

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

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ANNUAL FINANCIAL REPORT
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TABLE OF CONTENTS (CONTINUED)

	<u>Page No.</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
<u>Basic Financial Statements</u>	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Governmental Funds Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Statement of Fiduciary Net Position	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios	41
Schedule of Contributions	42
Schedule of Changes in the Total OPEB Liability and Related Ratios	43
Budgetary Comparison Schedule – General Fund – Budgetary Basis	44
Notes to Required Supplementary Information – Pension Plan	45
Notes to Required Supplementary Information – Budgetary Comparison Schedule	46

CITY OF LEVELLAND, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS (CONCLUDED)

	<u>Page No.</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	48
Combining Balance Sheet – Nonmajor Special Revenue Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	50
Combining Statement of Net Position – Internal Service Funds	51
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	52
Combining Statement of Cash Flows – Internal Service Funds	53
OVERALL INTERNAL CONTROL AND COMPLIANCE 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>	54

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

To the Mayor and City Council
City of Levelland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas (the City), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flow 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 schedule of changes in the plan's net pension liability and related ratios, schedule of contributions for the retirement plan, schedule of changes in the total OPEB liability and related ratios, and budgetary comparison information on pages 41 through 44 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report February 10, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of the City's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

February 10, 2020

CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 5,353,740	\$ 6,321,701	\$ 11,675,441	\$ 4,043,488
Receivables (Net of Allowances)	1,063,628	914,182	1,977,810	18,898
Intergovernmental Receivables	73,124		73,124	220,033
Due from LEDC	79,117		79,117	
Inventories		122,859	122,859	772,683
Prepaid Items	144,688	15,286	159,974	
Internal Balances	1,832,279	(1,832,279)		
Notes Receivable				1,025,000
Capital Assets, Net of Accumulated Amortization and Depreciation				
Land	1,449,585	1,085,357	2,534,942	84,205
Construction Work in Progress	70,351		70,351	
Buildings and Improvements	5,927,806	1,620,536	7,548,342	10,418
Improvements Other Than Buildings	16,423,947	17,714,003	34,137,950	5,016,180
Machinery and Equipment	2,962,737	1,691,840	4,654,577	11,588
Investment in Water Facilities		6,338,269	6,338,269	
Total Assets	<u>\$ 35,381,002</u>	<u>\$ 33,991,754</u>	<u>\$ 69,372,756</u>	<u>\$ 11,202,493</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan - Employer Contributions	\$ 342,661	\$ 80,377	\$ 423,038	\$ 11,649
Pension Plan - Change in Assumption	27,695	6,496	34,191	877
Pension Plan - Earnings Differences	1,083,099	254,060	1,337,159	33,933
OPEB Plan - Employer Contributions	879	206	1,085	30
Total Deferred Outflows of Resources	<u>\$ 1,454,334</u>	<u>\$ 341,139</u>	<u>\$ 1,795,473</u>	<u>\$ 46,489</u>
LIABILITIES				
Accounts Payable	\$ 471,213	\$ 652,421	\$ 1,123,634	\$ 16,129
Accrued Wages	95,031	20,236	115,267	
Accrued Interest	60,004	27,706	87,710	3,609
Customer Deposits and Prepayments	2,500	289,989	292,489	
Unearned Revenue	207		207	
Due to City of Levelland				79,117
Noncurrent Liabilities				
Net Pension Liability	2,287,342	536,537	2,823,879	72,838
Total OPEB Liability	179,502	42,105	221,607	5,716
Closure/Post Closure Landfill Liability		11,499	11,499	
Due Within One Year	1,292,512	683,723	1,976,235	590,000
Due In More Than One Year	9,453,436	4,414,197	13,867,633	985,000
Total Liabilities	<u>\$ 13,841,747</u>	<u>\$ 6,678,413</u>	<u>\$ 20,520,160</u>	<u>\$ 1,752,409</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Plan - Experience Differences	\$ 532,385	\$ 124,880	\$ 657,265	\$ 17,113
OPEB Plan - Experience Differences	11,085	2,600	13,685	353
OPEB Plan - Change in Assumption	663	156	819	21
Total Deferred Inflows of Resources	<u>\$ 544,133</u>	<u>\$ 127,636</u>	<u>\$ 671,769</u>	<u>\$ 17,487</u>
NET POSITION				
Net Investment in Capital Assets	\$ 16,595,835	\$ 23,510,262	\$ 40,106,097	\$ 4,577,391
Restricted for:				
Enabling Legislation	99,558		99,558	
Debt Service	9,722		9,722	
Donor Requirements	115,881		115,881	
Economic Development	203,930		203,930	4,901,695
Sewer Improvements		1,749,787	1,749,787	
Unrestricted	<u>5,424,530</u>	<u>2,266,795</u>	<u>7,691,325</u>	
Total Net Position	<u>\$ 22,449,456</u>	<u>\$ 27,526,844</u>	<u>\$ 49,976,300</u>	<u>\$ 9,479,086</u>

See accompanying notes to the financial statements.

-5-
CITY OF LEVELLAND, TEXAS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
<u>Governmental Activities:</u>								
General Government	\$ 1,342,977	\$ 216,606	\$ 9,497	\$ 68,940	\$ (1,047,934)	\$	\$ (1,047,934)	\$
Public Safety	5,667,688	15,593	397,934		(5,254,161)		(5,254,161)	
Highways and Streets	1,795,388			29,360	(1,766,028)		(1,766,028)	
Recreation and Parks	913,413			144,673	(768,740)		(768,740)	
Economic Development	322,417				(322,417)		(322,417)	
Cemetery	436,041	138,215	5,799		(292,027)		(292,027)	
Interest and Fee's Related to Debt	239,003		467,536		228,533		228,533	
Total Governmental Activities	<u>\$ 10,716,927</u>	<u>\$ 370,414</u>	<u>\$ 880,766</u>	<u>\$ 242,973</u>	<u>\$ (9,222,774)</u>	<u>\$ 0</u>	<u>\$ (9,222,774)</u>	<u>\$ 0</u>
<u>Business-Type Activities:</u>								
Water and Sewer	\$ 2,661,496	\$ 4,176,243	\$	\$	\$	\$ 1,514,747	\$ 1,514,747	\$
Sanitation	2,013,277	2,718,155				704,878	704,878	
Street Lights	148,066	166,558				18,492	18,492	
Sewer Improvement Fee		230,983				230,983	230,983	
Swimming Pool	51,527	14,708				(36,819)	(36,819)	
Airport	68,504	47,354				(21,150)	(21,150)	
Interest on Debt	222,073					(222,073)	(222,073)	
Depreciation	1,128,214					(1,128,214)	(1,128,214)	
Amortization	349,314					(349,314)	(349,314)	
Total Business-Type Activities	<u>\$ 6,642,471</u>	<u>\$ 7,354,001</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 711,530</u>	<u>\$ 711,530</u>	<u>\$ 0</u>
Total Primary Government	<u>\$ 17,359,398</u>	<u>\$ 7,724,415</u>	<u>\$ 880,766</u>	<u>\$ 242,973</u>	<u>\$ (9,222,774)</u>	<u>\$ 711,530</u>	<u>\$ (8,511,244)</u>	<u>\$ 0</u>
Component Units	<u>\$ 1,685,077</u>	<u>\$ 240,506</u>	<u>\$ 0</u>	<u>\$ 0</u>				<u>\$ (1,444,571)</u>

General Revenues (Expenses):

Taxes:				
Property Taxes, Levied for General Purposes	\$ 4,327,193	\$	\$ 4,327,193	\$
Sales Taxes	3,108,020		3,108,020	1,407,072
Franchise Taxes	786,369		786,369	
Motel Occupancy Taxes	164,655		164,655	
Investment Earnings	112,893	96,960	209,853	62,651
Rents and Royalties	78,209		78,209	
Miscellaneous	25,478	153,889	179,367	5,500
Gain (Loss) on Disposition of Assets	4,460	2,000	6,460	291,163
Transfers	585,505	(585,505)		
Total General Revenues, Special Items, and Transfers	<u>\$ 9,192,782</u>	<u>\$ (332,656)</u>	<u>\$ 8,860,126</u>	<u>\$ 1,766,386</u>
Change in Net Position	<u>\$ (29,992)</u>	<u>\$ 378,874</u>	<u>\$ 348,882</u>	<u>\$ 321,815</u>
Net Position—Beginning	<u>22,479,448</u>	<u>27,147,970</u>	<u>49,627,418</u>	<u>9,157,271</u>
Net Position—Ending	<u>\$ 22,449,456</u>	<u>\$ 27,526,844</u>	<u>\$ 49,976,300</u>	<u>\$ 9,479,086</u>

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,893,403	\$ 1,361,282	\$ 5,254,685
Receivables (Net of Allowances)	996,159	67,469	1,063,628
Due from Other Funds	52,929		52,929
Intergovernmental Receivables		73,124	73,124
Due from LEDC	79,117		79,117
Prepays	12,609	132,079	144,688
Total Assets	<u>\$ 5,034,217</u>	<u>\$ 1,633,954</u>	<u>\$ 6,668,171</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 445,422	\$ 25,791	\$ 471,213
Accrued Wages	91,084	3,947	95,031
Due to Other Funds		62,030	62,030
Customer Deposits	2,500		2,500
Unearned Revenue		207	207
Advances from Other Funds	109,294		109,294
Total Liabilities	<u>\$ 648,300</u>	<u>\$ 91,975</u>	<u>\$ 740,275</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	<u>\$ 118,943</u>	<u>\$ 18,677</u>	<u>\$ 137,620</u>
FUND BALANCES			
Restricted Fund Balance:			
Restricted for Enabling Legislation	\$	\$ 99,558	\$ 99,558
Restricted for Economic Development		203,930	203,930
Restricted for Donor Requirements		115,881	115,881
Restricted for Debt Service		9,722	9,722
Committed Fund Balance:			
Committed for Expansion and Improvements		906,353	906,353
Committed for Cemetery Operations		187,858	187,858
Unassigned	<u>4,266,974</u>		<u>4,266,974</u>
Total Fund Balances	<u>\$ 4,266,974</u>	<u>\$ 1,523,302</u>	<u>\$ 5,790,276</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,034,217</u>	<u>\$ 1,633,954</u>	<u>\$ 6,668,171</u>

See accompanying notes to the financial statements.

-7-
CITY OF LEVELLAND, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 5,790,276
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Net of accumulated depreciation)	26,834,426
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,049,729
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(577,708)
Long-term obligations including reoffering premiums are not due and payable in the current period and therefore are not reported in the funds.	(10,168,240)
Payables for bond interest which are not due in the current period are not reported in the funds.	(60,004)
Net Pension Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(1,366,272)
Total OPEB Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(190,371)
Property tax revenue is recognized in funds but not in the Statement of Net Position.	<u>137,620</u>
Net Position of Governmental Activities	<u>\$ 22,449,456</u>

See accompanying notes to the financial statements

CITY OF LEVELLAND, TEXAS

STATEMENT OF GOVERNMENTAL FUNDS REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Major Fund <u>General Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
Taxes:			
General Property Taxes	\$ 3,507,366	\$ 824,697	\$ 4,332,063
Sales and Use Taxes	3,108,020		3,108,020
Franchise Taxes	786,369		786,369
Motel Occupancy Taxes		164,655	164,655
Intergovernmental Revenues	385,938	592,274	978,212
Charges for Services	4,536		4,536
Fines and Fees	217,304	148,574	365,878
Rents and Royalties	63,075	15,134	78,209
Investment Earnings	72,561	25,699	98,260
Miscellaneous	25,478		25,478
Contributions and Donations	70,837	74,690	145,527
Total Revenues	<u>\$ 8,241,484</u>	<u>\$ 1,845,723</u>	<u>\$ 10,087,207</u>
EXPENDITURES			
Current			
General Government	\$ 1,275,382	\$ 3,500	\$ 1,278,882
Public Safety	5,287,104	106,535	5,393,639
Highways and Streets	1,008,669	37,813	1,046,482
Recreation and Parks	812,560	122,592	935,152
Economic Development		309,591	309,591
Cemetery		407,559	407,559
Debt Service			
Principal	70,712	1,200,000	1,270,712
Interest	13,706	277,836	291,542
Fiscal Agent's Fees		2,050	2,050
Total Expenditures	<u>\$ 8,468,133</u>	<u>\$ 2,467,476</u>	<u>\$ 10,935,609</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (226,649)</u>	<u>\$ (621,753)</u>	<u>\$ (848,402)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ (68,521)	\$ 629,850	\$ 561,329
Proceeds from the Sale of Assets	5,000		5,000
Total Other Financing Sources	<u>\$ (63,521)</u>	<u>\$ 629,850</u>	<u>\$ 566,329</u>
Net Change in Fund Balance	\$ (290,170)	\$ 8,097	\$ (282,073)
Fund Balance - Beginning	<u>4,557,144</u>	<u>1,515,205</u>	<u>6,072,349</u>
Fund Balance - Ending	<u>\$ 4,266,974</u>	<u>\$ 1,523,302</u>	<u>\$ 5,790,276</u>

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	(282,073)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:		
Governmental funds report capital outlay as expenditures. However, the statement of activities reports these as Capital Assets that are depreciated over their useful lives.		904,224
The loss on disposition of assets is not reported in the funds.		(540)
Depreciation is recorded in the Statement of Activities as an expense but not in governmental funds.		(1,629,892)
Principal payments are recorded as expenditures in governmental funds but excluded in the Statement of Activities.		1,270,712
The net revenue of internal service funds is reported with governmental activities.		38,809
Change in accrued interest from beginning of period to end of period.		(5,369)
Accrued compensated absences are recorded in the statement of activities as an expense but not in governmental funds.		(166,758)
Amortization of discounts and premiums are not reported in the funds.		59,958
Pension Expense is not recognized in the funds related to the Net Pension Liability and related balance sheet amounts.		(201,360)
OPEB Expense is not recognized in the funds related to the Total OPEB Liability and related balance sheet amounts.		(12,833)
Deferred revenue is not recorded in the statements of net position thus the change is excluded in activities.		<u>(4,870)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(29,992)</u></u>

See accompanying notes to the financial statements

CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2019

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 6,280,194	\$ 41,507	\$ 6,321,701	\$ 99,055
Receivables (Net of Allowances)	898,397	15,785	914,182	
Inventories	122,859		122,859	
Prepays	15,286		15,286	
Due from Other Funds			0	322,801
Noncurrent Assets:				
Advances to Other Funds			0	1,627,873
Capital Assets, Net of Accumulated Depreciation and Amortization				
Land	849,111	236,246	1,085,357	
Building and Improvements	818,998	801,538	1,620,536	
Improvements Other Than Buildings	14,302,226	3,411,777	17,714,003	
Machinery and Equipment	1,691,840		1,691,840	
Investment in Water Facilities	6,338,269		6,338,269	
Total Assets	\$ 31,317,180	\$ 4,506,853	\$ 35,824,033	\$ 2,049,729
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan - Employer Contributions	\$ 80,377	\$	\$ 80,377	\$
Pension Plan - Change in Assumption	6,496		6,496	
Pension Plan - Earnings Differences	254,060		254,060	
OPEB Plan - Employer Contributions	206		206	
Total Deferred Outflows of Resources	\$ 341,139	\$ 0	\$ 341,139	\$ 0
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 651,465	\$ 956	\$ 652,421	\$
Accrued Wages	20,236		20,236	
Accrued Interest	27,706		27,706	
Due to Other Funds	313,700		313,700	
Customer Deposits and Prepayments	289,989		289,989	
Noncurrent Liabilities:				
Due Within One Year	683,723		683,723	
Due In More Than One Year	4,414,197		4,414,197	
Closure/Post Closure Landfill Liability	11,499		11,499	
Net Pension Liability	536,537		536,537	
Total OPEB Liability	42,105		42,105	
Advances from Other Funds	1,518,579		1,518,579	
Total Liabilities	\$ 8,509,736	\$ 956	\$ 8,510,692	\$ 0
DEFERRED INFLOWS OF RESOURCES				
Pension Plan - Experience Differences	\$ 124,880	\$	\$ 124,880	\$ 0
OPEB Plan - Experience Differences	2,600		2,600	
OPEB Plan - Change in Assumption	156		156	
	\$ 127,636	\$ 0	\$ 127,636	\$ 0
NET POSITION				
Net Investment in Capital Assets	\$ 19,060,701	\$ 4,449,561	\$ 23,510,262	\$
Restricted for Sewer Improvements	1,749,787		1,749,787	
Unrestricted	2,210,459	56,336	2,266,795	2,049,729
Total Net Position	\$ 23,020,947	\$ 4,505,897	\$ 27,526,844	\$ 2,049,729

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
OPERATING REVENUES				
Water and Sewer Revenues	\$ 4,176,243	\$	\$ 4,176,243	\$
Sanitation Charges	2,718,155		2,718,155	
Street Lights	166,558		166,558	
Sewer Improvement Fee	230,983		230,983	
Swimming Pool	14,708		14,708	
Hanger Rental and Fuel Sales		47,354	47,354	
Total Operating Revenues	<u>\$ 7,306,647</u>	<u>\$ 47,354</u>	<u>\$ 7,354,001</u>	<u>\$ 0</u>
OPERATING EXPENSES				
Personnel Services	\$ 1,404,719	\$	\$ 1,404,719	\$
Supplies and Capital Outlay	314,128		314,128	
Repairs and Maintenance	403,609	32,701	436,310	
Services	2,740,413	35,803	2,776,216	
Other Operating Expenses	11,497		11,497	
Depreciation	925,703	202,511	1,128,214	
Amortization of Water Rights	349,314		349,314	
Total Operating Expense	<u>\$ 6,149,383</u>	<u>\$ 271,015</u>	<u>\$ 6,420,398</u>	<u>\$ 0</u>
Operating Income (Loss)	<u>\$ 1,157,264</u>	<u>\$ (223,661)</u>	<u>\$ 933,603</u>	<u>\$ 0</u>
NONOPERATING REVENUE (EXPENSE)				
Investment Earnings	\$ 96,438	\$ 522	\$ 96,960	\$ 14,633
Interest Expense and Fees	(222,073)		(222,073)	
Gain (Loss) on Disposition of Assets	2,000		2,000	
Miscellaneous	152,907	982	153,889	
Total Nonoperating Revenue (Expense)	<u>\$ 29,272</u>	<u>\$ 1,504</u>	<u>\$ 30,776</u>	<u>\$ 14,633</u>
Income (Loss) Before Transfers	<u>\$ 1,186,536</u>	<u>\$ (222,157)</u>	<u>\$ 964,379</u>	<u>\$ 14,633</u>
TRANSFERS				
Transfers In/(Out)	<u>\$ (585,505)</u>	<u>\$</u>	<u>\$ (585,505)</u>	<u>\$ 24,176</u>
Total Transfers	<u>\$ (585,505)</u>	<u>\$ 0</u>	<u>\$ (585,505)</u>	<u>\$ 24,176</u>
Change in Net Position	\$ 601,031	\$ (222,157)	\$ 378,874	\$ 38,809
TOTAL NET POSITION - BEGINNING	<u>22,419,916</u>	<u>4,728,054</u>	<u>27,147,970</u>	<u>2,010,920</u>
TOTAL NET POSITION - ENDING	<u>\$ 23,020,947</u>	<u>\$ 4,505,897</u>	<u>\$ 27,526,844</u>	<u>\$ 2,049,729</u>

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 7,353,253	\$ 60,995	\$ 7,414,248	\$
Cash Payments to Suppliers for Goods and Services	(3,217,362)	(91,600)	(3,308,962)	
Cash Payments to Employees for Services	(1,299,407)		(1,299,407)	
Net Cash From Operating Activities	\$ 2,836,484	\$ (30,605)	\$ 2,805,879	\$ 0
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Transfers To/From Other Funds	\$ 58,488	\$ (2)	\$ 58,486	\$ (610,893)
Cash Received From Intergovernmental Grant	#REF!	#REF!	#REF!	
Cash Receipts From Non-Operating Activities	154,907	982	155,889	
Net Cash From Noncapital Financing Activities	\$ #REF!	\$ #REF!	\$ #REF!	\$ (610,893)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions of Capital Assets	\$ (1,696,410)	\$	\$ (1,696,410)	\$
Principal Payments on Long-Term Debt	(823,602)		(823,602)	
Interest Payments	(217,067)		(217,067)	
Net Cash From Capital and Related Financing Activities	\$ (2,737,079)	\$ 0	\$ (2,737,079)	\$ 0
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earned on Investments	\$ 96,438	\$ 522	\$ 96,960	\$ 14,633
Net Cash From Investing Activities	\$ 96,438	\$ 522	\$ 96,960	\$ 14,633
CHANGE IN CASH AND CASH EQUIVALENTS	\$ #REF!	\$ #REF!	\$ #REF!	\$ (596,260)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,870,956	70,610	5,941,566	695,315
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ #REF!	\$ #REF!	\$ #REF!	\$ 99,055
Reconciliation of Operating Income to Net Cash Flows From Operating Activities				
Operating Income	\$ 1,157,264	\$ (223,661)	\$ 933,603	\$ 0
Adjustments to Reconcile Income From Operations to Net Cash From Operating Activities:				
Depreciation Expense	\$ 925,703	\$ 202,511	\$ 1,128,214	\$
Amortization Expense	349,314		349,314	
Change in Assets and Liabilities:				
Receivables	29,137	13,641	42,778	
Inventories	32,070		32,070	
Prepays	(15,286)		(15,286)	
Deferred Outflows - Pension Plan	(368,143)		(368,143)	
Deferred Outflows - OPEB Plan	1		1	
Accounts Payable	224,002	(23,096)	200,906	
Accrued Payroll	5,326		5,326	
Meter Deposits	17,469		17,469	
Net Pension Liability	374,478		374,478	
Total OPEB Liability	(1,227)		(1,227)	
Closure/Post Closure Landfill Liability	11,499		11,499	
Accrued Compensated Absences	38,417		38,417	
Deferred Inflows - Pension Plan	50,726		50,726	
Deferred Inflows - OPEB Plan	5,734		5,734	
	\$ 1,679,220	\$ 193,056	\$ 1,872,276	\$ 0
Net Cash From Operating Activities	\$ 2,836,484	\$ (30,605)	\$ 2,805,879	\$ 0

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019

	TNRCC Nonexpendable Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 32,068
Total Assets	<u>\$ 32,068</u>
NET POSITION	
Held in Trust for TNRCC	\$ 32,068
Total Net Position	<u>\$ 32,068</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

The City of Levelland, Texas' (the City) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

1. Reporting Entity

Primary Government

The City has a council-manager form of government with a mayor and four council members. The Mayor is elected at large for a three-year term and council members are elected to represent residents in four election districts for two-year terms. The terms are staggered so that two council members are elected each year. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City. The City 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 GASB in its Statement No. 61, *The Financial Reporting Entity*.

Component Units

As defined by GASB No. 61, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City. The City has two component units that are reflected as discretely presented on the government-wide financial statements.

The Levelland Economic Development Corporation (LEDC), a nonprofit corporation, was incorporated in the State of Texas on March 12, 1992. The purpose of LEDC is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City of Levelland, Texas.

The Levelland Community Development Corporation (LCDC), a nonprofit corporation, was incorporated in the State of Texas on September 17, 2010. The purpose of the LCDC is to engage in projects primarily for amateur sports, including children's sports, including ballparks, soccer fields and sports and recreational complexes; for public park facilities and open space improvements; for related concession and parking facilities; and for maintenance and operation expenses for any of the above described projects.

Complete stand-alone financial statements for LEDC and LCDC may be obtained from:

City of Levelland
1709 Avenue H
Levelland, Texas 79336

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation – Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's general fund and other funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, highways and streets, recreation and parks, economic development, cemetery and airport services are classified as governmental activities. The City's enterprise services are classified as business-type activities.

In the government-wide Statement of Net Position, the governmental activities, business-type activities, and component unit (a) are presented by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, highways and streets, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, highways and streets, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or franchise taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

b. Basis of Presentation – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

Major Funds:

General Fund – This governmental fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Funds:

Debt Service Fund – This governmental fund is established to account for the payment of bond principal and interest payments.

Capital Project Funds – These governmental funds are established to account for expansion and improvements.

Special Revenue Funds – The special revenue funds are used to account for the receipt of taxes and other revenues dedicated for various purposes.

2. Proprietary Fund – Enterprise Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the City:

Enterprise Fund – This fund accounts for the revenues and expenses associated with providing water and sewer, sanitation and other business-type services to the citizens of the City.

Airport Fund – This fund accounts for the activities at the Airport. Funding consists of hanger rentals and fuel sales.

A proprietary fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, to be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Fund Balances

The City applies GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-Spendable Fund Balance—includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain intact such as the principal of an endowment.

Restricted Fund Balance—includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.

Committed Fund Balance—includes the portion of net resources upon which the City Commission has imposed limitations on use and those amounts can only be used for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

Assigned Fund Balance—includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.

Unassigned Fund Balance—includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

Fund Balance Policy

Committed Fund Balance – The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the City Council at the City's regular or special meetings. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period (i.e. the City Council may approve the calculation or formula for determining the amount to be committed).

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Assigned Fund Balance – The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose as approved by this fund balance policy.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

c. Measurement Focus, Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Governmental activities, business-type activities and discretely presented component units in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 45 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

d. Financial Statement Amounts

1. Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand, cash in bank, certificates of deposit and investment pools.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure and Improvements	
Other than Buildings	10-50 years
Buildings	50 years
Building Improvements	10-20 years
Vehicles	2-15 years
Office Equipment	3-15 years
Computer Equipment	3-15 years

3. Revenues:

Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue. The City also recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements related to grants, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as cash paid in advance by the provider and deferred inflows of resources by the City.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred. In accordance with GASB 63 and 65, any loss on bond refunding is recognized as a deferred outflow of resources on the statement of net position and amortized over the life of the refunding bonds. In addition, bond issue costs are immediately expensed. The City expenses immediately any refunding changes with respect to the debt issued by Canadian River Municipal Water Association (CRMWA) that are related to the City.

5. Compensated Absences:

Compensated absences (general leave) for the City includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid for any accrued general leave earned as set forth by personnel policy.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

6. Interfund Activity:

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

7. Encumbrances:

The City does not utilize an encumbrance accounting system. At year-end, the City reviews commitments to determine amounts encumbered. At September 30, 2019, there were no material commitments to be indicated by a reserve in the general fund balance.

8. Inventory:

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in the governmental activities and governmental funds. The first in first out method (FIFO) is used in the Enterprise Fund.

9. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet/statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

B. Cash and Cash Equivalents

At September 30, 2019, the carrying amount of the City's cash and cash equivalents was \$11,675,441, with a bank and investment pool balances of \$11,952,979. The City's cash and cash equivalents at September 30, 2019, and during the year then ended, were entirely covered by FDIC insurance and securities pledged by the depository bank, which are held by the bank's third party custodian bank.

C. Disaggregation of Accounts Receivable

Estimated uncollectible receivables are charged to current operations under the allowance method of accounting. The allowance for uncollectible balances at September 30, 2019, for the various accounts included in the financial statements is as follows:

	<u>Total</u> <u>Receivables</u>	<u>Estimated</u> <u>Uncollectible</u> <u>Accounts</u>	<u>Net</u> <u>Receivables</u>
Governmental Activities:			
General Fund			
Ad Valorem Taxes	\$ 381,098	\$ 262,155	\$ 118,943
Sales Taxes	484,074		484,074
Franchise Taxes	246,301		246,301
Other	146,841		146,841
Special Revenue Funds			
Hotel Occupancy Tax	39,747		39,747
Park Grants and Contributions			
Other	79		79
Debt Service			
Ad Valorem Taxes	41,527	28,748	12,779
Cemetery Fund			
Ad Valorem Taxes	15,306	9,408	5,898
Other	8,966		8,966
Total Governmental Activities	<u>\$ 1,363,939</u>	<u>\$ 300,311</u>	<u>\$ 1,063,628</u>
Business-Type Activities:			
Enterprise Fund			
Customer Accounts	1,854,583	956,186	898,397
Airport Fund			
Hanger Rental and Fuel	15,785		15,785
Primary Government	<u>\$ 3,234,307</u>	<u>\$ 1,256,497</u>	<u>\$ 1,977,810</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

D. Investments Policies and Risk

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy.

That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does not address the following risks:

- a. **Custodial Credit Risk – Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The City's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The City is not exposed to custodial credit risk, for its deposits are all covered by depository insurance and securities pledged by the depository bank, which are held by the bank's third party custodian bank.
- b. **Concentration of Credit Risk –** The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2019, all of the City's investments are with various financial institutions which are covered by FDIC insurance and pledged securities, and as such the City has no risk.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

- c. Credit Risk – The risk that an issuer of other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2019, the City was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

E. Property Taxes

The City is permitted by the State of Texas Constitution to levy taxes up to 1.50 per \$100 of assessed valuation for maintenance and operations, and up to 2.50 per \$100 of assessed valuation for the debt service tax. Taxes are collected by Hockley County from the citizens of Levelland and remitted to the City on a regular basis.

On October 1, 2018, property taxes of \$4,213,163 were levied for the governmental funds. Individual tax levies from the tax roll on October 1, 2018, were delinquent if unpaid at January 31, 2019.

Allowances for uncollectible tax receivables within the General, Cemetery and Debt Service Funds are based upon 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 without specific authority from the Texas Legislature.

F. Component Unit Receivable

The City had \$79,117 due from LEDC and LCDC at September 30, 2019 for their share of administration costs and park costs.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

G. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Balance 10/1/2018</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance 9/30/2019</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,380,645	\$ 68,940	\$	\$ 1,449,585
Construction Work in Progress	<u>393,104</u>	<u>14,397</u>	<u>337,150</u>	<u>70,351</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,773,749</u>	<u>\$ 83,337</u>	<u>\$ 337,150</u>	<u>\$ 1,519,936</u>
Depreciable Assets:				
Buildings and Improvements	\$ 6,764,058	\$	\$	\$ 6,764,058
Improvements Other Than Buildings	25,129,663	209,547		25,339,210
Machinery and Equipment	<u>7,179,672</u>	<u>611,340</u>	<u>(303,109)</u>	<u>8,094,121</u>
Total Depreciable Assets	<u>\$ 39,073,393</u>	<u>\$ 820,887</u>	<u>\$ (303,109)</u>	<u>\$ 40,197,389</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 621,526	\$ 214,726	\$	\$ 836,252
Improvements Other Than Buildings	8,108,795	806,468		8,915,263
Machinery and Equipment	<u>4,556,187</u>	<u>608,698</u>	<u>33,501</u>	<u>5,131,384</u>
Total Accumulated Depreciation	<u>\$ 13,286,508</u>	<u>\$ 1,629,892</u>	<u>\$ 33,501</u>	<u>\$ 14,882,899</u>
Total Depreciable Assets, Net	<u>\$ 25,786,885</u>	<u>\$ (809,005)</u>	<u>\$ (336,610)</u>	<u>\$ 25,314,490</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,560,634</u>	<u>\$ (725,668)</u>	<u>\$ 540</u>	<u>\$ 26,834,426</u>

Depreciation was charged to governmental activities as follows:

General Government	\$ 23,557
Public Safety	578,328
Highways and Streets	714,632
Recreation and Parks	281,103
Cemetery	<u>32,272</u>
	<u>\$ 1,629,892</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Balance 10/1/2018</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance 9/30/2019</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,085,357	\$	\$	\$ 1,085,357
Construction Work in Progress	<u>524,302</u>	<u></u>	<u>524,302</u>	<u>0</u>
Total Capital Assets Not Being Depreciated	\$ <u>1,609,659</u>	\$ <u>0</u>	\$ <u>524,302</u>	\$ <u>1,085,357</u>
Depreciable Assets:				
Buildings and Improvements	\$ 2,174,659	\$	\$	\$ 2,174,659
Improvements Other Than Buildings	27,538,673	1,668,819	(524,302)	29,731,794
Machinery and Equipment	<u>4,089,625</u>	<u>27,591</u>	<u></u>	<u>4,117,216</u>
Total Depreciable Assets	\$ <u>33,802,957</u>	\$ <u>1,696,410</u>	\$ <u>(524,302)</u>	\$ <u>36,023,669</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 509,032	\$ 45,091	\$	\$ 554,123
Improvements Other Than Buildings	11,222,524	795,267		12,017,791
Machinery and Equipment	<u>2,137,522</u>	<u>287,854</u>	<u></u>	<u>2,425,376</u>
Total Accumulated Depreciation	\$ <u>13,869,078</u>	\$ <u>1,128,212</u>	\$ <u>0</u>	\$ <u>14,997,290</u>
Total Depreciable Assets, Net	\$ <u>19,933,879</u>	\$ <u>568,198</u>	\$ <u>(524,302)</u>	\$ <u>21,026,379</u>
Investment in Water Facilities	\$ 13,101,582	\$	\$	\$ 13,101,582
Accumulated Amortization Investment in Water Facilities	<u>(6,405,566)</u>	<u>(357,747)</u>	<u></u>	<u>(6,763,313)</u>
Net Investment in Water Facilities	\$ <u>6,696,016</u>	\$ <u>(357,747)</u>	\$ <u>0</u>	\$ <u>6,338,269</u>
Business-Type Activities Capital Assets, Net	\$ <u>28,239,554</u>	\$ <u>210,451</u>	\$ <u>0</u>	\$ <u>28,450,005</u>

H. Investment in Water Facilities and Related Debt

The City, along with several West Texas municipalities, entered into various contracts with the Canadian River Municipal Water Authority (CRMWA), to participate in the construction and maintenance of water gathering, holding, treatment, and transmission facilities. Under the agreements, CRMWA agreed to issue revenue bonds to finance construction and maintenance of the facilities and the City agreed to pay back their share of the total annual debt service requirements. Additionally, the City entered into a similar agreement with the City of Lubbock, Texas, for the acquisition and maintenance of a water treatment facility. The total investment made by the City to obtain its total water rights was \$13,101,582, including other amounts invested.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following schedules comprise the debt outstanding related to the CRMWA contracts as of September 30, 2019:

Water Facilities Debt	Balance 10/1/2018	Addition	Principal Payments	Balance 9/30/2019
Series 2010, Refunding, CUP	\$ 50,525	\$	\$ 50,525	\$ 0
Series 2012, Refunding, CUP	1,109,142		36,511	1,072,631
Series 2009, CUP	6,765		6,765	0
Series 2011, CUP	1,018,456		63,103	955,353
Series 2014, Refunding, CUP	819,273		178,394	640,879
Series 2017, Refunding, CUP	315,270		18,321	296,949
Water Treatment Plant 2014	358,997		53,446	305,551
	<u>\$ 3,678,428</u>	<u>\$ 0</u>	<u>\$ 407,065</u>	<u>\$ 3,271,363</u>

Water Facilities Debt	Maturity	Interest Rates
Revenue Bonds, Conjunctive Use Groundwater Supply Project, Series 2011	2031	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2012	2025	2.6%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2014	2027	2.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2017	2029	3.0%-5.0%
Water Treatment Plant 2014 - City of Lubbock	2024	3.38%

The City paid \$172,134 in interest related to this debt for the year ended September 30, 2019.

Debt service requirements related to this debt at September 30, 2019, are as follows:

	Total Water Facilities Debt		
	Principal	Interest	Total
Year Ending September 30,			
2020	\$ 397,650	\$ 156,040	\$ 553,690
2021	428,058	137,157	565,215
2022	448,824	116,508	565,332
2023	470,885	94,697	565,582
2024	494,545	71,568	566,113
2025-2029	899,445	131,288	1,030,733
2030-2031	131,956	7,090	139,046
Totals	<u>\$ 3,271,363</u>	<u>\$ 714,348</u>	<u>\$ 3,985,711</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Investment in Water Facilities at cost as of September 30, 2019 is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions/ Other</u>	<u>Ending</u>
Cost:				
CRMWA	\$ 12,316,077	\$	\$	\$ 12,316,077
City of Lubbock	585,505			585,505
Other	<u>200,000</u>			<u>200,000</u>
Total Cost of Water Facilities	<u>\$ 13,101,582</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,101,582</u>
Accumulated Amortization:				
CRMWA	\$ 6,172,082	\$	\$	\$ 6,172,082
City of Lubbock	201,484	357,747		559,231
Other	<u>32,000</u>			<u>32,000</u>
Total Accumulated Amortization	<u>\$ 6,405,566</u>	<u>\$ 357,747</u>	<u>\$ 0</u>	<u>\$ 6,763,313</u>
Total Investment in Water Facilities	<u>\$ 6,696,016</u>	<u>\$ (357,747)</u>	<u>\$ 0</u>	<u>\$ 6,338,269</u>
Investments in Water Facilities, Net of Related Debt:	<u>Net Investment</u>	<u>Debt</u>	<u>Investment Net of Related Debt</u>	
CRMWA	\$ 6,143,995	\$ 2,965,812	\$ 3,178,183	
City of Lubbock	26,274	305,551	(279,277)	
Other	<u>168,000</u>		<u>168,000</u>	
Totals	<u>\$ 6,338,269</u>	<u>\$ 3,271,363</u>	<u>\$ 3,066,906</u>	

I. Long-Term Debt

The City's long-term debt is made up of bonds, unamortized premiums on bonds, notes, lease obligations, and compensated absences, the activity from the year is summarized below. These liabilities have been grouped by primary government activities in which the debts are recorded and serviced and show the amounts payable at September 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Interest and Fees</u>
Governmental Activities:						
Series 2012, GO Refunding Bonds	\$ 1,615,000	\$	\$ 210,000	\$ 1,405,000	\$ 215,000	\$ 36,250
Series 2009, COs	2,870,000		210,000	2,660,000	220,000	112,185
Series 2013, COs	3,635,000		195,000	3,440,000	200,000	90,281
Series 2015, Tax Notes	2,400,000		585,000	1,815,000	595,000	39,120
Lease Obligations	716,075		70,712	645,363	62,512	13,706
Compensated Absences	410,950	166,758		577,708		
Unamortized Bond Premiums	<u>262,835</u>		<u>59,958</u>	<u>202,877</u>		
Total Governmental Activities	<u>\$ 11,909,860</u>	<u>\$ 166,758</u>	<u>\$ 1,330,670</u>	<u>\$ 10,745,948</u>	<u>\$ 1,292,512</u>	<u>\$ 291,542</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Interest and Fees</u>
Business-Type Activities:						
CRMWA - Debt	\$ 3,319,429	\$	\$ 353,617	\$ 2,965,812	\$ 341,800	\$ 156,733
City of Lubbock Debt	358,997		53,446	305,551	55,850	15,401
Note Payable	289,610		207,555	82,055	82,055	9,089
State Infrastructure Bank Loan	830,481		46,831	783,650	48,060	21,138
Lease Obligations	816,516		162,153	654,363	155,958	14,706
Compensated Absences	119,758	38,418		158,176		
Unamortized Net Bond Premium	162,827		14,514	148,313		
Total Business-Type Activities	\$ 5,897,618	\$ 38,418	\$ 838,116	\$ 5,097,920	\$ 683,723	\$ 217,067

Detail on the maturity dates and interest rates of the outstanding Long-Term Debt of the City as of September 30, 2019 are as follows:

Governmental Activities:

<u>Debt</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
Series 2012, GO Refunding Bonds	2025	2.00% - 2.75%
Series 2009, COs	2029	4.00% - 4.13%
Series 2013, COs	2033	2.00% - 3.13%
Series 2015, Tax Notes	2022	1.63%
Lease Obligations	2028	3.39%

Business-Type Activities:

<u>Debt</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
CRMWA - Debt	See Note H	See Note H
City of Lubbock - Debt	See Note H	See Note H
Note Payable	2020	4.25%
Lease Obligations	2023	3.19%

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Debt service requirements on all long-term debt outstanding at September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 1,292,512	\$ 272,882	\$ 1,565,394
2021	1,329,634	243,472	1,573,106
2022	1,361,828	212,601	1,574,429
2023	774,096	180,395	954,491
2024	806,441	156,909	963,350
2025-2029	3,275,852	442,385	3,718,237
2030-2034	1,125,000	71,641	1,196,641
Unamortized Bond Premiums	202,877		202,877
Totals	\$ 10,168,240	\$ 1,580,285	\$ 11,748,525

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 683,723	\$ 196,849	\$ 880,572
2021	638,320	171,723	810,043
2022	665,521	144,639	810,160
2023	694,216	116,194	810,410
2024	547,855	86,227	634,082
2025-2029	1,187,737	182,821	1,370,558
2030-2034	374,059	19,870	393,929
Unamortized Bond Premiums	148,313		148,313
Totals	\$ 4,939,744	\$ 918,323	\$ 5,858,067

LCDC is obligated to the City to make all debt payments on the Series 2013 Certificate of Obligation Bonds. LEDC is obligated to the City to make all debt payments, in excess of TIF #2 property tax payments received, on the Series 2009 Certificate of Obligation Bonds. These amounts are shown as Operating Grants and Contributions to offset Interest and Fees Related to Debt under the governmental activities.

Subsequent to year end, the City of Levelland refunded the Series 2009 Certificates of Obligation with General Obligation Refunding Bonds, Series 2019 in the amount of \$2,715,000.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Lease Obligations:

The assets acquired through lease obligations are as follows:

<u>Cash and Capital Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and Equipment	\$ 732,075	\$ 816,516
Less: Accumulated Depreciation	<u>(48,805)</u>	<u>(163,303)</u>
Totals	<u>\$ 683,270</u>	<u>\$ 653,213</u>

Commitments under lease obligation agreements for machinery and equipment provide for minimum future lease payments as of September 30, 2019, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2020	\$ 62,512	\$ 21,906	\$ 84,418
2021	64,634	19,785	84,419
2022	66,828	17,591	84,419
2023	69,096	15,322	84,418
2024	71,441	12,977	84,418
2025-2028	<u>310,852</u>	<u>26,819</u>	<u>337,671</u>
Totals	<u>\$ 645,363</u>	<u>\$ 114,400</u>	<u>\$ 759,763</u>

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2020	\$ 155,958	\$ 20,900	\$ 176,858
2021	160,940	15,919	176,859
2022	166,080	10,779	176,859
2023	<u>171,385</u>	<u>5,474</u>	<u>176,859</u>
Totals	<u>\$ 654,363</u>	<u>\$ 53,072</u>	<u>\$ 707,435</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

J. Pension Plan

Plan Description

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

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the 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.

Currently the City has adopted the following provisions related to the pension plan:

	<u>December 31, 2018</u>
Employee Deposit Rate	6%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Requirement Eligibility (Expressed as Age / Years of Service)	60/5,0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	53
Inactive Employees Entitled to but not Yet Receiving Benefits	32
Active Employees	<u>88</u>
Total Plan Employees	<u><u>173</u></u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 were required to contribute 6% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 12.33% and 11.69% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$573,303, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Amortization Period	27 years

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. 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 males 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 scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%

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.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Changes in Net Pension Asset (Liability)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)
Balance 12/31/2017	\$ 27,441,246	\$ 26,562,528	\$ (878,718)
Service Cost	718,366		(718,366)
Interest (on the Total Pension Liability)	1,800,298		(1,800,298)
Difference Between Expected and Actual Expenses	(458,872)		458,872
Contributions - Employer		612,125	612,125
Contributions - Employee		297,871	297,871
Net Investment Income		(779,074)	(779,074)
Benefit Payments	(1,148,393)	(1,148,393)	
Administrative Expense		(15,056)	(15,056)
Other	448	(787)	(1,235)
Balance 12/31/2018	<u>\$ 28,353,093</u>	<u>\$ 25,529,214</u>	<u>\$ (2,823,879)</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	Current Rate Assumption	1% Increase
\$ (6,831,398)	\$ (2,823,879)	\$ 453,342

Pension Plan Fiduciary Net Position

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2019, the City recognized pension expense of \$831,020 and calculated as shown below:

Total Service Cost	\$ 718,366
Interest on the Total Pension Liability	1,800,298
Employee Contributions (Reduction of Expense)	(297,871)
Projected Earnings on Plan Investments (Reduction of Expense)	(1,755,467)
Administrative Expense	15,056
Other Changes in Fiduciary Net Position	787
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(176,581)
Recognition of Current Year Outflow (Inflow) of Resources-Assets	526,432
Total Pension Expense	<u>\$ 831,020</u>

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows/(Inflows) of Resources - Pension Plan</u>	<u>Plan Year</u>	<u>Amount</u>	<u>Remaining Amortization Period</u>
Employer Contribution Deferrals	2019	\$ 423,039	1.000
Differences Between Projected and Actual Investment Earnings	2015	295,822	1.000
Differences Between Projected and Actual Investment Earnings	2016	(755)	2.000
Differences Between Projected and Actual Investment Earnings	2017	(985,537)	3.000
Differences Between Projected and Actual Investment Earnings	2018	2,027,629	4.000
Differences Between Expected and Actual Economic Experience	2014	(2,634)	0.260
Differences Between Expected and Actual Economic Experience	2015	(12,627)	1.260
Differences Between Expected and Actual Economic Experience	2016	21,414	2.110
Differences Between Expected and Actual Economic Experience	2017	(298,420)	2.990
Differences Between Expected and Actual Economic Experience	2018	(364,998)	3.890
Difference in Assumptions	2015	34,191	1.260
Total Deferred Outflows/(Inflows) of Resources		<u>\$ 1,137,124</u>	

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan Year</u>	<u>Amortization of Deferred Outflows</u>
2020	\$ 727,864
2021	(1,029)
2022	(13,135)
2023	423,424
2024	0
	<u>\$ 1,137,124</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

K. Other Postemployment Benefits (OPEB)

Plan Description:

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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 an 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.

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 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.

Benefits Provided:

The plan provides a \$7,500 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the SDBF. The OPEB benefit is a fixed \$7,500 lump-sum benefit and no future increases are assumed in the benefit amount.

The SDBF fund does not meet the requirements of a trust under Paragraph 4b of GASB No. 75, as the assets of the SDBF can be used to pay active SDBF benefits which are not part of the OPEB plan. The contributions for retiree SDBF coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

Benefit terms are established under the TMRS Act. Participation in the retiree SDBF is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The City's contribution rate for the retiree SDBF program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$7,500.

Employees Covered by Benefit Terms:

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	33
Inactive Employees Entitled to but not Yet Receiving Benefits	12
Active Employees	88
Total Plan Employees	<u>133</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Total OPEB Liability:

The City's total OPEB liability of \$221,607 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic Gains and Losses and Assumptions	Straight-Line Amortization over Expected Working Life
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate	3.71%
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.71% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2018. At transition, GASB 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Annuity Purchase Rates:

Annuity purchase rates are used to determine the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

Experience Studies:

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. TMRS uses the experience studies as a basis for determining assumptions, except where required to be treated different by GASB 75.

Changes in the Total OPEB Liability:

Balance as of December 31, 2017	\$	234,955
Changes for the year:		
Service Cost		12,908
Interest on Total OPEB Liability		7,970
Difference Between Expected and Actual Experiences		(16,327)
Changes in Assumptions and Other Inputs		(16,530)
Other		122
Benefit Payments		<u>(1,491)</u>
Balance as of December 31, 2018	\$	<u>221,607</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 2017 to 2018.

There were no changes of benefit terms that affected measurement during the measurement period.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Sensitivity Analysis:

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.71%, as well as what the Total 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. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	\$ <u>266,510</u>	\$ <u>221,607</u>	\$ <u>186,551</u>

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$18,680. At September 30, 2019, 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
Difference Between Expected and Actual Experiences	\$	\$ 13,685
Changes in Assumptions and Other Inputs		819
Contributions Made Subsequent to Measurement Date	1,085	
	\$ <u>1,085</u>	\$ <u>14,504</u>

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

	OPEB Expense Amount
2019	\$ (1,112)
2020	(2,198)
2021	(2,198)
2022	(2,198)
2023	(4,755)
Thereafter	(958)
	\$ <u>(13,419)</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

L. Commitments and Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

The City has no litigation pending which would have a material impact on the financial statements.

M. Closure and Post Closure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$11,499 reported as landfill closure and post closure care liability at September 30, 2018, represents the cumulative amount reported to date based on the use of 1.42% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$796,428 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care at September 30, 2019. Actual costs in the future may be higher due to inflation, changes in technology, or changes in regulations.

N. Undivided Interests Related Party

The City and Hockley County both own a 50% undivided interest in the real property of the Airport. Total net capital assets of the Airport are \$4,449,561, with no related debt, at September 30, 2019. The total net capital assets are included in the proprietary funds and in the business-type activities of the primary government in the City's statement of net position. The City and the County have always equally shared the responsibilities and benefits in regards to the undivided interests ownership and joint operations. While the City and the County share equally in all decision making, the City accepted the mantle of adopting government regulations to facilitate airport operations and for the accounting function.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LEVELLAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN**

**SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2019**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>
	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability
Service Cost	\$ 603,817	\$ 675,914	\$ 694,574	\$ 689,896	\$ 718,366
Interest	1,565,280	1,627,583	1,651,900	1,745,899	1,800,298
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)	(1,171,319)	(1,148,393)
Differences between Expected and Actual Experience	(54,713)	(53,434)	51,860	(498,031)	(458,872)
Changes of Assumptions		144,698			
Other - Proportionate Share Adjustment		(17,433)	(40,143)	(1,935)	448
Net Change	\$ 1,036,000	\$ 1,485,991	\$ 1,556,317	\$ 764,510	\$ 911,847
Beginning Balance	<u>22,598,428</u>	<u>23,634,428</u>	<u>25,120,419</u>	<u>26,676,736</u>	<u>27,441,246</u>
Ending Balance	<u>\$ 23,634,428</u>	<u>\$ 25,120,419</u>	<u>\$ 26,676,736</u>	<u>\$ 27,441,246</u>	<u>\$ 28,353,093</u>
	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>
Employer Contributions	\$ 575,137	\$ 600,220	\$ 581,693	\$ 593,349	\$ 612,125
Employee Contributions	277,347	291,133	292,431	291,095	297,871
Net Investment Income	1,210,932	32,287	1,459,662	3,201,565	(779,074)
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)	(1,171,319)	(1,148,393)
Administration Expenses	(12,643)	(19,666)	(16,434)	(16,589)	(15,056)
Other	(1,039)	(972)	(887)	(840)	(787)
Net Change	\$ 971,350	\$ 11,665	\$ 1,514,591	\$ 2,897,261	\$ (1,033,314)
Beginning Balance	<u>21,167,661</u>	<u>22,139,011</u>	<u>22,150,676</u>	<u>23,665,267</u>	<u>26,562,528</u>
Ending Balance	<u>\$ 22,139,011</u>	<u>\$ 22,150,676</u>	<u>\$ 23,665,267</u>	<u>\$ 26,562,528</u>	<u>\$ 25,529,214</u>
Net Pension Asset (Liability)	<u>\$ (1,495,417)</u>	<u>\$ (2,969,743)</u>	<u>\$ (3,011,469)</u>	<u>\$ (878,718)</u>	<u>\$ (2,823,879)</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	93.67%	88.18%	88.71%	96.80%	90.04%
Covered Employee Payroll	\$ 4,609,065	\$ 4,852,217	\$ 4,998,910	\$ 4,851,588	\$ 4,964,512
Net Pension Liability as a Percentage of Covered Employee Payroll	-32.45%	-61.20%	-60.24%	-18.11%	-56.88%

Note: Only five years of GASB 68 Data Available as of 12/31/2018. The remaining five years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN**

**SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>
Actuarially Determined Contribution	\$ 608,830	\$ 608,954	\$ 604,475	\$ 607,218	\$ 573,303
Actual Contributions	<u>608,830</u>	<u>608,954</u>	<u>604,475</u>	<u>607,218</u>	<u>573,303</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 4,843,874	\$ 5,047,446	\$ 4,971,285	\$ 4,934,357	\$ 4,839,649
Contributions as a Percentage of Covered Employee Payroll	12.57%	12.06%	12.16%	12.31%	11.85%

Note: Only five years of GASB 68 Data Available as of 09/30/2019 The remaining five years of Data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS
SUPPLEMENTAL DEATH BENEFIT FUND**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2019**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2017</u>	<u>12/31/2018</u>
	Total OPEB Liability	Total OPEB Liability
Service Cost	\$ 11,159	\$ 12,908
Interest	7,680	7,970
Differences between expected and actual experience		(16,327)
Benefit Payments	(1,456)	(1,491)
Other		122
Changes in Assumptions	<u>19,263</u>	<u>(16,530)</u>
Net Change	\$ 36,646	\$ (13,348)
Beginning Balance	<u>198,309</u>	<u>234,955</u>
Ending Balance	\$ <u>234,955</u>	\$ <u>221,607</u>
Total OPEB Liability	\$ <u><u>234,955</u></u>	\$ <u><u>221,607</u></u>
Covered Employee Payroll	\$ 4,851,588	\$ 4,964,512
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.84%	4.46%

Note: Only two year of GASB 75 Data Available as of 12/31/2018. The remaining eight years of data will be built on a go forward basis.

CITY OF LEVELLAND, TEXAS

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Taxes:				
Property Taxes	\$ 3,500,751	\$ 3,500,751	\$ 3,507,366	\$ 6,615
General Sales Taxes	2,889,264	2,889,264	3,108,020	218,756
Gross Receipts Business Tax	810,000	810,000	786,369	(23,631)
Intergovernmental Revenues and Grants	291,989	291,989	385,938	93,949
Charges for Services	5,000	5,000	4,536	(464)
Fines and Fees	178,000	178,000	217,304	39,304
Investment Earnings	35,000	35,000	72,561	37,561
Rents and Royalties	22,500	22,500	63,075	40,575
Miscellaneous	30,000	30,000	25,478	(4,522)
Contributions and Donations			70,837	70,837
Total Revenue	<u>\$ 7,762,504</u>	<u>\$ 7,762,504</u>	<u>\$ 8,241,484</u>	<u>\$ 478,980</u>
EXPENDITURES				
Legislative	\$ 126,663	\$ 126,663	\$ 113,684	\$ 12,979
City Manager	195,675	195,675	185,113	10,562
City Secretary	163,953	163,953	150,424	13,529
Finance	183,429	183,429	172,651	10,778
Municipal Court	152,109	152,109	153,360	(1,251)
Fire	1,230,505	1,230,505	1,509,399	(278,894)
Police	3,233,455	3,233,455	3,051,996	181,459
Inspections	451,798	451,798	380,361	71,437
Emergency and Health Services	213,540	213,540	191,988	21,552
Street	1,244,394	1,244,394	912,539	331,855
Shop	98,497	98,497	96,130	2,367
Park	764,737	764,737	812,560	(47,823)
Information Technology	70,166	70,166	66,243	3,923
Building Services	152,800	152,800	96,225	56,575
Engineering	90,000	90,000	70,512	19,488
Administration Services	252,977	252,977	318,104	(65,127)
Legal	105,744	105,744	102,426	3,318
Debt Service - Principal	85,000	85,000	84,418	582
Total Expenditures	<u>\$ 8,815,442</u>	<u>\$ 8,815,442</u>	<u>\$ 8,468,133</u>	<u>\$ 347,309</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (1,052,938)</u>	<u>\$ (1,052,938)</u>	<u>\$ (226,649)</u>	<u>\$ 826,289</u>
OTHER FINANCING SOURCES				
Transfers In (Out)	\$	\$	\$ (68,521)	\$ (68,521)
Proceeds from the Sale of Capital Assets	1,000	1,000	5,000	4,000
Total Other Financing Sources	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ (63,521)</u>	<u>\$ (64,521)</u>
Net Change in Fund Balance	\$ (1,051,938)	\$ (1,051,938)	\$ (290,170)	\$ 761,768
Fund Balances - Beginning	4,557,144	4,557,144	4,557,144	
Fund Balances - Ending	<u>\$ 3,505,206</u>	<u>\$ 3,505,206</u>	<u>\$ 4,266,974</u>	<u>\$ 761,768</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SEPTEMBER 30, 2019

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal.
Amortization Method	Level Percentage of Payroll, Closed.
Remaining Amortization Period	27 years
Asset Valuation Method	Ten Year smoothed market; 15% soft corridor.
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes Adopted buy-back provision.

CITY OF LEVELLAND, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2019**

BUDGETARY DATA

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Commission is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. The legal level of control is at the function level. All budget appropriations lapse at year end.

The budget is presented on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

SUPPLEMENTARY INFORMATION

CITY OF LEVELLAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund			Tax Increment Financing #2	Total Nonmajor Governmental Funds (See Pg. 6)
			Civic Improvement	Texas Capital Fund - Main Street	Tax Increment Financing #1		
ASSETS							
Assets:							
Cash and Cash Equivalents	\$ 576,187	\$ 9,722	\$ 119,803	\$ 30,811	\$ 623,561	\$ 1,198	\$ 1,361,282
Receivables (Net of Allowance for Uncollectibles)	54,690	12,779					67,469
Intergovernmental Receivables	73,124						73,124
Prepays				132,079			132,079
Total Assets	\$ 704,001	\$ 22,501	\$ 119,803	\$ 162,890	\$ 623,561	\$ 1,198	\$ 1,633,954
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 24,692	\$	\$ 414	\$ 685	\$	\$	\$ 25,791
Accrued Wages	3,947						3,947
Due to Other Funds	62,030						62,030
Unearned Revenue	207						207
Total Liabilities	\$ 90,876	\$ 0	\$ 414	\$ 685	\$ 0	\$ 0	\$ 91,975
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue - Property Taxes	\$ 5,898	\$ 12,779	\$	\$	\$	\$	\$ 18,677
	\$ 5,898	\$ 12,779	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,677
Fund Balances:							
Restricted Fund Balances:							
Restricted for Enabling Legislation	\$ 99,558	\$	\$	\$	\$	\$	\$ 99,558
Restricted for Economic Development	203,930						203,930
Restricted for Donor Requirements	115,881						115,881
Restricted for Debt Service		9,722					9,722
Committed Fund Balances:							
Committed for Expansion and Improvements			119,389	162,205	623,561	1,198	906,353
Committed for Cemetery Operations	187,858						187,858
Total Fund Balances	\$ 607,227	\$ 9,722	\$ 119,389	\$ 162,205	\$ 623,561	\$ 1,198	\$ 1,523,302
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 704,001	\$ 22,501	\$ 119,803	\$ 162,890	\$ 623,561	\$ 1,198	\$ 1,633,954

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund			Total Nonmajor Governmental Funds (See Pg. 8)	
			Civic Improvement	Texas Capital Fund - Main Street	Tax Increment Financing #1	Tax Increment Financing #2	
Revenue:							
Taxes							
General Property Taxes	\$ 178,711	\$ 392,580	\$	\$	\$ 113,488	\$ 139,918	\$ 824,697
Motel Occupancy Taxes	164,655						164,655
Intergovernmental	124,738	467,536					592,274
Fines and Fees	148,574						148,574
Investment Earnings	11,742	1,561	2,383	720	9,280	13	25,699
Rents and Royalties	5,339		9,795				15,134
Contributions and Donations	67,090				7,600		74,690
Total Revenue	\$ 700,849	\$ 861,677	\$ 12,178	\$ 720	\$ 130,368	\$ 139,931	\$ 1,845,723
Expenditures:							
Current							
General Government	\$ 0	\$ 3,500	\$	\$	\$	\$	\$ 3,500
Public Safety	74,026		32,509				106,535
Highways and Streets	23,417			14,396			37,813
Recreation and Parks	122,592						122,592
Economic Development	309,591						309,591
Cemetery	407,559						407,559
Debt Service							
Principal		1,200,000					1,200,000
Interest		277,836					277,836
Fiscal Agent's Fees		2,050					2,050
Total Expenditures	\$ 937,185	\$ 1,483,386	\$ 32,509	\$ 14,396	\$ 0	\$ 0	\$ 2,467,476
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (236,336)	\$ (621,709)	\$ (20,331)	\$ (13,676)	\$ 130,368	\$ 139,931	\$ (621,753)
Other Financing Sources (Uses):							
Transfers In (Out)	\$ (150)	\$ 619,930	\$	\$ 150,000	\$	\$ (139,930)	\$ 629,850
Total Other Financing Sources (Uses)	\$ (150)	\$ 619,930	\$ 0	\$ 150,000	\$ 0	\$ (139,930)	\$ 629,850
Net Change in Fund Balances	\$ (236,486)	\$ (1,779)	\$ (20,331)	\$ 136,324	\$ 130,368	\$ 1	\$ 8,097
Fund Balances - Beginning	843,713	11,501	139,720	25,881	493,193	1,197	1,515,205
Fund Balances - Ending	<u>\$ 607,227</u>	<u>\$ 9,722</u>	<u>\$ 119,389</u>	<u>\$ 162,205</u>	<u>\$ 623,561</u>	<u>\$ 1,198</u>	<u>\$ 1,523,302</u>

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEVELLAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019

ASSETS	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	Incentive Grant-Main Street	Mainstreet Activities	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 40)
Assets:												
Cash and Cash Equivalents	\$ 183,869	\$ 5,141	\$ 5,992	\$ 4,427	\$ 176,683	\$ 9,880	\$ 4,917	\$ 85,845	\$ 846	\$ 29,318	\$ 69,269	\$ 576,187
Receivables (Net of Allowance for Uncollectibles)	14,864				39,747			79				54,690
Intergovernmental Receivables								73,124				73,124
Total Assets	\$ 198,733	\$ 5,141	\$ 5,992	\$ 4,427	\$ 216,430	\$ 9,880	\$ 4,917	\$ 159,048	\$ 846	\$ 29,318	\$ 69,269	\$ 704,001
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:												
Liabilities:												
Accounts Payable	\$ 1,030	\$	\$	\$	12,500	\$ 68	\$	11,094	\$	\$	\$	24,692
Accrued Wages	3,947											3,947
Due to Other Funds								62,030				62,030
Unearned Revenue									207			207
Total Liabilities	\$ 4,977	\$ 0	\$ 0	\$ 0	\$ 12,500	\$ 68	\$ 0	\$ 73,124	\$ 207	\$ 0	\$ 0	\$ 90,876
DEFERRED INFLOWS OF RESOURCES:												
Unavailable Revenue - Property Taxes	\$ 5,898	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	5,898
Total	\$ 5,898	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,898
Fund Balances:												
Restricted Fund Balances:												
Restricted for Enabling Legislation	\$	\$ 5,141	\$ 5,992	\$ 4,427	\$	\$ 9,812	\$ 4,917	\$	\$	\$	\$ 69,269	\$ 99,558
Restricted for Economic Development					203,930							203,930
Restricted for Donor Requirements								85,924	639	29,318		115,881
Committed Fund Balances:												
Committed for Cemetery Operations	187,858											187,858
Total Fund Balances	\$ 187,858	\$ 5,141	\$ 5,992	\$ 4,427	\$ 203,930	\$ 9,812	\$ 4,917	\$ 85,924	\$ 639	\$ 29,318	\$ 69,269	\$ 607,227
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 198,733	\$ 5,141	\$ 5,992	\$ 4,427	\$ 216,430	\$ 9,880	\$ 4,917	\$ 159,048	\$ 846	\$ 29,318	\$ 69,269	\$ 704,001

-50-
CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	Police Grants	Incentive Grant- Main Street	Mainstreet Activities	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 41)
Revenue:													
Taxes													
General Property Taxes	\$ 178,711												\$ 178,711
Motel Occupancy Taxes					164,655								164,655
Intergovernmental		1,996						122,742					124,738
Fines and Fees	138,215		2,566	730		3,421	3,642						148,574
Investment Earnings	4,624	52	56	47	4,374	94	80	1,065		10	274	1,066	11,742
Rents and Royalties	5,339												5,339
Contributions and Donations	5,799							21,931	10,000		29,360		67,090
Total Revenue	\$ 332,688	\$ 2,048	\$ 2,622	\$ 777	\$ 169,029	\$ 3,515	\$ 3,722	\$ 145,738	\$ 10,000	\$ 10	\$ 29,634	\$ 1,066	\$ 700,849
Expenditures:													
Current													
Public Safety		1,029	191			68	7,694		10,000			55,044	74,026
Highways and Streets											23,417		23,417
Recreation and Parks								122,592					122,592
Economic Development					309,591								309,591
Cemetery	407,559												407,559
Total Expenditures	\$ 407,559	\$ 1,029	\$ 191	\$ 0	\$ 309,591	\$ 68	\$ 7,694	\$ 122,592	\$ 10,000	\$ 0	\$ 23,417	\$ 55,044	\$ 937,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (74,871)	\$ 1,019	\$ 2,431	\$ 777	\$ (140,562)	\$ 3,447	\$ (3,972)	\$ 23,146	\$ 0	\$ 10	\$ 6,217	\$ (53,978)	\$ (236,336)
Other Financing Sources (Uses):													
Transfers In (Out)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	(150)	\$ 0	\$ 0	\$ 0	\$ 0	(150)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (150)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (150)
Net Change in Fund Balances	\$ (74,871)	\$ 1,019	\$ 2,431	\$ 777	\$ (140,562)	\$ 3,447	\$ (3,972)	\$ 22,996	\$ 0	\$ 10	\$ 6,217	\$ (53,978)	\$ (236,486)
Fund Balances - Beginning	262,729	4,122	3,561	3,650	344,492	6,365	8,889	62,928	0	629	23,101	123,247	843,713
Fund Balances - Ending	\$ 187,858	\$ 5,141	\$ 5,992	\$ 4,427	\$ 203,930	\$ 9,812	\$ 4,917	\$ 85,924	\$ 0	\$ 639	\$ 29,318	\$ 69,269	\$ 607,227

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2019

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 10)</u>
ASSETS:		
Current Assets		
Cash and Cash Equivalents	\$ 99,055	\$ 99,055
Due from Other Funds	322,801	322,801
Advances to Other Funds	1,627,873	1,627,873
Total Current Assets	<u>\$ 2,049,729</u>	<u>\$ 2,049,729</u>
NET POSITION:		
Unrestricted Net Position	<u>\$ 2,049,729</u>	<u>\$ 2,049,729</u>
Total Net Position	<u><u>\$ 2,049,729</u></u>	<u><u>\$ 2,049,729</u></u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 11)</u>
OPERATING REVENUES:		
Total Operating Revenues	\$ <u>0</u>	\$ <u>0</u>
OPERATING EXPENSES:		
Total Operating Expenses	\$ <u>0</u>	\$ <u>0</u>
Operating Income	\$ <u>0</u>	\$ <u>0</u>
NONOPERATING REVENUES:		
Interest Revenue	\$ <u>14,633</u>	\$ <u>14,633</u>
Total Nonoperating Revenues	\$ <u>14,633</u>	\$ <u>14,633</u>
Income Before Transfers	\$ 14,633	\$ 14,633
Transfers In (Out)	<u>24,176</u>	<u>24,176</u>
Change in Net Position	\$ 38,809	\$ 38,809
Total Net Position - Beginning	<u>2,010,920</u>	<u>2,010,920</u>
Total Net Position - Ending	<u>\$ 2,049,729</u>	<u>\$ 2,049,729</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 12)</u>
Cash Flows From Operating Activities		
Other Operating Cash Receipts (Payments)	\$ <u>0</u>	\$ <u>0</u>
Net Cash From Operating Activities	\$ <u>0</u>	\$ <u>0</u>
Cash Flows From Non-Capital Financing Activities:		
Cash Transfers	\$ (74,287)	\$ (74,287)
Principal Received on Loans Made to Other Funds	<u>(536,606)</u>	<u>(536,606)</u>
Net Cash From Non-Capital Financing Activities	\$ <u>(610,893)</u>	\$ <u>(610,893)</u>
Cash Flows From Capital and Related Financing Activities		
Net Cash From Capital and Related Financing Activities	\$ <u>0</u>	\$ <u>0</u>
Cash Flows From Investing Activities		
Interest and Dividends on Investments	\$ <u>14,633</u>	\$ <u>14,633</u>
Net Cash From Investing Activities	\$ <u>14,633</u>	\$ <u>14,633</u>
Net Change in Cash and Cash Equivalents	\$ (596,260)	\$ (596,260)
Cash and Cash Equivalents at Beginning of Year	<u>695,315</u>	<u>695,315</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>99,055</u></u>	\$ <u><u>99,055</u></u>

OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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**

Independent Auditor's Report

To the Mayor and City Council
City of Levelland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Levelland, Texas' basic financial statements and have issued our report thereon dated February 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Levelland, 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 Levelland, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Levelland, 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, and therefore, significant deficiencies or material weaknesses may exist that were not identified. 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 Levelland, 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 the 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.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

February 10, 2020