

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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CITY OF LEVELLAND, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (CONTINUED)

	<u>Page No.</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
<u>Basic Financial Statements</u>	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position	7
Statement of Governmental Funds Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the	
Statement of Activities	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Statement of Fiduciary Net Position	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios	35
Schedule of Contributions	36
Budgetary Comparison Schedule – General Fund – Budgetary Basis	37
Notes to Required Supplementary Information – Pension Plan	38
Notes to Required Supplementary Information – Budgetary Comparison Schedule	39

CITY OF LEVELLAND, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS (CONCLUDED)

	<u>Page No.</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	41
Combining Balance Sheet – Nonmajor Special Revenue Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	43
Combining Statement of Net Position – Internal Service Funds	44
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	45
Combining Statement of Cash Flows – Internal Service Funds	46
OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Schedule of Findings and Responses	49

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

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Independent Auditor's Report

To the Mayor and City Council
City of Levelland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas (the City), as of and for the fiscal year ended September 30, 2017, 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, 2017, 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, and schedule of contributions for the retirement plan, and budgetary comparison information on pages 35 through 39 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 May 2, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the City's internal control over financial reporting and compliance.

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

Certified Public Accountants

Lubbock, Texas

May 2, 2018

CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 5,165,274	\$ 4,442,445	\$ 9,607,719	\$ 2,274,281
Receivables (Net of Allowances)	1,105,089	819,653	1,924,742	137,650
Intergovernmental Receivables	294,029		294,029	143,587
Due from LEDC	14,386		14,386	
Inventories		196,060	196,060	911,885
Prepaid Items	1,446	14,042	15,488	
Internal Balances	1,370,317	(1,370,317)		
Notes Receivable				1,140,693
Capital Assets, Net of Accumulated Amortization and Depreciation				
Land	1,616,890	849,111	2,466,001	81,161
Buildings and Improvements	2,697,619	729,559	3,427,178	11,793
Improvements Other Than Buildings	21,138,338	13,174,704	34,313,042	5,287,513
Machinery and Equipment	2,897,009	1,434,185	4,331,194	16,934
Construction in Progress	4,031,167	203,225	4,234,392	
Investment in Water Facilities		6,640,685	6,640,685	
Total Assets	\$ 40,331,564	\$ 27,133,352	\$ 67,464,916	\$ 10,005,497
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan - Employer Contributions	\$ 363,145	\$ 84,799	\$ 447,944	\$ 11,883
Pension Plan - Change in Assumption	71,719	16,747	88,466	2,270
Pension Plan - Earnings Differences	803,856	187,711	991,567	25,443
Total Deferred Outflows of Resources	\$ 1,238,720	\$ 289,257	\$ 1,527,977	\$ 39,596
LIABILITIES				
Accounts Payable	\$ 668,370	\$ 367,297	\$ 1,035,667	\$ 3,173
Accrued Wages	77,422	16,258	93,680	
Accrued Interest	43,236		43,236	4,656
Customer Deposits and Prepayments	2,000	275,670	277,670	
Unearned Revenue	207		207	
Due to City of Levelland				14,386
Noncurrent Liabilities				
Net Pension Liability	2,441,376	570,093	3,011,469	77,272
Due Within One Year	1,175,000	687,569	1,862,569	180,000
Due In More Than One Year	11,186,218	3,927,195	15,113,413	1,030,000
Total Liabilities	\$ 15,593,829	\$ 5,844,082	\$ 21,437,911	\$ 1,309,487
DEFERRED INFLOWS OF RESOURCES				
Pension Plan - Experience Differences	\$ 11,233	\$ 2,623	\$ 13,856	\$ 356
Total Deferred Inflows of Resources	\$ 11,233	\$ 2,623	\$ 13,856	\$ 356
NET POSITION				
Net Investment in Capital Assets	\$ 20,443,174	\$ 18,523,105	\$ 38,966,279	\$ 4,692,401
Restricted for:				
Enabling Legislation	30,688		30,688	
Debt Service	16,195		16,195	
Donor Requirements	65,087		65,087	
Economic Development	433,505		433,505	4,042,849
Sewer Improvements		1,275,030	1,275,030	
Unrestricted	4,976,573	1,777,769	6,754,342	
Total Net Position	\$ 25,965,222	\$ 21,575,904	\$ 47,541,126	\$ 8,735,250

See accompanying notes to the financial statements.

-5-
CITY OF LEBELAND, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
					Primary Government				
		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	\$ 1,412,731	\$ 202,717	\$ 323,098	\$ 63,002	\$ (1,210,014)	\$	\$ (1,210,014)	\$	
Public Safety	5,242,123	19,178			(4,836,845)		(4,836,845)		
Highways and Streets	1,395,886	32,086	7,042	290,234	(1,066,524)		(1,066,524)		
Recreation and Parks	880,745	26,370	62,858		(791,517)		(791,517)		
Economic Development	232,232				(232,232)		(232,232)		
Cemetery	328,849	142,237			(186,612)		(186,612)		
Airport	316,679	4,518	35,810	784,458	508,107		508,107		
Interest and Fee's Related to Debt	309,465		419,686		110,221		110,221		
Total Governmental Activities	\$ 10,118,710	\$ 427,106	\$ 848,494	\$ 1,137,694	\$ (7,705,416)	\$ 0	\$ (7,705,416)	\$ 0	
<u>Business-Type Activities:</u>									
Water and Sewer	\$ 2,952,290	\$ 3,965,700	\$ 20,000	\$ 0	\$ 0	\$ 1,033,410	\$ 1,033,410	\$	
Sanitation	1,898,659	2,541,108				642,449	642,449		
Street Lights	162,131	151,636				(10,495)	(10,495)		
Sewer Improvement Fee		200,173				200,173	200,173		
Swimming Pool	48,543	13,363				(35,180)	(35,180)		
Interest on Debt	226,806					(226,806)	(226,806)		
Depreciation	787,357					(787,357)	(787,357)		
Amortization	341,979					(341,979)	(341,979)		
Total Business-Type Activities	\$ 6,417,765	\$ 6,871,980	\$ 20,000	\$ 0	\$ 0	\$ 474,215	\$ 474,215	\$ 0	
Total Primary Government	\$ 16,536,475	\$ 7,299,086	\$ 868,494	\$ 1,137,694	\$ (7,705,416)	\$ 474,215	\$ (7,231,201)	\$ 0	
Component Units	\$ 1,092,170	\$ 335,246	\$ 0	\$ 0				\$ (756,924)	

General Revenues (Expenses):

Taxes:								
Property Taxes, Levied for General Purposes	\$ 4,356,135					\$ 4,356,135	\$	
Sales Taxes	2,711,302					2,711,302		1,227,147
Franchise Taxes	858,775					858,775		
Motel Occupancy Taxes	154,461					154,461		
Investment Earnings	66,055				36,418	102,473		13,887
Rents and Royalties	115,518					115,518		900
Miscellaneous	37,798				152,748	190,546		3,700
Loss on Disposition of Assets	(61,132)				(46,031)	(107,163)		
Transfers	291,932				(291,932)			
Total General Revenues, Special Items, and Transfers	\$ 8,530,844				\$ (148,797)	\$ 8,382,047	\$ 1,245,634	
Change in Net Position	\$ 825,428				\$ 325,418	\$ 1,150,846	\$ 488,710	
Net Position—Beginning	25,139,794				21,250,486	46,390,280		8,246,540
Net Position—Ending	\$ 25,965,222				\$ 21,575,904	\$ 47,541,126		\$ 8,735,250

See accompanying notes to the financial statements.

-6-
CITY OF LEVELLAND, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Major Funds		Nonmajor Governmental Funds		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>			
ASSETS					
Cash and Cash Equivalents	\$ 3,083,041	\$ 199,703	\$ 1,381,388	\$ 64,839	\$ 4,664,132
Receivables (Net of Allowances)	1,040,250				1,105,089
Intergovernmental Receivables	294,029				294,029
Due from LEDC	14,386				14,386
Prepays	1,446				1,446
Total Assets	<u>\$ 4,433,152</u>	<u>\$ 199,703</u>	<u>\$ 1,446,227</u>		<u>\$ 6,079,082</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 435,591	\$ 199,703	\$ 33,076	\$ 3,163	\$ 668,370
Accrued Wages	74,259				77,422
Due to Other Funds	22,028				22,028
Customer Deposits	2,000				2,000
Unearned Revenue			207		207
Advances from Other Funds	127,318				127,318
Total Liabilities	<u>\$ 661,196</u>	<u>\$ 199,703</u>	<u>\$ 36,446</u>		<u>\$ 897,345</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	\$ 135,364	\$ 0	\$ 17,210		\$ 152,574
FUND BALANCES					
Restricted Fund Balance:					
Restricted for Enabling Legislation	\$	\$	\$ 30,688	\$ 30,688	
Restricted for Economic Development			433,505		433,505
Restricted for Donor Requirements			65,087		65,087
Restricted for Debt Service			16,195		16,195
Committed Fund Balance:					
Committed for Expansion and Improvements			524,060		524,060
Committed for Cemetery Operations			323,036		323,036
Unassigned	<u>3,636,592</u>				<u>3,636,592</u>
Total Fund Balances	<u>\$ 3,636,592</u>	<u>\$ 0</u>	<u>\$ 1,392,571</u>		<u>\$ 5,029,163</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,433,152</u>	<u>\$ 199,703</u>	<u>\$ 1,446,227</u>		<u>\$ 6,079,082</u>

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds Balance Sheet	\$ 5,029,163
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)	32,381,023
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,020,805
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(423,369)
Long-term obligations including reoffering premiums are not due and payable in the current period and therefore are not reported in the funds.	(11,937,849)
Payables for bond interest which are not due in the current period are not reported in the funds.	(43,236)
Net Pension Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(1,213,889)
Property tax revenue is recognized in funds but not in the Statement of Net Position.	<u>152,574</u>
Net Position of Governmental Activities	\$ <u>25,965,222</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, 2017**

	Major Fund		Nonmajor Governmental Funds		Total
	General Fund	Capital Projects Fund			
REVENUES					
Taxes:					
General Property Taxes	\$ 3,565,456	\$	\$ 775,030	\$ 4,340,486	
Sales and Use Taxes	2,711,302			2,711,302	
Franchise Taxes	858,775			858,775	
Motel Occupancy Taxes			154,461	154,461	
Intergovernmental Revenues	1,472,320	43,332	463,492	1,979,144	
Charges for Services	14,824			14,824	
Recreation	2,000			2,000	
Fines and Fees	201,442		151,109	352,551	
Rents and Royalties	101,181		14,337	115,518	
Investment Earnings	35,641	12,559	12,188	60,388	
Miscellaneous	35,269		2,529	37,798	
Contributions and Donations			64,775	64,775	
Total Revenues	\$ 8,998,210	\$ 55,891	\$ 1,637,921	\$ 10,692,022	
EXPENDITURES					
Current					
General Government	\$ 1,363,222	\$	\$ 13,054	\$ 1,376,276	
Public Safety	5,136,188	3,647,466	50,625	8,834,279	
Highways and Streets	1,521,194		30,833	1,552,027	
Recreation and Parks	718,935		21,817	740,752	
Economic Development			237,112	237,112	
Cemetery			319,963	319,963	
Airport	915,739			915,739	
Debt Service					
Principal			1,145,000	1,145,000	
Interest			328,956	328,956	
Fiscal Agent's Fees			2,350	2,350	
Total Expenditures	\$ 9,655,278	\$ 3,647,466	\$ 2,149,710	\$ 15,452,454	
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (657,068)	\$ (3,591,575)	\$ (511,789)	\$ (4,760,432)	
OTHER FINANCING SOURCES					
Transfers In (Out)	\$ 34,735	\$ 351,309	\$ 492,635	\$ 878,679	
Proceeds from the Sale of Assets	1,251			1,251	
Total Other Financing Sources (Uses)	\$ 35,986	\$ 351,309	\$ 492,635	\$ 879,930	
Net Change in Fund Balance	\$ (621,082)	\$ (3,240,266)	\$ (19,154)	\$ (3,880,502)	
Fund Balance - Beginning	4,257,674	3,240,266	1,411,725	8,909,665	
Fund Balance - Ending	\$ 3,636,592	\$ 0	\$ 1,392,571	\$ 5,029,163	

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, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (3,880,502)

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.	5,988,463
The loss on disposition of assets is not reported in the funds.	(62,383)
Transfer of assets to the proprietary fund is not reported in the funds.	(268,407)
Depreciation is recorded in the Statement of Activities as an expense but not in governmental funds.	(1,596,747)
Principal payments are recorded as expenditures in governmental funds but excluded in the Statement of Activities.	1,145,000
The net revenue of internal service funds is reported with governmental activities.	(312,673)
Decrease in accrued interest from beginning of period to end of period.	(1,095)
Accrued compensated absences are recorded in the statement of activities as an expense but not in governmental funds.	73,018
Amortization of discounts and premiums are not reported in the funds.	22,936
Pension Expense is not recognized in the funds related to the Net Pension Liability and related balance sheet amounts.	(297,831)
Deferred revenue is not recorded in the statements of net position thus the change is excluded in activities.	<u>15,649</u>
Change in Net Position of Governmental Activities	\$ <u>825,428</u>

See accompanying notes to the financial statements

-10-
CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	<u>Enterprise</u> <u>Fund</u>	<u>Internal</u> <u>Service Funds</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,442,445	\$ 501,142
Receivables (Net of Allowances)	819,653	
Inventories	196,060	
Prepays	14,042	
Due from Other Funds		212,058
Noncurrent Assets:		
Advances to Other Funds		1,307,605
Capital Assets, Net of Accumulated Depreciation and Amortization		
Land	849,111	
Building and Improvements	729,559	
Improvements Other Than Buildings	13,174,704	
Machinery and Equipment	1,434,185	
Construction in Progress	203,225	
Investment in Water Facilities	6,640,685	
Total Assets	<u>\$ 28,503,669</u>	<u>\$ 2,020,805</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan - Employer Contributions	\$ 84,799	\$
Pension Plan - Change in Assumption	16,747	
Pension Plan - Earnings Differences	187,711	
Total Deferred Outflows of Resources	<u>\$ 289,257</u>	<u>\$ 0</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 367,297	\$
Accrued Wages	16,258	
Due to Other Funds	190,029	
Customer Deposits and Prepayments	275,670	
Noncurrent Liabilities:		
Due Within One Year	687,569	
Due In More Than One Year	3,927,195	
Net Pension Liability	570,093	
Advances from Other Funds	1,180,288	
Total Liabilities	<u>\$ 7,214,399</u>	<u>\$ 0</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Plan - Experience Differences	<u>\$ 2,623</u>	<u>\$ 0</u>
NET POSITION		
Net Investment in Capital Assets	\$ 18,523,105	\$
Restricted for Sewer Improvements	1,275,030	
Unrestricted	1,777,769	2,020,805
Total Net Position	<u>\$ 21,575,904</u>	<u>\$ 2,020,805</u>

See accompanying notes to the financial statements.

-11-
CITY OF LEVELLAND, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
OPERATING REVENUES		
Water and Sewer Revenues	\$ 3,965,700	\$
Sanitation Charges	2,541,108	
Street Lights	151,636	
Sewer Improvement Fee	200,173	
Swimming Pool	13,363	
Total Operating Revenues	<u>\$ 6,871,980</u>	<u>\$ 0</u>
OPERATING EXPENSES		
Personnel Services	\$ 1,400,596	\$
Supplies and Capital Outlay	277,844	
Repairs and Maintenance	470,069	
Services	2,874,604	
Other Operating Expenses	38,510	
Depreciation	787,357	
Amortization of Water Rights	341,979	
Total Operating Expense	<u>\$ 6,190,959</u>	<u>\$ 0</u>
Operating Income	<u>\$ 681,021</u>	<u>\$ 0</u>
NONOPERATING REVENUE (EXPENSE)		
Investment Earnings	\$ 36,418	\$ 5,667
Intergovernmental Revenues	20,000	
Interest Expense and Fees	(226,806)	
Loss on Disposition of Assets	(46,031)	
Miscellaneous	152,748	
Total Nonoperating Revenue (Expense)	<u>\$ (63,671)</u>	<u>\$ 5,667</u>
Income Before Transfers	<u>\$ 617,350</u>	<u>\$ 5,667</u>
TRANSFERS		
Transfers Out	\$ (291,932)	\$ (318,340)
Total Transfers	<u>\$ (291,932)</u>	<u>\$ (318,340)</u>
Change in Net Position	<u>\$ 325,418</u>	<u>\$ (312,673)</u>
TOTAL NET POSITION - BEGINNING	<u>\$ 21,250,486</u>	<u>\$ 2,333,478</u>
TOTAL NET POSITION - ENDING	<u>\$ 21,575,904</u>	<u>\$ 2,020,805</u>

See accompanying notes to the financial statements.

-12-
CITY OF LEVELLAND, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$ 6,965,372	\$
Cash Payments to Suppliers for Goods and Services	(3,725,137)	
Cash Payments to Employees for Services	(1,274,840)	
Net Cash Provided by Operating Activities	<u>\$ 1,965,395</u>	\$ 0
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Transfers From Other Funds	\$ (790,991)	\$ (92,399)
Cash Received From Intergovernmental Grant	20,000	
Net Cash Used in Noncapital Financing Activities	<u>\$ (770,991)</u>	\$ (92,399)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions of Capital Assets	\$ (612,095)	\$
Principal Payments on Long-Term Debt	(586,000)	
Interest Payments	(226,656)	
Net Cash Used in Capital and Related Financing Activities	<u>\$ (1,424,751)</u>	\$ 0
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned on Investments	\$ 36,418	\$ 5,667
Net Cash Provided by Investing Activities	<u>\$ 36,418</u>	\$ 5,667
CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,636,374</u>	<u>587,874</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,442,445</u>	<u>\$ 501,142</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating Income	\$ 681,021	\$ 0
Adjustments to Reconcile Income From Operations to Net Cash From Operating Activities:		
Depreciation Expense	\$ 787,357	\$
Amortization Expense	341,979	
Miscellaneous	152,748	
Change in Assets and Liabilities:		
Receivables	(62,095)	
Inventories	30,692	
Prepays	(14,042)	
Deferred Outflows - Pension Plan	49,244	
Accounts Payable	(80,760)	
Accrued Payroll	469	
Meter Deposits	2,739	
Net Pension Liability	50,954	
Accrued Compensated Absences	35,887	
Deferred Inflows - Pension Plan	<u>(10,798)</u>	
	\$ 1,284,374	\$ 0
Net Cash Provided by Operating Activities	<u>\$ 1,965,395</u>	\$ 0
Supplemental Cash Flow Information:		
Non-Cash Financing Activities:		
Received capital assets with a book value of \$268,407 from the General Fund.		

See accompanying notes to the financial statements.

-13-
CITY OF LEVELLAND, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

	TNRCC NonExpendable Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 31,139
Total Assets	<u><u>\$ 31,139</u></u>
NET POSITION	
Held in Trust for TNRCC	\$ 31,139
Total Net Position	<u><u>\$ 31,139</u></u>

-14-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

Primary Government

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

Component Units

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

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

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

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

City of Levelland
1709 Avenue H
Levelland, Texas 79336

-15-
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.

-16-
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.

Capital Project Fund - This governmental fund is established to account for improvements related to the 2015 Tax Bonds issued.

Nonmajor Funds:

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

Capital Project Funds - This governmental fund is 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.

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.

-17-
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).

-18-
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 45 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.

-19-
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 non-operating 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.

-20-
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, 2017, 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 Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

B. Cash and Cash Equivalents

At September 30, 2017, the carrying amount of the City's cash and cash equivalents was \$9,607,719, with a bank balance of \$10,067,021. The City's cash and cash equivalents at September 30, 2017, 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.

-21-
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 uncollectable balances at September 30, 2017, 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	\$ 353,058	\$ 200,186	\$ 152,872
Sales Taxes	526,485		526,485
Franchise Taxes	270,443		270,443
Other	90,450		90,450
Special Revenue Funds			
Hotel Occupancy Tax	42,655		42,655
Other	57		57
Debt Service			
Ad Valorem Taxes	36,454	22,173	14,281
Cemetery Fund			
Ad Valorem Taxes	12,143	9,213	2,930
Other	4,916		4,916
Total Governmental Activities	\$ 1,336,661	\$ 231,572	\$ 1,105,089
Business-Type Activities:			
Enterprise Fund			
Customer Accounts	1,708,637	888,984	819,653
Primary Government	\$ 3,045,298	\$ 1,120,556	\$ 1,924,742

D. Investments Policies and Risk

Legal and Contractual Provisions Governing Deposits and Investments

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

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

-22-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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, 2017, 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 or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2017, the City was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

E. Property Taxes

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

On October 1, 2016, property taxes of \$4,223,770 were levied for the governmental funds. Individual tax levies from the tax roll on October 1, 2016, were delinquent if unpaid at January 31, 2017.

-23-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 \$14,386 due from LEDC at September 30, 2017 for their share of administration costs.

G. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Balance</u>		<u>Transfers/</u>		<u>Balance</u>
	<u>10/1/2016</u>		<u>Increases</u>		<u>9/30/2017</u>
Governmental Activities:					
Capital Assets Not Being Depreciated					
Land	\$ 1,607,657	\$	\$ (9,233)	\$	1,616,890
Construction Work in Progress	<u>352,874</u>	<u>3,678,293</u>	<u>_____</u>	<u>_____</u>	<u>4,031,167</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,960,531</u>	<u>\$ 3,678,293</u>	<u>\$ (9,233)</u>	<u>\$</u>	<u>5,648,057</u>
Depreciable Assets:					
Buildings and Improvements	\$ 7,829,497	\$ 51,749	\$ 4,592,873	\$	3,288,373
Improvements Other Than Buildings	<u>24,648,421</u>	<u>1,808,313</u>	<u>(4,029,895)</u>	<u>_____</u>	<u>30,486,629</u>
Machinery and Equipment	<u>6,754,454</u>	<u>450,108</u>	<u>(48,471)</u>	<u>_____</u>	<u>7,253,033</u>
Total Depreciable Assets	<u>\$ 39,232,372</u>	<u>\$ 2,310,170</u>	<u>\$ 514,507</u>	<u>\$</u>	<u>41,028,035</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ 588,200	\$ 86,237	\$ 83,683	\$	590,754
Improvements Other Than Buildings	<u>8,228,752</u>	<u>972,404</u>	<u>(147,135)</u>	<u>_____</u>	<u>9,348,291</u>
Machinery and Equipment	<u>4,055,854</u>	<u>538,106</u>	<u>237,936</u>	<u>_____</u>	<u>4,356,024</u>
Total Accumulated Depreciation	<u>\$ 12,872,806</u>	<u>\$ 1,596,747</u>	<u>\$ 174,484</u>	<u>\$</u>	<u>14,295,069</u>
Total Depreciable Assets, Net	<u>\$ 26,359,566</u>	<u>\$ 713,423</u>	<u>\$ 340,023</u>	<u>\$</u>	<u>26,732,966</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,320,097</u>	<u>\$ 4,391,716</u>	<u>\$ 330,790</u>	<u>\$</u>	<u>32,381,023</u>

Depreciation was charged to governmental activities as follows:

General Government	\$ 25,506
Public Safety	371,705
Highways and Streets	708,536
Recreation and Parks	247,098
Cemetery	39,222
Airport	204,680
	<u>\$ 1,596,747</u>

-24-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	Balance 10/1/2016	Increases	Transfers/ Decreases	Balance 9/30/2017
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 523,424	\$	\$ (325,687)	\$ 849,111
Construction Work in Progress	<u>23,553</u>	<u>179,672</u>	<u></u>	<u>203,225</u>
Total Capital Assets Not Being Depreciated	<u><u>\$ 546,977</u></u>	<u><u>\$ 179,672</u></u>	<u><u>\$ (325,687)</u></u>	<u><u>\$ 1,052,336</u></u>
Depreciable Assets:				
Buildings and Improvements	\$ 996,148	\$ 32,835	\$	\$ 1,028,983
Improvements Other Than Buildings	<u>21,338,294</u>	<u>318,773</u>	<u>(10,875)</u>	<u>21,667,942</u>
Machinery and Equipment	<u>3,464,527</u>	<u>80,815</u>	<u>(321,741)</u>	<u>3,223,601</u>
Total Depreciable Assets	<u><u>\$ 25,798,969</u></u>	<u><u>\$ 432,423</u></u>	<u><u>\$ (332,616)</u></u>	<u><u>\$ 25,920,526</u></u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 278,953	\$ 20,471	\$	\$ 299,424
Improvements Other Than Buildings	<u>8,068,740</u>	<u>515,607</u>	<u>91,109</u>	<u>8,493,238</u>
Machinery and Equipment	<u>1,654,583</u>	<u>251,279</u>	<u>(116,446)</u>	<u>1,789,416</u>
Total Accumulated Depreciation	<u><u>\$ 10,002,276</u></u>	<u><u>\$ 787,357</u></u>	<u><u>\$ (25,337)</u></u>	<u><u>\$ 10,582,078</u></u>
Total Depreciable Assets, Net	<u><u>\$ 15,796,693</u></u>	<u><u>\$ (354,934)</u></u>	<u><u>\$ (307,279)</u></u>	<u><u>\$ 15,338,448</u></u>
Investment in Water Facilities	\$ 12,886,184	\$	\$	\$ 12,886,184
Accumulated Amortization Investment in Water Facilities	<u>(5,903,520)</u>	<u>(341,979)</u>	<u></u>	<u>(6,245,499)</u>
Net Investment in Water Facilities	<u><u>\$ 6,982,664</u></u>	<u><u>\$ (341,979)</u></u>	<u><u>0</u></u>	<u><u>\$ 6,640,685</u></u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 23,326,334</u></u>	<u><u>\$ (517,241)</u></u>	<u><u>\$ (632,966)</u></u>	<u><u>\$ 23,031,469</u></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 \$12,886,184, including other amounts invested.

-25-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following schedules comprise the debt outstanding related to the CRMWA contracts as of September 30, 2017:

Water Facilities Debt	Balance 10/1/2016	Addition	Principal Payments	Balance 9/30/2017
Series 2010, Refunding, CUP	\$ 88,448	\$	18,625	\$ 69,823
Series 2010, Refunding, BUREC	283,804		98,396	185,408
Series 2012, Refunding, CUP	1,177,616		33,535	1,144,081
Series 2009, CUP	437,995		25,703	412,292
Series 2011, CUP	1,136,469		57,774	1,078,695
Series 2014, Refunding, CUP	1,151,267		162,148	989,119
	<u>\$ 4,275,599</u>	<u>\$ 0</u>	<u>\$ 396,181</u>	<u>\$ 3,879,418</u>

Water Facilities Debt	Maturity	Interest Rates
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2009	2029	4.2%
Revenue Bonds, Bureau of Reclamation Project, Series 2010	2018	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2010	2020	3.0%-3.5%
Revenue Bonds, Conjunctive Use Groundwater Supply Project, Series 2011	2031	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2012	2025	2.6%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2014	2027	2.0%-5.0%

The City paid \$199,076 in interest related to this debt for the year ended September 30, 2017.

Debt service requirements on all long-term debt outstanding at September 30, 2017, are as follows:

Year Ending September 30,	CRMWA		
	Principal	Interest	Total
2018	\$ 488,493	\$ 184,183	\$ 672,676
2019	341,827	163,236	505,063
2020	357,821	147,228	505,049
2021	371,392	129,719	501,111
2022	389,705	111,461	501,166
2023-2027	1,509,259	278,615	1,787,874
2028-2031	420,921	37,104	458,025
Totals	\$ 3,879,418	\$ 1,051,546	\$ 4,930,964

-26-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Investment in Water Facilities at cost as of September 30, 2017 is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions/</u> <u>Other</u>	<u>Ending</u>
Cost:				
CRMWA	\$ 12,316,077	\$	\$	\$ 12,316,077
City of Lubbock	370,107	2,316	346,950	370,107
Other	200,000	4,000	32,000	200,000
Total Cost of Water Facilities	\$ 12,886,184	\$ 0	\$ 0	\$ 12,886,184
Accumulated Amortization:				
CRMWA	\$ 5,530,886	\$ 335,663	\$	\$ 5,866,549
City of Lubbock	344,634	2,316	346,950	
Other	28,000	4,000	32,000	
Total Accumulated Amortization	\$ 5,903,520	\$ 341,979	\$ 0	\$ 6,245,499
Total Investment in Water Facilities	\$ 6,982,664	\$ (341,979)	\$ 0	\$ 6,640,685
Investments in Water Facilities, Net of Related Debt:				
	<u>Net Investment</u>	<u>Debt</u>	<u>Investment Net of Related Debt</u>	
CRMWA	\$ 6,449,528	\$ 3,879,418	\$ 2,570,110	
City of Lubbock	23,157	23,157		
Other	168,000	168,000		
Totals	\$ 6,640,685	\$ 3,879,418	\$ 2,761,267	

I. Long-Term Debt

The City's long-term debt is made up of bonds, unamortized premiums on bonds, notes, 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, 2017:

	<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>
Governmental Activities:						
Series 2012, GO Refunding Bonds	\$ 2,020,000	\$ 200,000	\$ 1,820,000	\$ 205,000	\$ 44,450	
Series 2009, COs	3,265,000	195,000	3,070,000	200,000	128,810	
Series 2013, COs	4,005,000	180,000	3,825,000	190,000	97,831	
Series 2015, Tax Notes	3,550,000	570,000	2,980,000	580,000	57,865	
Compensated Absences	496,387	73,018	423,369			
Unamortized Bond Premiums	265,785	22,936	242,849			
Total Governmental Activities	\$ 13,602,172	\$ 0	\$ 1,240,954	\$ 12,361,218	\$ 1,175,000	\$ 328,956

-27-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Interest and Fees
Business-Type Activities:						
CRMWA - Debt	\$ 4,275,599	\$ 396,181	\$ 3879,418	\$ 488,493	\$ 199,842	
Note Payable	678,173	189,819	488,354	199,076	26,814	
Compensated Absences	70,511	35,887	106,398			
Unamortized Net Bond Premium	140,444	150	140,594			
Total Business-Type Activities	\$ 5,164,727	\$ 36,037	\$ 586,000	\$ 4,614,764	\$ 687,569	\$ 226,656

Detail on the maturity dates and interest rates of the outstanding Long-Term Debt of the City as of September 30, 2017 are as follows:

Governmental Activities:

Debt	Year of Maturity	Interest Rate
Series 2012, GO Refunding Bonds	2025	2.00% - 2.75%
Series 2009, COs	2029	4.00% - 4.13%
Series 2013, COs	2033	2.00% - 3.13%
Series 2015, Tax Notes	2022	1.63%

Business-Type Activities:

Debt	Year of Maturity	Interest Rate
CRMWA - Debt	See Note H	See Note H
Note Payable	2020	4.25%

Debt service requirements on all long-term debt outstanding at September 30, 2017, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 1,175,000	\$ 304,015	\$ 1,479,015
2019	1,200,000	277,836	1,477,836
2020	1,230,000	250,976	1,480,976
2021	1,265,000	223,687	1,488,687
2022	1,295,000	195,010	1,490,010
2023-2027	3,270,000	614,564	3,884,564
2028-2032	1,965,000	177,038	2,142,038
2033	295,000	4,609	299,609
Unamortized Bond Premiums	242,849		242,849
Totals	\$ 11,937,849	\$ 2,047,735	\$ 13,985,584

-28-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Year Ending September 30,	Business-Type Activities			Total
	Principal	Interest		
2018	\$ 687,569	\$ 201,750		\$ 889,319
2019	549,499	172,207		721,706
2020	439,427	148,390		587,817
2021	371,392	129,719		501,111
2022	389,705	111,461		501,166
2023-2027	1,509,259	278,615		1,787,874
2028-2031	420,921	37,104		458,025
Unamortized Bond Premiums	140,594			140,594
Totals	\$ 4,508,366	\$ 1,079,246		\$ 5,587,612

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.

J. Pension Plan

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

-29-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2016
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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	50
Inactive Employees Entitled to but not Yet Receiving Benefits	27
Active Employees	92
Total Plan Employees	<u>169</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 6.00% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 11.94% and 12.23% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$604,475, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Amortization Period	29 years

-30-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Actuarial assumptions used in the December 31, 2016 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Assumptions are reviewed annually and as a result there were no assumption changes during the year.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%

-31-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)
Balance 12/31/2015	\$ 25,120,419	\$ 22,150,676	\$ (2,969,743)
Service Cost	694,574		(694,574)
Interest (on the Total Pension Liability)	1,651,900		(1,651,900)
Difference Between Expected and Actual Expenses	51,860		(51,860)
Contributions - Employer		581,693	581,693
Contributions - Employee		292,431	292,431
Net Investment Income		1,459,662	1,459,662
Benefit Payments	(801,874)	(801,874)	
Administrative Expense		(16,434)	(16,434)
Other	(40,143)	(887)	39,256
Balance 12/31/2016	<u>\$ 26,676,736</u>	<u>\$ 23,665,267</u>	<u>\$ (3,011,469)</u>

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

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

1% Decrease	Current Rate Assumption	1% Increase
\$ 6,703,542	\$ 3,011,469	\$ 21,087

Pension Plan Fiduciary Net Position

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

-32-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

For the year ended September 30, 2017, the City recognized pension expense of \$978,957 and calculated as shown below:

Total Service Cost	\$ 694,574
Interest on the Total Pension Liability	1,651,900
Employee Contributions (Reduction of Expense)	(292,431)
Projected Earnings on Plan Investments (Reduction of Expense)	(1,457,775)
Administrative Expense	16,434
Other Changes in Fiduciary Net Position	887
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	17,117
Recognition of Current Year Outflow (Inflow) of Resources-Assets	348,251
Total Pension Expense	\$ 978,957

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/(Inflows) of Resources - Pension Plan	Plan Year	Amount	Remaining Amortization Period
Employer Contribution Deferrals	2015	\$ 447,944	1.000
Differences Between Projected and Actual Investment Earnings	2014	105,612	2.000
Differences Between Projected and Actual Investment Earnings	2015	887,465	3.000
Differences Between Projected and Actual Investment Earnings	2016	(1,510)	4.000
Differences Between Expected and Actual Economic Experience	2014	(22,898)	2.260
Differences Between Expected and Actual Economic Experience	2015	(32,670)	3.260
Differences Between Expected and Actual Economic Experience	2016	41,712	4.110
Difference in Assumptions	2015	88,466	3.260
Total Deferred Outflows/(Inflows) of Resources		\$ 1,514,121	

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

Plan Year	Amortization of Deferred Outflows
2017	\$ 813,312
2018	365,367
2019	320,108
2020	14,217
2021	1,117
	\$ 1,514,121

-33-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

K. Commitments, Contingencies, and Subsequent Events

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.

The City is committed to various contracts for roofing repairs in the amount of approximately \$1,129,000.

On November 2, 2017 CRMWA refunded the 2009 bond issue with subordinate lien contract revenue refunding bonds, series 2017. CRMWA refunded \$13,575,000 of 2009 bonds with \$11,465,000 of 2017 bonds. The new bonds were issued at a premium of \$1,317,090. The City's portion of this new issue will be 2.790%

The City has evaluated subsequent events through May 2, 2018, the date which the financial statements were available to be issued.

L. 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 will start reporting a portion of these closure and post closure care costs in 2018 and thereafter, as an operating expense in each period based on landfill capacity used as of each balance sheet date. No amounts were recorded in 2017, since the percentage used was not material to the total capacity. The City will recognize the estimated cost of closure and post closure care of \$779,612 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, 2017. Actual costs in the future may be higher due to inflation, changes in technology, or changes in regulations.

-34-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

M. 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 \$4,725,952, with no related debt, at September 30, 2017. The total net capital assets are included with the Governmental Activities of the Primary Government in the City's Statement of Net Position. The City and the County have always equally shared the responsibilities and benefits in regards to the undivided interests ownership and joint operations. While the City and the County share equally in all decision making, the City accepted the mantle of adopting government regulations to facilitate airport operations and for the accounting function.

REQUIRED SUPPLEMENTARY INFORMATION

-35-
CITY OF LEVELLAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>	<u>Total Pension Liability</u>
Service Cost	\$ 603,817	\$ 675,914	\$ 694,574
Interest	1,565,280	1,627,583	1,651,900
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)
Differences between Expected and Actual Experience	(54,713)	(53,434)	51,860
Changes of Assumptions		144,698	
Other - Proportionate Share Adjustment		(17,433)	(40,143)
Net Change	\$ 1,036,000	\$ 1,485,991	\$ 1,556,317
Beginning Balance	22,598,428	23,634,428	25,120,419
Ending Balance	<u>\$ 23,634,428</u>	<u>\$ 25,120,419</u>	<u>\$ 26,676,736</u>
	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>
Employer Contributions	\$ 575,137	\$ 600,220	\$ 581,693
Employee Contributions	277,347	291,133	292,431
Net Investment Income	1,210,932	32,287	1,459,662
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)
Administration Expenses	(12,643)	(19,666)	(16,434)
Other	(1,039)	(972)	(887)
Net Change	\$ 971,350	\$ 11,665	\$ 1,514,591
Beginning Balance	21,167,661	22,139,011	22,150,676
Ending Balance	<u>\$ 22,139,011</u>	<u>\$ 22,150,676</u>	<u>\$ 23,665,267</u>
Net Pension Asset (Liability)	<u>\$ (1,495,417)</u>	<u>\$ (2,969,743)</u>	<u>\$ (3,011,469)</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	93.67%	88.18%	88.71%
Covered Payroll	\$ 4,609,065	\$ 4,852,217	\$ 4,998,910
Net Pension Liability as a Percentage of Covered Payroll	-32.45%	-61.20%	-60.24%

Note: Only three years of GASB 68 Data Available as of 12/31/2016. The remaining seven 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
DEFINED BENEFIT RETIREMENT PLAN**

**SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>
Actuarially Determined Contribution	\$ 608,830	\$ 608,954	\$ 604,475
Actual Contributions	608,830	608,954	604,475
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>	<u>0</u>
Covered Payroll	\$ 4,843,874	\$ 5,047,446	\$ 4,971,285
Contributions as a Percentage of Covered Employee Payroll	12.57%	12.06%	12.16%

Note: Only three years of GASB 68 Data Available as of 09/30/2017. The remaining seven years of Data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

-37-
CITY OF LEVELLAND, TEXAS

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Taxes:				
Property Taxes	\$ 3,494,864	\$ 3,494,864	\$ 3,565,456	\$ 70,592
General Sales Taxes	2,342,500	2,342,500	2,711,302	368,802
Gross Receipts Business Tax	785,000	785,000	858,775	73,775
Intergovernmental Revenues and Grants	834,600	883,360	687,862	(195,498)
Charges for Services	9,000	9,000	14,824	5,824
Fines and Fees	167,820	167,820	201,442	33,622
Recreation			2,000	2,000
Investment Earnings	35,400	35,400	35,641	241
Rents and Royalties	57,500	57,500	101,181	43,681
Miscellaneous	40,000	40,000	35,269	(4,731)
Total Revenue	<u>\$ 7,766,684</u>	<u>\$ 7,815,444</u>	<u>\$ 8,213,752</u>	<u>\$ 398,308</u>
EXPENDITURES				
Legislative	\$ 127,711	\$ 127,711	\$ 124,736	\$ 2,975
City Manager	184,596	184,596	189,826	(5,230)
City Secretary	154,674	154,674	147,016	7,658
Finance	169,728	169,728	161,870	7,858
Municipal Court	141,382	141,382	143,663	(2,281)
Fire	1,375,709	1,399,289	1,243,348	155,941
Police	3,166,304	3,197,604	3,196,277	1,327
Inspections	429,661	429,661	361,512	68,149
Emergency and Health Services	226,513	226,513	191,387	35,126
Street	1,656,770	1,803,853	1,434,148	369,705
Shop	96,038	96,038	87,046	8,992
Park	697,962	725,462	718,935	6,527
Information Technology	109,731	109,731	121,153	(11,422)
Building Services	180,173	180,173	193,713	(13,540)
Professional Services	90,000	90,000	98,723	(8,723)
Administration Services	242,529	242,529	236,941	5,588
Economic Development	169,861	169,861		169,861
Main Street	91,503	91,503	89,245	2,258
Airport	134,115	140,415	131,281	9,134
Total Expenditures	<u>\$ 9,444,960</u>	<u>\$ 9,680,723</u>	<u>\$ 8,870,820</u>	<u>\$ 809,903</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (1,678,276)</u>	<u>\$ (1,865,279)</u>	<u>\$ (657,068)</u>	<u>\$ 1,208,211</u>
OTHER FINANCING SOURCES				
Transfers In (Out)	\$ (5,000)	\$ (5,000)	\$ 34,735	\$ 39,735
Proceeds from the Sale of Capital Assets	1,000	1,000	1,251	251
Total Other Financing Sources	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>	<u>\$ 35,986</u>	<u>\$ 39,986</u>
Net Change in Fund Balance	<u>\$ (1,682,276)</u>	<u>\$ (1,869,279)</u>	<u>\$ (621,082)</u>	<u>\$ 1,248,197</u>
Fund Balances - Beginning	<u>4,257,674</u>	<u>4,257,674</u>	<u>4,257,674</u>	<u></u>
Fund Balances - Ending	<u>\$ 2,575,398</u>	<u>\$ 2,388,395</u>	<u>\$ 3,636,592</u>	<u>\$ 1,248,197</u>

The accompanying notes are an integral part of this statement.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SEPTEMBER 30, 2017**

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal.
Amortization Method	Level Percentage of Payroll, Closed.
Remaining Amortization Period	29 years
Asset Valuation Method	Ten Year smoothed market; 15% soft corridor.
Inflation	2.50%
Salary Increases	3.50% to 10.50% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

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

-39-
CITY OF LEVELLAND, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2017**

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. During the year, the budget was amended as necessary. 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).

SUPPLEMENTARY INFORMATION

CITY OF LEBELLAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund				Total Nonmajor Governmental Funds (See Pg. 6)
			Civic Improvement	Texas Capital Fund - Main Street	Tax Increment Financing #1	Tax Increment Financing #2	
ASSETS							
Assets:							
Cash and Cash Equivalents	\$ 821,566	\$ 16,195	\$ 134,613	\$ 39,115	\$ 368,581	\$ 1,318	\$ 1,381,388
Receivables (Net of Allowance for Uncollectibles)	\$ 50,558	\$ 14,281					64,839
Total Assets	\$ 872,124	\$ 30,476	\$ 134,613	\$ 39,115	\$ 368,581	\$ 1,318	\$ 1,446,227
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 13,509	\$ 0	\$ 0	\$ 19,567	\$ 0	\$ 0	\$ 33,076
Accrued Wages	3,163						3,163
Unearned Revenue	207						207
Total Liabilities	\$ 16,879	\$ 0	\$ 0	\$ 19,567	\$ 0	\$ 0	\$ 36,446
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue - Property Taxes	\$ 2,929	\$ 14,281	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,210
	\$ 2,929	\$ 14,281	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,210
Fund Balances:							
Restricted Fund Balances:							
Restricted for Enabling Legislation	\$ 30,688	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,688
Restricted for Economic Development	433,505						433,505
Restricted for Donor Requirements	65,087						65,087
Restricted for Debt Service		16,195					16,195
Committed Fund Balances:							
Committed for Expansion and Improvements			134,613	19,548	368,581	1,318	524,060
Committed for Cemetery Operations	323,036	\$ 16,195	\$ 134,613	\$ 19,548	\$ 368,581	\$ 1,318	\$ 323,036
Total Fund Balances	\$ 852,316	\$ 16,195	\$ 134,613	\$ 19,548	\$ 368,581	\$ 1,318	\$ 1,392,571
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 872,124	\$ 30,476	\$ 134,613	\$ 39,115	\$ 368,581	\$ 1,318	\$ 1,446,227

-41-
CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue Funds	Debt Service Fund	Civic Improvement	Texas Capital Fund - Main Street	Capital Projects Fund	Tax Increment Financing #1	Tax Increment Financing #2	Total Nonmajor Governmental Funds (See Pg. 8)
Revenue:								
Taxes								
General Property Taxes	\$ 83,215	\$ 394,759			\$ 115,583	\$ 181,473		\$ 775,030
Motel Occupancy Taxes	154,461							154,461
Intergovernmental	43,806	419,686						463,492
Fines and Fees	151,109							151,109
Investment Earnings	7,110	1,239	1,029	381	2,336	93		12,188
Rents and Royalties	5,087		9,250					14,337
Miscellaneous	366		2,163					2,529
Contributions and Donations	63,500				1,275			64,775
Total Revenue	\$ 508,654	\$ 815,684	\$ 12,442	\$ 381	\$ 119,194	\$ 181,566		\$ 1,637,921
Expenditures:								
Current								
General Government	\$ 9,554	\$ 3,500						\$ 13,054
Public Safety	43,348							50,625
Highways and Streets			7,277					30,833
Recreation and Parks	21,817							21,817
Economic Development	237,112							237,112
Cemetery	319,963							319,963
Debt Service								
Principal			1,145,000					1,145,000
Interest			328,956					328,956
Fiscal Agent's Fees			2,350					2,350
Total Expenditures	\$ 631,794	\$ 1,479,806	\$ 7,277	\$ 30,833	\$ 0	\$ 0		\$ 2,149,710
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (123,140)	\$ (664,122)	\$ 5,165	\$ (30,452)	\$ 119,194	\$ 181,566		\$ (511,789)
Other Financing Sources (Uses):								
Transfers In (Out)	\$ 2,635	\$ 621,955		\$ 50,000	\$ (181,955)			\$ 492,635
Total Other Financing Sources (Uses)	\$ 2,635	\$ 621,955	\$ 0	\$ 50,000	\$ 0	\$ (181,955)		\$ 492,635
Net Change in Fund Balances	\$ (120,505)	\$ (42,167)	\$ 5,165	\$ 19,548	\$ 119,194	\$ (389)		\$ (19,154)
Fund Balances - Beginning	972,821	58,362	129,448	0	249,387	1,707		1,411,725
Fund Balances - Ending	\$ 852,316	\$ 16,195	\$ 134,613	\$ 19,548	\$ 368,581	\$ 1,318		\$ 1,392,571

-42-
CITY OF LEVELLAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2017

ASSETS	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	Incentive Grant-Main Street	Mainstreet Activities	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 40)
Assets:												
Cash and Cash Equivalents	\$ 328,380	\$ 2,720	\$ 670	\$ 2,873	\$ 390,850	\$ 2,543	\$ 3,173	\$ 55,984	\$ 828	\$ 14,300	\$ 19,245	\$ 821,566
Receivables (Net of Allowance for Uncollectibles)	<u>7,846</u>	<u> </u>	<u> </u>	<u> </u>	<u>42,655</u>	<u> </u>	<u> </u>	<u>57</u>	<u> </u>	<u> </u>	<u> </u>	<u>50,558</u>
Total Assets	\$ 336,226	\$ 2,720	\$ 670	\$ 2,873	\$ 433,505	\$ 2,543	\$ 3,173	\$ 56,041	\$ 828	\$ 14,300	\$ 19,245	\$ 872,124
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:												
Liabilities:												
Accounts Payable	\$ 7,098	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51	\$ 5,875	\$ 0	\$ 0	\$ 485	\$ 13,509
Accrued Wages	<u>3,163</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>3,163</u>
Unearned Revenue	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>207</u>
Total Liabilities	\$ 10,261	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51	\$ 5,875	\$ 0	\$ 0	\$ 485	\$ 16,879
DEFERRED INFLOWS OF RESOURCES:												
Unavailable Revenue - Property Taxes												
\$ 2,929	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,929
<u>\$ 2,929</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,929</u>
Fund Balances:												
Restricted Fund Balances:												
Restricted for Enabling Legislation	\$ 0	\$ 0	\$ 2,720	\$ 670	\$ 2,873	\$ 433,505	\$ 2,492	\$ 3,173	\$ 0	\$ 0	\$ 18,760	\$ 30,688
Restricted for Economic Development	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>433,505</u>
Restricted for Donor Requirements	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>65,087</u>
Committed Fund Balances:												
Committed for Cemetery Operations	<u>323,036</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>323,036</u>
Total Fund Balances	\$ 323,036	\$ 2,720	\$ 670	\$ 2,873	\$ 433,505	\$ 2,492	\$ 3,173	\$ 50,166	\$ 621	\$ 14,300	\$ 18,760	\$ 852,316
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 336,226	\$ 2,720	\$ 670	\$ 2,873	\$ 433,505	\$ 2,543	\$ 3,173	\$ 56,041	\$ 828	\$ 14,300	\$ 19,245	\$ 872,124

-43-
CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Motel Occupancy	Court Technology	Police Special	Federal Grant Fund	Park Grants and Contribution	Incentive Grant-Main Street	Mainstreet Activities	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 41)
Revenue:													
Taxes:													
General Property Taxes	\$ 83,215	\$ 0	\$ 0	\$ 0	\$ 154,461	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 83,215
Motel Occupancy Taxes				2,152									154,461
Intergovernmental													43,806
Fines and Fees	142,237			3,101		892			37,406		2,301		1,947
Investment Earnings	3,013		17	5		21							151,109
Rents and Royalties	5,087							745					7,110
Miscellaneous	366							24					5,087
Contributions and Donations													366
Total Revenue	\$ 233,918	\$ 2,169	\$ 3,106	\$ 913	\$ 157,859	\$ 4,148	\$ 769	\$ 37,406	\$ 24,370	\$ 7	\$ 39,130	\$ 2,110	\$ 508,654
Expenditures:													
Current													
General Government	\$ 0	\$ 0	\$ 0	\$ 2,436	\$ 0	336	\$ 0	\$ 3,472	\$ 0	\$ 40,041	\$ 0	\$ 3,310	\$ 9,554
Public Safety													43,348
Recreation and Parks													21,817
Economic Development													237,112
Cemetery	319,963												319,963
Total Expenditures	\$ 319,963	\$ 0	\$ 2,436	\$ 336	\$ 215,506	\$ 3,472	\$ 0	\$ 40,041	\$ 21,817	\$ 0	\$ 24,916	\$ 3,307	\$ 631,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (86,045)	\$ 2,169	\$ 670	\$ 577	\$ (57,647)	\$ 676	\$ 769	\$ (2,635)	\$ 5,216	\$ 7	\$ 14,300	\$ (1,197)	\$ (123,140)
Other Financing Sources (Uses):													
Transfers In (Out)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,635	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,635
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,635	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,635
Net Change in Fund Balances	\$ (86,045)	\$ 2,169	\$ 670	\$ 577	\$ (57,647)	\$ 676	\$ 769	\$ 0	\$ 5,216	\$ 7	\$ 14,300	\$ (1,197)	\$ (120,505)
Fund Balances - Beginning	409,081	551	0	2,296	491,152	1,816	2,404	0	44,950	614	0	19,957	972,821
Fund Balances - Ending	\$ 323,036	\$ 2,720	\$ 670	\$ 2,873	\$ 433,505	\$ 2,492	\$ 3,173	\$ 0	\$ 50,166	\$ 621	\$ 14,300	\$ 18,760	\$ 852,316

-44-
CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017**

	<u>Capital Equipment Reserve Fund</u>	<u>Insurance Claim Fund</u>	Total Internal Service Funds (See Page 10)
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 456,438	\$ 44,704	\$ 501,142
Due from Other Funds	212,058		212,058
Advances to Other Funds	1,307,605		1,307,605
Total Current Assets	<u>\$ 1,976,101</u>	<u>\$ 44,704</u>	<u>\$ 2,020,805</u>
NET POSITION:			
Unrestricted Net Position	\$ 1,976,101	\$ 44,704	\$ 2,020,805
Total Net Position	<u>\$ 1,976,101</u>	<u>\$ 44,704</u>	<u>\$ 2,020,805</u>

-45-
CITY OF LEBELLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Capital Equipment Reserve Fund</u>	<u>Insurance Claim Fund</u>	<u>Total Internal Service Funds (See Page 11)</u>
OPERATING REVENUES:			
Total Operating Revenues	\$ 0	\$ 0	\$ 0
OPERATING EXPENSES:			
Total Operating Expenses	\$ 0	\$ 0	\$ 0
Operating Income (Loss)	\$ 0	\$ 0	\$ 0
NON-OPERATING REVENUES (EXPENSES):			
Interest Revenue	\$ 2,920	\$ 2,747	\$ 5,667
Total Non-Operating Revenues (Expenses)	<u>\$ 2,920</u>	<u>\$ 2,747</u>	<u>\$ 5,667</u>
Income (Loss) Before Transfers	\$ 2,920	\$ 2,747	\$ 5,667
Transfers In (Out)	<u>32,969</u>	<u>(351,309)</u>	<u>(318,340)</u>
Change in Net Position	\$ 35,889	\$ (348,562)	\$ (312,673)
Total Net Position - Beginning	<u>1,940,212</u>	<u>393,266</u>	<u>2,333,478</u>
Total Net Position - Ending	<u>\$ 1,976,101</u>	<u>\$ 44,704</u>	<u>\$ 2,020,805</u>

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Capital Equipment Reserve Fund	Insurance Claim Fund	Total Internal Service Funds (See Page 11)
Cash Flows from Operating Activities			
Other Operating Cash Receipts (Payments)	\$ 0	\$ 0	\$ 0
Net Cash Provided by (Used in) Operating Activities	\$ 0	\$ 0	\$ 0
Cash Flows from Non-Capital Financing Activities:			
Cash Transfers	\$ 46,852	\$ (351,309)	\$ (304,457)
Principal Received on Loans Made to Other Funds	212,058		212,058
Net Cash Provided by (Used in) Non-Capital Financing Activities	\$ 258,910	\$ (351,309)	\$ (92,399)
Cash Flows from Capital and Related Financing Activities			
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ 0	\$ 0	\$ 0
Cash Flows from Investing Activities			
Interest and Dividends on Investments	\$ 2,920	\$ 2,747	\$ 5,667
Net Cash Provided by Investing Activities	\$ 2,920	\$ 2,747	\$ 5,667
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Year	\$ 261,830	\$ (348,562)	\$ (86,732)
Cash and Cash Equivalents at End of Year	194,608	393,266	587,874
	\$ 456,438	\$ 44,704	\$ 501,142

OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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

Independent Auditor's Report

To the Mayor and City Council
City of Levelland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas, as of and for the year ended September 30, 2017, 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 May 2, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2017-1]

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*.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses [2017-1]. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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

May 2, 2018

-49-
CITY OF LEVELLAND, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Current Year's Findings: [2017-1]

Condition: Lack of review procedures in place to ensure that bank reconciliations were being completed in a timely manner.

Criteria: The City did not have month end process in place to ensure reconciliations were completed.

Cause of Condition: No control in place to ensure completion by management.

Recommendation: The City needs to have procedures in place to review reconciliations by someone other than the preparer.

Client Response: The City has already put a system in place for timely review of reconciliations moving forward.