

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

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ANNUAL FINANCIAL REPORT
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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Mayor and City Council
City of Levelland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas (the City), as of and for the fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the plan's net pension liability and related ratios, schedule of contributions for the retirement plan, schedule of changes in the total OPEB liability and related ratios, and budgetary comparison information on pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report February 4, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the City's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

February 4, 2022

CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 8,370,839	\$ 7,100,619	\$ 15,471,458	\$ 3,570,025
Receivables (Net of Allowances)	798,685	910,956	1,709,641	56,679
Intergovernmental Receivables	164,330	135,220	299,550	109,166
Due from LEDC	278,036		278,036	
Due from LCDC	152,577		152,577	
Inventories		223,809	223,809	772,683
Prepaid Items	4,378	4,639	9,017	
Internal Balances	693,920	(693,920)		
Net Pension Asset	632,042	149,032	781,074	22,062
Capital Assets Not being Depreciated	1,484,960	1,085,357	2,570,317	84,205
Depreciable Assets, Net	25,243,995	25,358,792	50,602,787	4,996,715
Total Assets	\$ 37,823,762	\$ 34,274,504	\$ 72,098,266	\$ 9,611,535
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan - Employer Contributions	\$ 312,531	\$ 73,693	\$ 386,224	\$ 11,096
Pension Plan - Change in Assumption	11,545	2,722	14,267	38
Pension Plan - Earnings Differences				12,834
OPEB Plan - Employer Contributions	3,243	765	4,008	115
OPEB Plan - Change in Assumption	53,176	12,539	65,715	1,856
Total Deferred Outflows of Resources	\$ 380,495	\$ 89,719	\$ 470,214	\$ 25,939
LIABILITIES				
Accounts Payable	\$ 649,739	\$ 360,803	\$ 1,010,542	\$ 16,234
Accrued Wages	143,346	30,104	173,450	
Accrued Interest	39,766	15,043	54,809	2,486
Customer Deposits and Prepayments	4,000	304,114	308,114	
Due to City of Levelland				430,613
Noncurrent Liabilities				
Total OPEB Liability	256,775	60,546	317,321	8,963
Accrued Compensated Absences	578,526	122,779	701,305	24,412
Closure/Post Closure Landfill Liability		6,865	6,865	
Due Within One Year	1,422,437	623,541	2,045,978	225,000
Due In More Than One Year	6,152,055	2,986,106	9,138,161	620,000
Total Liabilities	\$ 9,246,644	\$ 4,509,901	\$ 13,756,545	\$ 1,327,708
DEFERRED INFLOWS OF RESOURCES				
Payments Received in Advance	\$	\$	\$	\$ 6,000
Pension Plan - Experience Differences	883,658	208,362	1,092,020	23,367
Pension Plan - Earnings Differences	684,300	161,354	845,654	
OPEB Plan - Experience Differences	27,527	6,491	34,018	961
Unearned Revenue - Grants	1,672,803		1,672,803	
Deferred Gain on Bond Refunding	15,133		15,133	
Total Deferred Inflows of Resources	\$ 3,283,421	\$ 376,207	\$ 3,659,628	\$ 30,328
NET POSITION				
Net Investment in Capital Assets	\$ 19,732,989	\$ 22,834,502	\$ 42,567,491	\$ 4,705,920
Restricted for:				
Enabling Legislation	80,516		80,516	
Debt Service	27,770		27,770	
Donor Requirements	85,683		85,683	
Economic Development	176,176		176,176	3,573,518
Sewer Improvements		1,903,632	1,903,632	
Water Improvements		194,830	194,830	
Unrestricted	5,571,058	4,545,151	10,116,209	
Total Net Position	\$ 25,674,192	\$ 29,478,115	\$ 55,152,307	\$ 8,279,438

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
<u>Governmental Activities:</u>								
General Government	\$ 1,502,677	\$ 177,822	\$ 626,555	\$	\$ (698,300)	\$	\$ (698,300)	\$
Public Safety	4,143,471	24,646	426,574		(3,692,251)		(3,692,251)	
Highways and Streets	692,154				(692,154)		(692,154)	
Recreation and Parks	717,744			746,000	28,256		28,256	
Economic Development	177,043		446,965	1,020,828	1,290,750		1,290,750	
Cemetery	306,220	207,051			(99,169)		(99,169)	
Depreciation	1,390,300				(1,390,300)		(1,390,300)	
Interest and Fee's Related to Debt	176,464				(176,464)		(176,464)	
Total Governmental Activities	<u>\$ 9,106,073</u>	<u>\$ 409,519</u>	<u>\$ 1,500,094</u>	<u>\$ 1,766,828</u>	<u>\$ (5,429,632)</u>	<u>\$ 0</u>	<u>\$ (5,429,632)</u>	<u>\$ 0</u>
<u>Business-Type Activities:</u>								
Water and Sewer	\$ 2,330,411	\$ 4,226,045	\$	\$	\$	\$ 1,895,634	\$ 1,895,634	\$
Sanitation	1,963,923	2,624,138				660,215	660,215	
Street Lights	193,817	165,219				(28,598)	(28,598)	
Sewer Improvement Fee		226,282				226,282	226,282	
Water Improvement Fee		61,828				61,828	61,828	
Swimming Pool	61,313	13,161				(48,152)	(48,152)	
Airport	54,268	53,500		200,538		199,770	199,770	
Interest on Debt	168,593					(168,593)	(168,593)	
Depreciation	1,139,405					(1,139,405)	(1,139,405)	
Amortization	326,527					(326,527)	(326,527)	
Total Business-Type Activities	<u>\$ 6,238,257</u>	<u>\$ 7,370,173</u>	<u>\$ 0</u>	<u>\$ 200,538</u>	<u>\$ 0</u>	<u>\$ 1,332,454</u>	<u>\$ 1,332,454</u>	<u>\$ 0</u>
Total Primary Government	<u>\$ 15,344,330</u>	<u>\$ 7,779,692</u>	<u>\$ 1,500,094</u>	<u>\$ 1,967,366</u>	<u>\$ (5,429,632)</u>	<u>\$ 1,332,454</u>	<u>\$ (4,097,178)</u>	<u>\$ 0</u>
Component Units	<u>\$ 1,866,145</u>	<u>\$ 153,782</u>	<u>\$ 0</u>	<u>\$ 0</u>				<u>\$ (1,712,363)</u>
General Revenues (Expenses):								
Taxes:								
Property Taxes, Levied for General Purposes				\$ 4,403,195	\$	\$ 4,403,195	\$	
Sales Taxes				2,779,946		2,779,946		1,259,806
Franchise Taxes				855,716		855,716		
Motel Occupancy Taxes				139,176		139,176		
Investment Earnings				45,051	38,110	83,161		20,181
Rents and Royalties				56,013		56,013		
Miscellaneous				21,095	178,410	199,505		
Gain (Loss) on Disposition of Assets				35,174	10,054	45,228		
Contributions and Donations				86,725		86,725		
Transfers				382,340		(382,340)		
Total General Revenues, Special Items, and Transfers				<u>\$ 8,804,431</u>	<u>\$ (155,766)</u>	<u>\$ 8,648,665</u>	<u>\$ 1,279,987</u>	<u>\$ 1,279,987</u>
Change in Net Position				<u>\$ 3,374,799</u>	<u>\$ 1,176,688</u>	<u>\$ 4,551,487</u>	<u>\$ (432,376)</u>	<u>\$ (432,376)</u>
Net Position—Beginning				<u>22,299,393</u>	<u>28,301,427</u>	<u>50,600,820</u>	<u>8,711,814</u>	<u>8,711,814</u>
Net Position—Ending				<u>\$ 25,674,192</u>	<u>\$ 29,478,115</u>	<u>\$ 55,152,307</u>	<u>\$ 8,279,438</u>	<u>\$ 8,279,438</u>

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Major Funds			Nonmajor Governmental Funds	Total
	General Fund	Debt Service Fund	Corona Virus Relief Fund		
ASSETS					
Cash and Cash Equivalents	\$ 4,222,742	\$ 27,770	\$ 1,674,582	\$ 1,527,757	\$ 7,452,851
Receivables (Net of Allowances)	720,847	14,410		63,428	798,685
Due from Other Funds	297,689				297,689
Intergovernmental Receivables				164,330	164,330
Due from LEDC	20,375			257,661	278,036
Due from LCDC	152,577				152,577
Prepays	4,178			200	4,378
Total Assets	<u>\$ 5,418,408</u>	<u>\$ 42,180</u>	<u>\$ 1,674,582</u>	<u>\$ 2,013,376</u>	<u>\$ 9,148,546</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 424,313	\$	\$	\$ 225,426	\$ 649,739
Accrued Wages	140,630			2,716	143,346
Due to Other Funds	36,617			190,910	227,527
Customer Deposits	4,000				4,000
Advances from Other Funds	90,536				90,536
Total Liabilities	<u>\$ 696,096</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 419,052</u>	<u>\$ 1,115,148</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Property Taxes	\$ 114,956	\$ 14,410	\$	\$ 6,311	\$ 135,677
Unearned Revenue - Grants			1,672,803		1,672,803
	<u>\$ 114,956</u>	<u>\$ 14,410</u>	<u>\$ 1,672,803</u>	<u>\$ 6,311</u>	<u>\$ 1,808,480</u>
FUND BALANCES					
Nonspendable - Prepays	\$ 4,178	\$	\$	\$ 200	\$ 200
Restricted Fund Balance:					
Restricted for Enabling Legislation				76,338	80,516
Restricted for Economic Development				176,176	176,176
Restricted for Donor Requirements				85,683	85,683
Restricted for Debt Service		27,770			27,770
Committed Fund Balance:					
Committed for Expansion and Improvements				960,368	960,368
Committed for Cemetery Operations				289,248	289,248
Unassigned	4,603,178		1,779		4,604,957
Total Fund Balances	<u>\$ 4,607,356</u>	<u>\$ 27,770</u>	<u>\$ 1,779</u>	<u>\$ 1,588,013</u>	<u>\$ 6,224,918</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,418,408</u>	<u>\$ 42,180</u>	<u>\$ 1,674,582</u>	<u>\$ 2,013,376</u>	<u>\$ 9,148,546</u>

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 6,224,918
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Net of accumulated depreciation)	26,728,955
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,632,282
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(578,526)
Long-term obligations including reoffering premiums are not due and payable in the current period and therefore are not reported in the funds.	(7,574,492)
Deferred Gains on Bond Refundings are not recorded in the funds.	(15,133)
Payables for bond interest which are not due in the current period are not reported in the funds.	(39,766)
Net Pension Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(611,841)
Total OPEB Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(227,882)
Property tax revenue is recognized in funds but not in the Statement of Net Position.	<u>135,677</u>
Net Position of Governmental Activities	<u>\$ 25,674,192</u>

See accompanying notes to the financial statements

CITY OF LEVELLAND, TEXAS

STATEMENT OF GOVERNMENTAL FUNDS REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Funds			Nonmajor Governmental Funds	Total
	General Fund	Debt Service Fund	Corona Virus Relief Fund		
REVENUES					
Taxes:					
General Property Taxes	\$ 3,509,372	\$ 457,616	\$	\$ 499,716	\$ 4,466,704
Sales and Use Taxes	2,779,946				2,779,946
Franchise Taxes	855,716				855,716
Motel Occupancy Taxes				139,176	139,176
Intergovernmental Revenues	1,134,759	372,393	518,699	1,241,070	3,266,921
Charges for Services	12,096				12,096
Fines and Fees	177,822			219,601	397,423
Rents and Royalties	45,535			10,478	56,013
Investment Earnings	27,191	678	1,779	9,188	38,836
Miscellaneous	20,702			393	21,095
Contributions and Donations	7,143			79,582	86,725
Total Revenues	<u>\$ 8,570,282</u>	<u>\$ 830,687</u>	<u>\$ 520,478</u>	<u>\$ 2,199,204</u>	<u>\$ 12,120,651</u>
EXPENDITURES					
Current					
General Government	\$ 1,231,374	\$ 3,500	\$ 478,366	\$ 114,731	\$ 1,827,971
Public Safety	4,940,633			37,402	4,978,035
Highways and Streets	1,126,733			59,485	1,186,218
Recreation and Parks	1,419,948			96,000	1,515,948
Economic Development				1,244,399	1,244,399
Cemetery				348,144	348,144
Debt Service					
Principal	104,016	1,290,000			1,394,016
Interest	24,765	171,677			196,442
Fiscal Agent's Fees		1,300			1,300
Total Expenditures	<u>\$ 8,847,469</u>	<u>\$ 1,466,477</u>	<u>\$ 478,366</u>	<u>\$ 1,900,161</u>	<u>\$ 12,692,473</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (277,187)</u>	<u>\$ (635,790)</u>	<u>\$ 42,112</u>	<u>\$ 299,043</u>	<u>\$ (571,822)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	\$ 476,837	\$ 651,900	\$ (40,537)	\$ (237,126)	\$ 851,074
Proceeds from the Sale of Assets	35,174				35,174
Total Other Financing Sources	<u>\$ 512,011</u>	<u>\$ 651,900</u>	<u>\$ (40,537)</u>	<u>\$ (237,126)</u>	<u>\$ 886,248</u>
Net Change in Fund Balance	\$ 234,824	\$ 16,110	\$ 1,575	\$ 61,917	\$ 314,426
Fund Balance - Beginning	<u>4,372,532</u>	<u>11,660</u>	<u>204</u>	<u>1,526,096</u>	<u>5,910,492</u>
Fund Balance - Ending	<u>\$ 4,607,356</u>	<u>\$ 27,770</u>	<u>\$ 1,779</u>	<u>\$ 1,588,013</u>	<u>\$ 6,224,918</u>

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	314,426
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:		
Governmental funds report capital outlay as expenditures. However, the statement of activities reports these as Capital Assets that are depreciated over their useful lives.		2,848,427
Depreciation is recorded in the SOA as an expense but not in governmental funds.		(1,390,300)
Principal payments are recorded as expenditures in governmental funds but excluded in the Statement of Activities.		1,394,016
The net revenue of internal service funds is reported with governmental activities.		(462,519)
Change in accrued interest from beginning of period to end of period.		5,751
Accrued compensated absences are recorded in the statement of activities as an expense but not in governmental funds.		63,996
Amortization of discounts and premiums are not reported in the funds.		13,636
Amortization of deferred gains on refundings are not reported in the funds.		1,891
Pension Expense is not recognized in the funds related to the Net Pension Liability and related balance sheet amounts.		668,487
OPEB Expense is not recognized in the funds related to the Total OPEB Liability and related balance sheet amounts.		(19,503)
Deferred revenue is not recorded in the statements of net position thus the change is excluded in activities.		<u>(63,509)</u>
Change in Net Position of Governmental Activities	\$	<u><u>3,374,799</u></u>

See accompanying notes to the financial statements

CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2021

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 7,100,619	\$	\$ 7,100,619	\$ 917,988
Receivables (Net of Allowances)	868,311	42,645	910,956	
Intergovernmental Receivables		135,220	135,220	
Inventories	223,809		223,809	
Prepays	4,639		4,639	
Due from Other Funds				116,800
Noncurrent Assets:				
Advances to Other Funds				597,494
Net Pension Asset	149,032		149,032	
Capital Assets Not being Depreciated	849,111	236,246	1,085,357	
Depreciable Assets, Net	21,374,707	3,984,085	25,358,792	
Total Assets	<u>\$ 30,570,228</u>	<u>\$ 4,398,196</u>	<u>\$ 34,968,424</u>	<u>\$ 1,632,282</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan - Employer Contributions	\$ 73,693	\$	\$ 73,693	\$
Pension Plan - Change in Assumption	2,722		2,722	
OPEB Plan - Employer Contributions	765		765	
OPEB Plan - Change in Assumption	12,539		12,539	
Total Deferred Outflows of Resources	<u>\$ 89,719</u>	<u>\$ 0</u>	<u>\$ 89,719</u>	<u>\$ 0</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 360,108	\$ 695	\$ 360,803	\$
Accrued Wages	30,104		30,104	
Accrued Interest	15,043		15,043	
Due to Other Funds	107,327	79,635	186,962	
Customer Deposits and Prepayments	304,114		304,114	
Noncurrent Liabilities:				
Due Within One Year	623,541		623,541	
Due In More Than One Year	2,986,106		2,986,106	
Closure/Post Closure Landfill Liability	6,865		6,865	
Accrued Compensated Absences	122,779		122,779	
Total OPEB Liability	60,546		60,546	
Advances from Other Funds	506,958		506,958	
Total Liabilities	<u>\$ 5,123,491</u>	<u>\$ 80,330</u>	<u>\$ 5,203,821</u>	<u>\$ 0</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Plan - Experience Differences	\$ 208,362	\$	\$ 208,362	\$
Pension Plan - Earnings Differences	161,354		161,354	
OPEB Plan - Experience Differences	6,491		6,491	
Total Deferred Inflows of Resources	<u>\$ 376,207</u>	<u>\$ 0</u>	<u>\$ 376,207</u>	<u>\$ 0</u>
NET POSITION				
Net Investment in Capital Assets	\$ 18,614,171	\$ 4,220,331	\$ 22,834,502	\$
Restricted for Sewer Improvements	1,903,632		1,903,632	
Restricted for Water Improvements	194,830		194,830	
Unrestricted	4,447,616	97,535	4,545,151	1,632,282
Total Net Position	<u>\$ 25,160,249</u>	<u>\$ 4,317,866</u>	<u>\$ 29,478,115</u>	<u>\$ 1,632,282</u>

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
OPERATING REVENUES				
Water and Sewer Revenues	\$ 4,226,045	\$	\$ 4,226,045	\$
Sanitation Charges	2,624,138		2,624,138	
Street Lights	165,219		165,219	
Sewer Improvement Fee	226,282		226,282	
Water Improvement Fee	61,828		61,828	
Swimming Pool Fee	13,161		13,161	
Hanger Rental and Fuel Sales		53,500	53,500	
Total Operating Revenues	\$ 7,316,673	\$ 53,500	\$ 7,370,173	\$ 0
OPERATING EXPENSES				
Personnel Services	\$ 1,123,019	\$	\$ 1,123,019	\$
Supplies and Capital Outlay	158,146	83	158,229	
Repairs and Maintenance	352,429	22,012	374,441	
Services	2,895,391	32,173	2,927,564	
Other Operating Expenses	20,479		20,479	
Depreciation	932,389	207,016	1,139,405	
Amortization of Water Rights	326,527		326,527	
Total Operating Expense	\$ 5,808,380	\$ 261,284	\$ 6,069,664	\$ 0
Operating Income (Loss)	\$ 1,508,293	\$ (207,784)	\$ 1,300,509	\$ 0
NONOPERATING REVENUE (EXPENSE)				
Investment Earnings	\$ 37,906	\$ 204	\$ 38,110	\$ 6,215
Interest Expense and Fees	(168,593)		(168,593)	
Intergovernmental Grants		200,538	200,538	
Gain on Disposition of Assets	10,054		10,054	
Miscellaneous	178,410		178,410	
Total Nonoperating Revenue (Expense)	\$ 57,777	\$ 200,742	\$ 258,519	\$ 6,215
Income (Loss) Before Transfers	\$ 1,566,070	\$ (7,042)	\$ 1,559,028	\$ 6,215
TRANSFERS				
Transfers In/(Out)	\$ (407,340)	\$ 25,000	\$ (382,340)	\$ (468,734)
Total Transfers	\$ (407,340)	\$ 25,000	\$ (382,340)	\$ (468,734)
Change in Net Position	\$ 1,158,730	\$ 17,958	\$ 1,176,688	\$ (462,519)
TOTAL NET POSITION - BEGINNING	24,001,519	4,299,908	28,301,427	2,094,801
TOTAL NET POSITION - ENDING	\$ 25,160,249	\$ 4,317,866	\$ 29,478,115	\$ 1,632,282

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Major Proprietary Funds		Total	Internal
	Enterprise Fund	Airport Fund	Proprietary Funds	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 7,385,457	\$ 31,133	\$ 7,416,590	\$
Cash Payments to Suppliers for Goods and Services	(3,357,751)	(57,577)	(3,415,328)	\$
Cash Payments to Employees for Services	(1,277,028)		(1,277,028)	\$
Net Cash From Operating Activities	<u>\$ 2,750,678</u>	<u>\$ (26,444)</u>	<u>\$ 2,724,234</u>	<u>\$ 0</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Transfers To/From Other Funds	\$ (896,017)	\$ 104,634	\$ (791,383)	\$ 29,229
Cash Receipts From Non-Operating Activities	178,410	65,318	243,728	\$
Net Cash From Noncapital Financing Activities	<u>\$ (717,607)</u>	<u>\$ 169,952</u>	<u>\$ (547,655)</u>	<u>\$ 29,229</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions of Capital Assets	\$ (288,983)	\$ (180,293)	\$ (469,276)	\$
Proceeds from the Sale of Capital Assets	10,054		10,054	\$
Principal Payments on Long-Term Debt	(584,104)		(584,104)	\$
Interest Payments	(174,819)		(174,819)	\$
Net Cash From Capital and Related Financing Activities	<u>\$ (1,037,852)</u>	<u>\$ (180,293)</u>	<u>\$ (1,218,145)</u>	<u>\$ 0</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earned on Investments	\$ 37,906	\$ 205	\$ 38,111	\$ 6,215
Net Cash From Investing Activities	<u>\$ 37,906</u>	<u>\$ 205</u>	<u>\$ 38,111</u>	<u>\$ 6,215</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 1,033,125	\$ (36,580)	\$ 996,545	\$ 35,444
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,067,494</u>	<u>36,580</u>	<u>6,104,074</u>	<u>882,544</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,100,619</u>	<u>\$ 0</u>	<u>\$ 7,100,619</u>	<u>\$ 917,988</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities				
Operating Income (Loss)	\$ 1,508,293	\$ (207,784)	\$ 1,300,509	\$ 0
Adjustments to Reconcile Income From Operations to				
Net Cash From Operating Activities:				
Depreciation Expense	\$ 932,389	\$ 207,016	\$ 1,139,405	\$
Amortization Expense	326,527		326,527	\$
Change in Assets and Liabilities:				
Receivables	68,755	(22,367)	46,388	\$
Inventories	(37,698)		(37,698)	\$
Prepays	2,449		2,449	\$
Deferred Outflows	2,057		2,057	\$
Accounts Payable	104,562	(3,309)	101,253	\$
Accrued Payroll	2,626		2,626	\$
Meter Deposits	29		29	\$
Net Pension Liability	(202,516)		(202,516)	\$
Total OPEB Liability	7,475		7,475	\$
Closure/Post Closure Landfill Liability	(619)		(619)	\$
Accrued Compensated Absences	(5,433)		(5,433)	\$
Deferred Inflows	41,782		41,782	\$
Total Adjustments	<u>\$ 1,242,385</u>	<u>\$ 181,340</u>	<u>\$ 1,423,725</u>	<u>\$ 0</u>
Net Cash From Operating Activities	<u>\$ 2,750,678</u>	<u>\$ (26,444)</u>	<u>\$ 2,724,234</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

Primary Government

The City has a council-manager form of government with a mayor and four council members. The Mayor is elected at large for a three-year term and council members are elected to represent residents in four election districts for two-year terms. The terms are staggered so that two council members are elected each year. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City. The City Council is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its Statement No. 61, *The Financial Reporting Entity*.

Component Units

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

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

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

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

City of Levelland
1709 Avenue H
Levelland, Texas 79336

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation – Government-Wide Financial Statements

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

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

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

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

The City does not allocate indirect costs.

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

b. Basis of Presentation – Fund Financial Statements

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following fund types are used by the City:

1. Governmental Funds:

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

Major Funds:

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

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

Corona Virus Relief Fund – This special revenue fund is used to account for the receipt of grant funds and for expenditures related to this grant.

Nonmajor Funds:

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

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

2. Proprietary Fund – Enterprise Fund:

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

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

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

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Fund Balances

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

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

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

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

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

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

Fund Balance Policy

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Order of Expenditure of Funds

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

c. Measurement Focus, Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 30 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

d. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

2. Capital Assets:

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

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

3. Revenues:

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

4. Expenditures:

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

5. Compensated Absences:

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

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

6. Interfund Activity:

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

7. Encumbrances:

The City does not utilize an encumbrance accounting system. At year-end, the City reviews commitments to determine amounts encumbered. At September 30, 2021, there were no material commitments to be indicated by a reserve in the general fund balance.

8. Inventory:

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

9. Deferred Outflows/Inflows of Resources:

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

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

B. Cash and Cash Equivalents

At September 30, 2021, the carrying amount of the City's cash and cash equivalents was \$15,471,458, with bank balances of \$15,779,803. The City's cash in bank at September 30, 2021, and during the year then ended, were entirely covered by FDIC insurance and securities pledged by the depository bank, which are held by the bank's third party custodian bank.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

C. Disaggregation of Accounts Receivable

Estimated uncollectible receivables are charged to current operations under the allowance method of accounting. The allowance for uncollectible balances at September 30, 2021, for the various accounts included in the financial statements is as follows:

	<u>Total Receivables</u>	<u>Estimated Uncollectible Accounts</u>	<u>Net Receivables</u>
Governmental Activities:			
General Fund			
Ad Valorem Taxes	\$ 412,354	\$ 297,398	\$ 114,956
Sales Taxes	240,165		240,165
Franchise Taxes	251,420		251,420
Other	114,306		114,306
Special Revenue Funds			
Hotel Occupancy Tax	48,500		48,500
Other			0
Park Grants and Contributions			
Other	3,091		3,091
Debt Service			
Ad Valorem Taxes	47,098	32,688	14,410
Cemetery Fund			
Ad Valorem Taxes	18,876	12,565	6,311
Other	5,526		5,526
Total Governmental Activities	<u>\$ 1,141,336</u>	<u>\$ 342,651</u>	<u>\$ 798,685</u>
Business-Type Activities:			
Enterprise Fund			
Customer Accounts	1,939,022	1,070,711	868,311
Airport Fund			
Hanger Rental and Fuel	12,645		12,645
Other	30,000		30,000
Primary Government	<u>\$ 3,123,003</u>	<u>\$ 1,413,362</u>	<u>\$ 1,709,641</u>

D. Investments Policies and Risk

Legal and Contractual Provisions Governing Deposits and Investments

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

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

Policies Governing Deposits and Investments

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

- a. **Custodial Credit Risk – Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The City's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The City is not exposed to custodial credit risk, for its deposits are all covered by depository insurance and securities pledged by the depository bank, which are held by the bank's third party custodian bank.
- b. **Concentration of Credit Risk –** The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2021, all of the City's investments are with various financial institutions which are covered by FDIC insurance and pledged securities, and as such the City has no risk.
- c. **Credit Risk –** The risk that an issuer of other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2021, the City was not significantly exposed to credit risk.
- d. **Interest Rate Risk –** Not applicable
- e. **Foreign Currency Risk –** Not applicable

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

E. Property Taxes

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

On October 1, 2020, property taxes of \$4,201,522 were levied for the governmental funds. Individual tax levies from the tax roll on October 1, 2020, were delinquent if unpaid at January 31, 2021.

Allowances for uncollectible tax receivables within the General, Cemetery and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property without specific authority from the Texas Legislature.

F. Component Unit Receivable

The City had \$430,613 due from LEDC and LCDC at September 30, 2021 for their share of administration costs and park expenses and grant reimbursements.

G. Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance 10/1/2020	Increases	Transfers/ Decreases	Balance 9/30/2021
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,449,585	\$ 35,375	\$	\$ 1,484,960
Construction Work in Progress	87,079	63,160		150,239
Total Capital Assets Not Being Depreciated	<u>\$ 1,536,664</u>	<u>\$ 98,535</u>	<u>\$ 0</u>	<u>\$ 1,635,199</u>
Depreciable Assets:				
Buildings and Improvements	\$ 6,764,058	\$ 772,755	\$	\$ 7,536,813
Improvements Other Than Buildings	25,339,210	1,669,957		27,009,167
Machinery and Equipment	8,094,121	307,181	69,574	8,331,728
Total Depreciable Assets	<u>\$ 40,197,389</u>	<u>\$ 2,749,893</u>	<u>\$ 69,574</u>	<u>\$ 42,877,708</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,050,978	\$ 236,146	\$	\$ 1,287,124
Improvements Other Than Buildings	9,715,519	869,089		10,584,608
Machinery and Equipment	5,696,729	285,065	69,574	5,912,220
Total Accumulated Depreciation	<u>\$ 16,463,226</u>	<u>\$ 1,390,300</u>	<u>\$ 69,574</u>	<u>\$ 17,783,952</u>
Total Depreciable Assets, Net	<u>\$ 23,734,163</u>	<u>\$ 1,359,593</u>	<u>\$ 0</u>	<u>\$ 25,093,756</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,270,827</u>	<u>\$ 1,458,128</u>	<u>\$ 0</u>	<u>\$ 26,728,955</u>

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Balance</u> <u>10/1/2020</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance</u> <u>9/30/2021</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,085,357	\$ _____	\$ _____	\$ 1,085,357
Total Capital Assets Not Being Depreciated	<u>\$ 1,085,357</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,085,357</u>
Depreciable Assets:				
Buildings and Improvements	\$ 2,174,659	\$ 45,584	\$ _____	\$ 2,220,243
Improvements Other Than Buildings	30,111,183			30,111,183
Machinery and Equipment	<u>4,028,125</u>	<u>423,692</u>	<u>_____</u>	<u>4,451,817</u>
Total Depreciable Assets	<u>\$ 36,313,967</u>	<u>\$ 469,276</u>	<u>\$ 0</u>	<u>\$ 36,783,243</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 599,215	\$ 46,231	\$ _____	\$ 645,446
Improvements Other Than Buildings	12,818,753	800,823		13,619,576
Machinery and Equipment	<u>2,489,853</u>	<u>292,351</u>	<u>_____</u>	<u>2,782,204</u>
Total Accumulated Depreciation	<u>\$ 15,907,821</u>	<u>\$ 1,139,405</u>	<u>\$ 0</u>	<u>\$ 17,047,226</u>
Total Depreciable Assets, Net	<u>\$ 20,406,146</u>	<u>\$ (670,129)</u>	<u>\$ 0</u>	<u>\$ 19,736,017</u>
Investment in Water Facilities	\$ 13,101,582	\$ _____	\$ _____	\$ 13,101,582
Accumulated Amortization Investment in Water Facilities	<u>(7,121,058)</u>	<u>(357,749)</u>	<u>_____</u>	<u>(7,478,807)</u>
Net Investment in Water Facilities	<u>\$ 5,980,524</u>	<u>\$ (357,749)</u>	<u>\$ 0</u>	<u>\$ 5,622,775</u>
Business-Type Activities Capital Assets, Net	<u>\$ 27,472,027</u>	<u>\$ (1,027,878)</u>	<u>\$ 0</u>	<u>\$ 26,444,149</u>

H. Investment in Water Facilities and Related Debt

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following schedules comprise the debt outstanding related to the CRMWA and City of Lubbock contracts as of September 30, 2021:

Water Facilities Debt	Balance 10/1/2020	Addition	Principal Payments	Balance 9/30/2021
Series 2012, Refunding, CUP	\$ 919,782	\$	\$ 185,144	\$ 734,638
Series 2011, CUP	889,315	(878,236)	11,079	
Series 2014, Refunding, CUP	532,658		74,005	458,653
Series 2017, Refunding, CUP	268,770		29,249	239,521
Series 2020, Refunding, CUP		743,001	39,598	703,403
Water Treatment Plant 2014	249,701		58,362	191,339
	<u>\$ 2,860,226</u>	<u>\$ (135,235)</u>	<u>\$ 397,437</u>	<u>\$ 2,327,554</u>

Water Facilities Debt	Maturity	Interest Rates
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2012	2025	2.6%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2014	2027	2.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2017	2029	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2020	2031	4.0%-5.0%
Water Treatment Plant 2014 - City of Lubbock	2024	3.38%

The City paid \$118,504 in interest related to this debt for the year ended September 30, 2021.

Debt service requirements related to this debt at September 30, 2021, are as follows:

	Total Water Facilities Debt		
	Principal	Interest	Total
Year Ending September 30,			
2022	\$ 406,844	\$ 108,000	\$ 514,844
2023	426,162	88,993	515,155
2024	447,026	68,642	515,668
2025	305,078	47,164	352,242
2026	237,380	32,803	270,183
2027-2031	505,064	53,263	558,327
Totals	<u>\$ 2,327,554</u>	<u>\$ 398,865</u>	<u>\$ 2,726,419</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Investment in Water Facilities at cost as of September 30, 2021 is as follows:

	Beginning	Additions	Deletions/ Other	Ending
Cost of Water Facilities:				
CRMWA	\$ 12,316,077	\$	\$	\$ 12,316,077
City of Lubbock	585,505			585,505
Other	200,000			200,000
Total Cost of Water Facilities	\$ 13,101,582	\$ 0	\$ 0	\$ 13,101,582
Accumulated Amortization:				
CRMWA	\$ 6,807,396	\$ 309,536	\$	\$ 7,116,932
City of Lubbock	281,662	48,213		329,875
Other	32,000			32,000
Total Accumulated Amortization	\$ 7,121,058	\$ 357,749	\$ 0	\$ 7,478,807
Total Investment in Water Facilities	\$ 5,980,524	\$ (357,749)	\$ 0	\$ 5,622,775
Investments in Water Facilities, Net of Related Debt:				
	Net Investment	Debt	Investment Net of Related Debt	
CRMWA	\$ 5,199,145	\$ 2,136,215	\$ 3,062,930	
City of Lubbock	255,630	191,339	64,291	
Other	168,000		168,000	
Totals	\$ 5,622,775	\$ 2,327,554	\$ 3,295,221	

I. Long-Term Debt

The City's long-term debt is made up of bonds, unamortized premiums on bonds, notes, lease obligations, and compensated absences, the activity from the year is summarized below. These liabilities have been grouped by primary government activities in which the debts are recorded and serviced and show the amounts payable at September 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Interest and Fees
Governmental Activities:						
Series 2012, GO Refunding Bonds	\$ 1,190,000	\$	\$ 225,000	\$ 965,000	\$ 230,000	\$ 27,459
Series 2013, COs	3,240,000		205,000	3,035,000	210,000	82,281
Series 2015, Tax Notes	1,220,000		605,000	615,000	615,000	19,886
Series 2019, GO Refunding Bonds	2,455,000		255,000	2,200,000	260,000	42,050
Lease Obligations	747,550		104,015	643,535	107,437	24,765
Compensated Absences	642,522		63,996	578,526		
Unamortized Bond Premiums	129,593		13,636	115,957		
Total Governmental Activities	\$ 9,624,665	\$ 0	\$ 1,471,647	\$ 8,153,018	\$ 1,422,437	\$ 196,441

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Interest and Fees</u>
Business-Type Activities:						
CRMWA - Debt	\$ 2,610,525	\$ (135,235)	\$ 339,075	\$ 2,136,215	\$ 376,685	\$
City of Lubbock Debt	249,701		58,362	191,339	30,159	
State Infrastructure Bank Loan	735,590		49,322	686,268	50,617	18,647
Lease Obligations	498,405		160,940	337,465	166,080	15,919
Compensated Absences	128,212		5,433	122,779		
Unamortized Net Bond Premium	130,539	158,830	31,009	258,360		
Total Business-Type Activities	\$ 4,352,972	\$ 23,595	\$ 644,141	\$ 3,732,426	\$ 623,541	\$ 34,566

Detail on the maturity dates and interest rates of the outstanding Long-Term Debt of the City as of September 30, 2021 are as follows:

Governmental Activities:

<u>Debt</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
Series 2012, GO Refunding Bonds	2025	2.00% - 2.75%
Series 2019, GO Refunding Bonds	2029	1.81%
Series 2009, COs	2029	4.00% - 4.13%
Series 2013, COs	2033	2.00% - 3.13%
Series 2015, Tax Notes	2022	1.63%
Lease Obligations	2028	2.99% - 3.39%

Business-Type Activities:

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Debt service requirements on all long-term debt outstanding at September 30, 2021, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 1,422,436	\$ 169,160	\$ 1,591,596
2023	830,919	140,789	971,708
2024	859,278	121,411	980,689
2025	838,866	100,802	939,668
2026	596,374	84,093	680,467
2027-2031	2,330,662	221,095	2,551,757
2032-2034	580,000	18,281	598,281
Unamortized Bond Premiums	115,957		115,957
Totals	\$ 7,574,492	\$ 855,631	\$ 8,430,123

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 623,541	\$ 136,131	\$ 759,672
2023	649,493	110,490	759,983
2024	500,336	83,301	583,637
2025	359,787	60,424	420,211
2026	293,526	44,626	338,152
2027-2031	808,692	89,479	898,171
2032-2033	115,912	3,033	118,945
Unamortized Bond Premiums	258,360		258,360
Totals	\$ 3,609,647	\$ 527,484	\$ 4,137,131

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

Lease Obligations:

The assets acquired through lease obligations are as follows:

Cash and Capital Assets	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$ 733,075	\$ 816,561
Less: Accumulated Depreciation	(146,415)	(326,606)
Totals	\$ 586,660	\$ 489,955

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Commitments under lease obligation agreements for machinery and equipment provide for minimum future lease payments as of September 30, 2021, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2022	\$ 107,436	\$ 21,343	\$ 128,779
2023	110,919	17,861	128,780
2024	114,278	14,265	128,543
2025	73,866	10,552	84,418
2026	76,374	8,044	84,418
2027-2030	160,662	8,174	168,836
Totals	<u>\$ 643,535</u>	<u>\$ 80,239</u>	<u>\$ 723,774</u>

	Business-Type Activities		
	Principal	Interest	Total
Year Ending September 30,			
2022	\$ 166,080	\$ 10,779	\$ 176,859
2023	171,385	5,474	176,859
Totals	<u>\$ 337,465</u>	<u>\$ 16,253</u>	<u>\$ 353,718</u>

J. Pension Plan

Plan Description

The City participates as one of 886 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.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Benefits Provided

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

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

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

	<u>December 31, 2020</u>
Employee Deposit Rate	6%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Requirement Eligibility (Expressed as Age / Years of Service)	60/5,0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	55
Inactive Employees Entitled to but not Yet Receiving Benefits	36
Active Employees	<u>91</u>
Total Plan Employees	<u><u>182</u></u>

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 11.44% and 10.60% in calendar years 2020 and 2021, respectively. The City’s contributions to TMRS for the year ended September 30, 2021, were \$519,633, and were equal to the required contributions.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Net Pension Asset/Liability

The City's Net Pension Asset/Liability (NPAL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the NPAL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Amortization Period	25 years

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Asset (Liability)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Asset (Liability)</u>
Balance 12/31/2019	\$ 29,388,565	\$ 29,107,071	\$ (281,494)
Service Cost	709,849		(709,849)
Interest (on the Total Pension Liability)	1,926,263		(1,926,263)
Difference Between Expected and Actual Expenses	(695,328)		695,328
Contributions - Employer		556,334	556,334
Contributions - Employee		299,016	299,016
Net Investment Income		2,162,348	2,162,348
Benefit Payments	(1,176,875)	(1,176,875)	
Administrative Expense		(13,993)	(13,993)
Other	(193)	(546)	(353)
Balance 12/31/2020	<u>\$ 30,152,281</u>	<u>\$ 30,933,355</u>	<u>\$ 781,074</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension asset/liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<u>1% Decrease</u>	<u>Current Rate Assumption</u>	<u>1% Increase</u>
\$ 3,413,557	\$ 781,074	\$ (4,219,631)

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.

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

For the year ended September 30, 2021, the City recognized pension income of \$290,009 and calculated as shown below:

Total Service Cost	\$ 709,849
Interest on the Total Pension Liability	1,926,263
Employee Contributions (Reduction of Expense)	(299,016)
Projected Earnings on Plan Investments (Reduction of Expense)	(1,923,037)
Administrative Expense	13,993
Other Changes in Fiduciary Net Position	545
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(414,171)
Recognition of Current Year Outflow (Inflow) of Resources-Assets	<u>(304,435)</u>
Total Pension Expense (Income)	<u>\$ (290,009)</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows/(Inflows) of Resources - Pension Plan</u>	<u>Plan Year</u>	<u>Amount</u>	<u>Remaining Amortization Period</u>
Employer Contribution Deferrals	2020	\$ 386,224	1.000
Differences Between Projected and Actual Investment Earnings	2017	(328,514)	1.000
Differences Between Projected and Actual Investment Earnings	2018	1,013,816	2.000
Differences Between Projected and Actual Investment Earnings	2019	(1,335,182)	3.000
Differences Between Projected and Actual Investment Earnings	2020	(195,774)	4.000
Differences Between Expected and Actual Economic Experience	2016	1,120	0.110
Differences Between Expected and Actual Economic Experience	2017	(98,806)	0.990
Differences Between Expected and Actual Economic Experience	2018	(177,356)	1.890
Differences Between Expected and Actual Economic Experience	2019	(268,343)	2.790
Differences Between Expected and Actual Economic Experience	2020	(548,635)	3.740
Difference in Assumptions	2019	14,267	2.790
Total Deferred Outflows/(Inflows) of Resources		\$ <u>(1,537,183)</u>	

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

<u>Plan Year</u>	<u>Amortization of Deferred Outflows</u>
2022	\$ (358,671)
2023	(308,374)
2024	(712,641)
2025	(157,497)
2026	
	\$ <u>(1,537,183)</u>

K. Other Post-Employment Benefits (OPEB)

Plan Description:

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Benefits Provided:

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

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

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

Employees Covered by Benefit Terms:

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	34
Inactive Employees Entitled to but not Yet Receiving Benefits	16
Active Employees	91
Total Plan Employees	<u>141</u>

Total OPEB Liability:

The City's total OPEB liability of \$317,321 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions:

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic Gains and Losses and Assumptions	Straight-Line Amortization over Expected Working Life
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.00%
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASBS No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.00% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Annuity Purchase Rates:

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Experience Studies:

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013. TMRS uses the experience studies as a basis for determining assumptions, except where required to be treated different by GASB 75.

Changes in the Total OPEB Liability:

Balance as of December 31, 2019	\$ 279,321
Changes for the year:	
Service Cost	13,937
Interest on Total OPEB Liability	7,848
Difference Between Expected and Actual Experiences	(24,360)
Changes in Assumptions and Other Inputs	42,209
Other	(192)
Benefit Payments	<u>(1,442)</u>
Balance as of December 31, 2020	<u>\$ 317,321</u>

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

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

Sensitivity Analysis:

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.00%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ <u>387,021</u>	\$ <u>317,321</u>	\$ <u>262,772</u>

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$28,892. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experiences	\$	\$ 34,018
Changes in Assumptions and Other Inputs	65,715	
Contributions Made Subsequent to Measurement Date	<u>4,008</u>	
	<u>\$ 69,723</u>	<u>\$ 34,018</u>

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

	<u>OPEB Expense Amount</u>
2021	\$ 11,114
2022	7,106
2023	4,555
2024	8,346
2025	4,258
Thereafter	<u>326</u>
	<u>\$ 35,705</u>

L. Commitments and Contingencies

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

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

CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

M. Closure and Post-Closure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6,865 reported as landfill closure and post closure care liability at September 30, 2021, represents the cumulative amount reported to date based on the use of 0.91% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$854,398 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care at September 30, 2021. Actual costs in the future may be higher due to inflation, changes in technology, or changes in regulations.

N. Undivided Interests Related Party

The City and Hockley County both own a 50% undivided interest in the real property of the airport. Total net capital assets of the Airport are \$4,220,333, with no related debt, at September 30, 2021. The total net capital assets are included in the proprietary funds and in the business-type activities of the primary government in the City's statement of net position. The City and the County have always equally shared the responsibilities and benefits in regards to the undivided interests ownership and joint operations. While the City and the County share equally in all decision making, the City accepted the mantle of adopting government regulations to facilitate airport operations and for the accounting function.

O. Subsequent Event

Subsequent to year end, CRMWA refunded the 2012 refunding bonds with the 2021 refunding bond issue. The refunding will result in a savings of \$1,495,912 (Net Present Value Savings - \$1,473,055 or 7.825% of the refunded principal) over the next 4 years. This results in annual savings of around \$350,000 – \$415,000 for the CRMWA members.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LEVELLAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION ASSET/LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability
Service Cost	\$ 603,817	\$ 675,914	\$ 694,574	\$ 689,896	\$ 718,366	\$ 707,536	\$ 709,849
Interest	1,565,280	1,627,583	1,651,900	1,745,899	1,800,298	1,859,848	1,926,263
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)	(1,171,319)	(1,148,393)	(1,101,458)	(1,176,875)
Differences between Expected and Actual Experience	(54,713)	(53,434)	51,860	(498,031)	(458,872)	(449,560)	(695,328)
Changes of Assumptions		144,698				23,901	
Other - Proportionate Share Adjustment		(17,433)	(40,143)	(1,935)	448	(4,795)	(193)
Net Change	\$ 1,036,000	\$ 1,485,991	\$ 1,556,317	\$ 764,510	\$ 911,847	\$ 1,035,472	\$ 763,716
Beginning Balance	22,598,428	23,634,428	25,120,419	26,676,736	27,441,246	28,353,093	29,388,565
Ending Balance	\$ 23,634,428	\$ 25,120,419	\$ 26,676,736	\$ 27,441,246	\$ 28,353,093	\$ 29,388,565	\$ 30,152,281
	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position	Fiduciary Net Position
Employer Contributions	\$ 575,137	\$ 600,220	\$ 581,693	\$ 593,349	\$ 612,125	\$ 559,987	\$ 556,334
Employee Contributions	277,347	291,133	292,431	291,095	297,871	287,422	299,016
Net Investment Income	1,210,932	32,287	1,459,662	3,201,565	(779,074)	3,854,338	2,162,348
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)	(1,171,319)	(1,148,393)	(1,101,458)	(1,176,875)
Administration Expenses	(12,643)	(19,666)	(16,434)	(16,589)	(15,056)	(21,778)	(13,993)
Other	(1,039)	(972)	(887)	(840)	(787)	(654)	(546)
Net Change	\$ 971,350	\$ 11,665	\$ 1,514,591	\$ 2,897,261	\$ (1,033,314)	\$ 3,577,857	\$ 1,826,284
Beginning Balance	21,167,661	22,139,011	22,150,676	23,665,267	26,562,528	25,529,214	29,107,071
Ending Balance	\$ 22,139,011	\$ 22,150,676	\$ 23,665,267	\$ 26,562,528	\$ 25,529,214	\$ 29,107,071	\$ 30,933,355
Net Pension Asset (Liability)	\$ (1,495,417)	\$ (2,969,743)	\$ (3,011,469)	\$ (878,718)	\$ (2,823,879)	\$ (281,494)	\$ 781,074
Fiduciary Net Position as a Percentage of Total Pension Liability	93.67%	88.18%	88.71%	96.80%	90.04%	99.04%	102.59%
Covered Employee Payroll	\$ 4,609,065	\$ 4,852,217	\$ 4,998,910	\$ 4,851,588	\$ 4,964,512	\$ 4,790,361	\$ 4,806,021
Net Pension Liability as a Percentage of Covered Employee Payroll	-32.45%	-61.20%	-60.24%	-18.11%	-56.88%	-5.88%	16.25%

Note: Only seven years of GASB 68 Data Available as of 12/31/2020. The remaining three years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

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CITY OF LEVELLAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2021</u>
Actuarially Determined Contribution	\$ 608,830	\$ 608,954	\$ 604,475	\$ 607,218	\$ 573,303	\$ 552,984	\$ 519,633
Actual Contributions	<u>608,830</u>	<u>608,954</u>	<u>604,475</u>	<u>607,218</u>	<u>573,303</u>	<u>552,984</u>	<u>519,633</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 4,843,874	\$ 5,047,446	\$ 4,971,285	\$ 4,934,357	\$ 4,839,649	\$ 4,817,418	\$ 4,809,785
Contributions as a Percentage of Covered Employee Payroll	12.57%	12.06%	12.16%	12.31%	11.85%	11.48%	10.80%

Note: Only seven years of GASB 68 Data Available as of 09/30/2021 The remaining three years of Data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

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CITY OF LEVELLAND, TEXAS
SUPPLEMENTAL DEATH BENEFIT FUND

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
	Total OPEB	Total OPEB	Total OPEB	Total OPEB
	Liability	Liability	Liability	Liability
Service Cost	\$ 11,159	\$ 12,908	\$ 11,496	\$ 13,937
Interest	7,680	7,970	8,394	7,848
Differences between expected and actual experience		(16,327)	(7,768)	(24,360)
Benefit Payments	(1,456)	(1,491)	(1,437)	(1,442)
Other		122	(376)	(192)
Changes in Assumptions	<u>19,263</u>	<u>(16,530)</u>	<u>47,405</u>	<u>42,209</u>
Net Change	\$ 36,646	\$ (13,348)	\$ 57,714	\$ 38,000
Beginning Balance	<u>198,309</u>	<u>234,955</u>	<u>221,607</u>	<u>279,321</u>
Ending Balance	\$ <u>234,955</u>	\$ <u>221,607</u>	\$ <u>279,321</u>	\$ <u>317,321</u>
Total OPEB Liability	<u>\$ 234,955</u>	<u>\$ 221,607</u>	<u>\$ 279,321</u>	<u>\$ 317,321</u>
Covered Employee Payroll	\$ 4,851,588	\$ 4,964,512	\$ 4,790,361	\$ 4,806,021
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.84%	4.46%	5.83%	6.60%

Note: Only four year of GASB 75 Data Available as of 12/31/2020. The remaining six years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Taxes:				
Property Taxes	\$ 3,451,657	\$ 3,451,657	\$ 3,509,372	\$ 57,715
General Sales Taxes	2,760,000	2,760,000	2,779,946	19,946
Gross Receipts Business Tax	855,000	855,000	855,716	716
Intergovernmental Revenues and Grants	542,500	1,293,500	1,134,759	(158,741)
Charges for Services	2,500	2,500	12,096	9,596
Fines and Fees	175,800	175,800	177,822	2,022
Investment Earnings	25,000	25,000	27,191	2,191
Rents and Royalties	40,000	40,000	45,535	5,535
Miscellaneous	15,000	15,000	20,702	5,702
Contributions and Donations		5,000	7,143	2,143
Total Revenue	<u>\$ 7,867,457</u>	<u>\$ 8,623,457</u>	<u>\$ 8,570,282</u>	<u>\$ (53,175)</u>
EXPENDITURES				
Legislative	\$ 159,015	\$ 180,015	\$ 189,680	\$ (9,665)
City Manager	307,789	307,789	330,864	(23,075)
City Secretary	107,673	107,673	120,084	(12,411)
Finance	173,964	173,964	158,170	15,794
Municipal Court	151,477	151,477	144,709	6,768
Fire	1,266,619	1,212,619	1,172,026	40,593
Police	3,174,480	3,021,024	2,954,657	66,367
Inspections	379,209	379,209	355,280	23,929
Emergency and Health Services	268,103	288,103	313,961	(25,858)
Street	1,103,252	1,399,652	1,028,239	371,413
Shop	101,525	101,525	98,494	3,031
Park	679,335	1,425,335	1,419,948	5,387
Information Technology	72,000	72,000	81,417	(9,417)
Building Services	105,000	105,000	92,559	12,441
Engineering	97,500	97,500	71,222	26,278
Administration Services	103,802	103,802	103,811	(9)
Legal	104,832	104,832	83,567	21,265
Debt Service				
Principal	103,435	103,435	104,016	(581)
Interest	25,885	25,885	24,765	1,120
Total Expenditures	<u>\$ 8,484,895</u>	<u>\$ 9,360,839</u>	<u>\$ 8,847,469</u>	<u>\$ 513,370</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (617,438)</u>	<u>\$ (737,382)</u>	<u>\$ (277,187)</u>	<u>\$ 460,195</u>
OTHER FINANCING SOURCES				
Transfers In (Out)	\$ 757,000	\$ 659,800	\$ 476,837	\$ (182,963)
Proceeds from the Sale of Capital Assets	0	0	35,174	35,174
Total Other Financing Sources	<u>\$ 757,000</u>	<u>\$ 659,800</u>	<u>\$ 512,011</u>	<u>\$ (147,789)</u>
Net Change in Fund Balance	\$ 139,562	\$ (77,582)	\$ 234,824	\$ 312,406
Fund Balances - Beginning	<u>4,372,532</u>	<u>4,372,532</u>	<u>4,372,532</u>	
Fund Balances - Ending	<u>\$ 4,512,094</u>	<u>\$ 4,294,950</u>	<u>\$ 4,607,356</u>	<u>\$ 312,406</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

BUDGETARY COMPARISON SCHEDULE
CORONA VIRUS RELIEF FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Intergovernmental Revenues and Grants	\$	\$ 2,191,502	\$ 518,699	\$ (1,672,803)
Investment Earnings			1,779	1,779
Total Revenue	\$ <u>0</u>	\$ <u>2,191,502</u>	\$ <u>520,478</u>	\$ <u>(1,671,024)</u>
EXPENDITURES				
General Government	\$	\$ 518,903	\$ 478,366	\$ 40,537
Total Expenditures	\$ <u>0</u>	\$ <u>518,903</u>	\$ <u>478,366</u>	\$ <u>40,537</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ <u>0</u>	\$ <u>1,672,599</u>	\$ <u>42,112</u>	\$ <u>(1,630,487)</u>
OTHER FINANCING SOURCES				
Transfers In (Out)	\$ 0	\$ 0	\$ (40,537)	\$ (40,537)
Total Other Financing Sources	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(40,537)</u>	\$ <u>(40,537)</u>
Net Change in Fund Balance	\$ 0	\$ 1,672,599	\$ 1,575	\$ (1,671,024)
Fund Balances - Beginning	<u>204</u>	<u>204</u>	<u>204</u>	
Fund Balances - Ending	<u>\$ 204</u>	<u>\$ 1,672,803</u>	<u>\$ 1,779</u>	<u>\$ (1,671,024)</u>

CITY OF LEVELLAND, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SEPTEMBER 30, 2021

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal.
Amortization Method	Level Percentage of Payroll, Closed.
Remaining Amortization Period	25 years
Asset Valuation Method	Ten Year smoothed market; 15% soft corridor.
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Changes in Assumptions:	There were assumption changes during the year.
Benefits Changes:	There were no benefit changes during the year.

CITY OF LEVELLAND, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2021**

BUDGETARY DATA

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

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

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

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

Amounts over budget are covered by unassigned general fund balance.

SUPPLEMENTARY INFORMATION

CITY OF LEVELLAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Special Revenue Funds	Capital Projects Fund			Tax Increment Financing #2	Total Nonmajor Governmental Funds (See Pg. 6)
		Civic Improvement	Texas Capital Fund - Main Street	Tax Increment Financing #1		
ASSETS						
Assets:						
Cash and Cash Equivalents	\$ 563,170	\$ 114,804	\$ 55,360	\$ 793,403	\$ 1,020	\$ 1,527,757
Receivables (Net of Allowance for Uncollectibles)	63,428					63,428
Intergovernmental Receivables	164,330					164,330
Due from LEDC	257,661					257,661
Prepays	200					200
Total Assets	<u>\$ 1,048,789</u>	<u>\$ 114,804</u>	<u>\$ 55,360</u>	<u>\$ 793,403</u>	<u>\$ 1,020</u>	<u>\$ 2,013,376</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 221,207	\$ 179	\$	\$ 4,040	\$	\$ 225,426
Accrued Wages	2,716					2,716
Due to Other Funds	190,910					190,910
Total Liabilities	<u>\$ 414,833</u>	<u>\$ 179</u>	<u>\$ 0</u>	<u>\$ 4,040</u>	<u>\$ 0</u>	<u>\$ 419,052</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue - Property Taxes	\$ 6,311	\$	\$	\$	\$	\$ 6,311
Total Deferred Inflows of Resources	<u>\$ 6,311</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,311</u>
Fund Balances:						
Nonspendable - Prepays	\$ 200	\$	\$	\$	\$	\$ 200
Restricted Fund Balances:						
Restricted for Enabling Legislation	76,338					76,338
Restricted for Economic Development	176,176					176,176
Restricted for Donor Requirements	85,683					85,683
Committed Fund Balances:						
Committed for Expansion and Improvements		114,625	55,360	789,363	1,020	960,368
Committed for Cemetery Operations	289,248					289,248
Total Fund Balances	<u>\$ 627,645</u>	<u>\$ 114,625</u>	<u>\$ 55,360</u>	<u>\$ 789,363</u>	<u>\$ 1,020</u>	<u>\$ 1,588,013</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,048,789</u>	<u>\$ 114,804</u>	<u>\$ 55,360</u>	<u>\$ 793,403</u>	<u>\$ 1,020</u>	<u>\$ 2,013,376</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds	Capital Projects Fund			Total Nonmajor Governmental Funds (See Pg. 8)
		Civic Improvement	Texas Capital Fund - Main Street	Tax Increment Financing #1	
Revenue:					
Taxes					
General Property Taxes	\$ 200,258	\$	\$	\$ 127,498	\$ 499,716
Motel Occupancy Taxes	139,176				139,176
Intergovernmental	1,247,946		(6,876)		1,241,070
Fines and Fees	219,601				219,601
Investment Earnings	3,977	640	32	4,476	9,188
Rents and Royalties	4,898	5,580			10,478
Miscellaneous	277	116			393
Contributions and Donations	79,582				79,582
Total Revenue	<u>\$ 1,895,715</u>	<u>\$ 6,336</u>	<u>\$ (6,844)</u>	<u>\$ 131,974</u>	<u>\$ 2,199,204</u>
Expenditures:					
Current					
General Government	\$ 114,731	\$	\$	\$	\$ 114,731
Public Safety	37,402				37,402
Highways and Streets	23,585		35,900		59,485
Recreation and Parks	96,000				96,000
Economic Development	1,230,154	10,205		4,040	1,244,399
Cemetery	348,144				348,144
Total Expenditures	<u>\$ 1,850,016</u>	<u>\$ 10,205</u>	<u>\$ 35,900</u>	<u>\$ 4,040</u>	<u>\$ 1,900,161</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 45,699</u>	<u>\$ (3,869)</u>	<u>\$ (42,744)</u>	<u>\$ 127,934</u>	<u>\$ 299,043</u>
Other Financing Sources (Uses):					
Transfers In (Out)	\$ 26,286	\$	\$ 858	\$ (92,370)	\$ (237,126)
Total Other Financing Sources (Uses)	<u>\$ 26,286</u>	<u>\$ 0</u>	<u>\$ 858</u>	<u>\$ (92,370)</u>	<u>\$ (237,126)</u>
Net Change in Fund Balances	\$ 71,985	\$ (3,869)	\$ (41,886)	\$ 35,564	\$ 61,917
Fund Balances - Beginning	555,660	118,494	97,246	753,799	1,526,096
Fund Balances - Ending	<u>\$ 627,645</u>	<u>\$ 114,625</u>	<u>\$ 55,360</u>	<u>\$ 789,363</u>	<u>\$ 1,588,013</u>

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CITY OF LEVELLAND, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2021**

ASSETS	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	Incentive Grant-Main Street	CDBG Grant	EDA Grant	Mainstreet Activities	Truancy	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 46)
Assets:															
Cash and Cash Equivalents	\$ 287,464	\$ 7,499	\$ 13,804	\$ 4,868	\$ 114,164	\$ 14,468	\$ 5,257	\$ 43,278	\$	\$	\$	\$ 41,309	\$ 6,412	\$ 24,647	\$ 563,170
Receivables (Net of Allowance for Uncollectibles)	11,837				48,500			3,091							63,428
Intergovernmental Receivables					74,572					66,459	23,299				164,330
Due from LEDC										257,661					257,661
Prepays	200														200
Total Assets	\$ 299,501	\$ 7,499	\$ 13,804	\$ 4,868	\$ 237,236	\$ 14,468	\$ 5,257	\$ 46,369	\$ 0	\$ 324,120	\$ 23,299	\$ 41,309	\$ 6,412	\$ 24,647	\$ 1,048,789
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:															
Liabilities:															
Accounts Payable	\$ 1,026	\$	\$	\$	\$ 61,060	\$ 617	\$	\$	\$	\$ 156,509	\$	\$ 1,995	\$	\$	\$ 221,207
Accrued Wages	2,716														2,716
Due to Other Funds										167,611	23,299				190,910
Total Liabilities	\$ 3,742	\$ 0	\$ 0	\$ 0	\$ 61,060	\$ 617	\$ 0	\$ 0	\$ 0	\$ 324,120	\$ 23,299	\$ 1,995	\$ 0	\$ 0	\$ 414,833
DEFERRED INFLOWS OF RESOURCES:															
Unavailable Revenue - Property Taxes	\$ 6,311	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 6,311
Total Deferred Inflows of Resources	\$ 6,311	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,311
Fund Balances:															
Nonspendable - Prepays	\$ 200	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 200
Restricted Fund Balances:															
Restricted for Enabling Legislation		7,499	13,804	4,868		13,851	5,257						6,412	24,647	76,338
Restricted for Economic Development					176,176					0	0				176,176
Restricted for Donor Requirements								46,369	0			39,314			85,683
Committed Fund Balances:															
Committed for Cemetery Operations	289,248														289,248
Total Fund Balances	\$ 289,448	\$ 7,499	\$ 13,804	\$ 4,868	\$ 176,176	\$ 13,851	\$ 5,257	\$ 46,369	\$ 0	\$ 0	\$ 0	\$ 39,314	\$ 6,412	\$ 24,647	\$ 627,645
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 299,501	\$ 7,499	\$ 13,804	\$ 4,868	\$ 237,236	\$ 14,468	\$ 5,257	\$ 46,369	\$ 0	\$ 324,120	\$ 23,299	\$ 41,309	\$ 6,412	\$ 24,647	\$ 1,048,789

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	Incentive Grant- Main Street	Homeland Security	CDBG Grant	EDA Grant	CESF Grant	Mainstreet Activities	Tuancy	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 47)
Revenue:																	
Taxes																	
General Property Taxes	\$ 200,258	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 200,258
Motel Occupancy Taxes					139,176												139,176
Intergovernmental		1,776			74,572					36,039	997,529	23,299	114,731				1,247,946
Fines and Fees	207,051		4,451	42		3,754									4,303		219,601
Investment Earnings	1,937	46	76	32	707	84	35	679	5					189	28	159	3,977
Rents and Royalties	4,898																4,898
Miscellaneous	277																277
Contributions and Donations								37,286	207								79,582
Total Revenue	\$ 414,421	\$ 1,822	\$ 4,527	\$ 74	\$ 214,455	\$ 3,838	\$ 35	\$ 37,965	\$ 212	\$ 36,039	\$ 997,529	\$ 23,299	\$ 114,731	\$ 42,089	\$ 4,331	\$ 159	\$ 1,895,715
Expenditures:																	
Current																	
General Government	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 114,731	\$	\$	\$	\$ 114,731
Public Safety		125				849	389			36,039							37,402
Highways and Streets														23,585			23,585
Recreation and Parks								96,000									96,000
Economic Development					182,182						1,000,304	47,668					1,230,154
Cemetery	348,144																348,144
Total Expenditures	\$ 348,144	\$ 125	\$ 0	\$ 0	\$ 182,182	\$ 849	\$ 389	\$ 96,000	\$ 0	\$ 36,039	\$ 1,000,304	\$ 47,668	\$ 114,731	\$ 23,585	\$ 0	\$ 0	\$ 1,850,016
Excess (Deficiency) of Revenues																	
Over (Under) Expenditures	\$ 66,277	\$ 1,697	\$ 4,527	\$ 74	\$ 32,273	\$ 2,989	\$ (354)	\$ (58,035)	\$ 212	\$ 0	\$ (2,775)	\$ (24,369)	\$ 0	\$ 18,693	\$ 4,331	\$ 159	\$ 45,699
Other Financing Sources (Uses):																	
Transfers In (Out)	\$	\$	\$	\$	\$	\$	\$	\$	\$ (858)	\$	\$ 2,775	\$ 24,369	\$	\$	\$	\$	\$ 26,286
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (858)	\$ 0	\$ 2,775	\$ 24,369	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,286
Net Change in Fund Balances	\$ 66,277	\$ 1,697	\$ 4,527	\$ 74	\$ 32,273	\$ 2,989	\$ (354)	\$ (58,035)	\$ (646)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,693	\$ 4,331	\$ 159	\$ 71,985
Fund Balances - Beginning	223,171	5,802	9,277	4,794	143,903	10,862	5,611	104,404	646	0	0	0	0	20,621	2,081	24,488	555,660
Fund Balances - Ending	\$ 289,448	\$ 7,499	\$ 13,804	\$ 4,868	\$ 176,176	\$ 13,851	\$ 5,257	\$ 46,369	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,314	\$ 6,412	\$ 24,647	\$ 627,645

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2021

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 10)</u>
ASSETS:		
Current Assets		
Cash and Cash Equivalents	\$ 917,988	\$ 917,988
Due from Other Funds	116,800	116,800
Advances to Other Funds	597,494	597,494
Total Current Assets	<u>\$ 1,632,282</u>	<u>\$ 1,632,282</u>
NET POSITION:		
Unrestricted Net Position	<u>\$ 1,632,282</u>	<u>\$ 1,632,282</u>
Total Net Position	<u><u>\$ 1,632,282</u></u>	<u><u>\$ 1,632,282</u></u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 11)</u>
NONOPERATING REVENUES:		
Interest Revenue	\$ 6,215	\$ 6,215
Total Nonoperating Revenues	<u>\$ 6,215</u>	<u>\$ 6,215</u>
Income Before Transfers	\$ 6,215	\$ 6,215
Transfers In (Out)	<u>(468,734)</u>	<u>(468,734)</u>
Change in Net Position	\$ (462,519)	\$ (462,519)
Total Net Position - Beginning	<u>2,094,801</u>	<u>2,094,801</u>
Total Net Position - Ending	<u>\$ 1,632,282</u>	<u>\$ 1,632,282</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Capital Equipment Reserve Fund</u>	<u>Total Internal Service Funds (See Page 12)</u>
Cash Flows From Non-Capital Financing Activities:		
Cash Transfers	\$ (468,734)	\$ (468,734)
Principal Received on Loans Made to Other Funds	<u>497,963</u>	<u>497,963</u>
Net Cash From Non-Capital Financing Activities	<u>\$ 29,229</u>	<u>\$ 29,229</u>
Cash Flows From Investing Activities		
Interest and Dividends on Investments	<u>\$ 6,215</u>	<u>\$ 6,215</u>
Net Cash From Investing Activities	<u>\$ 6,215</u>	<u>\$ 6,215</u>
Net Change in Cash and Cash Equivalents	\$ 35,444	\$ 35,444
Cash and Cash Equivalents at Beginning of Year	<u>882,544</u>	<u>882,544</u>
Cash and Cash Equivalents at End of Year	<u>\$ 917,988</u>	<u>\$ 917,988</u>

OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Mayor and City Council
City of Levelland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Levelland, Texas' basic financial statements and have issued our report thereon dated February 4, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Certified Public Accountants

Lubbock, Texas

February 4, 2022