

*Basic Financial Statements*

**CITY OF LEVELLAND, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS:</b>				
<i>Cash</i>	\$ 6,433,957	\$ 2,538,494	\$ 8,972,451	\$ 1,366,730
<i>Temporary Investments</i>	7,368,270	1,470,753	8,839,023	608,486
<i>Delinquent Taxes Receivable (Net)</i>	163,366	--	163,366	--
<i>Accounts Receivable</i>	716,096	1,549,674	2,265,770	78,941
<i>Special Assessments &amp; Liens - Paving</i>	17,509	--	17,509	--
<i>Allowance for Uncollectibles</i>	(23,690)	(708,368)	(732,058)	--
<i>Inventory</i>	--	193,832	193,832	--
<i>Internal Balances</i>	72,463	(56,172)	16,291	(16,291)
<i>Due From State</i>	--	--	--	86,712
Property and Equipment:				
<i>Land</i>	1,539,031	510,739	2,049,770	618,203
<i>Buildings</i>	1,560,476	605,145	2,165,621	576,590
<i>Improvements</i>	23,348,828	18,218,248	41,567,076	4,316,816
<i>Machinery and Equipment</i>	5,390,319	1,994,072	7,384,391	221,629
<i>Construction in Progress</i>	627,357	165,569	792,926	84,288
<i>Accumulated Depreciation</i>	(10,135,468)	(7,896,799)	(18,032,267)	(322,975)
<i>Investment in Water Source</i>	--	13,015,885	13,015,885	--
<i>Less: Amortization</i>	--	(4,940,204)	(4,940,204)	--
<b>Total Assets</b>	<b>37,078,514</b>	<b>26,000,868</b>	<b>63,739,382</b>	<b>7,619,129</b>
<b>LIABILITIES:</b>				
<i>Accounts Payable - Trade</i>	275,773	317,621	593,394	20,235
<i>Accrued Wages and Payroll Deductions Payable</i>	145,278	28,361	173,639	--
<i>Accrued Interest Payable</i>	104,115	--	104,115	--
<i>Bonds Payable - Current</i>	545,000	556,508	1,101,508	--
<i>Capital Lease Payable - Current</i>	--	168,118	168,118	--
Due In More Than One Year:				
<i>User Deposits</i>	--	250,580	250,580	--
<i>Bonds Payable</i>	10,885,000	5,030,398	15,915,398	--
<i>Capital Lease Payable</i>	--	1,036,128	1,036,128	--
<i>Other Payables</i>	6,065	--	6,065	--
<b>Total Liabilities</b>	<b>11,961,230</b>	<b>7,387,714</b>	<b>19,348,944</b>	<b>20,235</b>
<b>NET POSITION:</b>				
<i>Invested In Capital Assets, net of related debt</i>	10,900,544	14,881,502	25,782,046	5,494,551
<i>Unrestricted</i>	14,216,740	4,391,651	18,608,391	2,104,343
<b>Total Net Position</b>	<b>\$ 25,117,284</b>	<b>\$ 19,273,153</b>	<b>\$ 44,390,437</b>	<b>\$ 7,598,894</b>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				LEDC	LODC	
					Governmental Activities	Business-type Activities	Total				
Governmental Activities:											
General Government	\$ 1,149,305	\$ 154,023	\$ 208,694	\$ --	\$ (786,589)	\$ --	\$ (786,589)	\$ --	\$ --	\$ --	\$ --
Public Safety	4,395,127	252,219	31,792	--	(4,111,117)	--	(4,111,117)	--	--	--	--
Highways and Streets	1,482,900	252,002	--	--	(1,230,898)	--	(1,230,898)	--	--	--	--
Culture and Recreation	780,629	5,015	--	155,587	(620,027)	--	(620,027)	--	--	--	--
Economic and Physical Development	359,257	330,020	7,023	265,335	243,121	--	243,121	--	--	--	--
Airport	217,863	49,564	28,346	--	(139,953)	--	(139,953)	--	--	--	--
Interest and Fiscal Charges	322,897	--	325,110	--	2,213	--	2,213	--	--	--	--
Total Governmental Activities	\$ 8,707,978	\$ 1,042,842	\$ 600,965	\$ 420,922	\$ (6,643,249)	\$ --	\$ (6,643,249)	\$ --	\$ --	\$ --	\$ --
Business-Type Activities:											
Water and Wastewater	5,494,293	6,489,331	--	--	--	995,038	995,038	--	--	--	--
Total Primary Government	\$ 14,202,271	\$ 7,532,173	\$ 600,965	\$ 420,922	\$ (6,643,249)	\$ 995,038	\$ (5,648,211)	\$ --	\$ --	\$ --	\$ --
Component Units:											
Levelland Economic Development Corp.	\$ 711,062	\$ 213,680	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (497,382)	\$ --	\$ (10,965)	\$ --
Levelland Community Development Corp.	10,965	--	--	--	--	--	--	--	--	(497,382)	(10,965)
Total Component Units	\$ 722,027	\$ 213,680	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (497,382)	\$ --	\$ (10,965)	\$ --
General Revenues:											
Taxes:											
Ad Valorem		\$ 3,880,155	\$ --	\$ --	\$ 3,880,155	\$ --	\$ 3,880,155	\$ --	\$ --	\$ --	\$ --
Franchise		918,531	--	--	918,531	--	918,531	--	--	--	--
Sales and Use		2,604,245	--	--	2,604,245	--	2,604,245	665,033	--	443,355	--
Royalties		66,185	--	--	66,185	--	66,185	--	--	--	--
Investment Earnings		137,366	--	--	137,366	36,252	173,618	8,179	--	8,948	--
Gain/(Loss) on Sale of Assets		(3,924)	--	--	(3,924)	--	(3,924)	--	--	--	--
Transfer-Internal Activities		(781,991)	--	--	(781,991)	781,991	--	--	--	--	--
Miscellaneous Revenue		--	--	--	--	--	--	33,039	--	5,300	--
Total Revenues and Transfers		\$ 6,820,567	\$ 818,243	\$ 7,638,810	\$ 7,638,810	\$ 706,251	\$ 8,345,061	\$ 457,603	\$ 457,603	\$ 457,603	\$ 457,603
Change in Net Position		\$ 177,318	\$ 1,813,281	\$ 1,990,599	\$ 1,990,599	\$ 208,369	\$ 2,198,968	\$ 446,638	\$ 446,638	\$ 446,638	\$ 446,638
Net Position - October 01, 2012		24,895,374	17,459,872	42,355,246	42,355,246	6,188,742	48,543,988	754,645	754,645	754,645	754,645
Prior Period Adjustments		44,593	--	44,593	44,593	--	44,593	--	--	--	--
Net Position - September 30, 2013		\$ 25,117,284	\$ 19,273,153	\$ 44,399,437	\$ 44,399,437	\$ 6,397,611	\$ 52,797,081	\$ 754,645	\$ 754,645	\$ 754,645	\$ 754,645

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2013**

	General Fund	Capital Project Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash	\$ 3,595,537	\$ 664,317	\$ 978,123	\$ 5,237,977
Temporary Investments	1,604,562	3,631,897	1,275,273	6,511,732
Delinquent Taxes Receivable (Net)	137,910	--	25,456	163,366
Accounts Receivable	502,467	14,108	199,500	716,075
Special Assessments & Liens - Paving	17,508	--	--	17,508
Allowance for Uncollectibles	--	--	(23,690)	(23,690)
Accrued Interest Receivable	22	--	--	22
Due From Other Funds	16,291	--	--	16,291
Deferred Expenditures	9,136	--	--	9,136
<b>Total Assets</b>	<b>\$ 5,883,433</b>	<b>\$ 4,310,322</b>	<b>\$ 2,454,662</b>	<b>\$ 12,648,417</b>
<b>LIABILITIES:</b>				
Accounts Payable - Trade	\$ 147,944	\$ 67,064	\$ 34,734	\$ 249,742
Deferred Revenue	148,053	--	25,974	174,027
Accrued Wages	98,203	--	4,725	102,928
Payroll Deductions - Payable	40,600	--	1,750	42,350
Other Payables	1,000	--	--	1,000
Bond Escrow Accounts Payable	5,065	--	--	5,065
State Court Fines Payable	26,031	--	--	26,031
Due To Other Funds	97,412	--	94,338	191,750
<b>Total Liabilities</b>	<b>564,308</b>	<b>67,064</b>	<b>161,521</b>	<b>792,893</b>
<b>FUND BALANCES:</b>				
Unassigned	5,312,587	--	--	5,312,587
Restricted Fund Balances:				
Debt Retirement	--	--	73,107	73,107
Expansion/Improvements	--	4,243,258	--	4,243,258
Committed Fund Balances:				
Special Purposes	--	--	1,052,901	1,052,901
Expansion/Improvements	6,538	--	1,167,133	1,173,671
<b>Total Fund Balances</b>	<b>5,319,125</b>	<b>4,243,258</b>	<b>2,293,141</b>	<b>11,855,524</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,883,433</b>	<b>\$ 4,310,322</b>	<b>\$ 2,454,662</b>	<b>\$ 12,648,417</b>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

Total fund balances - governmental funds balance sheet	\$ 11,855,524
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,330,544
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	163,366
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,300,438
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,430,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(104,115)
Long-term assets not available to pay for current period expenditures are deferred in the funds.	(9,136)
Revenues received unavailable to pay for current period expenditures are not accrued in the funds.	<u>10,663</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 25,117,284</u>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	Capital Project Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
<i>Ad Valorem Taxes</i>	\$ 3,227,681	\$ --	\$ 663,359	\$ 3,891,040
<i>Franchise Fees</i>	918,532	--	--	918,532
<i>Wastewater Revenue</i>	--	--	195,670	195,670
<i>Sales Tax</i>	2,438,453	--	--	2,438,453
<i>Motel Occupancy Tax</i>	--	--	156,631	156,631
<i>Licenses and Permits</i>	32,185	--	25,959	58,144
<i>Fines and Fees</i>	209,800	--	--	209,800
<i>Rents</i>	53,062	--	5,015	58,077
<i>Royalties</i>	53,672	--	12,513	66,185
<i>Interest</i>	58,207	4,188	34,030	96,425
<i>Cemetery Spaces</i>	--	--	94,984	94,984
<i>Open and Close Graves</i>	--	--	72,775	72,775
<i>Federal</i>	13,063	--	297,127	310,190
<i>State</i>	28,346	--	--	28,346
<i>Local</i>	456,483	--	325,110	781,593
<i>Seized Funds</i>	--	--	22,602	22,602
<i>Building Security</i>	--	--	4,472	4,472
<i>Time Payment Fees</i>	--	--	1,003	1,003
<i>Developers Contribution</i>	--	--	7,023	7,023
<i>Gifts &amp; Bequests</i>	790	--	--	790
<i>Miscellaneous</i>	64,246	--	13,510	77,756
<i>Total Revenues</i>	<u>7,554,520</u>	<u>4,188</u>	<u>1,931,783</u>	<u>9,490,491</u>
<b>EXPENDITURES:</b>				
Current:				
<i>General government</i>	1,437,592	--	445,369	1,882,961
<i>Public Safety</i>	4,116,926	--	103,464	4,220,390
<i>Highways and streets</i>	1,099,733	--	--	1,099,733
<i>Culture and recreation</i>	432,579	--	62,663	495,242
<i>Economic and physical development</i>	135,475	278,336	300,424	714,235
<i>Airport</i>	96,543	--	--	96,543
Debt service:				
<i>Principal</i>	--	--	445,000	445,000
<i>Interest and fiscal charges</i>	--	--	250,279	250,279
<i>Grant Distributions</i>	--	--	100	100
<i>Total expenditures</i>	<u>7,318,848</u>	<u>278,336</u>	<u>1,607,299</u>	<u>9,204,483</u>
Excess (deficiency) of revenues (under) expenditures	235,672	(274,148)	324,484	286,008
Other financing sources (uses):				
<i>Bond Proceeds</i>	--	4,445,000	--	4,445,000
<i>Bond Premium</i>	--	155,588	--	155,588
<i>Sale of Assets</i>	3,086	--	--	3,086
<i>Operating transfers in</i>	336,700	--	18,500	(781,992)
<i>Operating transfers out</i>	(318,079)	--	(819,113)	--
<i>Bond Issue Costs</i>	--	(83,182)	--	(83,182)
<i>Total other financing sources (uses)</i>	<u>21,707</u>	<u>4,517,406</u>	<u>(800,613)</u>	<u>3,738,500</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	257,379	4,243,258	(476,129)	4,024,508
Fund balance, October 1	5,061,746	--	2,769,270	7,831,016
Fund balance, September 30	<u>\$ 5,319,125</u>	<u>\$ 4,243,258</u>	<u>\$ 2,293,141</u>	<u>\$ 11,855,524</u>

The accompanying notes are an integral part of this statement.

**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, 2013*

Net change in fund balances - total governmental funds	\$ 4,024,508
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,132,164
The depreciation of capital assets used in governmental activities is not reported in the funds.	(918,248)
The gain or loss on the sale of capital assets is not reported in the funds.	(7,010)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(15,805)
Expenses not requiring the use of current resources are not reported as expenditures in the funds.	(6,611)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	445,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(72,618)
The net revenue (expense) of internal service funds is reported with governmental activities.	40,938
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(4,445,000)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 177,318</u>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2013**

	Enterprise Fund	Internal Service Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash	\$ 2,538,494	\$ 1,076,582
Temporary Investments	1,470,753	975,934
Accounts Receivable	1,549,674	--
Allowance for Uncollectibles	(708,368)	--
Inventory	193,832	--
Accrued Interest Receivable	--	--
Due From Other Funds	94,338	123,406
Total Current Assets	<u>5,138,723</u>	<u>2,175,922</u>
<b>Noncurrent Assets:</b>		
Due From Other Funds	--	124,516
<b>Capital Assets:</b>		
Land	510,739	--
Buildings	605,145	--
Improvements	18,218,248	--
Machinery and Equipment	1,994,072	--
Construction in Progress	165,569	--
Less: Accumulated Depreciation	(7,896,799)	--
Investment in Water Source	13,015,885	--
Less: Amortization	(4,940,204)	--
Total Noncurrent Assets	<u>21,672,655</u>	<u>124,516</u>
<b>Total Assets</b>	<u><b>\$ 26,811,378</b></u>	<u><b>\$ 2,300,438</b></u>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts Payable - Trade	\$ 317,621	\$ --
Accrued Wages and Payroll Deductions Payable	28,361	--
Bonds Payable	556,508	--
Due To Other Funds	47,493	--
Due To Other Governments	--	--
Capital Lease Payable	168,118	--
Total Current Liabilities	<u>1,118,101</u>	<u>--</u>
<b>Noncurrent Liabilities:</b>		
User Deposits	250,580	--
Bonds Payable	5,030,398	--
Due To Other Funds	103,017	--
Capital Lease Payable	1,036,128	--
Total Noncurrent Liabilities	<u>6,420,123</u>	<u>--</u>
Total Liabilities	<u>7,538,225</u>	<u>--</u>
<b>NET POSITION:</b>		
Invested in Capital Assets, net of related debt	14,881,502	--
Unrestricted	4,391,651	2,300,438
<b>Total Net Position</b>	<u><b>\$ 19,273,154</b></u>	<u><b>\$ 2,300,438</b></u>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET POSITION - PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Enterprise Fund	Internal Service Funds
<b>OPERATING REVENUES:</b>		
<i>Rents</i>	\$ 115	\$ --
<i>Street Light Revenue</i>	155,936	--
<i>Refuse Collection Revenue</i>	2,024,544	--
<i>Water Revenue</i>	2,716,063	--
<i>Sewer Revenue</i>	938,158	--
<i>State Revenues</i>	34,117	--
<i>Developers Contributions</i>	12,781	--
<i>Miscellaneous</i>	607,618	--
<b>Total Operating Revenues</b>	<u>6,489,332</u>	<u>--</u>
<b>OPERATING EXPENSES:</b>		
<i>Administration</i>	428,751	--
<i>Water Production</i>	2,511,615	--
<i>Developers Capital Improvement</i>	2,046	--
<i>Wastewater Collection</i>	667,254	--
<i>Sanitation</i>	1,830,307	--
<i>Swimming Pool</i>	54,320	--
<b>Total Operating Expenses</b>	<u>5,494,293</u>	<u>--</u>
<b>Operating Income (Loss)</b>	<u>995,039</u>	<u>--</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
<i>Interest Income</i>	36,252	40,938
<b>Total Non-operating Revenues (Expenses)</b>	<u>36,252</u>	<u>40,938</u>
<b>Net Income (Loss) before Operating Transfers</b>	<u>1,031,291</u>	<u>40,938</u>
<b>TRANSFERS:</b>		
<i>Operating transfers in</i>	1,031,991	--
<i>Operating transfers out</i>	(250,000)	--
<b>Total Transfers</b>	<u>781,991</u>	<u>--</u>
<b>Net income</b>	1,813,282	40,938
<b>Net Position, October 1</b>	17,459,872	2,259,500
<b>Net Position, September 30</b>	<u>\$ 19,273,154</u>	<u>\$ 2,300,438</u>

**CITY OF LEVELLAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Enterprise Fund	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from Customers</i>	\$ 6,399,668	\$ --
<i>Cash Payments to Employees for Services</i>	(1,035,887)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(3,273,738)	--
Net Cash Provided (Used) by Operating Activities	<u>2,090,043</u>	<u>--</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
<i>Principal Received/(Paid) on Intergovernmental Notes</i>	(59,633)	198,762
<i>Transfers From (To) Other Funds</i>	68,749	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>9,116</u>	<u>198,762</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
<i>Collection on Note Receivable</i>	1,148	--
<i>Sale of Assets</i>	--	--
<i>Capital Lease Payable</i>	(158,510)	--
<i>Issuance of Long-term Debt</i>	--	--
<i>Principal and Interest Paid</i>	(774,866)	--
<i>Acquisition or Construction of Capital Assets</i>	(714,698)	--
<i>Investment in Water Source</i>	(34,735)	--
<i>Loans to Other Funds</i>	(94,338)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,775,999)</u>	<u>--</u>
<b>Cash Flows Provided (Used) for Investing Activities:</b>		
<i>Interest and Dividends on Investments</i>	36,252	40,938
Net Cash Provided (Used) for Investing Activities	<u>36,252</u>	<u>40,938</u>
Net Increase (Decrease) in Cash and Cash Equivalents	359,412	239,700
Cash and Cash Equivalents at Beginning of Year	3,649,835	1,812,816
Cash and Cash Equivalents at End of Year	<u>\$ 4,009,247</u>	<u>\$ 2,052,516</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 1,307,393	\$ --
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
<i>Depreciation</i>	533,515	--
<i>Amortization</i>	357,398	--
<i>Increase in allowance for doubtful accts</i>	47,365	--
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	(90,949)	--
<i>Decrease (Increase) in Inventories</i>	(134,213)	--
<i>Decrease (Increase) in Prepaid Expenses</i>	(522)	--
<i>Increase (Decrease) in Accounts Payable</i>	66,077	--
<i>Increase (Decrease) in Payroll Deductions</i>	1,787	--
<i>Increase (Decrease) in Accrued Wages Payable</i>	2,192	--
Total Adjustments	<u>782,650</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,090,043</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2013

	TNRCC NonExpendable Trust Fund
<b>ASSETS:</b>	
<i>Investments at fair value:</i>	
U. S. Government Securities	\$ 31,965
<b>Total Assets</b>	<b>\$ 31,965</b>
<b>LIABILITIES:</b>	
<b>NET POSITION:</b>	
<i>Held in Trust for TNRCC</i>	\$ 31,965
<b>Total Net Position</b>	<b>\$ 31,965</b>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2013*

	TNRCC Nonexpendable Trust Fund
<b>Additions:</b>	
Net Increase in Fair Value of Investments	\$ 126
Total Additions	<u>126</u>
<b>Deductions:</b>	
Total Deductions	<u>--</u>
<b>Change in Net Position</b>	126
Net Position-Beginning of the Year	31,839
Net Position-End of the Year	<u>\$ 31,965</u>

The accompanying notes are an integral part of this statement.

## CITY OF LEVELLAND, TEXAS

COMBINING BALANCE SHEET - COMPONENT UNITS  
 SEPTEMBER 30, 2013

	Levelland Economic Development Corporation	Levelland Community Development Corporation	Total Component Units
<b>ASSETS:</b>			
Cash	\$ 444,027	\$ 922,703	\$ 1,366,730
Temporary Investments	364,613	243,873	608,486
Accounts Receivable	78,785	--	78,785
Accrued Interest Receivable	134	22	156
Due From State	52,027	34,685	86,712
Property and Equipment:			
Land	618,203	--	618,203
Buildings	576,590	--	576,590
Improvements	4,316,816	--	4,316,816
Machinery and Equipment	221,629	--	221,629
Construction in Progress	84,288	--	84,288
Accumulated Depreciation	(322,975)	--	(322,975)
<b>Total Assets</b>	<b>\$ 6,434,137</b>	<b>\$ 1,201,283</b>	<b>\$ 7,635,420</b>
<b>LIABILITIES:</b>			
Accounts Payable - Trade	\$ 20,235	\$ --	\$ 20,235
Due To Other Funds	16,291	--	16,291
Total Liabilities	36,526	--	36,526
<b>NET POSITION:</b>			
Invested in Capital Assets, net of related debt	5,494,551	--	5,494,551
Unrestricted	903,060	1,201,283	2,104,343
<b>Total Net Position</b>	<b>\$ 6,397,611</b>	<b>\$ 1,201,283</b>	<b>\$ 7,598,894</b>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Levelland Economic Development Corporation	Levelland Community Development Corporation	Total Component Units
<b>REVENUES:</b>			
<i>Sales Tax</i>	\$ 665,033	\$ 443,355	\$ 1,108,388
<i>Rents</i>	213,680	--	213,680
<i>Interest</i>	8,179	8,948	17,127
<i>Local</i>	--	5,300	5,300
<i>Miscellaneous</i>	33,039	--	33,039
<i>Total Revenues</i>	<u>919,931</u>	<u>457,603</u>	<u>1,377,534</u>
<b>EXPENDITURES:</b>			
<i>Economic and physical development</i>	711,062	10,965	722,027
<i>Total expenditures</i>	<u>711,062</u>	<u>10,965</u>	<u>722,027</u>
Excess (deficiency) of revenues (under) expenditures	208,869	446,638	655,507
Other financing sources (uses):			
<i>Total other financing sources (uses)</i>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	208,869	446,638	655,507
Net Position, October 1	6,188,742	754,645	6,943,387
Net Position, September 30	<u>\$ 6,397,611</u>	<u>\$ 1,201,283</u>	<u>\$ 7,598,894</u>

The accompanying notes are an integral part of this statement.

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**A. Summary of Significant Accounting Policies**

The combined financial statements of City of Levelland, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

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

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has reported the Levelland Economic Development Corporation and the Levelland Community Development Corporation as discretely presented component units.

The Levelland Economic Development Corporation (LEDC), a nonprofit corporation, was incorporated in the state of Texas, March 12, 1992. The purpose of the 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. Complete financial statements for the LEDC may be obtained at the City's administrative offices.

The Levelland Community Development Corporation (LCDC), a nonprofit corporation, was incorporated in the state of Texas, September 17, 2010. The purpose of the LCDC will be 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 automobile parking facilities; and for maintenance and operations expenses for any of the above described projects.

The City is not a component unit of any other reporting entity as defined by the GABS Statement.

**2. Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Capital Project Bond Fund - This fund accounts for the resources accumulated and payments made for the amateur sports complex.

The City reports the following major enterprise funds:

Enterprise Fund. The enterprise fund accounts for the operations of the sewage treatment plant, sewage pumping stations and collection systems, the water distribution system and the City's swimming pool.

In addition, the City reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support City programs, these funds are not included in the government-wide statements.

**b. Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

**3. Financial Statement Amounts**

**a. Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**b. Property Taxes**

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

Allowances for uncollectible tax receivables within the General 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 taxes without specific statutory authority from the Texas Legislature.

**c. Inventories and Prepaid Items**

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. **Receivable and Payable Balances**

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. **Interfund Activity**

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

g. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of managements estimates.

h. **Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

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

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

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

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

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

**C. Deposits and Investments**

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

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Cash Deposits:

At September 30, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$10,339,181 and the bank balance was \$10,129,526. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (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 City's investments at September 30, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	< 12 Months	\$ 5,745,761
Investment Pools	N/A	3,701,748
U.S. Treasury Strips	08/15/2014	31,965
Total Investments		<u>\$ 9,479,474</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is 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 year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

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

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,539,031	\$ --	\$ --	\$ 1,539,031
Construction in progress	416,019	301,670	90,333	627,357
Total capital assets not being depreciated	<u>1,955,051</u>	<u>301,670</u>	<u>90,333</u>	<u>2,166,388</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,372,311	188,165	--	1,560,476
Equipment	5,055,467	363,173	28,321	5,390,319
Improvements Other Than Buildings	22,934,748	414,080	--	23,348,828
Total capital assets being depreciated	<u>29,362,526</u>	<u>965,419</u>	<u>28,321</u>	<u>30,299,623</u>

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Less accumulated depreciation for:				
Buildings	(328,426)	(37,678)	--	(366,104)
Equipment	(2,836,520)	(385,869)	(21,311)	(3,201,078)
Improvements Other Than Buildings	(6,073,585)	(494,701)	--	(6,568,286)
Total accumulated depreciation	<u>(9,238,531)</u>	<u>(918,248)</u>	<u>(21,311)</u>	<u>(10,135,468)</u>
Total capital assets being depreciated, net	20,123,995	47,171	7,010	20,164,155
Governmental activities capital assets, net	<u>\$ 22,079,046</u>	<u>\$ 348,841</u>	<u>\$ 97,343</u>	<u>\$ 22,330,544</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 510,739	\$ --	\$ --	\$ 510,739
Construction in progress	43,479	863,124	741,033	165,569
Total capital assets not being depreciated	<u>554,218</u>	<u>863,124</u>	<u>741,033</u>	<u>676,309</u>

<i>Capital assets being depreciated:</i>				
Buildings and improvements	605,145	--	--	605,145
Equipment	1,541,053	468,443	15,425	1,994,072
Improvements Other Than Buildings	17,380,842	837,406	--	18,218,248
Total capital assets being depreciated	<u>19,527,040</u>	<u>1,305,849</u>	<u>15,425</u>	<u>20,817,465</u>
Less accumulated depreciation for:				
Buildings and improvements	(222,111)	(11,994)	--	(234,105)
Equipment	(877,942)	(99,732)	(15,425)	(962,249)
Improvements Other Than Buildings	(6,278,657)	(421,789)	--	(6,700,446)
Total accumulated depreciation	<u>(7,378,710)</u>	<u>(533,515)</u>	<u>(15,425)</u>	<u>(7,896,800)</u>
Total capital assets being depreciated, net	12,148,330	772,334	--	12,920,665
Business-type activities capital assets, net	<u>\$ 12,702,548</u>	<u>\$ 1,635,458</u>	<u>\$ 741,033</u>	<u>\$ 13,596,973</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Component Unit:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 654,942	\$ --	\$ 36,740	\$ 618,202
Construction in progress	15,686	84,288	15,686	84,288
Total capital assets not being depreciated	<u>670,628</u>	<u>84,288</u>	<u>52,426</u>	<u>702,490</u>

<i>Capital assets being depreciated:</i>				
Buildings and improvements	576,590	--	--	576,590
Equipment	221,629	--	--	221,629
Improvements Other Than Buildings	4,060,731	256,085	--	4,316,816
Total capital assets being depreciated	<u>4,858,950</u>	<u>256,085</u>	<u>--</u>	<u>5,115,035</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,226)	(14,415)	--	(39,641)
Equipment	(29,564)	(15,110)	--	(44,674)
Improvements Other Than Buildings	(155,662)	(82,998)	--	(238,660)
Total accumulated depreciation	<u>(210,452)</u>	<u>(112,523)</u>	<u>--</u>	<u>(322,975)</u>
Total capital assets being depreciated, net	4,648,498	143,562	--	4,792,060
Business-type activities capital assets, net	<u>\$ 5,319,126</u>	<u>\$ 227,850</u>	<u>\$ 52,426</u>	<u>\$ 5,494,550</u>

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Depreciation was charged to functions as follows:

General Government	\$	106,426
Public Protection:		
Fire Protection		173,832
Police		112,379
Inspections		5,186
Public Ways and Facilities, Including		
Depreciation of General Infrastructure Assets		399,105
Airport		121,320
	\$	<u>918,248</u>

**E. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at September 30, 2013, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Component Unit	\$ 16,291	Short-term loans
Enterprise Fund	Other Governmental Funds	94,338	Short-term loans
Internal Service Fund	General Fund	97,412	Purchase of Capital Equipment
Internal Service Fund	Enterprise Fund	150,510	Purchase of Capital Equipment
	Other Balances	--	
	Total	<u>\$ 358,550</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at September 30, 2013, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Enterprise Fund	General fund	\$ 250,000	Supplement other funds sources
Other Governmental Funds	General fund	86,700	Supplement other funds sources
General fund	Enterprise Fund	299,579	Supplement other funds sources
Other Governmental Funds	Enterprise Fund	19,171	Supplement other funds sources
General fund	Other Governmental Funds	18,500	Supplement other funds sources
Other Governmental Funds	Enterprise Fund	713,241	Capital Assets
	Total	<u>\$ 1,387,190</u>	

**F. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2013, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 295,000	\$ --	\$ 145,000	\$ 150,000	150,000
Certificates of Obligation	4,680,000	4,445,000	275,000	8,850,000	370,000
G/O Refunding Bonds	2,455,000	--	25,000	2,430,000	25,000
Total governmental activities	<u>\$ 7,430,000</u>	<u>\$ 4,445,000</u>	<u>\$ 445,000</u>	<u>\$ 11,430,000</u>	<u>\$ 545,000</u>

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Business-type activities:

Revenue Bonds	\$ 6,049,417	\$ --	\$ 462,511	\$ 5,586,906	388,390
Capital leases	1,362,757	--	158,510	1,204,246	168,118
Total business-type activities	<u>\$ 7,412,173</u>	<u>\$ --</u>	<u>\$ 621,021</u>	<u>\$ 6,791,153</u>	<u>\$ 556,508</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2013, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 545,000	\$ 399,855	\$ 944,855
2015	660,000	318,241	978,241
2016	680,000	298,841	978,841
2017	700,000	278,791	978,791
2018	725,000	258,041	983,041
2019-2023	3,295,000	1,013,966	4,308,966
2024-2028	3,125,000	514,270	3,639,270
2029-2033	1,700,000	116,869	1,816,869
Totals	<u>\$ 11,430,000</u>	<u>\$ 3,198,875</u>	<u>\$ 14,628,875</u>

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 556,508	\$ 321,407	\$ 877,915
2015	601,121	295,248	896,369
2016	584,439	268,561	853,000
2017	610,263	242,542	852,805
2018	636,880	215,969	852,849
2019-2023	2,189,740	656,977	2,846,717
2024-2028	1,312,548	217,637	1,530,185
2029-2033	299,654	20,596	320,250
Totals	<u>\$ 6,791,153</u>	<u>\$ 2,238,937</u>	<u>\$ 9,030,090</u>

The effective interest rate on long-term obligations is 2.625% to 5.000%.

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2013, as follows:

<u>Year Ending September 30:</u>	
2014	\$ 216,643
2015	216,643
2016	216,643
2017	216,643
2018	216,643
2019-2023	280,059
2024-2028	--
2029-2033	--
Total Minimum Rentals	<u>\$ 1,363,274</u>
Rental Expenditures in 2013	<u>\$ 216,643</u>

The effective interest rate on capital leases is 4.250%.

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

4. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2013, as follows:

<u>Year Ending September 30,</u>	
2014	\$ 2,500
2015	2,500
2016	2,500
2017	2,500
2018	2,500
2019-2023	12,500
2024-2028	12,500
2029-2033	12,500
Total Minimum Rentals	<u>\$ 50,000</u>
Rental Expenditures in 2013	<u>\$ 2,500</u>

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Pension Plan

1. Plan Description

The City provides pension benefits for all its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the statutes governing TMRS. Plan provisions for the City were as follows:

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Employee deposit rate	Plan Year 2012 6%	Plan Year 2013 6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rates in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows

1. Annual Required Contribution (ARC)	\$	570,243
2. Interest on Net Pension Obligation		n/a
3. Adjustment to the ARC		--
4. Annual Pension Cost (APC)		570,243
5. Contributions Made		570,243
6. Increase (decrease) in net pension obligation		--
7. Net Pension Obligation / (Asset), beginning of year		--
8. Net Pension Obligation / (Asset), end of year		--

3. Three-Year Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contributions Made	Percentage of APC Contributed	Net Pension Obligation
September 30, 2011	635,566	635,566	100%	--
September 30, 2012	568,498	568,498	100%	--
September 30, 2013	570,243	570,243	100%	--

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.9 years; closed period	25.9 years; closed period	24.7 years; closed period
Amortization Period for new Gains / Losses	30 years;	30 years;	30 years;
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age & service	Varies by age & service	Varies by age & service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1) / (2)	Unfunded AAL (UAAL) (4) (2) -(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4) / (5)
12/31/2012	\$18,476,152	\$19,983,606	92.5%	\$1,507,454	\$4,118,780	36.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

4. Supplemental Death Benefits Fund

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers.

The city's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$7,526, \$8,815 and \$8,344, respectively, which equaled the required contributions each year.

Schedule of Contributions Rates:  
 (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution made (Rate)	Percentage of ARC Contributed
2009	0.04%	0.04%	100.00%
2010	0.04%	0.04%	100.00%
2011	0.04%	0.04%	100.00%
2012	0.03%	0.03%	100.00%
2013	0.03%	0.03%	100.00%

J. Health Care Coverage

During the year ended September 30, 2013 employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$525 per month per employee, \$600 for employee and children, \$625 for employees and spousal coverage or \$650 for family coverage to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable December 31, and terms of coverage and premium costs are included in the contractual provisions.

**CITY OF LEVELLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

K. Commitments and Contingencies

1. 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 collectibility 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.

2. Litigation

No reportable litigation was pending against the City at September 30, 2013.

L. Closure and Postclosure Care Cost

State and federal laws and regulations required the City to place a final cover on its Levelland Transfer Station site when it stopped accepting waste in 1994 and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The City was required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements at September 30, 2013, investments of \$31,935 fair value are held for these purposes. These are reported as Fiduciary Funds. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future and fill users or from future tax revenue.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF LEVELLAND, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
<i>Ad Valorem Taxes</i>	\$ 3,107,076	\$ 3,107,076	\$ 3,227,681	\$ 120,605
<i>Franchise Fees</i>	850,000	850,000	918,532	68,532
<i>Sales Tax</i>	1,993,750	1,993,750	2,438,453	444,703
<i>Licenses and Permits</i>	15,300	15,300	32,185	16,885
<i>Fines and Fees</i>	225,600	225,600	209,600	(15,800)
<i>Rents</i>	34,500	34,500	53,062	18,562
<i>Royalties</i>	45,000	45,000	53,672	8,672
<i>Interest</i>	55,500	55,500	58,207	2,707
<i>Federal</i>	--	--	13,063	13,063
<i>State</i>	12,500	12,500	28,346	15,846
<i>Local</i>	287,000	287,000	456,483	169,483
<i>Gifts &amp; Bequests</i>	--	--	790	790
<i>Miscellaneous</i>	22,100	22,100	64,246	42,146
<i>Total Revenues</i>	<u>6,648,326</u>	<u>6,648,326</u>	<u>7,554,520</u>	<u>906,194</u>
<b>EXPENDITURES:</b>				
Current:				
<i>General government</i>	1,546,285	1,551,885	1,437,592	114,293
<i>Public Safety</i>	4,151,706	4,240,024	4,116,926	123,098
<i>Highways and streets</i>	1,293,357	1,293,357	1,099,733	193,624
<i>Culture and recreation</i>	472,315	472,315	432,579	39,736
<i>Economic and physical development</i>	119,353	119,353	135,475	(16,122)
<i>Airport</i>	63,179	63,179	96,543	(33,364)
<i>Total expenditures</i>	<u>7,646,195</u>	<u>7,740,113</u>	<u>7,318,848</u>	<u>421,265</u>
Excess (deficiency) of revenues (under) expenditures	(997,869)	(1,091,787)	235,672	1,327,459
Other financing sources (uses):				
<i>Sale of Assets</i>	1,000	1,000	3,086	2,086
<i>Operating transfers in</i>	340,000	40,000	18,621	(21,379)
<i>Total other financing sources (uses)</i>	<u>341,000</u>	<u>41,000</u>	<u>21,707</u>	<u>(19,293)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(656,869)	(1,050,787)	257,379	1,308,166
Fund balances/equity, October 1	4,353,446	4,353,446	5,061,746	708,300
Fund balances/equity, September 30	<u>\$ 3,696,577</u>	<u>\$ 3,302,659</u>	<u>\$ 5,319,125</u>	<u>\$ 2,016,466</u>