

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Introductory Section

City of Levelland, Texas
 Annual Financial Report
 For The Year Ended September 30, 2015

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Financial Section

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Independent Auditor's Report

To the City Council
City of Levelland, Texas
1709 Avenue H
Levelland, Texas 79336

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas ("the City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Levelland, Texas as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, the City of Levelland, Texas adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability and schedule of the City pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Levelland, Texas's basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 on our consideration of City of Levelland, Texas's internal control over financial reporting and on our tests of

its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Levelland, Texas's internal control over financial reporting and compliance.

Respectfully submitted,

Pate, Downs & Pinkerton, LLP

Pate, Downs & Pinkerton, LLP

Levelland, Texas

March 21, 2016

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Levelland's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

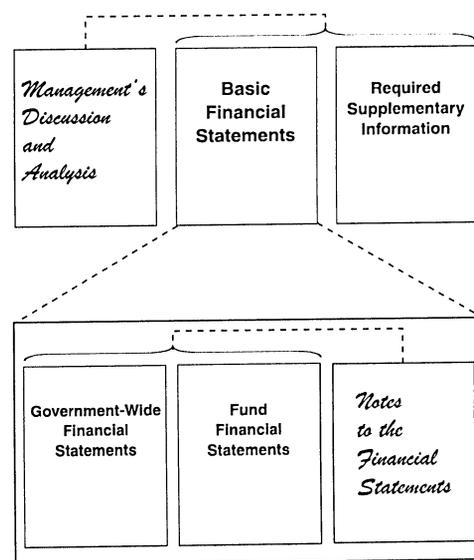
- The City's total combined net position was \$47,011,191 at September 30, 2015.
- During the year, the City's expenses were \$2,560,048 less than the \$17,659,651 generated in taxes and other revenues.
- The total cost of the City's programs increased by approximately 2.5 percent from last year.
- The general fund reported a fund balance this year of \$5,164,878.
- The City issued no new indebtedness during fiscal year ended September 30, 2015. Outstanding long-term debt was decreased by \$1,390,172.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1F, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Summary ↔ Detail

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net positions includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the city operates similar to private businesses	Instances in which the city is the trustee or agent for someone else's resources
Required financial statements	* Statement of net position	* Balance sheet	* Statement of net position	* Statement of fiduciary net position
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the City's net positions and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Ad Valorem, Sales and Use taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net positions and a statement of changes in fiduciary net positions. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$47,011,191 at September 30, 2015. (See Table A-1).

Table A-1
City's Net Position
(In thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2014
	2015	2014	2015	2014	2015	2014	
Current assets:							
Cash and cash equivalents	8,053.9	9,860.3	4,413.7	4,707.5	12,467.6	14,567.8	-14.4
Due from other governments	-	1.4	-	17.1	-	18.5	-185.0
Due from other funds	2,221.2	951.0	-1,716.4	-932.5	504.8	18.5	2,628.6
Other receivables	738.6	1,316.5	782.6	727.6	1,521.2	2,044.1	-25.6
Inventories – supplies and materials	-	-	191.7	147.8	191.7	147.8	29.7
Deferred Expenditures	-	-	-	4.6	-	4.6	-460.0
Total current assets:	11,013.7	12,129.2	3,671.6	4,672.1	14,685.3	16,801.3	-12.6
Noncurrent assets:							
Land	1,606.9	1,539.8	523.4	510.7	2,130.3	2,050.5	3.9
Depreciable Capital Assets	37,397.9	34,806.0	24,705.1	22,425.7	62,103.0	57,231.7	8.5
Less accumulated Depreciation	-11,838.5	-11,005.8	-9,122.5	-8,470.1	-20,961.0	-19,475.9	7.6
Investment in Water Source	-	-	13,015.9	13,015.9	13,015.9	13,015.9	-
Less accumulated Amortization	-	-	-5,669.7	-5,297.6	-5,669.7	-5,297.6	7.0
Other Assets	-	-	-	-	-	-	-
Total noncurrent assets	27,166.3	25,340.0	23,452.2	22,184.6	50,618.5	47,524.6	6.5
Total Assets	38,180.0	37,469.4	27,123.8	26,856.7	65,303.8	64,326.1	1.5
Deferred outflows	557.5	-	115.7	-	673.2	-	67,320.0
Current liabilities:							
Accounts payable and Accruals	895.7	689.5	327.9	355.0	1,223.6	1,044.5	17.2
Bonds Payable	680.0	660.0	378.5	382.9	1,058.5	1,042.9	1.5
Note Payable	-	-	183.0	175.4	183.0	175.4	4.3
Total current liabilities	1,575.7	1,349.5	889.4	913.3	2,465.1	2,262.8	8.9
Long-term liabilities:							
Other Liabilities	6.7	7.3	449.7	256.1	456.4	263.4	73.3
Bonds Payable	9,545.0	10,225.0	4,281.5	4,831.9	13,826.5	15,056.9	-8.2
Note Payable	-	-	678.2	861.1	678.2	861.1	-21.2
Net Pension Liability	1,238.4	-	257.0	-	1,495.4	-	149,540.0
Total Liabilities	12,365.8	11,581.8	6,555.7	6,862.4	18,921.5	18,446.2	2.6
Deferred inflows	36.7	-	7.6	-	44.3	-	4,430.0
Net positions:							
Invested in capital assets	16,941.2	14,455.0	17,931.2	15,933.3	34,872.4	30,388.3	14.8
Restricted	-	-	-	-	-	-	-
Unrestricted	9,393.8	11,432.6	2,745.1	4,061.0	12,138.9	15,493.6	-21.6
Total Net Position	26,335.0	25,887.6	20,676.2	19,994.3	47,011.2	45,881.9	2.5

Approximately seventy-four percent of the City's net position represents investment in capital assets, net of related debt. The remaining \$9,393,755 of unrestricted net positions in the governmental activities represents resources available to fund the programs of the City next year and \$2,745,060 is available for Enterprise activities.

Changes in net position. The City's total revenues were \$17,659,651. A significant portion, 47.8 percent, of the City's revenue comes from general revenues which include property, franchise and sales and use taxes. (See Figure A-2) 13.9 percent comes from grants, while 38.3 percent relates to charges for services.

The total cost of all programs and services was \$15,099,603; 34.9 percent of these costs are for services.

Governmental Activities

- Property tax rates increased in the current year. Increasing values enabled an increase of tax revenues to \$4,170,425.

Table A-2
Changes in City's Net Position
(In thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2014
	2015	2014	2015	2014	2015	2014	
Revenues:							
Ad Valorem, Franchise, Sales and Use Taxes	8,045.1	7,809.4	-	-	8,045.1	7,809.4	3.0
Permits and Fees	411.1	375.8	-	-	411.1	375.8	9.4
Rent and Royalties	210.7	123.5	149.1	271.9	359.8	395.4	-9.0
Earnings on Investments	68.7	89.0	30.2	28.6	98.9	117.6	-15.9
Charges for Services	90.8	76.8	-	-	90.8	76.8	18.2
Federal, State And Local Contributions	2,460.0	1,587.6	45.0	17.1	2,505.0	1,604.7	56.1
Water and Wastewater Revenue	191.7	190.1	3,693.1	3,849.8	3,884.8	4,039.9	-3.8
Street Light Revenue	-	-	154.7	155.6	154.7	155.6	-0.5
Refuse Collection Revenue	-	-	2,109.7	2,111.8	2,109.7	2,111.8	-0.1
Gifts & Bequests	-	-	-	-	-	-	-
Other	-50.8	112.2	50.6	39.6	-0.2	151.8	100.1
Total Revenues	11,427.3	10,364.4	6,232.4	6,474.4	17,659.7	16,838.8	4.9
General Government	1,284.2	1,182.8	-	-	1,284.2	1,182.8	8.6
Public Safety	4,729.2	4,581.6	-	-	4,729.2	4,581.6	3.2
Highways & Streets	1,530.7	1,466.6	-	-	1,530.7	1,466.6	4.4
Culture & Recreation	937.3	857.4	-	-	937.3	857.4	9.3
Economic & Physical Dev	273.7	767.3	-	-	273.7	767.3	-64.3
Airport	176.2	150.0	-	-	176.2	150.1	17.4
Interest & Fiscal Charges	321.9	345.9	-	-	321.9	345.9	-6.9
Administration	-	-	462.3	451.2	462.3	451.2	2.5
Water Production	-	-	2,707.3	2,750.1	2,707.3	2,750.1	-1.6
Wastewater Collection	-	-	640.7	751.2	640.7	751.2	-14.7
Sanitation	-	-	1,956.6	1,983.3	1,956.6	1,983.3	-1.3
Swimming Pool	-	-	77.5	57.9	77.5	57.9	33.8
Other	-	-	2.0	2.0	2.0	2.0	-
Total Expenses	9,253.2	9,351.6	5,846.4	5,995.7	15,099.6	15,347.3	-1.6
Excess (Deficiency) Before Other Resources, Uses & Transfers	2,174.1	1,012.8	386.0	478.7	2,560.1	1,491.5	71.6
Transfer In / (Out)	-541.9	-242.5	541.9	242.5	-	-	-
Increase / (Decrease) in Net Position	1,632.2	770.3	927.9	721.2	2,560.1	1,491.5	71.6
Net Position Beginning	25,887.6	25,117.3	19,994.4	19,273.2	45,882.0	44,390.5	3.4
Prior Year Adjustments	-1,184.9	-	-246.0	-	-1,430.9	-	143,090.0
Net Position - Ending	26,334.9	25,887.6	20,676.3	19,994.4	47,011.2	45,882.0	2.5

Table A-3 presents the cost of each of the City's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services as well as grants and contributions.

- The cost of all *governmental* activities this year was \$9,253,183.
- The amount that our taxpayers paid for these activities through property taxes was \$4,170,425.
- Some of the cost was paid by those who directly benefited from the programs \$693,568, or
- By grants and contributions \$2,460,031.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
General government	1,284,224	1,182,817	8.6	1,103,932	1,137,396	-2.9
Public Safety	4,729,179	4,581,618	3.2	3,495,370	4,260,812	-17.9
Highways and streets	1,530,651	1,466,578	4.4	705,651	983,792	-28.2
Culture and Recreation	937,329	857,353	9.3	657,348	854,853	-23.1
Economic and Physical Development	273,710	767,251	-64.3	17,940	-137,606	113.0
Airport	176,236	150,104	17.4	101,769	65,383	55.6
Interest and Fiscal Charges	321,854	345,875	-6.9	17,574	-189,205	104.3

Business-type Activities

Revenues of the City's business-type activities decreased 0.5 percent to \$6,125,264, and expenses decreased 2.5 percent to \$5,846,420.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$11,413,548, an increase of 10.7% over the preceding year. The increase in local revenues is a result of ad valorem taxes, sales tax, state and local contributions.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget once. Actual expenditures were \$1,006,785 below final budget amounts.

Resources available were \$893,365 above the final budgeted amount. As noted earlier:

- Property tax collections were more than expected.
- Sales and Use Taxes were higher than estimated for the current year.
- State and local contributions were higher than estimated for the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the City had invested \$64,233,275 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$4,951,041 or 8.4 percent over last year.

Table A-4
City's Capital Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2014
	2015	2014	2015	2014	2015	2014	
Land	1,606,891	1,539,797	523,424	510,739	2,130,315	2,050,536	3.9
Construction in Progress	5,797,456	3,987,912	23,552	1,105,053	5,821,008	5,092,965	14.3
Buildings	1,741,928	1,742,979	996,148	605,145	2,738,076	2,348,124	16.6
Improvements	23,597,081	23,368,993	20,802,784	18,276,184	44,399,865	41,645,177	6.6
Machinery and Equipment	6,261,382	5,706,147	2,882,628	2,439,285	9,144,010	8,145,432	12.3
Totals at historical Cost	39,004,737	36,345,828	25,228,538	22,936,406	64,233,275	59,282,234	8.4
Total accumulated depreciation	-11,838,530	-11,005,800	-9,122,485	-8,470,118	-20,961,015	-19,475,918	7.6
Net capital assets	27,166,208	25,340,028	16,106,053	14,466,288	43,272,261	39,806,316	8.7

The City's fiscal year 2016 capital budget projects spending another \$3,500,000 for a new fire station. We will issue tax notes for the \$3.5 million to be repaid over the next seven years for these improvements. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had \$15,746,057 in bonds, certificates of obligation and notes payable outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements

Table A-5
City's Long Term Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2014
	2015	2014	2015	2014	2015	2014	
Notes payable	-	-	861,133	1,036,418	861,133	1,036,418	-16.9
Bonds payable	2,215,000	2,405,000	4,659,924	5,214,812	6,874,924	7,619,812	-9.8
Certificates of Obligation	8,010,000	8,480,000	-	-	8,010,000	8,480,000	-5.5
Totals bonds & Notes payable	10,225,000	10,885,000	5,521,057	6,251,230	15,746,057	17,136,230	-8.1

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2016 budget preparation is up \$74.933 million, or 1.85% from 2015.
- Capital Outlay for 2016 will be approximately \$3,500,000 in several funds.
- General operating fund spending increases in the 2016 budget from \$8,966,134 to \$9,132,043. This is a 1.9% increase.

These indicators were taken into account when adopting the general fund budget for 2016. Amounts available for appropriation in the general fund budget are \$7,634,561, a decrease of 8.4 percent over the final 2015 budget of \$8,332,716. Property taxes will increase due to increasing values. The City will use these increases in revenues to finance programs we currently offer.

Expenditures are budgeted to rise nearly 1.9 percent to \$9,132,043. The largest increments are due to increases in police and fire projects.

If these estimates are realized, the City's budget shows a fund balance decrease projected for both the General Fund and the Enterprise Fund. These funds were deficit budgeted last year; but because of hard work and budget awareness on the part of our department heads, along with higher than projected income in some areas, we will bring the 2016 budget in with a positive rather than negative adjustment to the fund balances. Our department heads will continue to do us a great job and we anticipate when this budget is completed in September of 2016 we will not end the year with significant budget deficits.

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.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance.

Basic Financial Statements

CITY OF LEVELLAND, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
<i>Cash</i>	\$ 4,151,051	\$ 2,923,111	\$ 7,074,162	\$ 2,724,050
<i>Temporary Investments</i>	3,902,842	1,490,622	5,393,464	620,038
<i>Delinquent Taxes Receivable (Net)</i>	169,034	--	169,034	--
<i>Accounts Receivable</i>	578,875	1,573,904	2,152,779	6,410
<i>Special Assessments & Liens - Paving</i>	17,508	--	17,508	--
<i>Allowance for Uncollectibles</i>	(26,821)	(791,344)	(818,165)	--
<i>Inventory</i>	--	191,675	191,675	--
<i>Accrued Interest Receivable</i>	--	--	--	2,430
<i>Internal Balances</i>	2,221,147	(1,716,376)	504,771	(504,772)
<i>Due From State</i>	--	--	--	85,936
<i>Notes Receivable</i>	--	--	--	516,749
Property and Equipment:				
<i>Land</i>	1,606,891	523,424	2,130,315	555,328
<i>Buildings</i>	1,317,278	737,009	2,054,287	520,642
<i>Improvements</i>	15,880,137	13,242,521	29,122,658	4,629,484
<i>Machinery and Equipment</i>	2,564,446	1,579,545	4,143,991	161,174
<i>Construction in Progress</i>	5,797,456	23,552	5,821,008	745,287
<i>Investment in Water Source</i>	--	13,015,886	13,015,886	--
<i>Less: Amortization</i>	--	(5,669,712)	(5,669,712)	--
Total Assets	38,179,844	27,123,817	65,303,661	10,062,756
DEFERRED OUTFLOWS OF RESOURCES:				
<i>Deferred Outflow Related to Pensions</i>	557,547	115,719	673,266	--
<i>Deferred Outflow - Other</i>	--	--	--	23,490
Total Deferred Outflows of Resources	557,547	115,719	673,266	23,490
LIABILITIES:				
<i>Accounts Payable - Trade</i>	714,501	297,646	1,012,147	598,247
<i>Accrued Wages and Payroll Deductions</i>	142,590	30,261	172,851	--
<i>Accrued Interest Payable</i>	38,586	--	38,586	--
<i>Notes Payable - Current</i>	--	182,960	182,960	--
<i>Bonds Payable - Current</i>	680,000	378,465	1,058,465	180,000
<i>Due In More Than One Year:</i>				
<i>User Deposits</i>	--	258,454	258,454	--
<i>Notes Payable</i>	--	678,173	678,173	--
<i>Bonds Payable</i>	9,545,000	4,281,459	13,826,459	1,655,000
<i>Refunding Premium - Bonds Payable</i>	--	191,247	191,247	--
<i>Bond Escrow Accounts Payable</i>	6,673	--	6,673	--
<i>Net Pension Liability</i>	1,238,389	257,028	1,495,417	--
Total Liabilities	12,365,739	6,555,693	18,921,432	2,433,247
DEFERRED INFLOWS OF RESOURCES:				
<i>Deferred Inflow Related to Pensions</i>	36,689	7,615	44,304	--
Total Deferred Inflows of Resources	36,689	7,615	44,304	--
NET POSITION:				
Net Investment in Capital Assets	16,941,208	17,931,168	34,872,376	--
Unrestricted	9,393,755	2,745,060	12,138,815	7,652,999
Total Net Position	\$ 26,334,963	\$ 20,676,228	\$ 47,011,191	\$ 7,652,999

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	LEDCE	LDCD
Governmental Activities:									
General Government	\$ 1,284,224	\$ 180,292	\$ --	\$ --	\$ (1,103,932)	\$ --	\$ (1,103,932)	\$ --	\$ --
Public Safety	4,729,179	569,567	108,749	555,493	(3,495,370)	--	(3,495,370)	--	--
Highways and Streets	1,530,651	--	--	825,000	(705,651)	--	(705,651)	--	--
Culture and Recreation	937,329	--	--	279,981	(657,348)	--	(657,348)	--	--
Economic and Physical Development	273,710	--	133,421	122,350	(17,940)	--	(17,940)	--	--
Airport	176,236	63,215	11,251	--	(101,769)	--	(101,769)	--	--
Interest and Fiscal Charges	321,854	--	304,279	--	(17,574)	--	(17,574)	--	--
Total Governmental Activities	\$ 9,253,183	\$ 813,075	\$ 557,700	\$ 1,782,824	\$ (6,099,583)	\$ --	\$ (6,099,583)	\$ --	\$ --
Business-Type Activities:									
Water and Wastewater	5,846,420	6,008,171	44,991	--	--	206,742	206,742	--	--
Total Primary Government	\$ 15,099,603	\$ 6,821,246	\$ 602,691	\$ 1,782,824	\$ (6,099,583)	\$ 206,742	\$ (5,892,842)	\$ --	\$ --
Component Units:									
Levelland Economic Development Corp.	\$ 971,655	\$ --	\$ --	\$ 280,160	\$ --	\$ --	\$ --	\$ (691,495)	\$ --
Levelland Community Development Corp.	1,510,675	--	--	--	--	--	--	--	(1,510,675)
Total Component Units	\$ 2,482,330	\$ --	\$ --	\$ 280,160	\$ --	\$ --	\$ --	\$ (691,495)	\$ (1,510,675)
General Revenues:									
Taxes:									
Ad Valorem					\$ 4,170,425	\$ --	\$ 4,170,425	\$ --	\$ --
Franchise					950,736	--	950,736	--	--
Sales and Use					2,923,929	--	2,923,929	749,584	499,723
Rents					71,957	--	71,957	36,000	--
Royalties					138,775	149,053	287,829	--	--
Investment Earnings					68,660	30,163	98,824	18,757	8,835
Gain/(Loss) on Sale of Assets					(50,809)	--	(50,809)	--	--
Transfer-Internal Activities					(541,865)	541,865	--	--	--
Miscellaneous Revenue					--	--	--	--	--
Total Revenues and Transfers					\$ 7,731,808	\$ 721,082	\$ 8,452,890	\$ 804,341	\$ 508,558
Change in Net Position					\$ 1,632,225	\$ 927,823	\$ 2,560,048	\$ 112,846	\$ (1,002,117)
Net Position - October 01, 2014					25,887,589	19,994,321	45,881,910	7,115,718	1,426,551
Prior Period Adjustments					(1,184,851)	(245,916)	(1,430,767)	--	--
Net Position - October 01, 2014 (Restated)					24,702,738	19,748,405	44,451,143	7,115,718	1,426,551
Net Position - September 30, 2015					\$ 26,334,963	\$ 20,676,228	\$ 47,011,191	\$ 7,228,564	\$ 424,434

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Capital Project Bond Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS:				
<i>Cash</i>	\$ 2,818,062	\$ --	\$ 1,139,666	\$ 3,957,728
<i>Temporary Investments</i>	2,184,052	--	1,287,491	3,471,543
<i>Delinquent Taxes Receivable (Net)</i>	145,076	--	23,958	169,034
<i>Accounts Receivable</i>	484,456	--	94,419	578,875
<i>Special Assessments & Liens - Paving</i>	17,508	--	--	17,508
<i>Allowance for Uncollectibles</i>	--	--	(26,821)	(26,821)
<i>Due From Other Funds</i>	49,518	489,239	--	538,757
	<u>\$ 5,698,672</u>	<u>\$ 489,239</u>	<u>\$ 2,518,713</u>	<u>\$ 8,706,624</u>
Total Assets				
LIABILITIES:				
<i>Accounts Payable - Trade</i>	\$ 245,447	\$ 338,987	\$ 7,910	\$ 592,344
<i>Deferred Revenue</i>	145,075	--	24,164	169,239
<i>Accrued Expenses</i>	--	116,438	--	116,438
<i>Accrued Wages</i>	134,805	--	7,391	142,196
<i>Payroll Deductions - Payable</i>	394	--	--	394
<i>Other Payables</i>	1,900	--	--	1,900
<i>Bond Escrow Accounts Payable</i>	4,773	--	--	4,773
<i>Due To Other Funds</i>	1,400	33,814	172	35,386
	<u>533,794</u>	<u>489,239</u>	<u>39,637</u>	<u>1,062,670</u>
Total Liabilities				
FUND BALANCES:				
<i>Unassigned</i>	5,056,757	--	--	5,056,757
<i>Restricted Fund Balances:</i>				
<i>Debt Retirement</i>	--	--	67,036	67,036
<i>Committed Fund Balances:</i>				
<i>Special Purposes</i>	--	--	1,113,782	1,113,782
<i>Expansion/Improvements</i>	108,121	--	1,298,258	1,406,379
	<u>5,164,878</u>	<u>--</u>	<u>2,479,076</u>	<u>7,643,954</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$ 5,698,672</u>	<u>\$ 489,239</u>	<u>\$ 2,518,713</u>	<u>\$ 8,706,624</u>

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, 2015*

Total fund balances - governmental funds balance sheet	\$ 7,643,954
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.	27,166,208
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds.	169,034
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,336,679
Payables for bond principal which are not due in the current period are not reported in the funds.	(10,225,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(38,586)
Revenues received unavailable to pay for current period expenditures are not accrued in the funds.	205
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(1,238,389)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(36,689)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>557,547</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 26,334,963</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Capital Project Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
<i>Ad Valorem Taxes</i>	\$ 3,527,897	\$ --	\$ 634,275	\$ 4,162,172
<i>Franchise Fees</i>	950,735	--	--	950,735
<i>Wastewater Revenue</i>	--	--	194,823	194,823
<i>Sales Tax</i>	2,748,475	--	--	2,748,475
<i>Motel Occupancy Tax</i>	--	--	163,118	163,118
<i>Licenses and Permits</i>	51,108	--	26,964	78,072
<i>Fines and Fees</i>	162,593	--	--	162,593
<i>Rents</i>	66,372	--	5,585	71,957
<i>Royalties</i>	131,744	--	7,031	138,775
<i>Interest</i>	38,349	1,398	17,510	57,257
<i>Cemetery Spaces</i>	--	--	63,543	63,543
<i>Open and Close Graves</i>	--	--	83,800	83,800
<i>Federal</i>	26,985	--	--	26,985
<i>State</i>	12,601	--	2,550	15,151
<i>Local</i>	485,357	1,256,560	586,714	2,328,631
<i>Seized Funds</i>	--	--	15,822	15,822
<i>Building Security</i>	--	--	3,649	3,649
<i>Time Payment Fees</i>	--	--	807	807
<i>Developers Contribution</i>	--	--	1,500	1,500
<i>Gifts & Bequests</i>	61,811	--	--	61,811
<i>Miscellaneous</i>	68,689	--	15,183	83,872
<i>Total Revenues</i>	<u>8,332,716</u>	<u>1,257,958</u>	<u>1,822,874</u>	<u>11,413,548</u>
EXPENDITURES:				
Current:				
<i>General government</i>	1,656,709	--	488,323	2,145,032
<i>Public Safety</i>	4,859,599	--	79,351	4,938,950
<i>Highways and streets</i>	1,533,410	--	--	1,533,410
<i>Culture and recreation</i>	713,164	--	--	713,164
<i>Economic and physical development</i>	134,563	1,720,877	28,723	1,884,163
<i>Airport</i>	68,689	--	--	68,689
Debt service:				
<i>Principal</i>	--	--	660,000	660,000
<i>Interest and fiscal charges</i>	--	--	324,241	324,241
<i>Total expenditures</i>	<u>8,966,134</u>	<u>1,720,877</u>	<u>1,580,638</u>	<u>12,267,649</u>
Excess (deficiency) of revenues (under) expenditures	(633,418)	(462,919)	242,236	(854,101)
Other financing sources (uses):				
<i>Sale of Assets</i>	888	--	--	888
<i>Operating transfers in</i>	250,000	--	182,484	432,484
<i>Operating transfers out</i>	(50,000)	(413,735)	(510,613)	(974,348)
<i>Total other financing sources (uses)</i>	<u>200,888</u>	<u>(413,735)</u>	<u>(328,129)</u>	<u>(540,976)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(432,530)	(876,654)	(85,893)	(1,395,077)
Fund balance, October 1	5,597,408	876,654	2,564,969	9,039,031
Fund balance, September 30	<u>\$ 5,164,878</u>	<u>\$ --</u>	<u>\$ 2,479,076</u>	<u>\$ 7,643,954</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, 2015*

Net change in fund balances - total governmental funds	\$ (1,395,077)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,810,760
The depreciation of capital assets used in governmental activities is not reported in the funds.	(982,579)
The gain or loss on the sale of capital assets is not reported in the funds.	(2,001)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	3,747
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(315)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	56,578
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	660,000
(Increase) decrease in accrued interest from beginning of period to end of period.	2,388
The net revenue/(expense) of internal service funds is reported with governmental activities.	11,405
Pension revenue/(expense) relating to GASB 68 is recorded in the SOA but not in the funds.	<u>467,320</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,632,225</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Enterprise Fund	Internal Service Funds
ASSETS:		
Current Assets:		
Cash	\$ 2,923,111	\$ 193,323
Temporary Investments	1,490,622	431,299
Accounts Receivable	1,573,903	--
Allowance for Uncollectibles	(791,344)	--
Inventory	191,675	--
Due From Other Funds	--	41,303
Total Current Assets:	<u>5,387,967</u>	<u>665,925</u>
Noncurrent Assets:		
Due From Other Funds	--	1,676,473
Capital Assets:		
Land	523,424	--
Buildings	996,148	--
Improvements	20,802,784	--
Machinery and Equipment	2,882,628	--
Construction in Progress	23,552	--
Accumulated Depreciation	(9,122,484)	--
Investment in Water Source	13,015,886	--
Less: Amortization	(5,669,712)	--
Total Noncurrent Assets:	<u>23,452,226</u>	<u>1,676,473</u>
Total Assets	<u>\$ 28,840,193</u>	<u>\$ 2,342,398</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable - Trade	\$ 297,646	\$ 5,719
Accrued Wages and Payroll Deductions	30,265	--
Bonds Payable	378,465	--
Due To Other Funds	41,303	--
Note Payable	182,960	--
Total Current Liabilities:	<u>930,639</u>	<u>5,719</u>
Noncurrent Liabilities:		
User Deposits	258,454	--
Bonds Payable	4,281,459	--
Refunding Premium - Bonds Payable	191,247	--
Due To Other Funds	1,675,073	--
Note Payable	678,173	--
Total Noncurrent Liabilities:	<u>7,084,406</u>	<u>--</u>
Total Liabilities	<u>8,015,045</u>	<u>5,719</u>
NET POSITION:		
Invested in Capital Assets, net of related debt	17,931,169	--
Unrestricted	2,893,979	2,336,679
Total Net Position	<u>\$ 20,825,148</u>	<u>\$ 2,336,679</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund	Internal Service Funds
OPERATING REVENUES:		
<i>Street Light Revenue</i>	\$ 154,715	\$ --
<i>Refuse Collection Revenue</i>	2,109,703	--
<i>Water Revenue</i>	2,457,949	--
<i>Sewer Revenue</i>	958,145	--
<i>State Revenues</i>	3,115	--
<i>Miscellaneous</i>	518,589	--
Total Operating Revenues	<u>6,202,216</u>	<u>--</u>
OPERATING EXPENSES:		
<i>Administration</i>	462,261	--
<i>Water Production</i>	2,250,170	--
<i>Developers Capital Improvement</i>	2,046	--
<i>Wastewater Collection</i>	894,209	--
<i>Sanitation</i>	1,956,581	--
<i>Swimming Pool</i>	77,315	--
Total Operating Expenses	<u>5,642,582</u>	<u>--</u>
Operating Income (Loss)	<u>559,634</u>	<u>--</u>
NON-OPERATING REVENUES (EXPENSES):		
<i>Interest Income</i>	30,163	11,404
<i>Interest Expense</i>	(300,834)	--
Total Non-operating Revenues (Expenses)	<u>(270,671)</u>	<u>11,404</u>
Net Income (Loss) before Operating Transfers	<u>288,963</u>	<u>11,404</u>
TRANSFERS:		
<i>Operating transfers in</i>	791,865	--
<i>Operating transfers out</i>	(250,000)	--
Total Transfers	<u>541,865</u>	<u>--</u>
Net income	830,828	11,404
Net Position, October 1	19,994,320	2,325,275
Net Position, September 30	<u>\$ 20,825,148</u>	<u>\$ 2,336,679</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 6,103,482	\$ \$ --
Cash Received from Grants	--	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	--
Cash Payments to Employees for Services	(1,181,274)	--
Cash Payments to Other Suppliers for Goods and Services	(3,504,157)	--
Cash Payments for Grants to Other Organizations	--	--
Other Operating Cash Receipts (Payments)	--	(8,982)
Net Cash Provided (Used) by Operating Activities	<u>1,418,051</u>	<u>(8,982)</u>
Cash Flows from Non-capital Financing Activities:		
Payments on Intergovernmental Notes	783,726	57,775
Loans Made to Other Funds	--	(828,888)
Transfers From (To) Primary Government	--	--
Transfers From (To) Other Funds	61,749	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>845,475</u>	<u>(771,113)</u>
Cash Flows from Capital and Related Financing Activities:		
Collection on Note Receivable on Rebate	21,748	--
Principal and Interest Paid	(664,476)	--
Acquisition or Construction of Capital Assets	(1,769,607)	--
Payment on Notes Payable	(175,284)	--
Loan to Other Funds	188	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,587,431)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	30,163	11,404
Net Cash Provided (Used) for Investing Activities	<u>30,163</u>	<u>11,404</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(293,741)	(768,691)
Cash and Cash Equivalents at Beginning of Year	4,707,474	1,393,313
Cash and Cash Equivalents at End of Year	<u>\$ 4,413,733</u>	<u>\$ \$ 624,622</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 559,634	\$ \$ --
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	609,957	--
Amortization	372,110	--
Provision for Uncollectible Accounts	39,642	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(99,262)	--
Decrease (Increase) in Inventories	(43,830)	--
Decrease (Increase) in Prepaid Expenses	4,561	--
Increase (Decrease) in Accounts Payable	(33,469)	(8,982)
Increase (Decrease) in Payroll Deductions	--	--
Increase (Decrease) in Accrued Wages Payable	8,708	--
Total Adjustments	<u>858,417</u>	<u>(8,982)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,418,051</u>	<u>\$ \$ (8,982)</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

	Private-purpose Trust Fund	TNRCC NonExpendable Trust Fund
ASSETS:		
<i>Investments at fair value:</i>		
<i>U. S. Government Securities</i>	\$ 30,424	
 Total Assets	<u>\$ 30,424</u>	
 LIABILITIES:		
 NET POSITION:		
<i>Held in Trust for TNRCC</i>	\$ 30,424	
<i>Total Net Position</i>	<u>\$ 30,424</u>	

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, 2015

	TNRCC Nonexpendable Trust Fund
Additions:	
Investment Income	\$ 1,228
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Total Additions	<u>1,228</u>
Deductions:	
Scholarship Awards	--
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>--</u>
Change in Net Position	1,228
Net Position-Beginning of the Year	29,196
Net Position-End of the Year	<u>\$ 30,424</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
 SEPTEMBER 30, 2015

	Economic Development Corporation	Community Development Corporation	Total Component Units
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
<i>Cash</i>	\$ 2,130,228	\$ 593,821	\$ 2,724,050
<i>Temporary Investments</i>	375,520	244,518	620,038
<i>Accounts Receivable</i>	6,410	--	6,410
<i>Accrued Interest Receivable</i>	2,385	45	2,430
<i>Due From State</i>	51,562	34,374	85,936
<i>Unrealized Expenditures</i>	23,490	--	23,490
<i>Note Receivable</i>	516,749	--	516,749
Property and Equipment:			
<i>Land</i>	555,328	--	555,328
<i>Buildings</i>	589,113	--	589,113
<i>Improvements</i>	5,034,565	27,343	5,061,908
<i>Machinery and Equipment</i>	221,629	13,572	235,201
<i>Construction in Progress</i>	745,287	--	745,287
<i>Accumulated Depreciation</i>	(574,922)	--	(574,922)
Total Assets	<u>9,677,344</u>	<u>913,673</u>	<u>10,591,017</u>
LIABILITIES:			
<i>Accounts Payable - Trade</i>	598,247	--	598,247
<i>Due To Other Funds</i>	15,532	489,239	504,772
<i>Sales Tax Revenue Bond Payable</i>	1,835,000	--	1,835,000
Total Liabilities	<u>2,448,779</u>	<u>489,239</u>	<u>2,938,019</u>
NET POSITION:			
<i>Invested in Capital Assets, net of related debt</i>	4,736,000	40,915	4,776,915
<i>Unrestricted</i>	2,492,564	383,519	2,876,083
Total Net Position	<u>\$ 7,228,564</u>	<u>\$ 424,434</u>	<u>\$ 7,652,998</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Economic Development Corporation	Community Development Corporation	Total Component Units
REVENUES:			
<i>Sales Tax</i>	\$ 749,584	\$ 499,723	\$ 1,249,307
<i>Rents</i>	36,000	--	36,000
<i>Interest</i>	18,757	8,835	27,592
<i>Local</i>	280,160	--	280,160
<i>Miscellaneous</i>	--	--	--
<i>Total Revenues</i>	<u>1,084,501</u>	<u>508,558</u>	<u>1,593,058</u>
EXPENDITURES:			
<i>Economic and physical development</i>	971,655	1,510,675	2,482,330
<i>Total expenditures</i>	<u>971,655</u>	<u>1,510,675</u>	<u>2,482,330</u>
Excess (deficiency) of revenues (under) expenditures	112,846	(1,002,118)	(889,272)
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	--	--	--
<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	112,846	(1,002,118)	(889,272)
Net Position, October 1	7,115,718	1,426,551	8,542,269
Net Position, September 30	<u>\$ 7,228,564</u>	<u>\$ 424,433</u>	<u>\$ 7,652,997</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, 2015

A. Summary of Significant Accounting Policies

The combined financial statements of the 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 GASB Statement.

2. Basis of 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 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, 2015

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

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and 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, Cemetery and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property 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 in the governmental funds. The first in first out method is used in the Enterprise Fund.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. 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.

g. 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.

CITY OF LEVELLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

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.

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.

i. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

j. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

depleted before using any of the components of unrestricted fund balance. Further, when the component of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Texas Municipal Retirement System(TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TMRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At August 31, 2015 the City reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	1,495,417

5. New Accounting Standards Adopted

In fiscal year 2015, the City adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Governmental Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

a. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

- 1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- 2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- 3) Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the City's financial statements.

CITY OF LEVELLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

- b. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, land expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TMRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the City's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

- c. Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operation. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, land arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 69.

- d. Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

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There was no impact on the City's financial statements as a result of the implementation of Statement No. 70.

- e. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the City's final year-end, the effects from the City's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position.

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

3. Prior Period Adjustment to Net Position

Net decrease in net position due to implementation of GASB #68 \$ 1,430,767

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.

Cash Deposits:

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,798,212 and the bank balance was \$10,420,380. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015, 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.

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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, 2015 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	< 12 Months	\$ 5,944,196
Investment Pools	N/A	69,306
U.S. Treasury Strip	8/15/2019	30,424
		--
Total Investments		<u>\$ 6,043,926</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.

At September 30, 2015, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Type of Investment</u>	<u>Rating</u>
Investment Pools	AAA

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.

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.

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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, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,539,031	\$ 67,860	\$ --	\$ 1,606,891
Construction in progress	3,987,912	1,809,544	--	5,797,456
Total capital assets not being depreciated	<u>5,526,943</u>	<u>1,877,404</u>	<u>--</u>	<u>7,404,347</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,577,224	164,704	--	1,741,928
Equipment	5,686,966	795,695	221,279	6,261,382
Improvements Other Than Buildings	23,554,695	42,386	--	23,597,081
Total capital assets being depreciated	<u>30,818,885</u>	<u>1,002,784</u>	<u>221,279</u>	<u>31,600,390</u>
Less accumulated depreciation for:				
Buildings and improvements	(384,738)	(39,912)	--	(424,650)
Equipment	(3,461,353)	(385,432)	(149,849)	(3,696,936)
Improvements Other Than Buildings	(7,159,709)	(557,235)	--	(7,716,944)
Total accumulated depreciation	<u>(11,005,800)</u>	<u>(982,579)</u>	<u>(149,849)</u>	<u>(11,838,530)</u>
Total capital assets being depreciated, net	<u>19,813,085</u>	<u>20,205</u>	<u>71,430</u>	<u>19,761,860</u>
Governmental activities capital assets, net	<u>\$ 25,340,028</u>	<u>\$ 1,897,610</u>	<u>\$ 71,430</u>	<u>\$ 27,166,208</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 510,739	\$ 12,685	\$ --	\$ 523,424
Construction in progress	1,105,052	19,910	1,101,409	23,552
Total capital assets not being depreciated	<u>1,615,791</u>	<u>32,595</u>	<u>1,101,409</u>	<u>546,977</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	692,845	391,003	87,700	996,148
Equipment	2,351,585	531,043	--	2,882,628
Improvements Other Than Buildings	18,276,184	2,526,600	--	20,802,784
Total capital assets being depreciated	<u>21,320,615</u>	<u>3,448,646</u>	<u>87,700</u>	<u>24,681,561</u>
Less accumulated depreciation for:				
Buildings and improvements	(246,099)	(13,040)	--	(259,139)
Equipment	(1,092,063)	(229,291)	(18,271)	(1,303,083)
Improvements Other Than Buildings	(7,131,956)	(428,307)	--	(7,560,263)
Total accumulated depreciation	<u>(8,470,118)</u>	<u>(670,638)</u>	<u>(18,271)</u>	<u>(9,122,485)</u>
Total capital assets being depreciated, net	<u>12,850,497</u>	<u>2,778,008</u>	<u>69,429</u>	<u>15,559,076</u>
Business-type activities capital assets, net	<u>\$ 14,466,288</u>	<u>\$ 2,810,603</u>	<u>\$ 1,170,838</u>	<u>\$ 16,106,053</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Component Units:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 587,208	\$ --	\$ 31,880	\$ 555,328
Construction in progress	5,963	739,324	--	745,287
Total capital assets not being depreciated	<u>593,171</u>	<u>739,324</u>	<u>31,880</u>	<u>1,300,615</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	576,590	12,523	--	589,113
Equipment	235,201	13,572	13,573	235,200
Improvements Other Than Buildings	4,994,039	67,869	--	5,061,908
Total capital assets being depreciated	<u>5,805,830</u>	<u>93,964</u>	<u>13,573</u>	<u>5,886,221</u>
Less accumulated depreciation for:				
Buildings and improvements	(54,056)	(14,415)	--	(68,471)
Equipment	(59,418)	(14,609)	--	(74,027)
Improvements Other Than Buildings	(328,045)	(104,379)	--	(432,424)
Total accumulated depreciation	<u>(441,519)</u>	<u>(133,403)</u>	<u>--</u>	<u>(574,922)</u>
Total capital assets being depreciated, net	<u>5,364,311</u>	<u>(39,439)</u>	<u>13,573</u>	<u>5,311,299</u>
Component Units capital assets, net	<u>\$ 5,957,482</u>	<u>\$ 699,885</u>	<u>\$ 45,452</u>	<u>\$ 6,611,915</u>

Depreciation was charged to Functions as follows:

General Government	\$ 124,325
Public Protection:	
Fire Protection	193,712
Police	144,573
Inspections	4,808
Public Ways and Facilities, Including	
Depreciation of General Infrastructure Assets	398,393
Airport	116,768
Water Production/Wastewater Mgmt	670,638
Economic Development	133,403
	<u>\$ 1,786,620</u>

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E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 33,986	Short-term loans
Other Governmental Funds	General Fund	1,400	Short-term loans
General Fund	Component Units	15,532	Short-term loans
Internal Service Fund	Enterprise Fund	1,716,376	Purchase of Capital Equipment
Other Governmental Funds	Component Units	489,239	Purchase of Capital Equipment
	Other Balances	--	
	Total	\$ 2,256,534	

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, 2015, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 50,000	Supplement other funds sources
Other Governmental Funds	Enterprise Fund	791,865	Supplement other funds sources
Enterprise Fund	General fund	250,000	Supplement other funds sources
Other Governmental Funds	Other Governmental Funds	132,484	Supplement other funds sources
	Total	\$ 1,224,349	

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, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of Obligation	\$ 8,480,000	\$ --	\$ 470,000	\$ 8,010,000	485,000
G/O Refunding Bonds	2,405,000	--	190,000	2,215,000	195,000
Total governmental activities	\$ 10,885,000	\$ --	\$ 660,000	\$ 10,225,000	\$ 680,000
Business-type activities:					
Revenue bonds	\$ 5,214,812	\$ 848,579	\$ 1,403,467	\$ 4,659,924	378,465
Note Payable	1,036,418	--	175,284	861,133	182,960
Total business-type activities	\$ 6,251,229	\$ 848,579	\$ 1,578,751	\$ 5,521,057	\$ 561,425
Component Units:					
Sales Tax Revenue Bonds	\$ --	\$ 1,900,000	\$ 65,000	\$ 1,835,000	180,000
Total Component Units	\$ --	\$ 1,900,000	\$ 65,000	\$ 1,835,000	\$ 180,000

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2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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
2020	635,000	221,391	856,391
2021-2025	3,545,000	819,113	4,364,113
2026-2030	2,470,000	325,181	2,795,181
2031-2035	855,000	40,703	895,703
Totals	\$ 10,225,000	\$ 2,480,778	\$ 12,705,778

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 561,425	\$ 248,242	\$ 809,667
2017	586,154	226,734	812,888
2018	694,525	203,448	897,973
2019	546,258	173,474	719,731
2020	428,571	149,759	578,330
2021-2025	1,896,736	562,015	2,458,751
2026-2030	776,286	148,777	925,063
2031-2035	31,102	1,552	32,654
Totals	\$ 5,521,057	\$ 1,714,001	\$ 7,235,058

Year Ending September 30,	Component Units		
	Principal	Interest	Total
2016	\$ 180,000	\$ 58,839	\$ 238,839
2017	195,000	49,344	244,344
2018	200,000	43,198	243,198
2019	205,000	36,886	241,886
2020	215,000	30,348	245,348
2021-2025	840,000	64,751	904,751
Totals	\$ 1,835,000	\$ 283,366	\$ 2,118,366

The interest rate on long-term obligations range from 2.625% to 5.00%.

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, 2015, as follows:

Year Ending September 30,	
2016	\$ 2,500
2017	2,500
2018	2,500
2019	2,500

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2020	2,500
2021-2025	12,500
2026-2030	12,500
2031-2035	5,000
Total Minimum Rentals	\$ <u>42,500</u>
Rental Expenditures in 2015	\$ <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 2015, 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 participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms:

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>97</u>
Total covered employees	165

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3. Contributions

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

Employees for the City were required to contribute 6.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.62% and 12.55% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$608,830, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 22,598,428	\$ 21,167,661	\$ 1,430,767
Changes for the year			
Service cost	603,817	--	603,817
Interest	1,565,280	--	1,565,280
Change of benefit terms	--	--	--
Difference between expected and actual experience	(54,713)	--	(54,713)
Changes of assumptions	--	--	--
Contributions - employer	--	575,137	(575,137)
Contributions - employee	--	277,347	(277,347)
Net investment income	--	1,210,932	(1,210,932)
Benefit payments, including refunds of employee contributions	(1,078,384)	(1,078,384)	--
Administrative expense	--	(12,643)	12,643
Other changes	--	(1,039)	1,039
Net changes	\$ 1,036,000	\$ 971,350	\$ 64,650
Balance at 12/31/2014	\$ 23,634,428	\$ 22,139,011	\$ 1,495,417

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 4,844,009	\$ 1,495,417	\$ (1,253,234)

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Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$467,448.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ (44,304)
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	216,643	--
Contributions subsequent to the measurement date	456,623	
Total	<u>\$ 673,266</u>	<u>\$ (44,304)</u>

\$673,266 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:		
2015	\$	43,752
2016	\$	43,752
2017	\$	43,752
2018	\$	43,751
2019	\$	(2,668)
Thereafter	\$	--

J. Health Care Coverage

During the year ended September 30, 2015, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$575 per month per employee, \$650 for employee and children, \$675 for employees and spouse coverage or \$700 for family coverage to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums above City contributions. 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.

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

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015.

L. Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its Levelland Transfer Station site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Due to the landfill not being open but a very short time the City reported \$0.00 as landfill closure and postclosure care liability at September 30, 2015,

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care of the old landfill. The City is in compliance with these requirements, and, at September 30, 2015, investments of \$30,423.00 fair value are held for these purposes. These are reported as restricted assets on the balance sheet. 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 landfill 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, 2015

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
<i>Ad Valorem Taxes</i>	\$ 3,382,781	\$ 3,382,781	\$ 3,527,897	\$ 145,116
<i>Franchise Fees</i>	830,000	830,000	950,735	120,735
<i>Sales Tax</i>	2,268,750	2,268,750	2,748,475	479,725
<i>Licenses and Permits</i>	15,520	15,520	51,108	35,588
<i>Fines and Fees</i>	225,600	225,600	162,593	(63,007)
<i>Rents</i>	44,500	44,500	66,372	21,872
<i>Royalties</i>	45,000	45,000	131,744	86,744
<i>Interest</i>	55,500	55,500	38,349	(17,151)
<i>Federal</i>	--	--	26,985	26,985
<i>State</i>	12,500	12,500	12,601	101
<i>Local</i>	540,000	540,000	485,357	(54,643)
<i>Gifts & Bequests</i>	--	--	61,811	61,811
<i>Miscellaneous</i>	19,200	19,200	68,689	49,489
<i>Total Revenues</i>	<u>7,439,351</u>	<u>7,439,351</u>	<u>8,332,716</u>	<u>893,365</u>
EXPENDITURES:				
Current:				
<i>General government</i>	1,735,736	1,735,736	1,656,709	79,027
<i>Public Safety</i>	4,675,828	4,675,828	4,859,599	(183,771)
<i>Highways and streets</i>	1,738,897	1,738,897	1,533,410	205,487
<i>Culture and recreation</i>	705,046	705,046	713,164	(8,118)
<i>Economic and physical development</i>	158,785	158,785	134,563	24,222
<i>Airport</i>	65,262	65,262	68,689	(3,427)
<i>Total expenditures</i>	<u>9,079,554</u>	<u>9,079,554</u>	<u>8,966,134</u>	<u>113,420</u>
Excess (deficiency) of revenues (under) expenditures	(1,640,203)	(1,640,203)	(633,418)	1,006,785
Other financing sources (uses):				
<i>Sale of Assets</i>	1,000	1,000	888	(112)
<i>Operating transfers in</i>	278,000	278,000	250,000	(28,000)
<i>Operating transfers out</i>	(50,000)	(50,000)	(50,000)	--
<i>Refunding Bond Cost</i>	(14,600)	(14,600)	--	14,600
<i>Total other financing sources (uses)</i>	<u>214,400</u>	<u>214,400</u>	<u>200,888</u>	<u>(13,512)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,425,803)	(1,425,803)	(432,530)	993,273
Fund balance, October 1	4,705,518	4,705,518	5,597,408	891,890
Fund balance, September 30	<u>\$ 3,279,715</u>	<u>\$ 3,279,715</u>	<u>\$ 5,164,878</u>	<u>\$ 1,885,163</u>

CITY OF LEVELLAND, TEXAS
*SCHEDULE OF THE CITY'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS **

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City's proportion of the net pension liability (asset)	6.327%	--	--	--	--	--	--	--	--	--
City's proportionate share of the net pension liability (asset)	\$ 1,495,417	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the City	22,139,011	--	--	--	--	--	--	--	--	--
Total	\$ 23,634,428	\$ --								
City's covered-employee payroll	\$ 4,609,065	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.45%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	93.67%	--	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF LEVELLAND, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
*LAST TEN FISCAL YEARS **

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 608,830	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(608,830)	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>									
City's covered-employee payroll	\$ 4,843,874	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	12.57%	--	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF LEVELLAND, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2015

Budget

The official budget was prepared for adoption for select fund types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to September 30, of the preceding fiscal year, the City Manager prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the City Council. Amendments are presented to the City Council at its regular meetings.

Each amendment must have the City Council approval. Such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function level. Budgeted amounts are as amended by the City Council. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF LEVELLAND, TEXAS
COMBINING BALANCE SHEET
ALL GENERAL FUNDS
SEPTEMBER 30, 2015

EXHIBIT C-1

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Insurance Reserve Fund</u>	<u>Totals September 30, 2015</u>
ASSETS:				
<i>Cash</i>	\$ 2,737,352	\$ 80,710	\$ --	\$ 2,818,062
<i>Temporary Investments</i>	2,063,043	--	121,009	2,184,052
<i>Delinquent Taxes Receivable (Net)</i>	145,076	--	--	145,076
<i>Accounts Receivable</i>	457,026	27,430	--	484,456
<i>Special Assessments & Liens - Paving</i>	17,508	--	--	17,508
<i>Due From Other Funds</i>	49,518	--	--	49,518
 Total Assets	<u>\$ 5,469,523</u>	<u>\$ 108,140</u>	<u>\$ 121,009</u>	<u>\$ 5,698,672</u>
LIABILITIES:				
<i>Accounts Payable - Trade</i>	\$ 236,809	\$ 8,638	\$ --	\$ 245,447
<i>Deferred Revenue</i>	145,075	--	--	145,075
<i>Accrued Wages</i>	134,805	--	--	134,805
<i>Payroll Deductions - Payable</i>	394	--	--	394
<i>Other Payables</i>	1,900	--	--	1,900
<i>Bond Escrow Accounts Payable</i>	4,773	--	--	4,773
<i>Due To Other Funds</i>	1,400	--	--	1,400
Total Liabilities	<u>525,156</u>	<u>8,638</u>	<u>--</u>	<u>533,794</u>
FUND BALANCES:				
<i>Unassigned</i>	4,842,784	92,964	121,009	5,056,757
<i>Committed - Expansion/Improvements</i>	101,583	6,538	--	108,121
Total Fund Balances	<u>4,944,367</u>	<u>99,502</u>	<u>121,009</u>	<u>5,164,878</u>
 Total Liabilities and Fund Balances	<u>\$ 5,469,523</u>	<u>\$ 108,140</u>	<u>\$ 121,009</u>	<u>\$ 5,698,672</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL GENERAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-2

	General Fund	Airport Fund	Insurance Reserve Fund	Totals September 30, 2015
REVENUES:				
<i>Ad Valorem Taxes</i>	\$ 3,527,897	\$ --	\$ --	\$ 3,527,897
<i>Franchise Fees</i>	950,735	--	--	950,735
<i>Sales Tax</i>	2,748,475	--	--	2,748,475
<i>Licenses and Permits</i>	51,108	--	--	51,108
<i>Fines and Fees</i>	162,593	--	--	162,593
<i>Rents</i>	2,175	64,197	--	66,372
<i>Royalties</i>	131,744	--	--	131,744
<i>Interest</i>	37,030	515	804	38,349
<i>Federal</i>	26,985	--	--	26,985
<i>State</i>	1,350	11,251	--	12,601
<i>Local</i>	485,357	--	--	485,357
<i>Gifts & Bequests</i>	61,811	--	--	61,811
<i>Miscellaneous</i>	68,689	--	--	68,689
<i>Total Revenues</i>	<u>8,255,949</u>	<u>75,963</u>	<u>804</u>	<u>8,332,716</u>
EXPENDITURES:				
Current:				
<i>General government</i>	1,656,709	--	--	1,656,709
<i>Public Safety</i>	4,859,599	--	--	4,859,599
<i>Highways and streets</i>	1,533,410	--	--	1,533,410
<i>Culture and recreation</i>	713,164	--	--	713,164
<i>Economic and physical development</i>	134,563	--	--	134,563
<i>Airport</i>	--	68,689	--	68,689
<i>Total expenditures</i>	<u>8,897,445</u>	<u>68,689</u>	<u>--</u>	<u>8,966,134</u>
 Excess (deficiency) of revenues (under) expenditures	 (641,496)	 7,274	 804	 (633,418)
Other financing sources (uses):				
<i>Sale of Assets</i>	888	--	--	888
<i>Operating transfers in</i>	250,000	--	--	250,000
<i>Operating transfers out</i>	(50,000)	--	--	(50,000)
<i>Total other financing sources (uses)</i>	<u>200,888</u>	<u>--</u>	<u>--</u>	<u>200,888</u>
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 (440,608)	 7,274	 804	 (432,530)
 Fund balance, October 1	 5,384,975	 92,228	 120,205	 5,597,408
Fund balance, September 30	<u>\$ 4,944,367</u>	<u>\$ 99,502</u>	<u>\$ 121,009</u>	<u>\$ 5,164,878</u>

CITY OF LEVELLAND, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	Special Revenue Funds	Debt Service Fund Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
<i>Cash</i>	\$ 743,266	\$ 67,035	\$ 329,365	\$ 1,139,666
<i>Temporary Investments</i>	342,695	--	944,796	1,287,491
<i>Delinquent Taxes Receivable (Net)</i>	7,166	16,792	--	23,958
<i>Accounts Receivable</i>	43,326	--	51,093	94,419
<i>Allowance for Uncollectibles</i>	--	--	(26,821)	(26,821)
Total Assets	<u>\$ 1,136,453</u>	<u>\$ 83,827</u>	<u>\$ 1,298,433</u>	<u>\$ 2,518,713</u>
LIABILITIES:				
<i>Accounts Payable - Trade</i>	\$ 7,907	\$ --	\$ 3	\$ 7,910
<i>Deferred Revenue</i>	7,373	16,791	--	24,164
<i>Accrued Wages</i>	7,391	--	--	7,391
<i>Due To Other Funds</i>	--	--	172	172
Total Liabilities	<u>22,671</u>	<u>16,791</u>	<u>175</u>	<u>39,637</u>
FUND BALANCES:				
<i>Restricted Fund Balances:</i>				
<i>Designated for Debt Retirement</i>	--	67,036	--	67,036
<i>Committed Fund Balances:</i>				
<i>Special Purposes</i>	1,113,782	--	--	1,113,782
<i>Expansion/Improvements</i>	--	--	1,298,258	1,298,258
Total Fund Balances	<u>1,113,782</u>	<u>67,036</u>	<u>1,298,258</u>	<u>2,479,076</u>
Total Liabilities and Fund Balances	<u>\$ 1,136,453</u>	<u>\$ 83,827</u>	<u>\$ 1,298,433</u>	<u>\$ 2,518,713</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds	Debt Service Fund Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES:				
<i>Ad Valorem Taxes</i>	\$ 146,746	\$ 392,378	\$ 95,151	\$ 634,275
<i>Wastewater Revenue</i>	--	--	194,823	194,823
<i>Motel Occupancy Tax</i>	163,118	--	--	163,118
<i>Park Donations</i>	26,964	--	--	26,964
<i>Rents</i>	--	--	5,585	5,585
<i>Royalties</i>	7,031	--	--	7,031
<i>Interest</i>	7,950	874	8,686	17,510
<i>Cemetery Spaces</i>	63,543	--	--	63,543
<i>Open and Close Graves</i>	83,800	--	--	83,800
<i>State</i>	2,550	--	--	2,550
<i>Local</i>	--	540,636	46,078	586,714
<i>Seized Funds</i>	15,822	--	--	15,822
<i>Building Security</i>	3,649	--	--	3,649
<i>Time Payment Fees</i>	807	--	--	807
<i>Developers Contribution</i>	--	--	1,500	1,500
<i>Miscellaneous</i>	15,183	--	--	15,183
<i>Total Revenues</i>	<u>537,163</u>	<u>933,888</u>	<u>351,823</u>	<u>1,822,874</u>
EXPENDITURES:				
<i>General government</i>	488,323	--	--	488,323
<i>Public Safety</i>	79,351	--	--	79,351
<i>Economic and physical development</i>	10,319	--	18,404	28,723
Debt service:				
<i>Principal</i>	--	660,000	--	660,000
<i>Interest and fiscal charges</i>	--	324,241	--	324,241
<i>Total expenditures</i>	<u>577,993</u>	<u>984,241</u>	<u>18,404</u>	<u>1,580,638</u>
Excess (deficiency) of revenues (under) expenditures	(40,830)	(50,353)	333,419	242,236
Other financing sources (uses):				
<i>Operating transfers in</i>	69,429	63,055	50,000	182,484
<i>Operating transfers out</i>	(93,933)	--	(416,680)	(510,613)
<i>Total other financing sources (uses)</i>	<u>(24,504)</u>	<u>63,055</u>	<u>(366,680)</u>	<u>(328,129)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(65,334)	12,702	(33,261)	(85,893)
Fund balance, October 1	1,179,116	54,334	1,331,519	2,564,969
Fund balance, September 30	<u>\$ 1,113,782</u>	<u>\$ 67,036</u>	<u>\$ 1,298,258</u>	<u>\$ 2,479,076</u>

CITY OF LEVELLAND, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

	<u>Cemetery Fund</u>	<u>LEOSE Account</u>	<u>Municipal Court Bldg. Security</u>
ASSETS:			
<i>Cash</i>	\$ 266,594	\$ 2,246	\$ 2,739
<i>Temporary Investments</i>	172,866	--	--
<i>Delinquent Taxes Receivable (Net)</i>	7,166	--	--
<i>Accounts Receivable</i>	859	--	--
 Total Assets	 <u>\$ 447,485</u>	 <u>\$ 2,246</u>	 <u>\$ 2,739</u>
LIABILITIES:			
<i>Accounts Payable - Trade</i>	\$ 7,741	\$ --	\$ 131
<i>Deferred Revenue</i>	7,166	--	--
<i>Accrued Wages</i>	6,949	--	442
Total Liabilities	<u>21,856</u>	<u>--</u>	<u>573</u>
FUND BALANCES:			
<i>Committed for Special Purposes</i>	<u>425,629</u>	<u>2,246</u>	<u>2,166</u>
Total Fund Balances	<u>425,629</u>	<u>2,246</u>	<u>2,166</u>
 Total Liabilities and Fund Balances	 <u>\$ 447,485</u>	 <u>\$ 2,246</u>	 <u>\$ 2,739</u>

<u>Time Payment Court Fee</u>	<u>Motel Occupancy Tax Fund</u>	<u>Court Computer</u>	<u>Police Special Fund</u>	<u>Voluntary Park Contribution</u>
\$ 1,527	\$ 363,636	\$ 6,507	\$ 8,308	\$ 51,049
--	138,913	--	--	30,916
--	--	--	--	--
--	42,466	--	--	1
<u>\$ 1,527</u>	<u>\$ 545,015</u>	<u>\$ 6,507</u>	<u>\$ 8,308</u>	<u>\$ 81,966</u>
\$ --	\$ --	\$ 35	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	35	--	--
1,527	545,015	6,472	8,308	81,966
<u>1,527</u>	<u>545,015</u>	<u>6,472</u>	<u>8,308</u>	<u>81,966</u>
<u>\$ 1,527</u>	<u>\$ 545,015</u>	<u>\$ 6,507</u>	<u>\$ 8,308</u>	<u>\$ 81,966</u>

CITY OF LEVELLAND, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2015

	Incentive Grant Fund Main Street	PD Federal Seized Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
<i>Cash</i>	\$ 815	\$ 39,845	\$ 743,266
<i>Temporary Investments</i>	--	--	342,695
<i>Delinquent Taxes Receivable (Net)</i>	--	--	7,166
<i>Accounts Receivable</i>	--	--	43,326
 Total Assets	<u>\$ 815</u>	<u>\$ 39,845</u>	<u>\$ 1,136,453</u>
LIABILITIES:			
<i>Accounts Payable - Trade</i>	\$ --	\$ --	\$ 7,907
<i>Deferred Revenue</i>	207	--	7,373
<i>Accrued Wages</i>	--	--	7,391
Total Liabilities	<u>207</u>	<u>--</u>	<u>22,671</u>
FUND BALANCES:			
<i>Committed for Special Purposes</i>	<u>608</u>	<u>39,845</u>	<u>1,113,782</u>
Total Fund Balances	<u>608</u>	<u>39,845</u>	<u>1,113,782</u>
 Total Liabilities and Fund Balances	<u>\$ 815</u>	<u>\$ 39,845</u>	<u>\$ 1,136,453</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Cemetery Fund	LEOSE Account	Municipal Court Bldg. Security
REVENUES:			
<i>Ad Valorem Taxes</i>	\$ 146,746	\$ --	\$ --
<i>Motel Occupancy Tax</i>	--	--	--
<i>Park Donations</i>	--	--	--
<i>Royalties</i>	7,031	--	--
<i>Interest</i>	3,485	9	48
<i>Cemetery Spaces</i>	63,543	--	--
<i>Open and Close Graves</i>	83,800	--	--
<i>State</i>	--	2,237	--
<i>Seized Funds</i>	--	--	--
<i>Building Security</i>	--	--	3,649
<i>Time Payment Fees</i>	--	--	--
<i>Miscellaneous</i>	319	--	--
<i>Total Revenues</i>	304,924	2,246	3,697
EXPENDITURES:			
<i>General government</i>	347,033	--	--
<i>Public Safety</i>	--	--	11,350
<i>Economic and physical development</i>	--	--	--
<i>Total expenditures</i>	347,033	--	11,350
Excess (deficiency) of revenues (under) expenditures	(42,109)	2,246	(7,653)
Other financing sources (uses):			
<i>Operating transfers in</i>	69,429	--	--
<i>Operating transfers out</i>	(93,933)	--	--
<i>Total other financing sources (uses)</i>	(24,504)	--	--
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(66,613)	2,246	(7,653)
Fund balance, October 1	492,242	--	9,819
Fund balance, September 30	\$ 425,629	\$ 2,246	\$ 2,166

Time Payment Court Fee	Motel Occupancy Tax Fund	Court Computer	Police Special Fund	Voluntary Park Contribution
\$ --	\$ --	\$ --	\$ --	\$ --
--	163,118	--	--	--
--	--	--	--	26,964
--	--	--	--	--
14	3,324	60	57	471
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
807	--	--	--	--
--	--	4,864	--	--
<u>821</u>	<u>166,442</u>	<u>4,924</u>	<u>57</u>	<u>27,435</u>
--	141,290	--	--	--
2,062	--	9,280	--	--
--	--	--	--	--
<u>2,062</u>	<u>141,290</u>	<u>9,280</u>	<u>--</u>	<u>--</u>
(1,241)	25,152	(4,356)	57	27,435
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
(1,241)	25,152	(4,356)	57	27,435
2,768	519,863	10,828	8,251	54,531
<u>\$ 1,527</u>	<u>\$ 545,015</u>	<u>\$ 6,472</u>	<u>\$ 8,308</u>	<u>\$ 81,966</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Incentive Grant Fund Main Street	PD Federal Seized Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
<i>Ad Valorem Taxes</i>	\$ --	\$ --	\$ 146,746
<i>Motel Occupancy Tax</i>	--	--	163,118
<i>Park Donations</i>	--	--	26,964
<i>Royalties</i>	--	--	7,031
<i>Interest</i>	6	476	7,950
<i>Cemetery Spaces</i>	--	--	63,543
<i>Open and Close Graves</i>	--	--	83,800
<i>State</i>	313	--	2,550
<i>Seized Funds</i>	--	15,822	15,822
<i>Building Security</i>	--	--	3,649
<i>Time Payment Fees</i>	--	--	807
<i>Miscellaneous</i>	10,000	--	15,183
<i>Total Revenues</i>	<u>10,319</u>	<u>16,298</u>	<u>537,163</u>
EXPENDITURES:			
<i>General government</i>	--	--	488,323
<i>Public Safety</i>	--	56,659	79,351
<i>Economic and physical development</i>	10,319	--	10,319
<i>Total expenditures</i>	<u>10,319</u>	<u>56,659</u>	<u>577,993</u>
Excess (deficiency) of revenues (under) expenditures	--	(40,361)	(40,830)
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	69,429
<i>Operating transfers out</i>	--	--	(93,933)
<i>Total other financing sources (uses)</i>	<u>--</u>	<u>--</u>	<u>(24,504)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	(40,361)	(65,334)
Fund balance, October 1	608	80,206	1,179,116
Fund balance, September 30	<u>\$ 608</u>	<u>\$ 39,845</u>	<u>\$ 1,113,782</u>

CITY OF LEVELLAND, TEXAS
CEMETERY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-7

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES:			
<i>Ad Valorem Taxes</i>	\$ 140,017	\$ 146,746	\$ 6,729
<i>Royalties</i>	7,000	7,031	31
<i>Interest</i>	2,000	3,485	1,485
<i>Cemetery Spaces</i>	60,000	63,543	3,543
<i>Open and Close Graves</i>	65,000	83,800	18,800
<i>Miscellaneous</i>	--	319	319
<i>Total Revenues</i>	<u>274,017</u>	<u>304,924</u>	<u>30,907</u>
EXPENDITURES:			
<i>General government</i>	<u>431,485</u>	<u>347,033</u>	<u>84,452</u>
<i>Total expenditures</i>	<u>431,485</u>	<u>347,033</u>	<u>84,452</u>
 Excess (deficiency) of revenues (under) expenditures	 (157,468)	 (42,109)	 115,359
Other financing sources (uses):			
<i>Operating transfers in</i>	--	69,429	69,429
<i>Operating transfers out</i>	--	(93,933)	(93,933)
<i>Total other financing sources (uses)</i>	<u>--</u>	<u>(24,504)</u>	<u>(24,504)</u>
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 (157,468)	 (66,613)	 90,855
 Fund balance, October 1	 490,287	 492,242	 1,955
Fund balance, September 30	<u>\$ 332,819</u>	<u>\$ 425,629</u>	<u>\$ 92,810</u>

CITY OF LEVELLAND, TEXAS
LEOSE ACCOUNT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Interest</i>	\$ --	\$ 9	\$ 9
<i>State</i>	2,500	2,237	(263)
<i>Total Revenues</i>	<u>2,500</u>	<u>2,246</u>	<u>(254)</u>
EXPENDITURES:			
<i>Public Safety</i>	2,500	--	2,500
<i>Total expenditures</i>	<u>2,500</u>	<u>--</u>	<u>2,500</u>
Excess (deficiency) of revenues (under) expenditures	--	2,246	2,246
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	--	--	--
<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	--	2,246	2,246
Fund balance, October 1	--	--	--
Fund balance, September 30	<u>\$ --</u>	<u>\$ 2,246</u>	<u>\$ 2,246</u>

CITY OF LEVELLAND, TEXAS
MUNICIPAL COURT BUILDING SECURITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Interest</i>	\$ 100	\$ 48	\$ (52)
<i>Building Security</i>	4,000	3,649	(351)
<i>Total Revenues</i>	<u>4,100</u>	<u>3,697</u>	<u>(403)</u>
EXPENDITURES:			
<i>Public Safety</i>	11,193	11,350	(157)
<i>Total expenditures</i>	<u>11,193</u>	<u>11,350</u>	<u>(157)</u>
Excess (deficiency) of revenues (under) expenditures	(7,093)	(7,653)	(560)
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	--	--	--
<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	(7,093)	(7,653)	(560)
Fund balance, October 1	7,321	9,819	2,498
Fund balance, September 30	<u>\$ 228</u>	<u>\$ 2,166</u>	<u>\$ 1,938</u>

CITY OF LEVELLAND, TEXAS
 TIME PAYMENT COURT FEE
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Interest</i>	\$ 20	\$ 14	\$ (6)
<i>Time Payment Fees</i>	800	807	7
<i>Total Revenues</i>	<u>820</u>	<u>821</u>	<u>1</u>
EXPENDITURES:			
<i>Public Safety</i>	<u>1,600</u>	<u>2,062</u>	<u>(462)</u>
<i>Total expenditures</i>	<u>1,600</u>	<u>2,062</u>	<u>(462)</u>
Excess (deficiency) of revenues (under) expenditures	(780)	(1,241)	(461)
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	<u>--</u>	<u>--</u>	<u>--</u>
<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	(780)	(1,241)	(461)
Fund balance, October 1	1,163	2,768	1,605
Fund balance, September 30	<u>\$ 383</u>	<u>\$ 1,527</u>	<u>\$ 1,144</u>

CITY OF LEVELLAND, TEXAS
MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-11

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
<i>Motel Occupancy Tax</i>	\$ 135,000	\$ 163,118	\$ 28,118
<i>Interest</i>	3,000	3,324	324
<i>Total Revenues</i>	<u>138,000</u>	<u>166,442</u>	<u>28,442</u>
EXPENDITURES:			
<i>General government</i>	<u>227,740</u>	<u>141,290</u>	<u>86,450</u>
<i>Total expenditures</i>	<u>227,740</u>	<u>141,290</u>	<u>86,450</u>
 Excess (deficiency) of revenues (under) expenditures	 (89,740)	 25,152	 114,892
 Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	<u>--</u>	<u>--</u>	<u>--</u>
<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	 (89,740)	 25,152	 114,892
 Fund balance, October 1	 438,312	 519,863	 81,551
Fund balance, September 30	<u>\$ 348,572</u>	<u>\$ 545,015</u>	<u>\$ 196,443</u>

CITY OF LEVELLAND, TEXAS
COURT COMPUTER
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-12

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
<i>Interest</i>	\$ 100	\$ 60	\$ (40)
<i>Miscellaneous</i>	4,600	4,864	264
<i>Total Revenues</i>	<u>4,700</u>	<u>4,924</u>	<u>224</u>
EXPENDITURES:			
<i>Public Safety</i>	<u>13,800</u>	<u>9,280</u>	<u>4,520</u>
Total expenditures	<u>13,800</u>	<u>9,280</u>	<u>4,520</u>
Excess (deficiency) of revenues (under) expenditures	(9,100)	(4,356)	4,744
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	<u>--</u>	<u>--</u>	<u>--</u>
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(9,100)	(4,356)	4,744
Fund balance, October 1	9,223	10,828	1,605
Fund balance, September 30	<u>\$ 123</u>	<u>\$ 6,472</u>	<u>\$ 6,349</u>

CITY OF LEVELLAND, TEXAS
POLICE SPECIAL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-13

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
<i>Interest</i>	\$ 50	\$ 57	\$ 7
<i>Seized Funds</i>	1,000	--	(1,000)
<i>Total Revenues</i>	<u>1,050</u>	<u>57</u>	<u>(993)</u>
EXPENDITURES:			
<i>Public Safety</i>	1,100	--	1,100
<i>Total expenditures</i>	<u>1,100</u>	<u>--</u>	<u>1,100</u>
Excess (deficiency) of revenues (under) expenditures	(50)	57	107
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	<u>--</u>	<u>--</u>	<u>--</u>
<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	(50)	57	107
Fund balance, October 1	6,307	8,251	1,944
Fund balance, September 30	<u>\$ 6,257</u>	<u>\$ 8,308</u>	<u>\$ 2,051</u>

CITY OF LEVELLAND, TEXAS
VOLUNTARY PARK CONTRIBUTION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-14

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Park Donations</i>	\$ 24,000	\$ 26,964	\$ 2,964
<i>Interest</i>	200	471	271
<i>Total Revenues</i>	<u>24,200</u>	<u>27,435</u>	<u>3,235</u>
EXPENDITURES:			
<i>Culture and recreation</i>	35,000	--	35,000
<i>Total expenditures</i>	<u>35,000</u>	<u>--</u>	<u>35,000</u>
Excess (deficiency) of revenues (under) expenditures	(10,800)	27,435	38,235
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	<u>--</u>	<u>--</u>	<u>--</u>
<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	(10,800)	27,435	38,235
Fund balance, October 1	39,115	54,531	15,416
Fund balance, September 30	<u>\$ 28,315</u>	<u>\$ 81,966</u>	<u>\$ 53,651</u>

CITY OF LEVELLAND, TEXAS
INTEREST & REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-15

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Ad Valorem Taxes</i>	\$ 371,865	\$ 392,378	\$ 20,513
<i>Interest</i>	1,000	874	(126)
<i>Local</i>	554,641	540,636	(14,005)
<i>Total Revenues</i>	<u>927,506</u>	<u>933,888</u>	<u>6,382</u>
EXPENDITURES:			
Debt service:			
<i>Principal</i>	660,000	660,000	--
<i>Interest and fiscal charges</i>	319,191	324,241	(5,050)
Total expenditures	<u>979,191</u>	<u>984,241</u>	<u>(5,050)</u>
Excess (deficiency) of revenues (under) expenditures	(51,685)	(50,353)	1,332
Other financing sources (uses):			
<i>Operating transfers in</i>	48,000	63,055	15,055
<i>Operating transfers out</i>	--	--	--
Total other financing sources (uses)	<u>48,000</u>	<u>63,055</u>	<u>15,055</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,685)	12,702	16,387
Fund balance, October 1	40,718	54,334	13,616
Fund balance, September 30	<u>\$ 37,033</u>	<u>\$ 67,036</u>	<u>\$ 30,003</u>

CITY OF LEVELLAND, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2015

	Civic Improvement Fund	Texas Capital Fund	CDBG Grant Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
<i>Cash</i>	\$ 18,885	\$ 92,410	\$ --
<i>Temporary Investments</i>	105,450	--	--
<i>Accounts Receivable</i>	--	--	172
<i>Allowance for Uncollectibles</i>	--	--	--
 Total Assets	 <u>\$ 124,335</u>	 <u>\$ 92,410</u>	 <u>\$ 172</u>
LIABILITIES:			
<i>Accounts Payable - Trade</i>	\$ 3	\$ --	\$ --
<i>Due To Other Funds</i>	--	--	172
Total Liabilities	<u>3</u>	<u>--</u>	<u>172</u>
FUND BALANCES:			
<i>Committed - Expansion/Improvements</i>	<u>124,332</u>	<u>92,410</u>	<u>--</u>
Total Fund Balances	<u>124,332</u>	<u>92,410</u>	<u>--</u>
 Total Liabilities and Fund Balances	 <u>\$ 124,335</u>	 <u>\$ 92,410</u>	 <u>\$ 172</u>

<u>Wastewater System Improvement</u>	<u>Tax Increment Financing</u>	<u>Tax Increment Financing #2</u>	<u>Texas Parks Grant</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
\$ 76,334	\$ 140,440	\$ 1,296	\$ --	\$ 329,365
839,346	--	--	--	944,796
50,921	--	--	--	51,093
(26,821)	--	--	--	(26,821)
<u>\$ 939,780</u>	<u>\$ 140,440</u>	<u>\$ 1,296</u>	<u>\$ --</u>	<u>\$ 1,298,433</u>
\$ --	\$ --	\$ --	\$ --	\$ 3
--	--	--	--	172
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>175</u>
939,780	140,440	1,296	--	1,298,258
<u>939,780</u>	<u>140,440</u>	<u>1,296</u>	<u>--</u>	<u>1,298,258</u>
<u>\$ 939,780</u>	<u>\$ 140,440</u>	<u>\$ 1,296</u>	<u>\$ --</u>	<u>\$ 1,298,433</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Civic Improvement Fund	Texas Capital Fund
REVENUES:		
<i>Ad Valorem Taxes</i>	\$ --	\$ --
<i>Wastewater Revenue</i>	--	--
<i>Rents</i>	5,585	--
<i>Interest</i>	861	426
<i>Local</i>	--	--
<i>Developers Contribution</i>	--	--
<i>Total Revenues</i>	6,446	426
EXPENDITURES:		
<i>Economic and physical development</i>	9,865	8,074
<i>Total expenditures</i>	9,865	8,074
Excess (deficiency) of revenues (under) expenditures	(3,419)	(7,648)
Other financing sources (uses):		
<i>Operating transfers in</i>	--	50,000
<i>Operating transfers out</i>	--	--
<i>Total other financing sources (uses)</i>	--	50,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,419)	42,352
Fund balance, October 1	127,751	50,058
Fund balance, September 30	\$ 124,332	\$ 92,410

EXHIBIT C-17

Wastewater System Improvement	Tax Increment Financing	Tax Increment Financing #2	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ 53,628	\$ 41,523	\$ 95,151
194,823	--	--	194,823
--	--	--	5,585
6,687	616	96	8,686
--	24,780	21,298	46,078
--	1,500	--	1,500
<u>201,510</u>	<u>80,524</u>	<u>62,917</u>	<u>351,823</u>
465	--	--	18,404
<u>465</u>	<u>--</u>	<u>--</u>	<u>18,404</u>
201,045	80,524	62,917	333,419
--	--	--	50,000
(353,625)	--	(63,055)	(416,680)
<u>(353,625)</u>	<u>--</u>	<u>(63,055)</u>	<u>(366,680)</u>
(152,580)	80,524	(138)	(33,261)
1,092,360	59,916	1,434	1,331,519
<u>\$ 939,780</u>	<u>\$ 140,440</u>	<u>\$ 1,296</u>	<u>\$ 1,298,258</u>

CITY OF LEVELLAND, TEXAS
CIVIC IMPROVEMENT FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-18

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Rents</i>	\$ 3,500	\$ 5,585	\$ 2,085
<i>Interest</i>	1,000	861	(139)
<i>Total Revenues</i>	<u>4,500</u>	<u>6,446</u>	<u>1,946</u>
EXPENDITURES:			
<i>Economic and physical development</i>	10,200	9,865	335
<i>Total expenditures</i>	<u>10,200</u>	<u>9,865</u>	<u>335</u>
Excess (deficiency) of revenues (under) expenditures	(5,700)	(3,419)	2,281
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	--	--	--
<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	(5,700)	(3,419)	2,281
Fund balance, October 1	121,051	127,751	6,700
Fund balance, September 30	<u>\$ 115,351</u>	<u>\$ 124,332</u>	<u>\$ 8,981</u>

CITY OF LEVELLAND, TEXAS
 CAPITAL PROJECT BOND FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-19

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES:			
<i>Interest</i>	\$ 100	\$ 1,398	\$ 1,298
<i>Local</i>	750,000	1,256,560	506,560
<i>Total Revenues</i>	<u>750,100</u>	<u>1,257,958</u>	<u>507,858</u>
EXPENDITURES:			
<i>Economic and physical development</i>	<u>2,000,584</u>	<u>1,720,877</u>	<u>279,707</u>
<i>Total expenditures</i>	<u>2,000,584</u>	<u>1,720,877</u>	<u>279,707</u>
Excess (deficiency) of revenues (under) expenditures	(1,250,484)	(462,919)	787,565
Other financing sources (uses):			
<i>Operating transfers in</i>	--		
<i>Operating transfers out</i>	--	(413,735)	(413,735)
<i>Total other financing sources (uses)</i>	<u>--</u>	<u>(413,735)</u>	<u>(413,735)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,250,484)	(876,654)	373,830
Fund balance, October 1	1,000,484	876,654	(123,830)
Fund balance, September 30	<u>\$ (250,000)</u>	<u>\$ --</u>	<u>\$ 250,000</u>

CITY OF LEVELLAND, TEXAS

WASTEWATER SYSTEM IMPROVEMENT FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-20

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Wastewater Revenue</i>	\$ 188,800	\$ 194,823	\$ 6,023
<i>Interest</i>	4,000	6,687	2,687
<i>Total Revenues</i>	<u>192,800</u>	<u>201,510</u>	<u>8,710</u>
EXPENDITURES:			
<i>Economic and physical development</i>	400,000	465	399,535
Total expenditures	<u>400,000</u>	<u>465</u>	<u>399,535</u>
 Excess (deficiency) of revenues (under) expenditures	 (207,200)	 201,045	 408,245
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	--	(353,625)	(353,625)
Total other financing sources (uses)	<u>--</u>	<u>(353,625)</u>	<u>(353,625)</u>
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 (207,200)	 (152,580)	 54,620
 Fund balance, October 1	 1,097,986	 1,092,360	 (5,626)
Fund balance, September 30	<u>\$ 890,786</u>	<u>\$ 939,780</u>	<u>\$ 48,994</u>

CITY OF LEVELLAND, TEXAS
 TAX INCREMENT FINANCING
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-21

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Ad Valorem Taxes</i>	\$ 56,015	\$ 53,628	\$ (2,387)
<i>Interest</i>	--	616	616
<i>Local</i>	24,179	24,780	601
<i>Developers Contribution</i>	--	1,500	1,500
<i>Total Revenues</i>	<u>80,194</u>	<u>80,524</u>	<u>330</u>
EXPENDITURES:			
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues (under) expenditures	80,194	80,524	330
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	80,194	80,524	330
Fund balance, October 1	35,032	59,916	24,884
Fund balance, September 30	<u>\$ 115,226</u>	<u>\$ 140,440</u>	<u>\$ 25,214</u>

CITY OF LEVELLAND, TEXAS
TAX INCREMENT FINANCING #2
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-22

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>Ad Valorem Taxes</i>	\$ 41,588	\$ 41,523	\$ (65)
<i>Interest</i>	--	96	96
<i>Local</i>	17,408	21,298	3,890
<i>Total Revenues</i>	<u>58,996</u>	<u>62,917</u>	<u>3,921</u>
EXPENDITURES:			
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues (under) expenditures	58,996	62,917	3,921
Other financing sources (uses):			
<i>Operating transfers in</i>	--		--
<i>Operating transfers out</i>	<u>(48,000)</u>	<u>(63,055)</u>	<u>(15,055)</u>
Total other financing sources (uses)	<u>(48,000)</u>	<u>(63,055)</u>	<u>(15,055)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	10,996	(138)	(11,134)
Fund balance, October 1	--	1,434	1,434
Fund balance, September 30	<u>\$ 10,996</u>	<u>\$ 1,296</u>	<u>\$ (9,700)</u>

CITY OF LEVELLAND, TEXAS
 TEXAS PARKS GRANT
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-23

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
<i>State</i>	\$ 27,594	\$ --	\$ (27,594)
<i>Local</i>	6,899	--	(6,899)
<i>Total Revenues</i>	<u>34,493</u>	<u>--</u>	<u>(34,493)</u>
EXPENDITURES:			
<i>Culture and recreation</i>	34,493	--	34,493
<i>Total expenditures</i>	<u>34,493</u>	<u>--</u>	<u>34,493</u>
Excess (deficiency) of revenues (under) expenditures	--	--	--
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	<u>--</u>	<u>--</u>	<u>--</u>
<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	--	--	--
Fund balance, October 1	--	--	--
Fund balance, September 30	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

CITY OF LEVELLAND, TEXAS
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT C-24

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES:			
<i>Street Light Revenue</i>	\$ 147,500	\$ 154,715	\$ 7,215
<i>Refuse Collection Revenue</i>	1,992,000	2,109,703	117,703
<i>Water Revenue</i>	2,600,000	2,457,949	(142,051)
<i>Sewer Revenue</i>	900,000	958,145	58,145
<i>State Revenues</i>	--	3,115	3,115
<i>Miscellaneous</i>	915,000	518,589	(396,411)
Total Operating Revenues	<u>6,554,500</u>	<u>6,202,216</u>	<u>(352,284)</u>
OPERATING EXPENSES:			
<i>Administration</i>	417,560	462,261	(44,701)
<i>Water Production</i>	3,472,483	2,250,170	1,222,313
<i>Developers Capital Improvement</i>	--	2,046	(2,046)
<i>Wastewater Collection</i>	675,165	894,209	(219,044)
<i>Sanitation</i>	2,794,389	1,956,581	837,808
<i>Swimming Pool</i>	99,230	77,315	21,915
Total Operating Expenses	<u>7,458,827</u>	<u>5,642,582</u>	<u>1,816,245</u>
Operating Income (Loss)	<u>(904,327)</u>	<u>559,634</u>	<u>1,463,961</u>
NON-OPERATING REVENUES (EXPENSES):			
<i>Interest Income</i>	40,000	30,163	(9,837)
<i>Interest Expense</i>	(49,351)	(300,834)	256,683
Total Non-operating Revenues (Expenses)	<u>(9,351)</u>	<u>(270,671)</u>	<u>(261,320)</u>
Net Income (Loss) before Operating Transfers	<u>(913,678)</u>	<u>288,963</u>	<u>1,202,641</u>
TRANSFERS:			
<i>Operating transfers in</i>	--	791,865	791,865
<i>Operating transfers out</i>	(250,000)	(250,000)	--
Total Transfers	<u>(250,000)</u>	<u>541,865</u>	<u>(791,865)</u>
Net income	(1,163,678)	830,828	1,994,506
Net Position, October 1	4,697,404	19,994,320	15,296,916
Net Position, September 30	<u>\$ 3,533,726</u>	<u>\$ 20,825,148</u>	<u>\$ 17,291,422</u>

CITY OF LEVELLAND, TEXAS
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2015

	<u>Capital Equipment Reserve Fund</u>	<u>Insurance Claims Fund</u>	<u>Total Internal Service Funds (See Exhibit A-7)</u>
ASSETS:			
Current Assets:			
Cash	\$ 193,323	\$ --	\$ 193,323
Temporary Investments	--	431,299	431,299
Due From Other Funds	1,717,776	--	1,717,776
Total Assets	<u>\$ 1,911,099</u>	<u>\$ 431,299</u>	<u>\$ 2,342,398</u>
LIABILITIES:			
Accounts Payable - Trade	\$ 5,719	\$ --	\$ 5,719
Total Liabilities	<u>5,719</u>	<u>--</u>	<u>5,719</u>
NET POSITION:			
Unrestricted	1,905,380	431,299	2,336,679
Total Net Position	<u>\$ 1,905,380</u>	<u>\$ 431,299</u>	<u>\$ 2,336,679</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Capital Equipment Reserve Fund	Insurance Claims Fund	Total Internal Service Funds (See Exhibit A-8)
OPERATING REVENUES:			
Total Operating Revenues	\$ --	\$ --	\$ --
OPERATING EXPENSES:			
Total Operating Expenses	--	--	--
Operating Income (Loss)	--	--	--
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	8,540	2,864	11,404
Total Non-operating Revenues (Expenses)	8,540	2,864	11,404
Net Income (Loss) before Operating Transfers	8,540	2,864	11,404
TRANSFERS:			
Operating transfers in	--	--	--
Operating transfers out	--	--	--
Net income	8,540	2,864	11,404
Net Position, October 1	1,896,840	428,435	2,325,275
Net Position, September 30	\$ 1,905,380	\$ 431,299	\$ 2,336,679

CITY OF LEVELLAND, TEXAS
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Capital Equipment Reserve Fund	Insurance Claims Fund	Total Internal Service Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
<i>Cash Received from Customers</i>	\$ --	\$ --	\$ --
<i>Cash Received from Grants</i>	--	--	--
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	--	--	--
<i>Cash Payments to Employees</i>	--	--	--
<i>Cash Payments to Suppliers for Goods and Services</i>	--	--	--
<i>Cash Payments for Grants to Other Organizations</i>	--	--	--
<i>Other Operating Cash Receipts (Payments)</i>	(8,982)	--	(8,982)
Net Cash Provided (Used) by Operating Activities	<u>(8,982)</u>	<u>--</u>	<u>(8,982)</u>
Cash Flows from Non-capital Financing Activities:			
<i>Principal Received on Loans Made to Other Funds</i>	57,775	--	57,775
<i>Loans Made to Other Funds</i>	(828,888)	--	(828,888)
<i>Transfers From (To) Primary Government</i>	--	--	--
<i>Transfers From (To) Other Funds</i>	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(771,113)</u>	<u>--</u>	<u>(771,113)</u>
Cash Flows from Capital and Related Financing Activities:			
<i>Proceeds from Issuance of Long-term Debt</i>	--	--	--
<i>Principal and Interest Paid</i>	--	--	--
<i>Acquisition or Construction of Capital Assets</i>	--	--	--
<i>Proceeds from Sale of Capital Assets</i>	--	--	--
<i>Contributed Capital</i>	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:			
<i>Purchase of Investment Securities</i>	--	--	--
<i>Proceeds from Sale and Maturities of Securities</i>	--	--	--
<i>Interest and Dividends on Investments</i>	8,540	2,864	11,404
Net Cash Provided (Used) for Investing Activities	<u>8,540</u>	<u>2,864</u>	<u>11,404</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(771,555)	2,864	(768,691)
Cash and Cash Equivalents at Beginning of Year	964,878	428,435	1,393,313
Cash and Cash Equivalents at End of Year	<u>\$ 193,323</u>	<u>\$ 431,299</u>	<u>\$ 624,622</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ --	\$ --	\$ --
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
<i>Depreciation</i>	--	--	--
<i>Provision for Uncollectible Accounts</i>	--	--	--
Change in Assets and Liabilities:			
<i>Decrease (Increase) in Receivables</i>	--	--	--
<i>Increase (Decrease) in Accounts Payable</i>	(8,982)	--	(8,982)
<i>Increase (Decrease) in Accrued Wages Payable</i>	--	--	--
<i>Increase (Decrease) in Interfund Payables</i>	--	--	--
Total Adjustments	<u>(8,982)</u>	<u>--</u>	<u>(8,982)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (8,982)</u>	<u>\$ --</u>	<u>\$ (8,982)</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

KEITH DOWNS, C.P.A.
RUSS PINKERTON, C.P.A.



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Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

City Council
City of Levelland, Texas
1709 Avenue H
Levelland, Texas 79336

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Levelland, Texas's basic financial statements, and have issued our report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Pate, Downs & Pinkerton, LLP

Pate, Downs & Pinkerton, LLP

Levelland, Texas
March 21, 2016

CITY OF LEVELLAND, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Total Federal Awards were less than \$500,000.

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF LEVELLAND, TEXAS
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NOT APPLICABLE		

CITY OF LEVELLAND, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOT APPLICABLE

CITY OF LEVELLAND, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT D-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Equitable Sharing Program	16.922	--	\$ 56,659
Joint Law Enforcement Operations	16.111	--	19,326
Bulletproof Vest Partnership	16.607	--	4,796
Total Direct Programs			<u>80,781</u>
Total U. S. Department of Justice			<u>80,781</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>80,781</u></u>

The accompanying notes are an integral part of this schedule.

CITY OF LEVELLAND, TEXAS

*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Levelland, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

*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, 2015

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

2014/15 Market Valuation Established by Hockley County Appraisal District (excluding totally exempt property)		\$ 689,596,377
Less Exemptions/Reductions at 100% Market Value:		
Disabled Veterans	\$ 1,847,142	
Homestead, Over 65 and Agriculture Use Reductions	88,158,470	90,005,612
2014/15 Taxable Assessed Valuation		\$ 599,590,765
General Obligation Debt and Certificates of Obligation Payable (As of 9/30/15)	\$ 10,225,000	
General Obligation Debt and Certificates of Obligation Payable from Ad Valorem Taxes		\$ 10,225,000
Interest and Sinking Fund as of 9/30/15		\$ 67,036
Ratio Tax Debt to Taxable Assessed Valuation		1.70%

Estimated Population - 13,542
Per Capita Taxable Assessed Valuation - \$ 44,276
Per Capita Debt Payable from Ad Valorem Taxes - \$ 755

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
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%
2015	13,542	599,590,765	44,276	10,225,000	755	1.70%

⁽¹⁾Source: City Officials.

⁽²⁾Does not include self-supporting debt for years ended 2011-2015

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
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%
2015	0.695	0.6030	0.067	4,167,156	97.84%	100.24%

CITY OF LEVELLAND, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

TABLE 4 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2015 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
CHI Operating Inc	Oil Production	\$ 31,102,870	5.19%
Occidental Permian LTD	Oil Production	17,547,700	2.92%
Post-Montgomery	Oil Production	15,354,750	2.56%
Butchs Rat Hole & Anchor Serv	Oil Production	12,931,280	2.16%
BPR Leasing	Oil Production	8,371,550	1.39%
Butchs Trucking Inc	Oil Production	7,376,500	1.23%
R&B Leasing Co	Rental	6,100,000	1.02%
Wal-Mart Stores Inc #01-1051	Retail	5,877,890	0.98%
Rogers S K Oil Inc (Min)	Oil Production	5,258,910	0.88%
Titan Lansing Transloading	Oil Production	4,955,200	0.82%
		<u>\$ 114,876,650</u>	<u>19.15%</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.....	\$ 438,205
\$0.08 Tax Rate at 95% Collection Produces.....	\$ 455,689
Average Annual Principal and Interest Requirements, 2016-2033.....	\$ 445,222
\$0.08 Tax Rate at 95% Collection Produces.....	\$ 455,689

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	2014-15 Taxable Assessed Value	2014-15 Tax Rate	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt as of 9-30-15	Authorized But Unissued Debt as of 9-30-15
Levelland, City of	\$ 599,590,765	\$ 0.695	\$ 10,225,000	100.00%	\$ 10,225,000	-0-
Levelland ISD	1,506,257,463	1.3084	54,744,992	29.28%	16,029,334	-0-
Hockley County	4,019,050,641	0.34834	7,995,000	12.42%	992,979	-0-
South Plains JCD	4,724,015,905	0.26532	-0-	-0-	-0-	-0-

CITY OF LEVELLAND, TEXAS

CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12 (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Direct and Overlapping Tax Debt 27,247,313

Ratio of Direct and Overlapping Tax Debt to Taxable
Assessed Valuation 45.44%

Per Capita Overlapping Tax Debt \$ 2,012

DEBT INFORMATION

TABLE 7 - PRO-FORMA TAX DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9-30	The Bonds			% Of Principal Retired
	Principal	Interst	Total	
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	
2020	635,000	221,391	856,391	36.60%
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	
2025	765,000	121,323	886,323	70.95%
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	
2030	270,000	30,938	300,938	92.95%
2031	275,000	22,422	297,422	
2032	285,000	13,672	298,672	
2033	295,000	4,609	299,609	100.00%
	<u>\$ 10,225,000</u>	<u>\$ 2,480,778</u>	<u>\$ 12,705,778</u>	

(1) Average life of the issues - 10.25 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		\$ 978,841
Interest and Sinking Fund, 9-30-15	\$ 67,036	
Interest and Sinking Fund Tax Levy @ 95% Collection	455,689	
Transfer from Levelland Economic Development Corporation	260,655	
Transfer from Levelland Community Development Corporation	279,981	1,063,361
Estimated Balance, 9-30-16		<u>\$ 84,520</u>

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FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015

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,				
	2015	2014	2013	2012	2011
<u>Revenues:</u>					
Ad Valorem Taxes	\$ 3,527,897	\$ 3,305,694	\$ 3,227,681	\$ 3,007,770	\$ 2,957,665
Franchise Fees	950,735	992,753	918,532	964,432	878,318
Sales Tax	2,748,475	2,655,321	2,438,453	2,399,638	2,178,342
Licenses and Permits	51,108	54,489	32,185	48,080	66,925
Fines and Fees	162,593	174,561	209,800	257,242	263,892
Rents	66,372	53,216	53,062	42,421	25,862
Royalties	131,744	52,742	53,672	56,098	55,550
Interest	38,349	41,518	58,207	63,189	74,590
State & Federal	39,586	21,306	41,409	40,697	530,123
Local	485,357	510,162	456,483	327,679	414,124
Miscellaneous	130,500	62,022	65,036	239,325	235,919
Total Revenues	<u>\$ 8,332,716</u>	<u>\$ 7,923,784</u>	<u>\$ 7,554,520</u>	<u>\$ 7,446,571</u>	<u>\$ 7,681,310</u>
<u>Expenditures:</u>					
City Council	\$ 184,287	\$ 162,465	\$ 148,911	\$ 136,643	\$ 217,635
City Manager	186,304	176,423	167,760	171,513	158,519
City Secretary	141,240	128,262	123,596	117,642	108,992
Finance	143,607	142,880	137,432	146,552	140,346
Municipal Judge	127,907	124,597	121,833	118,437	110,762
Fire Department	1,403,055	903,408	1,013,690	860,228	852,254
Police Department	3,234,536	3,000,493	2,879,908	2,779,042	2,501,156
Inspection	349,144	331,518	293,508	307,034	317,076
Health Services	103,650	108,248	101,495	100,906	207,715
Streets	1,461,369	1,112,530	1,020,301	835,716	767,533
Shop	76,631	87,790	79,432	78,118	72,532
Parks	713,164	466,805	427,279	650,097	391,744
Building Services	195,017	169,634	154,920	185,657	133,903
Grant Administration	134,563	150,792	135,475	110,726	114,656
Legal	77,253	85,386	89,842	74,927	78,688
Airport	68,689	51,483	96,543	96,548	839,417
Engineering	1,849	-	4,414	15,123	47,971
Miscellaneous	363,869	356,117	322,509	305,304	291,063
Total Expenses	<u>\$ 8,966,134</u>	<u>\$ 7,558,831</u>	<u>\$ 7,318,848</u>	<u>\$ 7,090,213</u>	<u>\$ 7,351,962</u>

CITY OF LEVELLAND, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Other Resources (Uses)

Sale of Assets	\$ 888	\$ 41,827	\$ 3,086	\$ 68,606	-0-
Loan Proceeds	-	-	-0-	-0-	-0-
Transfers (Net)	200,000	(128,497)	18,621	115,000	(905,764)
Total Other Resources (Uses)	200,888	(86,670)	21,707	183,606	(905,764)

Excess (deficiency) of

Revenues over Expenditures	(432,530)	278,283	257,379	539,964	(576,416)
Other Sources(Uses)	-	-	-0-	-0-	-0-
Beginning Fund Balance	5,597,407	5,319,124	5,061,745	4,521,781	5,098,197
Ending Fund Balance	\$ 5,164,877	\$ 5,597,407	\$ 5,319,124	\$ 5,061,745	\$ 4,521,781

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	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽¹⁾
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
2015	2,748,475	65.96%	0.4584	202.96

⁽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.

CITY OF LEVELLAND, TEXAS

*CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12 (UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

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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CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12 (UNAUDITED)
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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, 2015, 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	\$ 5,944,196	0.65% to 1.24%	98.35%	< 12 months
Investment Pools	69,306	0.085% to 0.20%	1.15%	N/A
U.S. Treasury Strip	30,424	1.55%	0.50%	08/15/2024
Total	\$ 6,043,926		100.00%	

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.