6,000</u>	<u>65,039</u>
Totals at Historic Cost	<u>165,486</u>	<u>42,491</u>	<u>6,000</u>	<u>201,977</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(84,000)	(2,400)	-	(86,400)
Equipment	<u>(34,136)</u>	<u>(2,417)</u>	<u>6,000</u>	<u>(30,553)</u>
Total Accumulated Depreciation	<u>(118,136)</u>	<u>(4,817)</u>	<u>6,000</u>	<u>(116,953)</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,350</u>	<u>\$ 37,674</u>	<u>\$ -</u>	<u>\$ 85,024</u>
Business-type Activities-Water Sewer and Sanitation Department:				
Improvements	\$ 1,438,752	\$ -	\$ -	\$ 1,438,752
Equipment	<u>260,097</u>	<u>-</u>	<u>-</u>	<u>260,097</u>
Totals at Historic Cost	<u>1,698,849</u>	<u>-</u>	<u>-</u>	<u>1,698,849</u>
Less Accumulated Depreciation				
Improvements	(597,363)	(45,254)	-	(642,617)
Equipment	<u>(208,089)</u>	<u>(12,555)</u>	<u>-</u>	<u>(220,644)</u>
Total Accumulated Depreciation	<u>(805,452)</u>	<u>(57,809)</u>	<u>-</u>	<u>(863,261)</u>
Business-type Activities Capital Assets, Net	<u>\$ 893,397</u>	<u>\$ (57,809)</u>	<u>\$ -</u>	<u>\$ 835,588</u>
Business-type Activities-Gas Department:				
Equipment	<u>\$ 21,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,340</u>
Totals at Historic Cost	<u>21,340</u>	<u>-</u>	<u>-</u>	<u>21,340</u>
Less Accumulated Depreciation				
Equipment	<u>(21,340)</u>	<u>-</u>	<u>-</u>	<u>(21,340)</u>
Total Accumulated Depreciation	<u>(21,340)</u>	<u>-</u>	<u>-</u>	<u>(21,340)</u>
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Governmental activities:	
Administrative services	\$ <u>4,817</u>
Business-type activities:	
Water, Sewer and Sanitation	\$ 57,809
Gas	<u>-</u>
Total depreciation expense--business-type activities	<u>\$ 57,809</u>

G. LONG-TERM DEBT PAYABLE:

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2021

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Business-type activities:					
Note payable	\$ <u>271,677</u>	\$ -	\$ <u>40,989</u>	\$ <u>230,688</u>	\$ <u>42,617</u>

At September 30, 2021, the City had a note payable of 230,688 for repairs to the waste water treatment plant. The note is due in yearly installments of \$51,775, and is accruing interest at 3.62%, with the final payment due February 1, 2026. The note is secured by financing statement collateral.

Annual debt service requirement for notes payable are as follows:

Years Ended September 30	Principal	Loans Interest	Total Requirements
Business-type activities:			
2022	42,617	9,158	51,775
2023	44,309	7,466	51,775
2024	46,068	5,707	51,775
2025	47,896	3,879	51,775
2026	<u>49,798</u>	<u>1,977</u>	<u>51,775</u>
Total	<u>\$ 230,688</u>	<u>\$ 28,187</u>	<u>\$ 258,875</u>

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Business-type activities:					
Certificate of Obligation	\$ -	\$ <u>395,000</u>	\$ -	\$ <u>331,199</u>	\$ <u>1,688</u>

In May of 2020 the City entered into an agreement with the Texas Water Development Board through Specialized Public Finance to issue Certificates of Obligation in the amount of \$395,000 with an imputed interest rate of 1%. Repayment of the certificates of obligation is due in annual installments, with the final payment due September 30, 2050. These funds are for repairs to the sewer plant.

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

Annual debt service requirements for notes payable are as follows:

<u>Years Ended</u> <u>September 30</u>	Principal	Loans Interest	Total Requirements
Business-type activities:			
2022	1,688	3,312	5,000
2023	1,705	3,295	5,000
2024	1,722	3,278	5,000
2025	1,739	3,261	5,000
2026	1,757	3,243	5,000
2027-31	60,060	14,940	75,000
2032-36	63,123	11,877	75,000
2037-41	66,343	8,657	75,000
2042-46	69,728	5,272	75,000
2047-50	<u>63,334</u>	<u>1,666</u>	<u>65,000</u>
Total	<u>\$ 331,199</u>	<u>\$ 58,801</u>	<u>\$ 390,000</u>

H. VACATION:

The outstanding liability for vacation and sick leave benefits is not a material factor and is not reflected in these financial statements.

I. RETIREMENT:

Plan Description

The City of Shamrock participates as one of 888 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.

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 contributions, 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 deposits and interest.

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

Plan provisions for the City of Lefors were as follows:

Deposit rate:	5%
Matching ratio (to employee)	1 to 1
A member is vested after:	5 years
Service retirement eligibility	60/5, 0/20
Updated service credit	0%
Annuity increase (no retirees)	0% of CPI

Employees covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>6</u>
Total	22

Contributions

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

Employees for the City of Lefors were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lefors were 4.14% and 3.70% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$7,735 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-district RP2000 Combined Healthy Mortality Table, with male rates

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

multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scales BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 Total Pension Liability

	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a)-(b)</u>
Balance at 12/31/2019	\$ 79,826	\$ 69,726	\$ 10,100
Changes for the year:			
Service Cost	6,898	-	6,898
Interest	5,571	-	5,571
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,949)	-	(1,949)
Changes in assumptions	-	-	-
Contributions – employer	-	5,402	(5,402)
Contributions – employee	-	5,501	(5,501)
Net investment income	-	5,332	(5,332)
Benefit payments, including refunds of employee contributions	(1,477)	(1,477)	-
Administrative expense	-	(34)	34
Other Changes	-	(1)	1
Net changes	<u>9,043</u>	<u>14,722</u>	<u>(5,680)</u>
Balance at 12/31/2020	<u>\$ 88,869</u>	<u>\$ 84,448</u>	<u>\$ 4,421</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$17,865	\$4,421	\$(6,542)

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.tmrs.com.

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

For the year ended September 30, 2021, the City recognized pension expense of \$1,573.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 2,079
Changes in actuarial assumptions	1,300	-
Difference between projected and actual investments earnings	-	1,934
Contributions subsequent to the measurement date	<u>5,084</u>	<u>-</u>
Total	<u>6,384</u>	<u>4,013</u>

\$3,074 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2021	\$ (853)
2022	(778)
2023	(989)
2024	(71)
2025	(22)
Thereafter	<u>-</u>
Total	<u>(2,713)</u>

J. DEFINED OTHER POST EMPLOYMENT BENEFIT PLAN

Plan Description

The City of Lefors participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). The SDBF is considered to be a single-employer plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits Provided

The member 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.

Employees covered by benefit terms:

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

Inactive employees currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>6</u>
Total	<u>6</u>

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

Contributions

The contribution rates for SDBF for the City of Lefors were .05% and .09% in calendar years 2021 and 2020, respectively. The City's contributions to SDBF for the year ended September 30, 2021, were \$914, and were equal to the required contributions.

Actuarial Assumptions

The OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.5% to 11.5% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate

The discount rate used to measure the OPEB Liability was 3.71%. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the contributing employers are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2020

Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's OPEB liability	\$ 2,621	\$ 1,995	\$ 1,550

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

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2019	<u>\$ 1,511</u>
Changes for the year:	
Service cost	275
Interest on Total OPEB Liability	45
Change of benefit terms	-
Difference between expected and actual experience	(140)
Changes of assumptions or other inputs	304
Benefit payments*	<u>-</u>
Net changes	<u>484</u>
Balance at 12/31/2020	<u>\$ 1,995</u>

*Due to the SDBF being considered an unfunded OPEB plan under GASB 78, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$317.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ 524
Changes in actuarial assumptions	598	-
Contributions subsequent to the measurement date	<u>598</u>	<u>-</u>
Total	<u>\$ 1,196</u>	<u>\$ 524</u>

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

Year ended September 30:	
2021	\$ (3)
2022	(3)
2023	(3)
2024	(3)
2025	(3)
Thereafter	<u>89</u>
Total	<u>\$ 74</u>

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

K. HEALTH CARE COVERAGE:

During the fiscal year, the City pays the full medical insurance premium coverage on each of its participating employees. At each employee's discretion, they may also include their spouse or dependents and the employee pays this coverage by a payroll deduction. The City's share of employee health insurance is \$10,006.

L. DEFERRED REVENUE:

Deferred revenue at year-end consisted of the following:

	General Fund
Net Tax Revenue	<u>\$ 4,688</u>

M. COMMITMENTS AND CONTINGENT LIABILITIES:

The City participates in federally assisted grant programs, namely the Texas Community Development Program. This program is subject to program compliance audits by grantors or their representatives. The City is contingently liable on this program for any disallowed cost incurred. At this time, our findings have not disclosed any disallowed cost, and if any is found, the City expects such amounts to be immaterial.

The City is a defendant from time to time in various lawsuits. In the opinion of the City's management, any liabilities resulting from such lawsuits will not have a material effect on the financial position of the City.

N. INTERFUND TRANSFERS:

Government interfund transfers during the year ended September 30, 2021, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 116,351	\$ -
Enterprise Fund	<u>-</u>	<u>116,351</u>
	<u>\$ 116,351</u>	<u>\$ 116,351</u>

Transfers are used to move unrestricted revenues to finance part of the City's debt service, and to move any amount recorded in the inappropriate fund to the correct fund in which the amount should be accounted for.

O. EXPENDITURES IN EXCESS OF BUDGETED AMOUNTS:

During the year ended September 30, 2021, the City had expenditures in excess of the budgeted amount in the General Fund in the following areas:

Financial administration	\$ 108,853
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CITY OF LEFORS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

P. CONSIDERATION OF GOING CONCERN

During the 2018 fiscal year, conditions arose that caused the City to consider its ability to continue as a going concern. Conditions included negative cash balances at year end and the City's inability to meet debt requirements. During the 2019 fiscal year those charged with governance of the City evaluated the current financial situation and took the following steps to alleviate doubt of its ability to continue as a going concern. The City engaged a financial advisor who helped the City restructure its utility billing rates to start bringing in more utility revenue for the City. Also, in September 2018, the City changed from a Type B municipality to a Type A municipality. This allowed the City to raise their tax rate with a roll back election. Since taking these steps the City has managed to increase cash balances, increase fund balance and meet debt obligations. The City should continue to remain cautious of its financial health, considering the new debt agreements entered into in 2020 and the ongoing sewer plant project.

Q. PRIOR PERIOD ADJUSTMENT

Governmental activities – a prior period adjustment in the amount of \$7,699 was recorded to move beginning interested accrued to the water fund that was erroneously reported in the general fund.

Proprietary activities – a prior period adjustment in the amount of \$1,206 was recorded to correct the beginning balance of accrued interest payable. A prior period adjustment in the amount of \$62,130 was recorded to restate beginning bonds payable balance to account for imputed interest at 1%.

CITY OF LEFORS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Taxes:				
Property	\$ 69,000	\$ 69,000	\$ 72,131	\$ 3,131
Sales	12,000	12,000	18,887	6,887
Franchise	18,000	18,000	28,421	10,421
Fines and forfeitures	4,000	4,000	4,377	377
Investment earnings	-	-	79	79
Other revenues	12,180	12,180	111,089	98,909
Total revenues	<u>115,180</u>	<u>115,180</u>	<u>234,984</u>	<u>119,804</u>
Expenditures				
Current:				
General Government:				
Judicial	3,600	3,600	1,174	2,426
Elections	5,000	5,000	-	5,000
Financial administration	195,300	195,300	304,153	(108,853)
Police	4,000	4,000	1,878	2,122
Total expenditures	<u>207,900</u>	<u>207,900</u>	<u>307,205</u>	<u>(99,305)</u>
Excess of revenues over expenditures	<u>(92,720)</u>	<u>(92,720)</u>	<u>(72,221)</u>	<u>20,499</u>
Other financing sources (uses)				
Operating transfers	<u>92,720</u>	<u>92,720</u>	<u>114,813</u>	<u>22,093</u>
Total other financing sources (uses)	<u>92,720</u>	<u>92,720</u>	<u>114,813</u>	<u>22,093</u>
Net change in fund balance	-	-	42,592	42,592
Fund balance - October 1	<u>44,603</u>	<u>44,603</u>	<u>44,603</u>	<u>-</u>
Fund balance - September 30	<u>\$ 44,603</u>	<u>\$ 44,603</u>	<u>\$ 87,195</u>	<u>\$ 42,592</u>

The accompanying notes are an integral part of this financial statement

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Year (will ultimately be displayed)

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability							
Service Cost	\$ 6,898	\$ 7,440	\$ 6,910	\$ 7,558	\$ 6,421	\$ 6,820	\$ 1,867
Interest (on the Total Pension Liability)	5,571	4,756	4,011	3,251	2,742	2,074	1,654
Changes of benefit terms	-	-	-	-	-	-	22,692
Difference between expected and actual experience	(1,949)	144	(138)	765	(1,889)	189	-
Change of assumptions	-	742	-	-	-	2,410	-
Benefit payments, including refunds of employee contributions	(1,477)	-	-	-	(593)	-	-
Net Change in Total Pension Liability	9,043	13,082	10,783	11,574	6,681	11,493	26,213
Total Pension Liability - Beginning	79,826	66,744	55,961	44,387	37,706	26,213	-
Total Pension Liability - Ending	<u>\$ 88,869</u>	<u>\$ 79,826</u>	<u>\$ 66,744</u>	<u>\$ 55,961</u>	<u>\$ 44,387</u>	<u>\$ 37,706</u>	<u>\$ 26,213</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 5,402	\$ 5,491	\$ 5,173	\$ 6,076	\$ 5,236	\$ 5,841	\$ 1,599
Contributions - Employee	5,501	5,568	5,227	6,125	5,289	5,900	1,615
Net Investment Income	5,332	7,915	(1,257)	3,606	1,016	5	-
Benefit payments, including refunds of employee contributions	(1,477)	-	-	-	(593)	-	-
Administrative Expense	(34)	(44)	(24)	(19)	(11)	(3)	-
Other	(1)	(1)	(1)	(1)	(1)	-	-
Net Change in Plan Fiduciary Net Position	14,722	18,929	9,118	15,787	10,936	11,743	3,214
Plan Fiduciary Net Position - Beginning	69,726	50,798	41,680	25,893	14,957	3,214	-
Plan Fiduciary Net Position - Ending	<u>\$ 84,448</u>	<u>\$ 69,726</u>	<u>\$ 50,798</u>	<u>\$ 41,680</u>	<u>\$ 25,893</u>	<u>\$ 14,957</u>	<u>\$ 3,214</u>
Net Pension Liability Ending (a)-(b)	4,421	10,100	15,946	14,281	18,494	22,749	22,999
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.03%	87.35%	76.11%	74.48%	58.33%	39.67%	105.94%
Covered Employee Payroll	\$ 110,011	\$ 111,370	\$ 104,544	\$ 122,500	\$ 105,778	\$ 117,999	\$ 217,976
Net Pension Liability as a Percentage of Covered Employee Payroll	4.02%	9.07%	15.25%	11.66%	17.48%	19.28%	12.26%

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2021

SCHEDULE OF CONTRIBUTIONS Last 10 Year (will ultimately be displayed)

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially Determined Contribution	\$ 5,402	\$ 5,491	\$ 5,173	\$ 6,076	\$ 5,236	\$ 5,841	\$ 4,331
Contributions in relation to the actuarially determined contribution	<u>5,402</u>	<u>5,491</u>	<u>5,173</u>	<u>6,076</u>	<u>5,236</u>	<u>5,841</u>	<u>4,331</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Employee payroll	\$ 110,011	\$ 111,370	\$ 104,544	\$ 122,500	\$ 105,778	\$ 117,999	\$ 108,762
Contributions as a percentage of covered employee payroll	4.91%	4.93%	4.95%	4.96%	4.95%	4.95%	3.98%

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contributions 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	8 years
Asset Valuation Method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2021

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS

Last 10 Years (will ultimately be displayed)

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total OPEB liability				
Service Cost	\$ 275	\$ 323	\$ 251	\$ 257
Interest on Total OPEB Liability	45	43	41	31
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(140)	(200)	(332)	-
Change in assumptions or other inputs	304	360	(96)	143
Benefit payments*	-	-	-	-
Net change in OPEB Liability	<u>484</u>	<u>526</u>	<u>(136)</u>	<u>431</u>
Total Pension Liability - Beginning	<u>1,511</u>	<u>985</u>	<u>1,121</u>	<u>690</u>
Total Pension Liability - Ending	<u>\$ 1,995</u>	<u>\$ 1,511</u>	<u>\$ 985</u>	<u>\$ 1,121</u>
Covered Employee Payroll	\$ 110,011	\$ 111,370	\$ 104,544	\$ 122,500
OPEB Liability as a Percentage of Covered Employee Payroll	1.81%	1.36%	0.94%	0.92%

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for the SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc)

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF LEFORS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2021

SCHEDULE OF CITY'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS Last 10 Fiscal Years (will ultimately be displayed)

	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Actuarially Determined Contribution	\$ 914	\$ 889	\$ 721	\$ 137
Contributions in relation to the actuarially determined contribution	914	889	721	137
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
 Covered employee payroll	 \$ 110,011	 \$ 111,370	 \$ 104,544	 \$ 122,500
 Contributions as a percentage of covered employee payroll	 0.83%	 0.80%	 0.69%	 0.11%

Notes to Schedule of Contributions

Valuation Date:

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2019 and a measurement date of December 31, 2019: as such, no roll-forward is required.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF LEFORS, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED SEPTEMBER 30, 2021

Last 10 Years Ended September 30,	Tax Rate	Assessed/Appraised Value for Tax Purposes	Beginning Balance October 1,	Current Year's Total Levy	Maintenance Collections	Entire Year's Adjustments	Ending Balance September 30,
2011 and prior years	Various	Various	\$ 856	\$ -	\$ -	\$ (81)	\$ 774
2012	0.2500	6,002,586	323	-	-	(55)	268
2013	0.2500	6,311,474	432	-	-	(140)	292
2014	0.2500	6,384,600	455	-	-	(57)	398
2015	0.2500	6,470,700	235	-	-	(57)	178
2016	0.2500	5,921,210	268	-	5	(57)	206
2017	0.2500	6,102,500	321	-	11	(40)	270
2018	0.2500	6,056,543	538	-	215	(51)	272
2019	0.9900	6,353,610	758	-	352	(51)	355
2020	0.9900	7,072,410	6,313	-	2,612	(1,668)	2,033
2021 (Fiscal year under audit)	0.9900	7,177,110		71,054	65,172	(1,553)	4,329
			<u>\$ 10,497</u>	<u>\$ 71,054</u>	<u>\$ 68,367</u>	<u>\$ (3,810)</u>	<u>\$ 9,375</u>

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Lefors, Texas
Lefors, Texas 79054

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lefors, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Lefors Texas' basic financial statements, and have issued our report thereon dated March 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lefors, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lefors, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lefors, Texas' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lefors, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Foster, Lambert & Foard LLC".

Foster, Lambert & Foard, L.L.C.
March 14, 2022

CITY OF LEFORS, TEXAS

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

I. Summary of the Auditor's Results:

Financial Statements:

- Type of auditor's report issued: **Unmodified.**
- Internal control over financial reporting:
 - Material weakness(es) identified: **None.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Noncompliance material to financial statements noted: **None.**

Federal Awards:

- Internal control over major programs:
 - Material weakness(es) identified: **Not applicable.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **Not applicable.**
- Type of auditor's report issued on compliance for major programs: **Not applicable.**
- Audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a): **Not applicable.**
- Identification of major programs: **None.**
- Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- Auditee qualification as a low-risk auditee: **Not applicable.**

II. Financial Statement Findings:

None.

III. Federal Award Findings and Questioned Costs:

Not applicable.

CITY OF LEFORS, TEXAS

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2021

N/A