

*Continuing Disclosure Under
SEC Rule 15C2-12 (Unaudited)*

CITY OF LEVELLAND, TEXAS

CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12 (UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT AND CERTIFICATES OF OBLIGATION (TAX DEBT)

2013/14 Market Valuation Established by Hockley County Appraisal District (excluding totally exempt property)		\$ 618,848,893
Less Exemptions/Reductions at 100% Market Value:		
Disabled Veterans	\$ 1,373,742	
Homestead, Over 65 and Agriculture Use Reductions	<u>87,845,845</u>	<u>89,219,587</u>
2013/14 Taxable Assessed Valuation		\$ 529,629,306
General Obligation Debt and Certificates of Obligation Payable (As of 9/30/14)	\$ 10,885,000	
General Obligation Debt and Certificates of Obligation Payable from Ad Valorem Taxes		\$ 10,885,000
Interest and Sinking Fund as of 9/30/14		\$ 54,335
Ratio Tax Debt to Taxable Assessed Valuation		2.06%

Estimated Population - 13,542
Per Capita Taxable Assessed Valuation - \$ 39,110
Per Capita Debt Payable from Ad Valorem Taxes - \$ 804

TABLE 2 - VALUATION AND DEBT HISTORY

Fiscal Year Ended 9-30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Tax Debt ⁽²⁾	Per Capita Tax Debt	Ratio Tax Debt To Taxable Assessed Valuation
2010	12,866	469,932,860	36,525	8,535,000	663	1.82%
2011	12,866	480,034,590	37,310	7,920,000	615	1.65%
2012	12,866	494,159,162	38,408	7,430,000	577	1.50%
2013	13,542	533,824,416	39,420	11,430,000	844	2.14%
2014	13,542	529,629,306	39,110	10,885,000	804	2.06%

⁽¹⁾Source: City Officials.

⁽²⁾Does not include self-supporting debt for years ended 2010-2014

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2010	0.7240	0.6110	0.077	3,318,881	96.93%	98.89%
2011	0.752	0.6345	0.08	3,499,692	97.15%	94.35%
2012	0.752	0.6345	0.08	3,632,144	96.16%	91.26%
2013	0.726	0.6165	0.072	3,795,981	97.71%	92.89%
2014	0.728	0.6290	0.067	3,855,701	97.73%	99.80%

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TABLE 4 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2014 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
CHI Operating Inc	Oil Production	\$ 31,102,870	5.87%
Occidental Permian LTD	Oil Production	17,547,700	3.31%
Post-Montgomery	Oil Production	15,354,750	2.89%
Butchs Rat Hole & Anchor Serv	Oil Production	12,931,280	2.49%
BPR Leasing	Oil Production	8,371,550	1.58%
Butchs Trucking Inc	Oil Production	7,376,500	1.39%
R&B Leasing Co	Rental	6,100,000	1.15%
Wal-Mart Stores Inc #01-1051	Retail	5,877,890	1.11%
Rogers S K Oil Inc (Min)	Oil Production	5,258,910	0.99%
Titan Lansing Transloading	Oil Production	4,955,200	0.94%
		<u>\$ 114,876,650</u>	<u>21.72%</u>

GENERAL OBLIGATION DEBT LIMITATION....No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "Tax Rate Limitation").

TABLE 5 - TAX ADEQUACY

Principal and Interest Requirements.....	\$ 423,600
\$0.08 Tax Rate at 95% Collection Produces.....	\$ 402,518
Average Annual Principal and Interest Requirements, 2015-2033.....	\$ 406,402
\$0.08 Tax Rate at 95% Collection Produces.....	\$ 402,518

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowing to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas and the Hockley County Appraisal District. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2013-14 Taxable Assessed Value	2013-14 Tax Rate	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt as of 9-30-14	Authorized But Unissued Debt as of 9-30-14
Levelland, City of	\$ 529,629,306	\$ 0.728	\$ 10,885,000	100.00%	\$ 10,885,000	-0-
Levelland ISD	1,716,601,607	1.2602	56,344,992	29.28%	16,497,814	-0-
Hockley County	4,018,431,603	0.35046	7,995,000	12.42%	992,979	-0-
South Plains JCD	4,718,790,121	0.26614	-0-	-0-	-0-	-0-

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Total Direct and Overlapping Tax Debt	<u><u>28,375,793</u></u>
Ratio of Direct and Overlapping Tax Debt to Taxable	
Assessed Valuation	53.50%
Per Capita Overlapping Tax Debt	\$ 2,095

DEBT INFORMATION

TABLE 7 - PRO-FORMA TAX DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9-30	The Bonds			% Of Principal Retired
	Principal	Interst	Total	
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	615,000	238,716	853,716	31.05%
2020	635,000	221,391	856,391	
2021	660,000	203,801	863,801	
2022	680,000	184,985	864,985	
2023	705,000	165,073	870,073	
2024	735,000	143,932	878,932	62.43%
2025	765,000	121,323	886,323	
2026	525,000	100,984	625,984	
2027	540,000	83,254	623,254	
2028	560,000	64,778	624,778	
2029	575,000	45,228	620,228	92.15%
2030	270,000	30,938	300,938	
2031	275,000	22,422	297,422	
2032	285,000	13,672	298,672	
2033	295,000	4,609	299,609	100.00%
2034				
	<u><u>\$ 10,885,000</u></u>	<u><u>\$ 2,799,020</u></u>	<u><u>\$ 13,684,020</u></u>	

(1) Average life of the issues - 12.25 years. Interest on the Debt has been calculated at the rates contained in the debt covenants which average 3.8125%.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-15	\$ 978,241
Interest and Sinking Fund, 9-30-14	\$ 54,335
Interest and Sinking Fund Tax Levy @ 95% Collection	402,518
Transfer from Levelland Economic Development Corporation	274,660
Transfer from Levelland Community Development Corporation	279,981
Estimated Balance, 9-30-15	<u><u>\$ 33,253</u></u>

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TABLE 9 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OR CERTIFICATES OF OBLIGATION

The City has no authorized but unissued general obligation bonds or certificates of obligation as of September 30, 2014

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT OR CERTIFICATES OF OBLIGATION... The City does not anticipate the issuance of additional general obligation debt or certificates of obligation within the next twelve months.

PENSION FUND...The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see "Notes from the City's Annual Financial Report" - Note I.)

FINANCIAL INFORMATION

TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
<u>Revenues:</u>					
Ad Valorem Taxes	\$ 3,305,694	\$ 3,227,681	\$ 3,007,770	\$ 2,957,665	\$ 2,779,009
Franchise Fees	992,753	918,532	964,432	878,318	922,472
Sales Tax	2,655,321	2,438,453	2,399,638	2,178,342	2,007,094
Licenses and Permits	54,489	32,185	48,080	66,925	22,221
Fines and Fees	174,561	209,800	257,242	263,892	264,071
Rents	53,216	53,062	42,421	25,862	27,955
Royalties	52,742	53,672	56,098	55,550	48,586
Interest	41,518	58,207	63,189	74,590	77,819
State & Federal	21,306	41,409	40,697	530,123	243,922
Local	510,162	456,483	327,679	414,124	-
Miscellaneous	62,022	65,036	239,325	235,919	173,840
Total Revenues	\$ 7,923,784	\$ 7,554,520	\$ 7,446,571	\$ 7,681,310	\$ 6,566,989
<u>Expenditures:</u>					
City Council	\$ 162,465	\$ 148,911	\$ 136,643	\$ 217,635	\$ 126,163
City Manager	176,423	167,760	171,513	158,519	161,910
City Secretary	128,262	123,596	117,642	108,992	106,927
Finance	142,880	137,432	146,552	140,346	140,765
Municipal Judge	124,597	121,833	118,437	110,762	81,354
Fire Department	903,408	1,013,690	860,228	852,254	871,399
Police Department	3,000,493	2,879,908	2,779,042	2,501,156	2,431,204
Inspection	331,518	293,508	307,034	317,076	264,287
Health Services	108,248	101,495	100,906	207,715	91,844
Streets	1,112,530	1,020,301	835,716	767,533	909,986
Shop	87,790	79,432	78,118	72,532	71,731
Parks	466,805	427,279	650,097	391,744	398,963
Building Services	169,634	154,920	185,657	133,903	120,239
Grant Administration	150,792	135,475	110,726	114,656	190,103
Legal	85,386	89,842	74,927	78,688	73,566
Airport	51,483	96,543	96,548	839,417	34,729
Engineering	-	4,414	15,123	47,971	1,934
Miscellaneous	356,117	322,509	305,304	291,063	432,404
Total Expenses	\$ 7,558,831	\$ 7,318,848	\$ 7,090,213	\$ 7,351,962	\$ 6,509,508

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Other Resources (Uses)

Sale of Assets	\$ 41,827	\$ 3,086	\$ 68,606	-0-	\$ 8,850
Loan Proceeds	-	-0-	-0-	-0-	-0-
Transfers (Net)	(128,497)	18,621	115,000	(905,764)	62,667
Total Other Resources (Uses)	<u>(86,670)</u>	<u>21,707</u>	<u>183,606</u>	<u>(905,764)</u>	<u>71,517</u>

Excess (deficiency) of

Revenues over Expenditures	278,283	257,379	539,964	(576,416)	128,998
Other Sources(Uses)	-	-0-	-0-	-0-	-0-
Beginning Fund Balance	5,319,124	5,061,745	4,521,781	5,098,197	4,969,199
Ending Fund Balance	<u>\$ 5,597,407</u>	<u>\$ 5,319,124</u>	<u>\$ 5,061,745</u>	<u>\$ 4,521,781</u>	<u>\$ 5,098,197</u>

TABLE 11 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1/8 of 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Debt. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9-30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽¹⁾
2010	2,007,094	60.47%	0.4378	156.00
2011	2,178,342	62.24%	0.4538	169.31
2012	2,399,638	66.07%	0.4856	186.51
2013	2,438,453	64.23%	0.4568	180.07
2014	2,655,321	68.87%	0.5014	196.08

⁽¹⁾Based on population estimates.

CAPITAL IMPROVEMENT PROGRAM... Currently there are no capital projects with a "multi-year" process which utilize budget activities ending at the end of the project and crossing fiscal years. All capital projects are handled through the normal operating budgets which expire every September 30.

FINANCIAL POLICIES

Basis of Accounting...The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt (see Note A.3 to Annual Financial Report).

The accrual basis of accounting is utilized by proprietary funds. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

General Fund Balance...The City's unwritten policy is to maintain surplus and unencumbered funds equal to three months of expenditures combined in the General Fund and other funds of the City. This allows the City to avoid interim borrowing pending tax receipts.

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Use of Bond Proceeds, Grants, etc ...The City's policy is to use bond proceeds, grants, revenue sharing or other non-recurring revenues for capital expenditures only. Such revenues are never to be used to fund City operations.

Budgetary Procedures ...Prior To September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted with public notice being given within statutory limits for the purpose of obtaining taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. The City Manager may at any time with the approval of the Council transfer any unencumbered appropriation balance or portion thereof between general classifications of expenditures within an office, department, or agency. At the request of the City Manager, the Council may transfer any unencumbered appropriation balance or portion thereof from one office, department, or agency to another at any time. Budget appropriations lapse at year-end.

INVESTMENTS

The City of Levelland invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City of Levelland. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS ...Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for City deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporations or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES ...Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversifications, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS... Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities and deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 12 – CURRENT INVESTMENTS

As of September 30, 2014, the following percentages of the City's investible funds were invested in the following categories of Investments:

Type of Investment	Amount	Interest Rate	Percent of Portfolio	Maturity
Certificates of Deposit	\$ 5,915,610	0.65% to 1.15%	98.36%	< 12 months
Investment Pools	69,871	0.10%	1.16%	N/A
U.S. Treasury Strip	29,196	1.55%	0.48%	08/15/2024
Total	<u>\$ 6,014,677</u>		<u>100.00%</u>	

As such date, the market value of such investments (as determined by the City reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value.