

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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CITY OF LEVELLAND, TEXAS
ANNUAL FINANCIAL REPORT
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ANNUAL FINANCIAL REPORT
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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

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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, 2020, 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, 2020, 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 January 5, 2021, 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 L.L.P.

Certified Public Accountants

Lubbock, Texas

January 5, 2021

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CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 6,044,341	\$ 6,104,074	\$ 12,148,415	\$ 4,095,463
Receivables (Net of Allowances)	1,020,472	957,344	1,977,816	26,635
Intergovernmental Receivables	324,857		324,857	96,500
Due from LEDC	20,595		20,595	
Inventories		186,111	186,111	
Prepaid Items		7,088	7,088	
Internal Balances	1,102,962	(1,102,962)		
Notes Receivable				0
Capital Assets Not being Depreciated	1,536,664	1,085,357	2,622,021	84,205
Depreciable Assets, Net	23,734,163	26,386,670	50,120,833	5,100,878
Total Assets	\$ 33,784,054	\$ 33,623,682	\$ 67,407,736	\$ 10,176,364
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan - Employer Contributions	\$ 337,771	\$ 79,230	\$ 417,001	\$ 11,237
Pension Plan - Change in Assumption	21,411	5,022	26,433	233
Pension Plan - Earnings Differences				17,139
OPEB Plan - Employer Contributions	886	207	1,093	29
OPEB Plan - Change in Assumption	31,194	7,317	38,511	1,061
Total Deferred Outflows of Resources	\$ 391,262	\$ 91,776	\$ 483,038	\$ 29,699
LIABILITIES				
Accounts Payable	\$ 174,067	\$ 259,550	\$ 433,617	\$ 3,447
Accrued Wages	130,474	27,478	157,952	
Accrued Interest	45,517	21,482	66,999	3,048
Customer Deposits and Prepayments	4,000	304,085	308,085	
Unearned Revenue	207		207	
Due to City of Levelland				20,595
Noncurrent Liabilities				
Net Pension Liability	228,010	53,484	281,494	7,752
Total OPEB Liability	226,250	53,071	279,321	7,692
Accrued Compensated Absences	642,522	128,212	770,734	
Closure/Post Closure Landfill Liability		7,484	7,484	
Due Within One Year	1,394,063	624,801	2,018,864	590,000
Due In More Than One Year	7,588,080	3,599,959	11,188,039	845,000
Total Liabilities	\$ 10,433,190	\$ 5,079,606	\$ 15,512,796	\$ 1,477,534
DEFERRED INFLOWS OF RESOURCES				
Payments Received in Advance	\$	\$	\$	\$ 3,250
Pension Plan - Experience Differences	668,792	156,877	825,669	12,982
Pension Plan - Earnings Differences	742,708	174,215	916,923	0
OPEB Plan - Experience Differences	14,209	3,333	17,542	483
Deferred Gain on Bond Refunding	17,024		17,024	0
Total Deferred Inflows of Resources	\$ 1,442,733	\$ 334,425	\$ 1,777,158	\$ 16,715
NET POSITION				
Net Investment in Capital Assets	\$ 16,931,206	\$ 23,247,267	\$ 40,178,473	\$ 4,725,083
Restricted for:				
Enabling Legislation	63,119		63,119	
Debt Service	11,660		11,660	
Donor Requirements	125,671		125,671	
Economic Development	143,903		143,903	3,986,731
Sewer Improvements		1,638,524	1,638,524	
Water Improvements		56,235	56,235	
Unrestricted	5,023,834	3,359,401	8,383,235	
Total Net Position	\$ 22,299,393	\$ 28,301,427	\$ 50,600,820	\$ 8,711,814

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government				
		Expenses	Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Functions/Programs									
PRIMARY GOVERNMENT									
<u>Governmental Activities:</u>									
General Government	\$ 1,505,224	\$ 193,966	\$ 236,561	\$ (1,268,663)	\$ (4,424,502)	\$ (1,268,663)	\$ (4,424,502)	\$ 0	
Public Safety	4,952,245		333,777		(755,473)		(755,473)		
Highways and Streets	1,005,473			250,000	(688,944)		(688,944)		
Recreation and Parks	692,410		3,466		275,833		275,833		
Economic Development	159,317		435,150		(155,364)		(155,364)		
Cemetery	294,954	139,590			(1,580,327)		(1,580,327)		
Depreciation	1,580,327				(224,575)		(224,575)		
Interest and Fee's Related to Debt	224,575								
Total Governmental Activities	\$ 10,414,525	\$ 333,556	\$ 1,008,954	\$ 250,000	\$ (8,822,015)	\$ 0	\$ (8,822,015)	\$ 0	
<u>Business-Type Activities:</u>									
Water and Sewer	\$ 2,512,326	\$ 4,276,493	\$ 0	\$ 0	\$ 0	\$ 1,764,167	\$ 1,764,167	\$ 0	
Sanitation	1,958,299	2,695,940				737,641	737,641		
Street Lights	151,685	165,079				13,394	13,394		
Sewer Improvement Fee		224,636				224,636	224,636		
Water Improvement Fee		64,167				64,167	64,167		
Swimming Pool	4,386					(4,386)	(4,386)		
Airport	62,456	47,598				(14,858)	(14,858)		
Interest on Debt	187,158					(187,158)	(187,158)		
Depreciation	1,120,066					(1,120,066)	(1,120,066)		
Amortization	339,973					(339,973)	(339,973)		
Total Business-Type Activities	\$ 6,336,349	\$ 7,473,913	\$ 0	\$ 0	\$ 0	\$ 1,137,564	\$ 1,137,564	\$ 0	
Total Primary Government	\$ 16,750,874	\$ 7,807,469	\$ 1,008,954	\$ 250,000	\$ (8,822,015)	\$ 1,137,564	\$ (7,684,451)	\$ 0	
Component Units									
	\$ 2,025,719	\$ 121,646	\$ 0	\$ 0				\$ (1,904,073)	
General Revenues (Expenses):									
<u>Taxes:</u>									
Property Taxes, Levied for General Purposes	\$ 4,400,887					\$ 4,400,887	\$ 4,400,887	\$ 0	
Sales Taxes	2,400,939					2,400,939	2,400,939	1,086,895	
Franchise Taxes	902,849					902,849	902,849		
Motel Occupancy Taxes	87,163					87,163	87,163		
Investment Earnings	75,702				65,971	141,673	141,673	43,906	
Rents and Royalties	45,664					45,664	45,664		
Miscellaneous	86,964				153,421	240,385	240,385	6,000	
Gain (Loss) on Disposition of Assets	49,498				14,006	63,504	63,504		
Contributions and Donations	25,907					25,907	25,907		
Transfers	596,379				(596,379)				
Total General Revenues, Special Items, and Transfers	\$ 8,671,952	\$ (362,981)	\$ 8,308,971	\$ 1,136,801					
Change in Net Position	\$ (150,063)	\$ 774,583	\$ 624,520	\$ (767,272)					
Net Position—Beginning	22,449,456	27,526,844	49,976,300	9,479,086					
Net Position—Ending	\$ 22,299,393	\$ 28,301,427	\$ 50,600,820	\$ 8,711,814					

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Major Funds		Nonmajor Governmental Funds		Total
	General Fund	Debt Service Fund			
ASSETS					
Cash and Cash Equivalents	\$ 3,728,206	\$ 11,660	\$ 1,421,931	\$ 5,161,797	
Receivables (Net of Allowances)	877,801	19,040	123,631	1,020,472	
Due from Other Funds	273,721			273,721	
Intergovernmental Receivables			324,857	324,857	
Due from LEDC	20,595			20,595	
Total Assets	\$ 4,900,323	\$ 30,700	\$ 1,870,419	\$ 6,801,442	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 126,937	\$ 47,130	\$ 47,130	\$ 174,067	
Accrued Wages	125,487	4,987	4,987	130,474	
Due to Other Funds		283,007	283,007		
Customer Deposits	4,000			4,000	
Unearned Revenue		207	207		
Advances from Other Funds	100,009			100,009	
Total Liabilities	\$ 356,433	\$ 0	\$ 335,331	\$ 691,764	
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	\$ 171,358	\$ 19,040	\$ 8,788	\$ 199,186	
FUND BALANCES					
Restricted Fund Balance:					
Restricted for Enabling Legislation	\$	\$	\$ 63,119	\$ 63,119	
Restricted for Economic Development			143,903	143,903	
Restricted for Donor Requirements			125,671	125,671	
Restricted for Debt Service		11,660		11,660	
Committed Fund Balance:					
Committed for Expansion and Improvements			970,436	970,436	
Committed for Cemetery Operations			223,171	223,171	
Unassigned	4,372,532				4,372,532
Total Fund Balances	\$ 4,372,532	\$ 11,660	\$ 1,526,300	\$ 5,910,492	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,900,323	\$ 30,700	\$ 1,870,419	\$ 6,801,442	

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds Balance Sheet	\$ 5,910,492
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)	25,270,827
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,094,801
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(642,522)
Long-term obligations including reoffering premiums are not due and payable in the current period and therefore are not reported in the funds.	(8,982,143)
Deferred Gains on Bond Refundings are not recorded in the funds.	(17,024)
Payables for bond interest which are not due in the current period are not reported in the funds.	(45,517)
Net Pension Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(1,280,328)
Total OPEB Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(208,379)
Property tax revenue is recognized in funds but not in the Statement of Net Position.	<u>199,186</u>
Net Position of Governmental Activities	\$ <u>22,299,393</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, 2020

	Major Funds		Nonmajor Governmental Funds		Total
	General Fund	Debt Service Fund			
REVENUES					
Taxes:					
General Property Taxes	\$ 3,464,319	\$ 402,854	\$ 472,148	\$ 4,339,321	
Sales and Use Taxes	2,400,939			2,400,939	
Franchise Taxes	902,849			902,849	
Motel Occupancy Taxes			87,163	87,163	
Intergovernmental Revenues	331,814	435,150	491,990	1,258,954	
Charges for Services	1,932			1,932	
Fines and Fees	181,445		150,179	331,624	
Rents and Royalties	37,773		7,891	45,664	
Investment Earnings	50,310	769	15,257	66,336	
Miscellaneous	44,486	8,223	34,255	86,964	
Contributions and Donations	1,256		24,651	25,907	
Total Revenues	\$ 7,417,123	\$ 846,996	\$ 1,283,534	\$ 9,547,653	
EXPENDITURES					
Current					
General Government	\$ 1,248,788	\$ 3,500	\$ 236,561	\$ 1,488,849	
Public Safety	4,922,462		49,861	4,972,323	
Highways and Streets	646,997		363,767	1,010,764	
Recreation and Parks	702,930		3,466	706,396	
Economic Development			155,649	155,649	
Cemetery			295,492	295,492	
Debt Service					
Principal	101,033	1,270,000		1,371,033	
Interest	27,746	179,689		207,435	
Bond Issuance Costs		51,959		51,959	
Fiscal Agent's Fees		1,600		1,600	
Total Expenditures	\$ 7,649,956	\$ 1,506,748	\$ 1,104,796	\$ 10,261,500	
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (232,833)	\$ (659,752)	\$ 178,738	\$ (713,847)	
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	\$ 85,673	\$ 641,018	\$ (166,018)	\$ 560,673	
Lease Proceeds	203,220			203,220	
Issuance of Refunding Bonds		2,715,000		2,715,000	
Payments to Bond Refunding Escrow Agent		(2,694,328)		(2,694,328)	
Proceeds from the Sale of Assets	49,498			49,498	
Total Other Financing Sources	\$ 338,391	\$ 661,690	\$ (166,018)	\$ 834,063	
Net Change in Fund Balance	\$ 105,558	\$ 1,938	\$ 12,720	\$ 120,216	
Fund Balance - Beginning	4,266,974	9,722	1,513,580	5,790,276	
Fund Balance - Ending	\$ 4,372,532	\$ 11,660	\$ 1,526,300	\$ 5,910,492	

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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 120,216
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.	16,728
Depreciation is recorded in the SOA as an expense but not in governmental funds.	(1,580,327)
The net difference between refunding bonds issued and payments to refunding bonds escrow agent is not reported in the SOA.	(20,672)
Principal payments are recorded as expenditures in governmental funds but excluded in the Statement of Activities.	1,371,033
Lease proceeds are not recognized as revenue in the SOA.	(203,220)
The net revenue of internal service funds is reported with governmental activities.	45,072
Change in accrued interest from beginning of period to end of period.	14,487
Accrued compensated absences are recorded in the statement of activities as an expense but not in governmental funds.	(64,814)
Amortization of discounts and premiums are not reported in the funds.	20,040
Amortization of deferred gains on refundings are not reported in the funds.	1,892
Pension Expense is not recognized in the funds related to the Net Pension Liability and related balance sheet amounts.	85,944
OPEB Expense is not recognized in the funds related to the Total OPEB Liability and related balance sheet amounts.	(18,008)
Deferred revenue is not recorded in the statements of net position thus the change is excluded in activities.	<u>61,566</u>
Change in Net Position of Governmental Activities	\$ <u>(150,063)</u>

See accompanying notes to the financial statements

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CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Major Proprietary Funds		Total Proprietary Funds		Internal Service Funds	
	Enterprise Fund	Airport Fund				
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 6,067,494	\$ 36,580	\$ 6,104,074	\$ 882,544		
Receivables (Net of Allowances)	937,066	20,278	957,344			
Inventories	186,111		186,111			
Prepays	7,088		7,088			
Due from Other Funds					149,057	
Noncurrent Assets:						
Advances to Other Funds						1,063,200
Capital Assets Not being Depreciated	849,111	236,246	1,085,357			
Depreciable Assets, Net	22,375,862	4,010,808	26,386,670			
Total Assets	<u>30,422,732</u>	<u>4,303,912</u>	<u>34,726,644</u>	<u>2,094,801</u>		
DEFERRED OUTFLOWS OF RESOURCES						
Pension Plan - Employer Contributions	\$ 79,230	\$	\$ 79,230	\$		
Pension Plan - Change in Assumption	5,022		5,022			
OPEB Plan - Employer Contributions	207		207			
OPEB Plan - Change in Assumption	7,317		7,317			
Total Deferred Outflows of Resources	<u>91,776</u>	<u>0</u>	<u>91,776</u>	<u>0</u>		
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ 255,546	\$ 4,004	\$ 259,550	\$		
Accrued Wages	27,478		27,478			
Accrued Interest	21,482		21,482			
Due to Other Funds	139,771		139,771			
Customer Deposits and Prepayments	304,085				304,085	
Noncurrent Liabilities:						
Due Within One Year	624,801		624,801			
Due In More Than One Year	3,599,959		3,599,959			
Closure/Post Closure Landfill Liability	7,484		7,484			
Accrued Compensated Absences	128,212		128,212			
Net Pension Liability	53,484		53,484			
Total OPEB Liability	53,071		53,071			
Advances from Other Funds	963,191		963,191			
Total Liabilities	<u>6,178,564</u>	<u>4,004</u>	<u>6,182,568</u>	<u>0</u>		
DEFERRED INFLOWS OF RESOURCES						
Pension Plan - Experience Differences	\$ 156,877	\$	\$ 156,877	\$		
Pension Plan - Earnings Differences	174,215		174,215			
OPEB Plan - Experience Differences	3,333		3,333			
	<u>334,425</u>	<u>0</u>	<u>334,425</u>	<u>0</u>		
NET POSITION						
Net Investment in Capital Assets	\$ 19,000,213	\$ 4,247,054	\$ 23,247,267	\$		
Restricted for Sewer Improvements	1,638,524		1,638,524			
Restricted for Water Improvements	56,235		56,235			
Unrestricted	3,306,547	52,854	3,359,401	2,094,801		
Total Net Position	<u>24,001,519</u>	<u>4,299,908</u>	<u>28,301,427</u>	<u>2,094,801</u>		

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
OPERATING REVENUES				
Water and Sewer Revenues	\$ 4,276,493	\$	\$ 4,276,493	\$
Sanitation Charges	2,695,940		2,695,940	
Street Lights	165,079		165,079	
Sewer Improvement Fee	224,636		224,636	
Water Improvement Fee	64,167		64,167	
Hanger Rental and Fuel Sales		47,598	47,598	
Total Operating Revenues	<u>\$ 7,426,315</u>	<u>\$ 47,598</u>	<u>\$ 7,473,913</u>	<u>\$ 0</u>
OPERATING EXPENSES				
Personnel Services	\$ 1,276,951	\$	\$ 1,276,951	\$
Supplies and Capital Outlay	132,784	144	132,928	
Repairs and Maintenance	281,750	29,722	311,472	
Services	2,852,377	32,590	2,884,967	
Other Operating Expenses	82,834		82,834	
Depreciation	917,560	202,506	1,120,066	
Amortization of Water Rights	339,973		339,973	
Total Operating Expense	<u>\$ 5,884,229</u>	<u>\$ 264,962</u>	<u>\$ 6,149,191</u>	<u>\$ 0</u>
Operating Income (Loss)	<u>\$ 1,542,086</u>	<u>\$ (217,364)</u>	<u>\$ 1,324,722</u>	<u>\$ 0</u>
NONOPERATING REVENUE (EXPENSE)				
Investment Earnings	\$ 65,765	\$ 206	\$ 65,971	\$ 9,366
Interest Expense and Fees	(187,158)		(187,158)	
Gain on Disposition of Assets	12,381	1,625	14,006	
Miscellaneous	143,877	9,544	153,421	
Total Nonoperating Revenue (Expense)	<u>\$ 34,865</u>	<u>\$ 11,375</u>	<u>\$ 46,240</u>	<u>\$ 9,366</u>
Income (Loss) Before Transfers	<u>\$ 1,576,951</u>	<u>\$ (205,989)</u>	<u>\$ 1,370,962</u>	<u>\$ 9,366</u>
TRANSFERS				
Transfers In/(Out)	\$ (596,379)		\$ (596,379)	\$ 35,706
Total Transfers	<u>\$ (596,379)</u>	<u>\$ 0</u>	<u>\$ (596,379)</u>	<u>\$ 35,706</u>
Change in Net Position	<u>\$ 980,572</u>	<u>\$ (205,989)</u>	<u>\$ 774,583</u>	<u>\$ 45,072</u>
TOTAL NET POSITION - BEGINNING	<u>23,020,947</u>	<u>4,505,897</u>	<u>27,526,844</u>	<u>2,049,729</u>
TOTAL NET POSITION - ENDING	<u>\$ 24,001,519</u>	<u>\$ 4,299,908</u>	<u>\$ 28,301,427</u>	<u>\$ 2,094,801</u>

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Major Proprietary Funds		Total Proprietary Funds		Internal Service Funds
	Enterprise Fund	Airport Fund			
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received From Customers	\$ 7,401,742	\$ 43,105	\$ 7,444,847		
Cash Payments to Suppliers for Goods and Services	(3,804,733)	(59,408)	(3,864,141)		
Cash Payments to Employees for Services	(1,315,608)		(1,315,608)		
Net Cash From Operating Activities	<u>\$ 2,281,401</u>	<u>\$ (16,303)</u>	<u>\$ 2,265,098</u>		<u>0</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash Transfers To/From Other Funds	\$ (1,325,696)		\$ (1,325,696)		\$ 774,123
Cash Receipts From Non-Operating Activities	143,877	9,544	153,421		
Net Cash From Noncapital Financing Activities	<u>\$ (1,181,819)</u>	<u>\$ 9,544</u>	<u>\$ (1,172,275)</u>		<u>\$ 774,123</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Additions of Capital Assets	\$ (501,338)		\$ (501,338)		
Proceeds from the Sale of Capital Assets	13,883	1,625	15,508		
Principal Payments on Long-Term Debt	(697,210)		(697,210)		
Interest Payments	(193,382)		(193,382)		
Net Cash From Capital and Related Financing Activities	<u>\$ (1,378,047)</u>	<u>\$ 1,625</u>	<u>\$ (1,376,422)</u>		<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Earned on Investments	\$ 65,765	\$ 207	\$ 65,972		\$ 9,366
Net Cash From Investing Activities	<u>\$ 65,765</u>	<u>\$ 207</u>	<u>\$ 65,972</u>		<u>\$ 9,366</u>
CHANGE IN CASH AND CASH EQUIVALENTS					
	\$ (212,700)	\$ (4,927)	\$ (217,627)		\$ 783,489
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,280,194</u>	<u>41,507</u>	<u>6,321,701</u>		<u>99,055</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,067,494</u>	<u>\$ 36,580</u>	<u>\$ 6,104,074</u>		<u>\$ 882,544</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities					
Operating Income	<u>\$ 1,542,086</u>	<u>\$ (217,364)</u>	<u>\$ 1,324,722</u>		<u>0</u>
Adjustments to Reconcile Income From Operations to Net Cash From Operating Activities:					
Depreciation Expense	\$ 917,560	\$ 202,506	\$ 1,120,066		
Amortization Expense	339,973		339,973		
Change in Assets and Liabilities:					
Receivables	(38,669)	(4,493)	(43,162)		
Inventories	(63,252)		(63,252)		
Prepays	8,198		8,198		
Deferred Outflows	249,363		249,363		
Accounts Payable	(395,919)	3,048	(392,871)		
Accrued Payroll	7,242		7,242		
Meter Deposits	14,096		14,096		
Net Pension Liability	(483,053)		(483,053)		
Total OPEB Liability	10,966		10,966		
Closure/Post Closure Landfill Liability	(4,015)		(4,015)		
Accrued Compensated Absences	(29,964)		(29,964)		
Deferred Inflows	<u>206,789</u>		<u>206,789</u>		
	<u>\$ 739,315</u>	<u>\$ 201,061</u>	<u>\$ 940,376</u>		<u>0</u>
Net Cash From Operating Activities	<u>\$ 2,281,401</u>	<u>\$ (16,303)</u>	<u>\$ 2,265,098</u>		<u>0</u>

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020**

	TNRCC Nonexpendable <u>Trust Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 32,348
Total Assets	<u>\$ 32,348</u>
NET POSITION	
Held in Trust for TNRCC	\$ 32,348
Total Net Position	<u>\$ 32,348</u>

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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

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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.

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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.

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

Nonmajor Funds:

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.

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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).

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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 30 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.

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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.

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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, 2020, 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.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

B. Cash and Cash Equivalents

At September 30, 2020, the carrying amount of the City's cash and cash equivalents was \$12,148,416, with bank balances of \$12,637,356. The City's cash in bank at September 30, 2020, 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 uncollectable balances at September 30, 2020, for the various accounts included in the financial statements is as follows:

	<u>Total Receivables</u>	<u>Estimated Uncollectible Accounts</u>	<u>Net Receivables</u>
Governmental Activities:			
General Fund			
Ad Valorem Taxes	\$ 455,475	\$ 284,117	\$ 171,358
Sales Taxes	212,301		212,301
Franchise Taxes	220,753		220,753
Other	273,389		273,389
Special Revenue Funds			
Hotel Occupancy Tax	85,509		85,509
Other	20,147		20,147
Park Grants and Contributions			
Other	91		91
Debt Service			
Ad Valorem Taxes	50,142	31,102	19,040
Cemetery Fund			
Ad Valorem Taxes	20,148	11,360	8,788
Other	9,096		9,096
Total Governmental Activities	\$ 1,347,051	\$ 326,579	\$ 1,020,472
Business-Type Activities:			
Enterprise Fund			
Customer Accounts	1,950,312	1,013,246	937,066
Airport Fund			
Hanger Rental and Fuel	20,278		20,278
Primary Government	\$ 3,317,641	\$ 1,339,825	\$ 1,977,816

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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, 2020, 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.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

- c. Credit Risk – The risk that an issuer or 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, 2020, 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, 2019, property taxes of \$4,251,356 were levied for the governmental funds. Individual tax levies from the tax roll on October 1, 2019, were delinquent if unpaid at January 31, 2020.

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 \$20,595 due from LEDC and LCDC at September 30, 2020 for their share of administration costs and park costs.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

G. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	<u>Balance</u> <u>10/1/2019</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance</u> <u>9/30/2020</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,449,585	\$	\$	\$ 1,449,585
Construction Work in Progress	<u>70,351</u>	<u>16,728</u>	<u>_____</u>	<u>87,079</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,519,936</u>	<u>\$ 16,728</u>	<u>\$ 0</u>	<u>\$ 1,536,664</u>
Depreciable Assets:				
Buildings and Improvements	\$ 6,764,058	\$	\$	\$ 6,764,058
Improvements Other Than Buildings	<u>25,339,210</u>	<u>800,256</u>	<u>_____</u>	<u>25,339,210</u>
Machinery and Equipment	<u>8,094,121</u>	<u>565,345</u>	<u>_____</u>	<u>8,094,121</u>
Total Depreciable Assets	<u>\$ 40,197,389</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,197,389</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 836,252	\$ 214,726	\$	\$ 1,050,978
Improvements Other Than Buildings	<u>8,915,263</u>	<u>800,256</u>	<u>_____</u>	<u>9,715,519</u>
Machinery and Equipment	<u>5,131,384</u>	<u>565,345</u>	<u>_____</u>	<u>5,696,729</u>
Total Accumulated Depreciation	<u>\$ 14,882,899</u>	<u>\$ 1,580,327</u>	<u>\$ 0</u>	<u>\$ 16,463,226</u>
Total Depreciable Assets, Net	<u>\$ 25,314,490</u>	<u>\$ (1,580,327)</u>	<u>\$ 0</u>	<u>\$ 23,734,163</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,834,426</u>	<u>\$ (1,563,599)</u>	<u>\$ 0</u>	<u>\$ 25,270,827</u>

Depreciation is not allocated by function in the Statement of Activities.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Balance 10/1/2019</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance 9/30/2020</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,085,357	\$ _____	\$ _____	\$ 1,085,357
Total Capital Assets Not Being Depreciated	<u>\$ 1,085,357</u>	<u>0</u>	<u>0</u>	<u>\$ 1,085,357</u>
Depreciable Assets:				
Buildings and Improvements	\$ 2,174,659	\$ _____	\$ _____	\$ 2,174,659
Improvements Other Than Buildings	29,731,794	379,389		30,111,183
Machinery and Equipment	<u>4,117,216</u>	<u>121,949</u>	<u>211,040</u>	<u>4,028,125</u>
Total Depreciable Assets	<u>\$ 36,023,669</u>	<u>\$ 501,338</u>	<u>\$ 211,040</u>	<u>\$ 36,313,967</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 554,123	\$ 45,092	\$ _____	\$ 599,215
Improvements Other Than Buildings	12,017,791	800,962		12,818,753
Machinery and Equipment	<u>2,425,376</u>	<u>274,012</u>	<u>209,535</u>	<u>2,489,853</u>
Total Accumulated Depreciation	<u>\$ 14,997,290</u>	<u>\$ 1,120,066</u>	<u>\$ 209,535</u>	<u>\$ 15,907,821</u>
Total Depreciable Assets, Net	<u>\$ 21,026,379</u>	<u>\$ (618,728)</u>	<u>\$ 1,505</u>	<u>\$ 20,406,146</u>
Investment in Water Facilities	\$ 13,101,582	\$ _____	\$ _____	\$ 13,101,582
Accumulated Amortization Investment in Water Facilities	<u>(6,763,313)</u>	<u>(357,745)</u>	<u>_____</u>	<u>(7,121,058)</u>
Net Investment in Water Facilities	<u>\$ 6,338,269</u>	<u>\$ (357,745)</u>	<u>\$ 0</u>	<u>\$ 5,980,524</u>
Business-Type Activities Capital Assets, Net	<u>\$ 28,450,005</u>	<u>\$ (976,473)</u>	<u>\$ 1,505</u>	<u>\$ 27,472,027</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.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following schedules comprise the debt outstanding related to the CRMWA and City of Lubbock contracts as of September 30, 2020:

Water Facilities Debt	Balance 10/1/2019	Addition	Principal Payments	Balance 9/30/2020
Series 2012, Refunding, CUP	\$ 1,072,631	\$	\$ 152,849	\$ 919,782
Series 2011, CUP	955,353		66,038	889,315
Series 2014, Refunding, CUP	640,879		108,221	532,658
Series 2017, Refunding, CUP	296,949		28,179	268,770
Water Treatment Plant 2014	305,551		55,850	249,701
	\$ 3,271,363	\$ 0	\$ 411,137	\$ 2,860,226

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 \$143,043 in interest related to this debt for the year ended September 30, 2020.

Debt service requirements related to this debt at September 30, 2020, are as follows:

Year Ending September 30,	Total Water Facilities Debt		
	Principal	Interest	Total
2021	\$ 414,539	\$ 137,157	\$ 551,696
2022	448,824	116,507	565,331
2023	470,885	94,697	565,582
2024	494,545	71,568	566,113
2025	285,945	47,935	333,880
2026-2030	718,813	89,278	808,091
2031	26,675	1,164	27,839
Totals	\$ 2,860,226	\$ 558,306	\$ 3,418,532

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Investment in Water Facilities at cost as of September 30, 2020 is as follows:

	Beginning	Additions	Deletions/ Other	Ending
Cost:				
CRMWA	\$ 12,316,077	\$	\$	\$ 12,316,077
City of Lubbock	585,505	\$	\$	585,505
Other	200,000	\$	\$	200,000
Total Cost of Water Facilities	\$ 13,101,582	\$ 0	\$ 0	\$ 13,101,582
Accumulated Amortization:				
CRMWA	\$ 6,497,864	\$ 309,532	\$	\$ 6,807,396
City of Lubbock	233,449	48,213	\$	281,662
Other	32,000	\$	\$	32,000
Total Accumulated Amortization	\$ 6,763,313	\$ 357,745	\$ 0	\$ 7,121,058
Total Investment in Water Facilities	\$ 6,338,269	\$ (357,745)	\$ 0	\$ 5,980,524
Investments in Water Facilities, Net of Related Debt:				
	Net Investment	Debt	Investment Net of Related Debt	
CRMWA	\$ 5,508,681	\$ 2,610,525	\$ 2,898,156	
City of Lubbock	303,843	249,701	54,142	
Other	168,000	\$	168,000	
Totals	\$ 5,980,524	\$ 2,860,226	\$ 3,120,298	

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, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Interest and Fees
Governmental Activities:						
Series 2012, GO Refunding Bonds	\$ 1,405,000	\$	\$ 215,000	\$ 1,190,000	\$ 225,000	\$ 32,000
Series 2009, COs	2,660,000	(2,660,000)	\$	0		
Series 2013, COs	3,440,000	\$	200,000	3,240,000	205,000	86,331
Series 2015, Tax Notes	1,815,000	\$	595,000	1,220,000	605,000	29,585
Series 2019, GO Refunding Bonds		2,715,000	260,000	2,455,000	255,000	31,773
Lease Obligations	645,363	203,220	101,033	747,550	104,063	27,746
Compensated Absences	577,708	64,814	\$	642,522		
Unamortized Bond Premiums	202,876	(53,243)	\$ 20,040	129,593		
Total Governmental Activities	\$ 10,745,947	\$ 269,791	\$ 1,391,073	\$ 9,624,665	\$ 1,394,063	\$ 207,435

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Interest and Fees
Business-Type Activities:						
CRMWA - Debt	\$ 2,965,810	\$ 355,285	\$ 2,610,525	\$ 356,176	\$ 143,043	
City of Lubbock Debt	305,551	55,850	249,701	58,363	12,997	
Note Payable	82,055	82,055	0	0	1,130	
State Infrastructure Bank Loan	783,650	48,060	735,590	49,322	19,909	
Lease Obligations	654,363	155,958	498,405	160,940	20,900	
Compensated Absences	158,176	29,964	128,212	0	0	
Unamortized Net Bond Premium	148,313	17,774	130,539	0	0	
Total Business-Type Activities	\$ 5,097,918	\$ 0	\$ 744,946	\$ 4,352,972	\$ 624,801	\$ 197,979

Detail on the maturity dates and interest rates of the outstanding Long-Term Debt of the City as of September 30, 2020 are as follows:

Governmental Activities:

Debt	Year of Maturity	Interest Rate
Series 2012, GO Refunding Bonds	2025	2.00% - 2.75%
Series 2019, GO Refunding Bonds	2029	1.81%
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	2.99% - 3.39%

Business-Type Activities:

Debt	Year of Maturity	Interest Rate
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%

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Debt service requirements on all long-term debt outstanding at September 30, 2020, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2021	\$ 1,394,063	\$ 196,470	\$ 1,590,533
2022	1,422,436	169,160	1,591,596
2023	830,919	140,789	971,708
2024	859,279	121,412	980,691
2025	838,866	100,802	939,668
2026-2030	2,651,987	282,815	2,934,802
2031-2033	855,000	40,703	895,703
Unamortized Bond Premiums	129,593		129,593
Totals	<u>\$ 8,982,143</u>	<u>\$ 1,052,151</u>	<u>\$ 10,034,294</u>

	Business-Type Activities		
	Principal	Interest	Total
Year Ending September 30,			
2021	\$ 624,801	\$ 171,723	\$ 796,524
2022	665,521	144,638	810,159
2023	694,216	116,194	810,410
2024	547,855	86,227	634,082
2025	574,237	99,468	673,705
2026-2030	960,916	102,058	1,062,974
2031-2033	26,675	1,164	27,839
Unamortized Bond Premiums	130,539		130,539
Totals	<u>\$ 4,224,760</u>	<u>\$ 721,472</u>	<u>\$ 4,946,232</u>

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.

Bond Refunding:

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. The City used \$2,694,328 of the proceeds to retire the old bonds. The refunding was undertaken to reduce debt service payments over the next 10 years by \$252,763 and resulted in an economic gain of \$228,538.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Lease Obligations:

The assets acquired through lease obligations are as follows:

Cash and Capital Assets	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$ 733,075	\$ 816,561
Less: Accumulated Depreciation	(97,610)	(244,955)
Totals	\$ 635,465	\$ 571,606

Commitments under lease obligation agreements for machinery and equipment provide for minimum future lease payments as of September 30, 2020, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 104,063	\$ 24,716	\$ 128,779
2022	107,436	21,343	128,779
2023	110,919	17,861	128,780
2024	114,279	14,266	128,545
2025	73,866	10,552	84,418
2026-2029	236,987	16,268	253,255
Totals	\$ 747,550	\$ 105,006	\$ 852,556

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 160,940	\$ 15,919	\$ 176,859
2022	166,080	10,779	176,859
2023	171,385	5,474	176,859
Totals	\$ 498,405	\$ 32,172	\$ 530,577

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

J. Pension Plan

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.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:

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	55
Inactive Employees Entitled to but not Yet Receiving Benefits	37
Active Employees	95
Total Plan Employees	<u>187</u>

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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 11.69% and 11.44% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$552,984, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the 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	26 years

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	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.

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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 12/31/2018	\$ 28,353,093	\$ 25,529,214	\$ (2,823,879)
Service Cost	707,536		(707,536)
Interest (on the Total Pension Liability)	1,859,848		(1,859,848)
Difference Between Expected and Actual Expenses	(449,560)		449,560
Changes of Assumptions	23,901		(23,901)
Contributions - Employer		559,987	559,987
Contributions - Employee		287,422	287,422
Net Investment Income		3,854,338	3,854,338
Benefit Payments	(1,101,458)	(1,101,458)	
Administrative Expense		(21,778)	(21,778)
Other	(4,795)	(654)	4,141
Balance 12/31/2019	<u>\$ 29,388,565</u>	<u>\$ 29,107,071</u>	<u>\$ (281,494)</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
\$ (4,376,137)	\$ (281,494)	\$ 3,076,484

Pension Plan Fiduciary Net Position

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

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Pension Expense, Deferred Outflows, and Deferred Inflows Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$400,458 and calculated as shown below:

Total Service Cost	\$ 707,536
Interest on the Total Pension Liability	1,859,848
Employee Contributions (Reduction of Expense)	(287,422)
Projected Earnings on Plan Investments (Reduction of Expense)	(1,682,855)
Administrative Expense	21,778
Other Changes in Fiduciary Net Position	654
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(257,612)
Recognition of Current Year Outflow (Inflow) of Resources-Assets	38,529
Total Pension Expense	\$ 400,458

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

Deferred Outflows/(Inflows) of Resources - Pension Plan	Plan Year	Amount	Remaining Amortization Period
Employer Contribution Deferrals	2019	\$ 417,001	1.000
Differences Between Projected and Actual Investment Earnings	2016	(378)	1.000
Differences Between Projected and Actual Investment Earnings	2017	(656,246)	2.000
Differences Between Projected and Actual Investment Earnings	2018	1,518,141	3.000
Differences Between Projected and Actual Investment Earnings	2019	(1,778,440)	4.000
Differences Between Expected and Actual Economic Experience	2015	(2,602)	0.260
Differences Between Expected and Actual Economic Experience	2016	11,245	1.110
Differences Between Expected and Actual Economic Experience	2017	(198,377)	1.990
Differences Between Expected and Actual Economic Experience	2018	(270,734)	2.890
Differences Between Expected and Actual Economic Experience	2019	(365,201)	3.790
Difference in Assumptions	2015	7,041	0.260
Difference in Assumptions	2019	<u>19,392</u>	3.790
Total Deferred Outflows/(Inflows) of Resources		\$ (1,299,158)	

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

Plan Year	Amortization of Deferred Outflows
2021	\$ (121,852)
2022	(551,265)
2023	(103,257)
2024	(522,784)
2025	0
	<u>\$ (1,299,158)</u>

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

K. Other Post-Employment 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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	55
Inactive Employees Entitled to but not Yet Receiving Benefits	37
Active Employees	95
Total Plan Employees	<u>187</u>

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Total OPEB Liability:

The City's total OPEB liability of \$279,321 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2019 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	3.5% to 11.5% including inflation
Discount Rate	2.75%
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
 Mortality rates – Service Retirees	 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Mortality rates – Disabled Retirees	 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The 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 GASBS No. 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 2.75% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 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, 2018	\$ 221,607
Changes for the year:	
Service Cost	11,496
Interest on Total OPEB Liability	8,394
Difference Between Expected and Actual Experiences	(7,768)
Changes in Assumptions and Other Inputs	47,406
Other	(376)
Benefit Payments	<u>(1,437)</u>
Balance as of December 31, 2019	<u>\$ 279,321</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 2019 to 2020.

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

Sensitivity Analysis:

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.75%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) 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 (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	<u>\$ 338,130</u>	<u>\$ 279,321</u>	<u>\$ 233,192</u>

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$24,079. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experiences	\$	\$ 17,542
Changes in Assumptions and Other Inputs	38,511	
Contributions Made Subsequent to Measurement Date	1,093	
	<u>\$ 39,604</u>	<u>\$ 17,542</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:

	<u>OPEB Expense Amount</u>
2020	\$ 5,282
2021	4,189
2022	4,189
2023	1,636
2024	5,429
Thereafter	1,337
	<u>\$ 22,062</u>

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.

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CITY OF LEVELLAND, TEXAS

NOTES TO 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 \$7,484 reported as landfill closure and post closure care liability at September 30, 2020, represents the cumulative amount reported to date based on the use of 0.91% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$812,559 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, 2020. 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 \$4,247,054, with no related debt, at September 30, 2020. 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

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CITY OF LEBELAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020

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>	<u>12/31/2019</u>
	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>
Service Cost	\$ 603,817	\$ 675,914	\$ 694,574	\$ 689,896	\$ 718,366	\$ 707,536
Interest	1,565,280	1,627,583	1,651,900	1,745,899	1,800,298	1,859,848
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)	(1,171,319)	(1,148,393)	(1,101,458)
Differences between Expected and Actual Experience	(54,713)	(53,434)	51,860	(498,031)	(458,872)	(449,560)
Changes of Assumptions		144,698				23,901
Other - Proportionate Share Adjustment		(17,433)	(40,143)	(1,935)	448	(4,795)
 Net Change	 \$ 1,036,000	 \$ 1,485,991	 \$ 1,556,317	 \$ 764,510	 \$ 911,847	 \$ 1,035,472
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>	<u>28,353,093</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>\$ 29,388,565</u>
 Fiduciary Net Position	 <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>	<u>Fiduciary Net Position</u>
Employer Contributions	\$ 575,137	\$ 600,220	\$ 581,693	\$ 593,349	\$ 612,125	\$ 559,987
Employee Contributions	277,347	291,133	292,431	291,095	297,871	287,422
Net Investment Income	1,210,932	32,287	1,459,662	3,201,565	(779,074)	3,854,338
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)	(1,171,319)	(1,148,393)	(1,101,458)
Administration Expenses	(12,643)	(19,666)	(16,434)	(16,589)	(15,056)	(21,778)
Other	(1,039)	(972)	(887)	(840)	(787)	(654)
 Net Change	 \$ 971,350	 \$ 11,665	 \$ 1,514,591	 \$ 2,897,261	 \$ (1,033,314)	 \$ 3,577,857
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>	<u>25,529,214</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>	<u>\$ 29,107,071</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>	<u>\$ (281,494)</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	93.67%	88.18%	88.71%	96.80%	90.04%	99.04%
Covered Employee Payroll	\$ 4,609,065	\$ 4,852,217	\$ 4,998,910	\$ 4,851,588	\$ 4,964,512	\$ 4,790,361
Net Pension Liability as a Percentage of Covered Employee Payroll	-32.45%	-61.20%	-60.24%	-18.11%	-56.88%	-5.88%

Note: Only six years of GASB 68 Data Available as of 12/31/2019. The remaining four years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

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CITY OF LEVELLAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
Actuarially Determined Contribution	\$ 608,830	\$ 608,954	\$ 604,475	\$ 607,218	\$ 573,303	\$ 552,984
Actual Contributions	<u>608,830</u>	<u>608,954</u>	<u>604,475</u>	<u>607,218</u>	<u>573,303</u>	<u>552,984</u>
Contribution Deficiency (Excess)	<u>0</u>	<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	\$ 4,817,418
Contributions as a Percentage of Covered Employee Payroll	12.57%	12.06%	12.16%	12.31%	11.85%	11.48%

Note: Only six years of GASB 68 Data Available as of 09/30/2020 The remaining four years of Data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

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CITY OF LEVELLAND, TEXAS
SUPPLEMENTAL DEATH BENEFIT FUND

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
	Total OPEB Liability	Total OPEB Liability	Total OPEB Liability
Service Cost	\$ 11,159	\$ 12,908	\$ 11,496
Interest	7,680	7,970	8,394
Differences between expected and actual experience		(16,327)	(7,768)
Benefit Payments	(1,456)	(1,491)	(1,437)
Other		122	(376)
Changes in Assumptions	<u>19,263</u>	<u>(16,530)</u>	<u>47,405</u>
Net Change	\$ 36,646	\$ (13,348)	\$ 57,714
Beginning Balance	<u>198,309</u>	<u>234,955</u>	<u>221,607</u>
Ending Balance	<u>234,955</u>	<u>221,607</u>	<u>279,321</u>
Total OPEB Liability	<u>234,955</u>	<u>221,607</u>	<u>279,321</u>
Covered Employee Payroll	\$ 4,851,588	\$ 4,964,512	\$ 4,790,361
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.84%	4.46%	5.83%

Note: Only three year of GASB 75 Data Available as of 12/31/2019. The remaining seven years of data will be built on a go forward basis.

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CITY OF LEVELLAND, TEXAS

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Taxes:				
Property Taxes	\$ 3,555,171	\$ 3,555,171	\$ 3,464,319	\$ (90,852)
General Sales Taxes	3,058,051	3,058,051	2,400,939	(657,112)
Gross Receipts Business Tax	825,000	825,000	902,849	77,849
Intergovernmental Revenues and Grants	312,615	312,615	331,814	19,199
Charges for Services	5,000	5,000	1,932	(3,068)
Fines and Fees	192,150	192,150	181,445	(10,705)
Investment Earnings	55,000	55,000	50,310	(4,690)
Rents and Royalties	50,000	50,000	37,773	(12,227)
Miscellaneous	15,000	15,000	44,486	29,486
Contributions and Donations			1,256	1,256
Total Revenue	<u>\$ 8,067,987</u>	<u>\$ 8,067,987</u>	<u>\$ 7,417,123</u>	<u>\$ (650,864)</u>
EXPENDITURES				
Legislative	\$ 111,995	\$ 111,995	\$ 99,556	\$ 12,439
City Manager	180,450	180,450	174,215	6,235
City Secretary	154,241	154,241	161,025	(6,784)
Finance	183,426	183,426	176,831	6,595
Municipal Court	154,000	154,000	141,300	12,700
Fire	1,281,679	1,281,679	1,128,263	153,416
Police	3,269,352	3,269,352	3,196,898	72,454
Inspections	403,783	403,783	376,893	26,890
Emergency and Health Services	213,534	213,534	207,887	5,647
Street	1,008,226	1,008,226	552,058	456,168
Shop	101,282	101,282	94,939	6,343
Park	735,728	735,728	702,930	32,798
Information Technology	82,000	82,000	94,856	(12,856)
Building Services	116,313	116,313	109,696	6,617
Engineering	95,000	95,000	93,993	1,007
Administration Services	251,169	251,169	241,727	9,442
Legal	105,916	105,916	96,889	9,027
Total Expenditures	<u>\$ 8,448,094</u>	<u>\$ 8,448,094</u>	<u>\$ 7,649,956</u>	<u>\$ 798,138</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (380,107)</u>	<u>\$ (380,107)</u>	<u>\$ (232,833)</u>	<u>\$ 147,274</u>
OTHER FINANCING SOURCES				
Transfers In (Out)	\$	\$	\$ 85,673	\$ 85,673
Lease Proceeds			203,220	203,220
Proceeds from the Sale of Capital Assets	1,000	1,000	49,498	48,498
Total Other Financing Sources	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 338,391</u>	<u>\$ 337,391</u>
Net Change in Fund Balance	<u>\$ (379,107)</u>	<u>\$ (379,107)</u>	<u>\$ 105,558</u>	<u>\$ 484,665</u>
Fund Balances - Beginning	<u>4,266,974</u>	<u>4,266,974</u>	<u>4,266,974</u>	<u></u>
Fund Balances - Ending	<u>\$ 3,887,867</u>	<u>\$ 3,887,867</u>	<u>\$ 4,372,532</u>	<u>\$ 484,665</u>

The accompanying notes are an integral part of this statement.

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CITY OF LEVELLAND, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SEPTEMBER 30, 2020**

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

26 years

Asset Valuation Method

Ten Year smoothed market; 15% soft corridor.

Inflation

2.50%

Salary Increases

3.50% to 11.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits.

Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality

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

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Changes in Assumptions:

There were assumption changes during the year.

Benefits Changes:

There were no benefit changes during the year.

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CITY OF LEVELLAND, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2020**

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).

Amounts over budget are covered by unassigned general fund balance.

SUPPLEMENTARY INFORMATION

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CITY OF LEBELLAND, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	Special Revenue Funds	Capital Projects Fund				Total Nonmajor Governmental Funds (See Pg. 6)
		Civic Improvement	Texas Capital Fund - Main Street	Tax Increment Financing #1	Tax Increment Financing #2	
ASSETS						
Assets:						
Cash and Cash Equivalents	\$ 548,229	\$ 119,006	\$	\$ 753,799	\$ 897	\$ 1,421,931
Receivables (Net of Allowance for Uncollectibles)	\$ 123,631					123,631
Intergovernmental Receivables	74,857		250,000			324,857
Prepays						0
Total Assets	\$ <u>746,717</u>	\$ <u>119,006</u>	\$ <u>250,000</u>	\$ <u>753,799</u>	\$ <u>897</u>	\$ <u>1,870,419</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 18,597	\$ 512	\$ 28,021	\$	\$	\$ 47,130
Accrued Wages	4,987					4,987
Due to Other Funds	158,274		124,733			283,007
Unearned Revenue	207					207
Total Liabilities	\$ <u>182,065</u>	\$ <u>512</u>	\$ <u>152,754</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>335,331</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue - Property Taxes	\$ 8,788	\$	\$	\$	\$	\$ 8,788
Total Deferred Inflows of Resources	\$ <u>8,788</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>8,788</u>
Fund Balances:						
Restricted Fund Balances:						
Restricted for Enabling Legislation	\$ 63,119	\$	\$	\$	\$	\$ 63,119
Restricted for Economic Development	143,903					143,903
Restricted for Donor Requirements	125,671					125,671
Restricted for Debt Service						0
Committed Fund Balances:						
Committed for Expansion and Improvements		118,494	97,246	753,799	897	970,436
Committed for Cemetery Operations	223,171					223,171
Total Fund Balances	\$ <u>555,864</u>	\$ <u>118,494</u>	\$ <u>97,246</u>	\$ <u>753,799</u>	\$ <u>897</u>	\$ <u>1,526,300</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>746,717</u>	\$ <u>119,006</u>	\$ <u>250,000</u>	\$ <u>753,799</u>	\$ <u>897</u>	\$ <u>1,870,419</u>

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CITY OF LEBELAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Special Revenue Funds	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	\$ 184,854	\$	\$	\$ 121,588	\$ 165,706	\$ 472,148
Motel Occupancy Taxes	87,163					87,163
Intergovernmental	241,990		250,000			491,990
Fines and Fees	150,179					150,179
Investment Earnings	6,221	1,474	176	7,375	11	15,257
Rents and Royalties	3,636	4,255				7,891
Miscellaneous	243	180	33,832			34,255
Contributions and Donations	23,376			1,275		24,651
Total Revenue	\$ 697,662	\$ 5,909	\$ 284,008	\$ 130,238	\$ 165,717	\$ 1,283,534
Expenditures:						
Current						
General Government	\$ 236,561	\$	\$	\$	\$	\$ 236,561
Public Safety	49,861					49,861
Highways and Streets	14,800		348,967			363,767
Recreation and Parks	3,466					3,466
Economic Development	148,845	6,804				155,649
Cemetery	295,492					295,492
Debt Service						
Principal						0
Interest						0
Bond Issuance Costs						0
Fiscal Agent's Fees						0
Total Expenditures	\$ 749,025	\$ 6,804	\$ 348,967	\$ 0	\$ 0	\$ 1,104,796
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (51,363)	\$ (895)	\$ (64,959)	\$ 130,238	\$ 165,717	\$ 178,738
Other Financing Sources (Uses):						
Transfers In (Out)	\$ 0	\$	\$	\$	\$ (166,018)	\$ (166,018)
Issuance of Refunding Bonds	0					0
Payments to Bond Refunding Escrow Agent	0					0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (166,018)	\$ (166,018)
Net Change in Fund Balances	\$ (51,363)	\$ (895)	\$ (64,959)	\$ 130,238	\$ (301)	\$ 12,720
Fund Balances - Beginning	<u>607,227</u>	<u>119,389</u>	<u>162,205</u>	<u>623,561</u>	<u>1,198</u>	<u>1,513,580</u>
Fund Balances - Ending	<u>\$ 555,864</u>	<u>\$ 118,494</u>	<u>\$ 97,246</u>	<u>\$ 753,799</u>	<u>\$ 897</u>	<u>\$ 1,526,300</u>

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CITY OF LEVELLAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2020

	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Corona Virus Relief	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	Incentive Grant-Main Street	Mainstreet Activities	Truancy	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 40)
ASSETS														
Assets:														
Cash and Cash Equivalents	\$ 221,371	\$ 5,802	\$ 9,277	\$ 4,794	\$ 85,509	\$ 138,156	\$ 10,862	\$ 5,611	\$ 104,313	\$ 853	\$ 20,621	\$ 2,081	\$ 24,488	\$ 548,229
Receivables (Net of Allowance for Uncollectibles)	17,884				20,147				91					123,631
Intergovernmental Receivables									74,857					74,857
Total Assets	\$ 239,255	\$ 5,802	\$ 9,277	\$ 4,794	\$ 85,509	\$ 158,303	\$ 10,862	\$ 5,611	\$ 179,261	\$ 853	\$ 20,621	\$ 2,081	\$ 24,488	\$ 746,717
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:														
Liabilities:														
Accounts Payable	\$ 2,309	\$ 0	\$ 0	\$ 0	\$ 1,888	\$ 14,400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,597
Accrued Wages	4,987													4,987
Due to Other Funds					83,417									158,274
Unearned Revenue														207
Total Liabilities	\$ 7,296	\$ 0	\$ 0	\$ 0	\$ 85,305	\$ 14,400	\$ 0	\$ 0	\$ 74,857	\$ 207	\$ 0	\$ 0	\$ 0	\$ 182,065
DEFERRED INFLOWS OF RESOURCES:														
Unavailable Revenue - Property Taxes	\$ 8,788	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,788
Total Deferred Inflows of Resources	\$ 8,788	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,788
Fund Balances:														
Restricted Fund Balances:														
Restricted for Enabling Legislation	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,119
Restricted for Economic Development														143,903
Restricted for Donor Requirements														125,671
Committed Fund Balances:														
Committed for Cemetery Operations	\$ 223,171	\$ 5,802	\$ 9,277	\$ 4,794	\$ 204	\$ 143,903	\$ 10,862	\$ 5,611	\$ 104,404	\$ 646	\$ 20,621	\$ 0	\$ 0	\$ 223,171
Total Fund Balances	\$ 223,171	\$ 5,802	\$ 9,277	\$ 4,794	\$ 204	\$ 143,903	\$ 10,862	\$ 5,611	\$ 104,404	\$ 646	\$ 20,621	\$ 2,081	\$ 24,488	\$ 555,864
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 239,255	\$ 5,802	\$ 9,277	\$ 4,794	\$ 85,509	\$ 158,303	\$ 10,862	\$ 5,611	\$ 179,261	\$ 853	\$ 20,621	\$ 2,081	\$ 24,488	\$ 746,717

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CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Corona Virus Relief	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	Incentive Grant-Main Street	Mainstreet Activities	Truancy	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 41)
Revenue:														
Taxes														
General Property Taxes	\$ 184,854	\$ 0	\$ 0	\$ 0	\$ 0	\$ 87,163	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 184,854
Motel Occupancy Taxes														87,163
Intergovernmental														241,990
Fines and Fees	139,590	1,963	3,220	327	236,561									150,179
Investment Earnings	2,482	48	65	40	204	1,655	3,242	1,724	44	989	7	218	2,076	6,221
Rents and Royalties	3,636						87							3,636
Miscellaneous	243													243
Contributions and Donations														23,376
Total Revenue	\$ 330,805	\$ 2,011	\$ 3,285	\$ 367	\$ 236,765	\$ 88,818	\$ 3,329	\$ 1,768	\$ 17,491	\$ 5,885	\$ 6,103	\$ 2,081	\$ 377	\$ 697,662
Expenditures:														
Current														
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236,561	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236,561
Public Safety			1,350											49,861
Highways and Streets														14,800
Recreation and Parks														3,466
Economic Development														148,845
Cemetery	295,492						148,845							295,492
Total Expenditures	\$ 295,492	\$ 1,350	\$ 0	\$ 0	\$ 236,561	\$ 148,845	\$ 2,279	\$ 1,074	\$ 3,466	\$ 0	\$ 14,800	\$ 0	\$ 45,158	\$ 749,025
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 35,313	\$ 661	\$ 3,285	\$ 367	\$ 204	\$ (60,027)	\$ 1,050	\$ 694	\$ 18,480	\$ 7	\$ (8,697)	\$ 2,081	\$ (44,781)	\$ (51,363)
Other Financing Sources (Uses):														
Transfers In (Out)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances	\$ 35,313	\$ 661	\$ 3,285	\$ 367	\$ 204	\$ (60,027)	\$ 1,050	\$ 694	\$ 18,480	\$ 7	\$ (8,697)	\$ 2,081	\$ (44,781)	\$ (51,363)
Fund Balances - Beginning	187,858	5,141	5,992	4,427	0	203,930	9,812	4,917	85,924	639	29,318	0	69,269	607,227
Fund Balances - Ending	\$ 223,171	\$ 5,802	\$ 9,277	\$ 4,794	\$ 204	\$ 143,903	\$ 10,862	\$ 5,611	\$ 104,404	\$ 646	\$ 20,621	\$ 2,081	\$ 24,488	\$ 555,864

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CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2020**

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 10)</u>
ASSETS:		
Current Assets		
Cash and Cash Equivalents	\$ 882,544	\$ 882,544
Due from Other Funds	149,057	149,057
Advances to Other Funds	1,063,200	1,063,200
Total Current Assets	<u>\$ 2,094,801</u>	<u>\$ 2,094,801</u>
NET POSITION:		
Unrestricted Net Position	\$ 2,094,801	\$ 2,094,801
Total Net Position	<u>\$ 2,094,801</u>	<u>\$ 2,094,801</u>

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CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 11)</u>
NONOPERATING REVENUES:		
Interest Revenue	\$ 9,366	\$ 9,366
Total Nonoperating Revenues	<u>\$ 9,366</u>	<u>\$ 9,366</u>
Income Before Transfers	\$ 9,366	\$ 9,366
Transfers In (Out)	<u>35,706</u>	<u>35,706</u>
Change in Net Position	\$ 45,072	\$ 45,072
Total Net Position - Beginning	<u>2,049,729</u>	<u>2,049,729</u>
Total Net Position - Ending	<u>\$ 2,094,801</u>	<u>\$ 2,094,801</u>

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CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 12)</u>
Cash Flows From Non-Capital Financing Activities:		
Cash Transfers	\$ 35,706	\$ 35,706
Principal Received on Loans Made to Other Funds	<u>738,417</u>	<u>738,417</u>
Net Cash From Non-Capital Financing Activities	<u><u>\$ 774,123</u></u>	<u><u>\$ 774,123</u></u>
Cash Flows From Investing Activities		
Interest and Dividends on Investments	\$ 9,366	\$ 9,366
Net Cash From Investing Activities	<u><u>\$ 9,366</u></u>	<u><u>\$ 9,366</u></u>
Net Change in Cash and Cash Equivalents	\$ 783,489	\$ 783,489
Cash and Cash Equivalents at Beginning of Year	<u>99,055</u>	<u>99,055</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 882,544</u></u>	<u><u>\$ 882,544</u></u>

OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION

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

C E R T I F I E D P U B L I C A C C O U N T A N T S

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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, 2020, 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 January 5, 2021.

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

January 5, 2021