

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022

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CITY OF LEVELLAND, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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
Notes to Financial Statements	13
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Plan's Net Pension Asset/Liability and Related Ratios	40
Schedule of Contributions	41
Schedule of Changes in the Total OPEB Liability and Related Ratios	42
Budgetary Comparison Schedule – General Fund – Budgetary Basis	43
Budgetary Comparison Schedule – Corona Virus Relief Fund – Budgetary Basis	44
Budgetary Comparison Schedule – EDA Grant Fund – Budgetary Basis	45
Notes to Required Supplementary Information – Pension Plan	46
Notes to Required Supplementary Information – Budgetary Comparison Schedule	47

CITY OF LEVELLAND, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS (CONCLUDED)

	<u>Page No.</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	49
Combining Balance Sheet – Nonmajor Special Revenue Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	51
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>	52

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 Audit of the Financial Statements

Opinions

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, as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Levelland, Texas's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Levelland, Texas (the City) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the plan's net pension liability and related ratios, schedule of contributions for the retirement plan, schedule of changes in the total OPEB liability and related ratios, and budgetary comparison information on pages 43 through 47 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.

Supplementary 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 January 18, 2023, 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

January 18, 2023

-4-
CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 9,063,461	\$ 7,778,173	\$ 16,841,634	\$ 3,555,439
Receivables (Net of Allowances)	901,672	916,268	1,817,940	61,139
Intergovernmental Receivables	602,156		602,156	84,592
Due from LEDC	404,863		404,863	
Inventories		280,233	280,233	772,683
Prepaid Items	9,904	5,221	15,125	
Internal Balances	1,159,410	(1,159,410)		
Net Pension Asset	2,066,689	485,753	2,552,442	69,131
Capital Assets Not being Depreciated	2,505,878	1,085,357	3,591,235	84,205
Depreciable Assets, Net	25,243,894	25,338,888	50,582,782	4,881,934
Total Assets	\$ 41,957,927	\$ 34,730,483	\$ 76,688,410	\$ 9,509,123
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan - Employer Contributions	\$ 272,666	\$ 62,634	\$ 335,300	\$ 9,015
Pension Plan - Change in Assumption	7,443	1,710	9,153	25
OPEB Plan - Employer Contributions	3,318	762	4,080	110
OPEB Plan - Change in Assumption	48,965	11,248	60,213	1,631
Total Deferred Outflows of Resources	\$ 332,392	\$ 76,354	\$ 408,746	\$ 10,781
LIABILITIES				
Accounts Payable	\$ 700,658	\$ 236,805	\$ 937,463	\$ 10,556
Accrued Wages	170,387	42,804	213,191	
Accrued Interest	33,701	8,380	42,081	1,886
Customer Deposits and Prepayments	4,000	314,726	318,726	
Deferred Revenue - Insurance Proceeds	80,000		80,000	
Due to City of Levelland				404,863
Noncurrent Liabilities				
Total OPEB Liability	287,100	65,950	353,050	9,562
Accrued Compensated Absences	572,673	130,330	703,003	4,495
Closure/Post Closure Landfill Liability		52,031	52,031	
Due Within One Year	830,919	676,711	1,507,630	
Due In More Than One Year	5,307,502	2,277,949	7,585,451	150,000
Total Liabilities	\$ 7,986,940	\$ 3,805,686	\$ 11,792,626	\$ 1,126,362
DEFERRED INFLOWS OF RESOURCES				
Payments Received in Advance	\$	\$	\$	\$ 4,500
Pension Plan - Experience Differences	348,705	80,101	428,806	7,772
Pension Plan - Earnings Differences	1,673,760	382,205	2,055,965	31,463
OPEB Plan - Experience Differences	18,669	4,289	22,958	622
Unearned Revenue - Unspent Grants	3,006,516		3,006,516	
Deferred Gain on Bond Refunding	13,241		13,241	
Total Deferred Inflows of Resources	\$ 5,060,891	\$ 466,595	\$ 5,527,486	\$ 44,357
NET POSITION				
Net Investment in Capital Assets	\$ 22,184,024	\$ 23,469,585	\$ 45,653,609	\$ 4,681,139
Restricted for:				
Enabling Legislation	68,050		68,050	
Debt Service	4,548		4,548	
Donor Requirements	133,916		133,916	
Economic Development	295,240		295,240	3,668,046
Sewer Improvements		2,487,204	2,487,204	
Water Improvements		108,990	108,990	
Unrestricted	6,556,710	4,468,777	11,025,487	
Total Net Position	\$ 29,242,488	\$ 30,534,556	\$ 59,777,044	\$ 8,349,185

See accompanying notes to the financial statements.

-5-
CITY OF LEBELAND, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-Type Activities		
PRIMARY GOVERNMENT								
<u>Governmental Activities:</u>								
General Government	\$ 1,147,687	\$	\$ 276,375	\$	\$ (871,312)	\$	\$ (871,312)	\$
Public Safety	4,457,818		690,065		(3,767,753)		(3,767,753)	
Highways and Streets	69,180				(69,180)		(69,180)	
Recreation and Parks	642,822			240,517	(402,305)		(402,305)	
Economic Development	749,854		11,738	678,196	(59,920)		(59,920)	
Cemetery	250,725	189,328			(61,397)		(61,397)	
Depreciation	1,627,497				(1,627,497)		(1,627,497)	
Interest and Fee's Related to Debt	148,006	351,333			203,327		203,327	
Total Governmental Activities	<u>\$ 9,093,589</u>	<u>\$ 540,661</u>	<u>\$ 978,178</u>	<u>\$ 918,713</u>	<u>\$ (6,656,037)</u>	<u>\$ 0</u>	<u>\$ (6,656,037)</u>	<u>\$ 0</u>
<u>Business-Type Activities:</u>								
Water and Sewer	\$ 2,550,740	\$ 4,348,408	\$	\$	\$	\$ 1,797,668	\$ 1,797,668	\$
Sanitation	2,062,274	2,677,610				615,336	615,336	
Street Lights	213,706	166,538				(47,168)	(47,168)	
Sewer Improvement Fee		246,168				246,168	246,168	
Water Improvement Fee		62,425				62,425	62,425	
Swimming Pool	71,752	10,011				(61,741)	(61,741)	
Airport	55,116	49,115		8,982		2,981	2,981	
Interest and Fee's Related to Debt	161,679					(161,679)	(161,679)	
Depreciation	1,227,269					(1,227,269)	(1,227,269)	
Amortization	312,047					(312,047)	(312,047)	
Total Business-Type Activities	<u>\$ 6,654,583</u>	<u>\$ 7,560,275</u>	<u>\$ 0</u>	<u>\$ 8,982</u>	<u>\$ 0</u>	<u>\$ 914,674</u>	<u>\$ 914,674</u>	<u>\$ 0</u>
Total Primary Government	<u>\$ 15,748,172</u>	<u>\$ 8,100,936</u>	<u>\$ 978,178</u>	<u>\$ 927,695</u>	<u>\$ (6,656,037)</u>	<u>\$ 914,674</u>	<u>\$ (5,741,363)</u>	<u>\$ 0</u>
Component Units	<u>\$ 1,499,923</u>	<u>\$ 143,360</u>	<u>\$ 0</u>	<u>\$ 0</u>				<u>\$ (1,356,563)</u>
General Revenues (Expenses):								
Taxes:								
Property Taxes, Levied for General Purposes	\$ 4,286,846	\$				\$ 4,286,846	\$	
Sales Taxes	3,072,484					3,072,484		1,392,690
Franchise Taxes	1,084,701					1,084,701		
Motel Occupancy Taxes	213,815					213,815		
Investment Earnings	83,486			56,823		140,309		25,120
Rents and Royalties	73,066					73,066		
Miscellaneous	157,207			528,105		685,312		8,500
Gain on Disposition of Assets	45,744			0		45,744		
Contributions and Donations	763,823					763,823		
Transfers	443,161			(443,161)				
Total General Revenues, Special Items, and Transfers	<u>\$ 10,224,333</u>	<u>\$ 141,767</u>	<u>\$ 10,366,100</u>	<u>\$ 1,426,310</u>				
Change in Net Position	<u>\$ 3,568,296</u>	<u>\$ 1,056,441</u>	<u>\$ 4,624,737</u>	<u>\$ 69,747</u>				
Net Position—Beginning	<u>25,674,192</u>	<u>29,478,115</u>	<u>55,152,307</u>	<u>8,279,438</u>				
Net Position—Ending	<u>\$ 29,242,488</u>	<u>\$ 30,534,556</u>	<u>\$ 59,777,044</u>	<u>\$ 8,349,185</u>				

See accompanying notes to the financial statements.

-6-
CITY OF LEVELLAND, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Major Funds				Nonmajor Governmental Funds	Total
	General Fund	Debt Service Fund	Corona Virus Relief Fund	EDA Grant Fund		
ASSETS						
Cash and Cash Equivalents	\$ 4,054,629	\$ 2,072	\$ 3,017,570	\$	\$ 1,572,828	\$ 8,647,099
Receivables (Net of Allowances)	825,146	15,833			60,693	901,672
Due from Other Funds	639,634					639,634
Intergovernmental Receivables				426,495	175,661	602,156
Due from LEDC	19,266			385,597		404,863
Prepays	8,194				1,710	9,904
Total Assets	\$ 5,546,869	\$ 17,905	\$ 3,017,570	\$ 812,092	\$ 1,810,892	\$ 11,205,328
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 97,938	\$	\$	\$ 312,321	\$ 290,399	\$ 700,658
Accrued Wages	164,283				6,104	170,387
Due to Other Funds	136,597			499,771	112,719	749,087
Customer Deposits	4,000					4,000
Deferred Revenue - Insurance Proceeds					80,000	80,000
Advances from Other Funds	481,680					481,680
Total Liabilities	\$ 884,498	\$ 0	\$ 0	\$ 812,092	\$ 489,222	\$ 2,185,812
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues - Property Taxes	\$ 107,062	\$ 13,357	\$	\$		\$ 120,419
Unearned Revenue - Grants			3,000,444		6,072	3,006,516
	\$ 107,062	\$ 13,357	\$ 3,000,444	\$ 0	\$ 6,072	\$ 3,126,935
FUND BALANCES						
Nonspendable - Prepays	\$ 8,194	\$	\$	\$	\$ 1,710	\$ 9,904
Restricted Fund Balance:						
Restricted for Enabling Legislation					68,050	68,050
Restricted for Economic Development					295,240	295,240
Restricted for Donor Requirements					133,916	133,916
Restricted for Debt Service			4,548			4,548
Committed Fund Balance:						
Committed for Expansion and Improvements					452,658	452,658
Committed for Cemetery Operations					364,024	364,024
Unassigned	4,547,115		17,126			4,564,241
Total Fund Balances	\$ 4,555,309	\$ 4,548	\$ 17,126	\$ 0	\$ 1,315,598	\$ 5,892,581
Total Liabilities, Deferred Infloows of Resources, and Fund Balances	\$ 5,546,869	\$ 17,905	\$ 3,017,570	\$ 812,092	\$ 1,810,892	\$ 11,205,328

See accompanying notes to the financial statements.

-7-
CITY OF LEVELLAND, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 5,892,581
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)	27,749,772
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,166,905
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(572,673)
Long-term obligations including reoffering premiums are not due and payable in the current period and therefore are not reported in the funds.	(6,138,421)
Deferred Gains on Bond Refundings are not recorded in the funds.	(13,241)
Payables for bond interest which are not due in the current period are not reported in the funds.	(33,701)
Net Pension Liability and Related Deferred Outflows and Inflows are not reported in the funds.	324,333
Total OPEB Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(253,486)
Property tax revenue is recognized in funds but not in the Statement of Net Position.	120,419
Net Position of Governmental Activities	\$ 29,242,488

See accompanying notes to the financial statements

-8-
CITY OF LEVELLAND, TEXAS

**STATEMENT OF GOVERNMENTAL FUNDS REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Major Funds				Nonmajor Governmental Funds		Total
	General Fund	Debt Service Fund	Corona Virus Relief Fund	EDA Grant Fund			
REVENUES							
Taxes:							
General Property Taxes	\$ 3,339,240	\$ 436,257	\$	\$	\$ 526,607	\$ 4,302,104	
Sales and Use Taxes	3,072,484					3,072,484	
Franchise Taxes	1,084,701					1,084,701	
Motel Occupancy Taxes						213,815	213,815
Intergovernmental Revenues	602,291	351,333	351,774	403,196	288,277	1,996,871	
Charges for Services	25,127					25,127	
Fines and Fees	212,121					203,433	415,554
Rents and Royalties	56,706					16,360	73,066
Investment Earnings	30,296	654	15,347			10,862	57,159
Miscellaneous	145,094					12,113	157,207
Contributions and Donations	3,530					421,730	338,563
Total Revenues	\$ 8,571,590	\$ 788,244	\$ 367,121	\$ 824,926	\$ 1,610,030	\$ 12,161,911	
EXPENDITURES							
Current							
General Government	\$ 1,282,110	\$ 3,500	\$ 1,576	\$	\$	\$ 1,287,186	
Public Safety	5,182,868					22,923	5,205,791
Highways and Streets	1,473,645					58,553	1,532,198
Recreation and Parks	1,008,386						1,008,386
Economic Development					824,926	749,854	1,574,780
Cemetery						283,339	283,339
Debt Service							
Principal	107,436	1,315,000					1,422,436
Interest	20,632	147,816					168,448
Fiscal Agent's Fees		1,150					1,150
Total Expenditures	\$ 9,075,077	\$ 1,467,466	\$ 1,576	\$ 824,926	\$ 1,114,669	\$ 12,483,714	
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (503,487)	\$ (679,222)	\$ 365,545	\$ 0	\$ 495,361	\$ (321,803)	
OTHER FINANCING SOURCES (USES)							
Transfers In (Out)	\$ 396,839	\$ 656,000	\$ (350,198)	\$	\$ (767,776)	\$ (65,135)	
Proceeds from the Sale of Assets	54,601					54,601	
Total Other Financing Sources	\$ 451,440	\$ 656,000	\$ (350,198)	\$ 0	\$ (767,776)	\$ (10,534)	
Net Change in Fund Balance	\$ (52,047)	\$ (23,222)	\$ 15,347	\$ 0	\$ (272,415)	\$ (332,337)	
Fund Balance - Beginning	4,607,356	27,770	1,779	0	1,588,013	6,224,918	
Fund Balance - Ending	\$ 4,555,309	\$ 4,548	\$ 17,126	\$ 0	\$ 1,315,598	\$ 5,892,581	

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, 2022**

Net Change in Fund Balances - Total Governmental Funds	\$	(332,337)
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Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:

Governmental funds report capital outlay as expenditures. However, the statement of activities reports these as Capital Assets that are depreciated over their useful lives.	2,657,171
The loss on disposition of assets is not reported in the funds.	(8,857)
Depreciation is recorded in the SOA as an expense but not in governmental funds.	(1,627,497)
Principal payments are recorded as expenditures in governmental funds but excluded in the Statement of Activities.	1,422,436
The net revenue of internal service funds is reported with governmental activities.	534,623
Change in accrued interest from beginning of period to end of period.	6,065
Accrued compensated absences are recorded in the statement of activities as an expense but not in governmental funds.	5,853
Amortization of discounts and premiums are not reported in the funds.	13,635
Amortization of deferred gains on refundings are not reported in the funds.	1,892
Pension Expense is not recognized in the funds related to the Net Pension Liability and related balance sheet amounts.	936,174
OPEB Expense is not recognized in the funds related to the Total OPEB Liability and related balance sheet amounts.	(25,604)
Deferred revenue is not recorded in the statements of net position thus the change is excluded in activities.	<u>(15,258)</u>
Change in Net Position of Governmental Activities	\$ <u>3,568,296</u>

See accompanying notes to the financial statements

-10-
CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Major Proprietary Funds		Total Proprietary Funds		Internal Service Funds	
	Enterprise Fund	Airport Fund	Enterprise Fund	Airport Fund	Enterprise Fund	Airport Fund
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 7,735,061	\$ 43,112	\$ 7,778,173	\$ 916,268	\$ 416,362	
Receivables (Net of Allowances)	857,036	59,232				
Intergovernmental Receivables						
Inventories	280,233		280,233			
Prepays	5,221		5,221			
Due from Other Funds					354,014	
Noncurrent Assets:						
Advances to Other Funds					1,396,529	
Net Pension Asset	485,753		485,753			
Capital Assets Not being Depreciated	849,111	236,246	1,085,357			
Depreciable Assets, Net	21,566,326	3,772,562	25,338,888			
Total Assets	<u>\$ 31,778,741</u>	<u>\$ 4,111,152</u>	<u>\$ 35,889,893</u>		<u>\$ 2,166,905</u>	
DEFERRED OUTFLOWS OF RESOURCES						
Pension Plan - Employer Contributions	\$ 62,634	\$	\$ 62,634	\$		
Pension Plan - Change in Assumption	1,710		1,710			
OPEB Plan - Employer Contributions	762		762			
OPEB Plan - Change in Assumption	11,248		11,248			
Total Deferred Outflows of Resources	<u>\$ 76,354</u>	<u>\$ 0</u>	<u>\$ 76,354</u>		<u>\$ 0</u>	
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ 235,441	\$ 1,364	\$ 236,805	\$		
Accrued Wages	42,804		42,804			
Accrued Interest	8,380		8,380			
Due to Other Funds	244,561		244,561			
Customer Deposits and Prepayments	314,726		314,726			
Noncurrent Liabilities:						
Due Within One Year	676,711		676,711			
Due In More Than One Year	2,277,949		2,277,949			
Closure/Post Closure Landfill Liability	52,031		52,031			
Accrued Compensated Absences	130,330		130,330			
Total OPEB Liability	65,950		65,950			
Advances from Other Funds	914,849		914,849			
Total Liabilities	<u>\$ 4,963,732</u>	<u>\$ 1,364</u>	<u>\$ 4,965,096</u>		<u>\$ 0</u>	
DEFERRED INFLOWS OF RESOURCES						
Pension Plan - Experience Differences	\$ 80,101	\$	\$ 80,101	\$		
Pension Plan - Earnings Differences	382,205		382,205			
OPEB Plan - Experience Differences	4,289		4,289			
Total Deferred Inflows of Resources	<u>\$ 466,595</u>	<u>\$ 0</u>	<u>\$ 466,595</u>		<u>\$ 0</u>	
NET POSITION						
Net Investment in Capital Assets	\$ 19,460,777	\$ 4,008,808	\$ 23,469,585	\$		
Restricted for Sewer Improvements	2,487,204		2,487,204			
Restricted for Water Improvements	108,990		108,990			
Unrestricted	4,367,797	100,980	4,468,777		2,166,905	
Total Net Position	<u>\$ 26,424,768</u>	<u>\$ 4,109,788</u>	<u>\$ 30,534,556</u>		<u>\$ 2,166,905</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, 2022**

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
OPERATING REVENUES				
Water and Sewer Revenues	\$ 4,348,408	\$	\$ 4,348,408	\$
Sanitation Charges	2,677,610		2,677,610	
Street Lights	166,538		166,538	
Sewer Improvement Fee	246,168		246,168	
Water Improvement Fee	62,425		62,425	
Swimming Pool Fee	10,011		10,011	
Hanger Rental and Fuel Sales		49,115	49,115	
Total Operating Revenues	\$ 7,511,160	\$ 49,115	\$ 7,560,275	\$ 0
OPERATING EXPENSES				
Personnel Services	\$ 1,175,507	\$	\$ 1,175,507	\$
Supplies and Capital Outlay	196,878	790	197,668	
Repairs and Maintenance	370,970	15,736	386,706	
Services	3,082,338	38,590	3,120,928	
Other Operating Expenses	72,779		72,779	
Depreciation	1,015,745	211,524	1,227,269	
Amortization of Water Rights	312,047		312,047	
Total Operating Expense	\$ 6,226,264	\$ 266,640	\$ 6,492,904	\$ 0
Operating Income (Loss)	\$ 1,284,896	\$ (217,525)	\$ 1,067,371	\$ 0
NONOPERATING REVENUE (EXPENSE)				
Investment Earnings	\$ 56,358	\$ 465	\$ 56,823	\$ 26,327
Interest Expense and Fees	(161,679)		(161,679)	
Intergovernmental Grants		8,982	8,982	
Miscellaneous	528,105		528,105	
Total Nonoperating Revenue (Expense)	\$ 422,784	\$ 9,447	\$ 432,231	\$ 26,327
Income (Loss) Before Transfers	\$ 1,707,680	\$ (208,078)	\$ 1,499,602	\$ 26,327
TRANSFERS				
Transfers In/(Out)	\$ (443,161)	\$	\$ (443,161)	\$ 508,296
Total Transfers	\$ (443,161)	\$ 0	\$ (443,161)	\$ 508,296
Change in Net Position	\$ 1,264,519	\$ (208,078)	\$ 1,056,441	\$ 534,623
TOTAL NET POSITION - BEGINNING	<u>\$ 25,160,249</u>	<u>\$ 4,317,866</u>	<u>\$ 29,478,115</u>	<u>\$ 1,632,282</u>
TOTAL NET POSITION - ENDING	<u>\$ 26,424,768</u>	<u>\$ 4,109,788</u>	<u>\$ 30,534,556</u>	<u>\$ 2,166,905</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, 2022

	Major Proprietary Funds		Total	
	Enterprise Fund	Airport Fund	Proprietary Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 7,533,047	\$ 32,528	\$ 7,565,575	\$
Cash Payments to Suppliers for Goods and Services	(3,859,472)	(54,447)	(3,913,919)	
Cash Payments to Employees for Services	(1,382,820)		(1,382,820)	
Net Cash From Operating Activities	<u>\$ 2,290,755</u>	<u>\$ (21,919)</u>	<u>\$ 2,268,836</u>	<u>\$ 0</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Transfers To/From Other Funds	\$ 101,964	\$ (79,635)	\$ 22,329	\$ (520,690)
Cash Received From Intergovernmental Grant		144,202	144,202	
Cash Receipts From Non-Operating Activities	520,605		520,605	
Net Cash From Noncapital Financing Activities	<u>\$ 622,569</u>	<u>\$ 64,567</u>	<u>\$ 687,136</u>	<u>\$ (520,690)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions of Capital Assets	\$ (1,565,112)	\$	\$ (1,565,112)	\$
Proceeds from the Sale of Capital Assets	7,500		7,500	
Principal Payments on Long-Term Debt	(635,411)		(635,411)	
Interest Payments	(142,217)		(142,217)	
Net Cash From Capital and Related Financing Activities	<u>\$ (2,335,240)</u>	<u>\$ 0</u>	<u>\$ (2,335,240)</u>	<u>\$ 0</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earned on Investments	\$ 56,358	\$ 464	\$ 56,822	\$ 19,064
Net Cash From Investing Activities	<u>\$ 56,358</u>	<u>\$ 464</u>	<u>\$ 56,822</u>	<u>\$ 19,064</u>
CHANGE IN CASH AND CASH EQUIVALENTS				
	\$ 634,442	\$ 43,112	\$ 677,554	\$ (501,626)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,100,619</u>	<u>0</u>	<u>7,100,619</u>	<u>917,988</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,735,061</u>	<u>\$ 43,112</u>	<u>\$ 7,778,173</u>	<u>\$ 416,362</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities				
Operating Income (Loss)	\$ 1,284,896	\$ (217,525)	\$ 1,067,371	\$ 0
Adjustments to Reconcile Income From Operations to Net Cash From Operating Activities:				
Depreciation Expense	\$ 1,015,745	\$ 211,524	\$ 1,227,269	\$
Amortization Expense	312,047		312,047	
Change in Assets and Liabilities:				
Receivables	11,275	(16,587)	(5,312)	
Inventories	(56,424)		(56,424)	
Prepads	(582)		(582)	
Deferred Outflows	13,365		13,365	
Accounts Payable	(124,667)	669	(123,998)	
Accrued Payroll	12,700		12,700	
Meter Deposits	10,612		10,612	
Net Pension Asset/Liability	(336,721)		(336,721)	
Total OPEB Liability	5,404		5,404	
Closure/Post Closure Landfill Liability	45,166		45,166	
Accrued Compensated Absences	7,551		7,551	
Deferred Inflows	90,388		90,388	
Total Adjustments	<u>\$ 1,005,859</u>	<u>\$ 195,606</u>	<u>\$ 1,201,465</u>	<u>\$ 0</u>
Net Cash From Operating Activities	<u>\$ 2,290,755</u>	<u>\$ (21,919)</u>	<u>\$ 2,268,836</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.

-13-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

Primary Government

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

Component Units

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

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

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

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

City of Levelland
1709 Avenue H
Levelland, Texas 79336

-14-
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.

-15-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following fund types are used by the City:

1. Governmental Funds:

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

Major Funds:

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

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

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

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

Nonmajor Funds:

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

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

2. Proprietary Fund – Enterprise Fund:

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

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

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

-16-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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.

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.

-17-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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).

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

Order of Expenditure of Funds

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

c. Measurement Focus, Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

-18-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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.

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

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

3. Revenues:

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

4. Expenditures:

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

-19-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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.

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, 2022, there were no material commitments to be indicated by a reserve in the general fund balance.

8. Inventory:

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

9. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future

-20-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

B. Cash and Cash Equivalents

At September 30, 2022, the carrying amount of the City's cash and cash equivalents was \$16,841,634, with bank balances of \$17,072,293. The City's cash in bank at September 30, 2022, 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.

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, 2022, 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	\$ 408,885	\$ 301,823	\$ 107,062
Sales Taxes	186,103		186,103
Franchise Taxes	292,733		292,733
Other	239,248		239,248
Special Revenue Funds			
Hotel Occupancy Tax	46,450		46,450
Park Grants and Contributions			
Other	3,477		3,477
Debt Service			
Ad Valorem Taxes	50,462	34,629	15,833
Cemetery Fund			
Ad Valorem Taxes	19,722	13,651	6,071
Other	4,695		4,695
Total Governmental Activities	\$ 1,251,775	\$ 350,103	\$ 901,672

-21-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Total</u> <u>Receivables</u>	Estimated		<u>Net</u> <u>Receivables</u>
		<u>Uncollectible</u>	<u>Accounts</u>	
Business-Type Activities:				
Enterprise Fund				
Customer Accounts	\$ 1,952,652	\$ 1,101,788	\$ 850,864	
Other	6,172			6,172
Airport Fund				
Hanger Rental and Fuel	20,250			20,250
Other	38,982			38,982
Total Business-Type Activities	\$ 2,018,056	\$ 1,101,788	\$ 916,268	
Primary Government	\$ 3,269,831	\$ 1,451,891	\$ 1,817,940	

D. Investments Policies and Risk

Legal and Contractual Provisions Governing Deposits and Investments

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

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

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

-22-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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, 2022, 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, 2022, 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, 2021, property taxes of \$4,094,827 were levied for the governmental funds. Individual tax levies from the tax roll on October 1, 2021, were delinquent if unpaid at January 31, 2022.

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.

-23-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

F. Component Unit Receivable

The City had \$404,863 due from LEDC and LCDC at September 30, 2022 for their share of administration costs and grant matching requirements.

G. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Balance 10/1/2021</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance 9/30/2022</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,484,960	\$	\$	\$ 1,484,960
Construction Work in Progress	<u>150,239</u>	<u>870,679</u>	<u>_____</u>	<u>1,020,918</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,635,199</u>	<u>\$ 870,679</u>	<u>\$ 0</u>	<u>\$ 2,505,878</u>
Depreciable Assets:				
Buildings and Improvements	\$ 7,536,813	\$ 19,695	\$	\$ 7,556,508
Improvements Other Than Buildings	<u>27,009,167</u>	<u>1,466,586</u>	<u>_____</u>	<u>28,475,753</u>
Machinery and Equipment	<u>8,331,728</u>	<u>300,211</u>	<u>221,876</u>	<u>8,410,063</u>
Total Depreciable Assets	<u>\$ 42,877,708</u>	<u>\$ 1,786,492</u>	<u>\$ 221,876</u>	<u>\$ 44,442,324</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,287,124	\$ 252,978	\$	\$ 1,540,102
Improvements Other Than Buildings	<u>10,584,608</u>	<u>782,588</u>	<u>_____</u>	<u>11,367,196</u>
Machinery and Equipment	<u>5,912,220</u>	<u>591,931</u>	<u>213,019</u>	<u>6,291,132</u>
Total Accumulated Depreciation	<u>\$ 17,783,952</u>	<u>\$ 1,627,497</u>	<u>\$ 213,019</u>	<u>\$ 19,198,430</u>
Total Depreciable Assets, Net	<u>\$ 25,093,756</u>	<u>\$ 158,995</u>	<u>\$ 8,857</u>	<u>\$ 25,243,894</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,728,955</u>	<u>\$ 1,029,674</u>	<u>\$ 8,857</u>	<u>\$ 27,749,772</u>

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

-24-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Balance 10/1/2021</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance 9/30/2022</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,085,357	\$ _____	\$ _____	\$ 1,085,357
Total Capital Assets Not Being Depreciated	<u>\$ 1,085,357</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,085,357</u>
Depreciable Assets:				
Buildings and Improvements	\$ 2,220,243	\$ _____	\$ _____	\$ 2,220,243
Improvements Other Than Buildings	30,111,183	1,294,112		31,405,295
Machinery and Equipment	<u>4,451,817</u>	<u>271,000</u>		<u>4,722,817</u>
Total Depreciable Assets	<u>\$ 36,783,243</u>	<u>\$ 1,565,112</u>	<u>\$ 0</u>	<u>\$ 38,348,355</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 645,446	\$ 47,372	\$ _____	\$ 692,818
Improvements Other Than Buildings	13,619,576	844,856		14,464,432
Machinery and Equipment	<u>2,782,204</u>	<u>335,041</u>		<u>3,117,245</u>
Total Accumulated Depreciation	<u>\$ 17,047,226</u>	<u>\$ 1,227,269</u>	<u>\$ 0</u>	<u>\$ 18,274,495</u>
Total Depreciable Assets, Net	<u>\$ 19,736,017</u>	<u>\$ 337,843</u>	<u>\$ 0</u>	<u>\$ 20,073,860</u>
Investment in Water Facilities	\$ 13,101,582	\$ _____	\$ _____	\$ 13,101,582
Accumulated Amortization Investment in Water Facilities	<u>(7,478,807)</u>	<u>(357,747)</u>		<u>(7,836,554)</u>
Net Investment in Water Facilities	<u>\$ 5,622,775</u>	<u>\$ (357,747)</u>	<u>\$ 0</u>	<u>\$ 5,265,028</u>
Business-Type Activities Capital Assets, Net	<u>\$ 26,444,149</u>	<u>\$ (19,904)</u>	<u>\$ 0</u>	<u>\$ 26,424,245</u>

H. Investment in Water Facilities and Related Debt

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

-25-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The following schedules comprise the debt outstanding related to the CRMWA and City of Lubbock contracts as of September 30, 2022:

<u>Water Facilities Debt</u>	<u>Balance</u>	<u>Refunding</u>	<u>Principal Payments</u>	<u>Balance</u>
	10/1/2021			9/30/2022
Series 2012, Refunding, CUP	\$ 734,638	\$ (667,109)	\$ 67,529	\$ 0
Series 2014, Refunding, CUP	458,653		77,632	381,021
Series 2017, Refunding, CUP	239,521		30,365	209,156
Series 2020, Refunding, CUP	703,403		61,573	641,830
Series 2021, Refunding, CUP		649,162	120,624	528,538
Water Treatment Plant 2014	<u>191,339</u>		<u>60,991</u>	<u>130,348</u>
	<u><u>\$ 2,327,554</u></u>	<u><u>\$ (17,947)</u></u>	<u><u>\$ 418,714</u></u>	<u><u>\$ 1,890,893</u></u>

<u>Water Facilities Debt</u>	<u>Maturity</u>	<u>Interest Rates</u>
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2014	2027	2.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2017	2029	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2020	2031	4.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2021	2025	4.0%-5.0%
Water Treatment Plant 2014 - City of Lubbock	2024	3.38%

The City paid \$91,703 in interest related to this debt for the year ended September 30, 2022.

Debt service requirements related to this debt at September 30, 2022, are as follows:

Year Ending September 30,	Total Water Facilities Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 453,380	\$ 83,296	\$ 536,676
2024	473,955	61,043	534,998
2025	288,647	42,704	331,351
2026	204,442	31,318	235,760
2027	147,635	21,043	168,678
2028-2031	<u>322,834</u>	<u>30,559</u>	<u>353,393</u>
Totals	<u><u>\$ 1,890,893</u></u>	<u><u>\$ 269,963</u></u>	<u><u>\$ 2,160,856</u></u>

-26-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Investment in Water Facilities at cost as of September 30, 2022 is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions/</u> <u>Other</u>	<u>Ending</u>
Cost of Water Facilities:				
CRMWA	\$ 12,316,077	\$	\$	\$ 12,316,077
City of Lubbock	585,505	\$	\$	585,505
Other	200,000	\$	\$	200,000
Total Cost of Water Facilities	\$ 13,101,582	\$ 0	\$ 0	\$ 13,101,582
Accumulated Amortization:				
CRMWA	\$ 7,116,932	\$ 309,534	\$	\$ 7,426,466
City of Lubbock	329,875	48,213	\$	378,088
Other	32,000	\$	\$	32,000
Total Accumulated Amortization	\$ 7,478,807	\$ 357,747	\$ 0	\$ 7,836,554
Total Investment in Water Facilities	\$ 5,622,775	\$ (357,747)	\$ 0	\$ 5,265,028
Investments in Water Facilities, Net of Related Debt:				
	<u>Net Investment</u>	<u>Debt</u>	<u>Investment Net of Related Debt</u>	
CRMWA	\$ 4,889,611	\$ 1,760,545	\$ 3,129,066	
City of Lubbock	207,417	130,348	77,069	
Other	168,000	\$	168,000	
Totals	\$ 5,265,028	\$ 1,890,893	\$ 3,374,135	

I. Long-Term Debt

The City's long-term debt is made up of bonds, unamortized premiums on bonds, notes, lease obligations, and compensated absences, the activity from the year is summarized below. These liabilities have been grouped by primary government activities in which the debts are recorded and serviced and show the amounts payable at September 30, 2022:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Interest</u> <u>and Fees</u>
Governmental Activities:						
Series 2012, GO Refunding Bonds	\$ 965,000	\$ 230,000	\$ 735,000	\$ 235,000	\$ 22,194	
Series 2013, COs	3,035,000	210,000	2,825,000	220,000	78,131	
Series 2015, Tax Notes	615,000	615,000				10,025
Series 2019, GO Refunding Bonds	2,200,000	260,000	1,940,000	265,000	37,466	
Lease Obligations	643,535	107,436	536,099	110,919	20,632	
Compensated Absences	578,526	5,853	572,673			
Unamortized Bond Premiums	115,957	13,635	102,322			
Total Governmental Activities	\$ 8,153,018	\$ 0	\$ 1,441,924	\$ 6,711,094	\$ 830,919	\$ 168,448

-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	\$ 2,136,215	\$ (17,947)	\$ 357,723	\$ 1,760,545	\$ 389,642	\$ 85,205
City of Lubbock Debt	191,339		60,991	130,348	63,738	6,498
State Infrastructure Bank Loan	686,268		50,617	635,651	51,946	17,352
Lease Obligations	337,465		166,080	171,385	171,385	10,779
Compensated Absences	122,779	7,551		130,330		
Unamortized Net Bond Premium	258,360	44,070	45,699	256,731		
Total Business-Type Activities	\$ 3,732,426	\$ 33,674	\$ 681,110	\$ 3,084,990	\$ 676,711	\$ 119,834

Detail on the maturity dates and interest rates of the outstanding Long-Term Debt of the City as of September 30, 2022 are as follows:

Governmental Activities:

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

Business-Type Activities:

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

Debt service requirements on all long-term debt outstanding at September 30, 2022, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 830,919	\$ 140,789	\$ 971,708
2024	859,278	121,411	980,689
2025	838,866	100,802	939,668
2026	596,374	84,093	680,467
2027	608,966	70,290	679,256
2028-2032	2,006,696	164,476	2,171,172
2033	295,000	4,609	299,609
Unamortized Bond Premiums	102,322		102,322
Totals	\$ 6,138,421	\$ 686,470	\$ 6,824,891

-28-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	Business-Type Activities		
	Principal	Interest	Total
Year Ending September 30,			
2023	\$ 676,711	\$ 104,793	\$ 781,504
2024	527,265	75,702	602,967
2025	343,356	55,964	399,320
2026	260,588	43,141	303,729
2027	205,255	31,392	236,647
2028-2032	634,434	58,804	693,238
2033-2034	50,320	656	50,976
Unamortized Bond Premiums	<u>256,731</u>		<u>256,731</u>
Totals	<u>\$ 2,954,660</u>	<u>\$ 370,452</u>	<u>\$ 3,325,112</u>

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

Lease Obligations:

The assets acquired through lease obligations are as follows:

Cash and Capital Assets	Governmental	Business-Type
	Activities	Activities
Machinery and Equipment	\$ 733,075	\$ 816,561
Less: Accumulated Depreciation	(195,220)	(408,258)
Totals	<u>\$ 537,855</u>	<u>\$ 408,303</u>

-29-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Commitments under lease obligation agreements for machinery and equipment provide for minimum future lease payments as of September 30, 2022, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 110,919	\$ 17,861	\$ 128,780
2024	114,278	14,265	128,543
2025	73,866	10,552	84,418
2026	76,374	8,044	84,418
2027	78,966	5,452	84,418
2028-2031	81,696	2,722	84,418
Totals	<u>\$ 536,099</u>	<u>\$ 58,896</u>	<u>\$ 594,995</u>

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2023	<u>\$ 171,385</u>	<u>\$ 5,474</u>	<u>\$ 176,859</u>

J. Pension Plan

Plan Description

The City participates as one of 901 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

-30-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Benefits Provided

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

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

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

December 31, 2021	
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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	62
Inactive Employees Entitled to but not Yet Receiving Benefits	44
Active Employees	94
Total Plan Employees	<u>200</u>

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 10.60% and 9.04% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$490,705, and were equal to the required contributions.

-31-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Net Pension Asset/Liability

The City's Net Pension Asset/Liability (NPAL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the NPAL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Amortization Period	24 years

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

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

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

-32-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%

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 12/31/2020	\$ 30,152,281	\$ 30,933,355	\$ 781,074
Service Cost	756,758		(756,758)
Interest (on the Total Pension Liability)	1,971,264		(1,971,264)
Difference Between Expected and Actual Expenses	288,717		(288,717)
Contributions - Employer		542,368	542,368
Contributions - Employee		307,001	307,001
Net Investment Income		3,956,035	3,956,035
Benefit Payments	(1,485,048)	(1,485,048)	
Administrative Expense		(18,307)	(18,307)
Other	(883)	127	1,010
Balance 12/31/2021	<u><u>\$ 31,683,089</u></u>	<u><u>\$ 34,235,531</u></u>	<u><u>\$ 2,552,442</u></u>

-33-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

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

	<u>1% Decrease</u>	<u>Current Rate Assumption</u>	<u>1% Increase</u>
\$	(1,761,695)	\$ 2,552,442	\$ 6,093,289

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.

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

For the year ended September 30, 2022, the City recognized pension income of \$662,510 and calculated as shown below:

Total Service Cost	\$ 756,758
Interest on the Total Pension Liability	1,971,264
Employee Contributions (Reduction of Expense)	(307,001)
Projected Earnings on Plan Investments (Reduction of Expense)	(2,048,626)
Administrative Expense	18,307
Other Changes in Fiduciary Net Position	(127)
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(367,200)
Recognition of Current Year Outflow (Inflow) of Resources-Assets	(685,885)
Total Pension Expense (Income)	\$ (662,510)

-34-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

At September 30, 2022, 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	2021	\$ 335,300	1.000
Differences Between Projected and Actual Investment Earnings	2018	506,908	1.000
Differences Between Projected and Actual Investment Earnings	2019	(890,121)	2.000
Differences Between Projected and Actual Investment Earnings	2020	(146,831)	3.000
Differences Between Projected and Actual Investment Earnings	2021	(1,525,921)	4.000
Differences Between Expected and Actual Economic Experience	2018	(83,518)	0.890
Differences Between Expected and Actual Economic Experience	2019	(172,163)	1.790
Differences Between Expected and Actual Economic Experience	2020	(401,941)	2.740
Differences Between Expected and Actual Economic Experience	2021	228,816	3.820
Difference in Assumptions	2019	9,153	1.790
Total Deferred Outflows/(Inflows) of Resources		<u>\$ (2,140,318)</u>	

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
2023	\$ (294,654)
2024	(1,034,221)
2025	(479,077)
2026	(332,366)
2027	<u>\$ (2,140,318)</u>

K. Other Post-Employment Benefits (OPEB)

Plan Description:

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

-35-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Benefits Provided:

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

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

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

Employees Covered by Benefit Terms:

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	37
Inactive Employees Entitled to but not Yet Receiving Benefits	17
Active Employees	94
Total Plan Employees	<u>148</u>

Total OPEB Liability:

The City's total OPEB liability of \$353,050 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

-36-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions:

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of Economic/Demographic	
Gains and Losses and Assumptions	Straight-Line Amortization over Expected Working Life
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	1.84%
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASBS No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 1.84% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

Annuity Purchase Rates:

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

-37-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Experience Studies:

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

Changes in the Total OPEB Liability:

Balance as of December 31, 2020	\$ 317,321
Changes for the year:	
Service Cost	19,443
Interest on Total OPEB Liability	6,492
Difference Between Expected and Actual Experiences	3,834
Changes in Assumptions and Other Inputs	11,229
Other	360
Benefit Payments	<u>(5,629)</u>
Balance as of December 31, 2021	<u>\$ 353,050</u>

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

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

Sensitivity Analysis:

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 1.84%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.84%) or 1 percentage point higher (2.84%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	<u>\$ 434,564</u>	<u>\$ 353,050</u>	<u>\$ 290,479</u>

-38-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$35,477. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experiences	\$ 60,213	\$ 22,958
Changes in Assumptions and Other Inputs		
Contributions Made Subsequent to Measurement Date	4,080	
	<u>\$ 64,293</u>	<u>\$ 22,958</u>

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

	<u>OPEB Expense Amount</u>
2022	\$ 13,622
2023	6,988
2024	10,783
2025	6,690
2026	2,753
Thereafter	499
	<u>\$ 41,335</u>

L. Commitments and Contingencies

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

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

-39-
CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

M. Closure and Post-Closure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$52,031 reported as landfill closure and post closure care liability at September 30, 2022, represents the cumulative amount reported to date based on the use of 5.44% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$870,699 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, 2022. Actual costs in the future may be higher due to inflation, changes in technology, or changes in regulations.

N. Undivided Interests Related Party

The City and Hockley County both own a 50% undivided interest in the real property of the airport. Total net capital assets of the Airport are \$4,008,808, with no related debt, at September 30, 2022. The total net capital assets are included in the proprietary funds and in the business-type activities of the primary government in the City's statement of net position. The City and the County have always equally shared the responsibilities and benefits in regards to the undivided interests ownership and joint operations. While the City and the County share equally in all decision making, the City accepted the mantle of adopting government regulations to facilitate airport operations and for the accounting function.

O. Subsequent Event

On December 29, 2022, the City issued Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Taxable Series 2022 in the amount of \$19,650,000. The proceeds from the sale of the certificates will be used for (i) the construction of public works, to wit: constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities, including land and rights-of-way therefor, and (ii) the payment of the costs associated with the issuance of the Certificates.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEBELAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION ASSET/LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
	Total Pension Liability							
Service Cost	\$ 603,817	\$ 675,914	\$ 694,574	\$ 689,896	\$ 718,366	\$ 707,536	\$ 709,849	\$ 756,758
Interest	1,565,280	1,627,583	1,651,900	1,745,899	1,800,298	1,859,848	1,926,263	1,971,264
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)	(1,171,319)	(1,148,393)	(1,101,458)	(1,176,875)	(1,485,048)
Differences between Expected and Actual Experience	(54,713)	(53,434)	51,860	(498,031)	(458,872)	(449,560)	(695,328)	288,717
Changes of Assumptions		144,698				23,901		
Other - Proportionate Share Adjustment		(17,433)	(40,143)	(1,935)	448	(4,795)	(193)	(883)
Net Change	\$ 1,036,000	\$ 1,485,991	\$ 1,556,317	\$ 764,510	\$ 911,847	\$ 1,035,472	\$ 763,716	\$ 1,530,808
Beginning Balance	<u>22,598,428</u>	<u>23,634,428</u>	<u>25,120,419</u>	<u>26,676,736</u>	<u>27,441,246</u>	<u>28,353,093</u>	<u>29,388,565</u>	<u>30,152,281</u>
Ending Balance	<u>\$ 23,634,428</u>	<u>\$ 25,120,419</u>	<u>\$ 26,676,736</u>	<u>\$ 27,441,246</u>	<u>\$ 28,353,093</u>	<u>\$ 29,388,565</u>	<u>\$ 30,152,281</u>	<u>\$ 31,683,089</u>
	Fiduciary Net Position							
Employer Contributions	\$ 575,137	\$ 600,220	\$ 581,693	\$ 593,349	\$ 612,125	\$ 559,987	\$ 556,334	\$ 542,368
Employee Contributions	277,347	291,133	292,431	291,095	297,871	287,422	299,016	307,001
Net Investment Income	1,210,932	32,287	1,459,662	3,201,565	(779,074)	3,854,338	2,162,348	3,956,035
Benefit Payments/Refunds of Employee Contributions	(1,078,384)	(891,337)	(801,874)	(1,171,319)	(1,148,393)	(1,101,458)	(1,176,875)	(1,485,048)
Administration Expenses	(12,643)	(19,666)	(16,434)	(16,589)	(15,056)	(21,778)	(13,993)	(18,307)
Other	(1,039)	(972)	(887)	(840)	(787)	(654)	(546)	127
Net Change	\$ 971,350	\$ 11,665	\$ 1,514,591	\$ 2,897,261	\$ (1,033,314)	\$ 3,577,857	\$ 1,826,284	\$ 3,302,176
Beginning Balance	<u>21,167,661</u>	<u>22,139,011</u>	<u>22,150,676</u>	<u>23,665,267</u>	<u>26,562,528</u>	<u>25,529,214</u>	<u>29,107,071</u>	<u>30,933,355</u>
Ending Balance	<u>\$ 22,139,011</u>	<u>\$ 22,150,676</u>	<u>\$ 23,665,267</u>	<u>\$ 26,562,528</u>	<u>\$ 25,529,214</u>	<u>\$ 29,107,071</u>	<u>\$ 30,933,355</u>	<u>\$ 34,235,531</u>
Net Pension Asset (Liability)	<u>\$ (1,495,417)</u>	<u>\$ (2,969,743)</u>	<u>\$ (3,011,469)</u>	<u>\$ (878,718)</u>	<u>\$ (2,823,879)</u>	<u>\$ (281,494)</u>	<u>\$ 781,074</u>	<u>\$ 2,552,442</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	93.67%	88.18%	88.71%	96.80%	90.04%	99.04%	102.59%	108.06%
Covered Employee Payroll	\$ 4,609,065	\$ 4,852,217	\$ 4,998,910	\$ 4,851,588	\$ 4,964,512	\$ 4,790,361	\$ 4,806,021	\$ 5,109,708
Net Pension Liability as a Percentage of Covered Employee Payroll	-32.45%	-61.20%	-60.24%	-18.11%	-56.88%	-5.88%	16.25%	49.95%

Note: Only eight years of GASB 68 Data Available as of 12/31/2021. The remaining two years of data will be built on a go forward basis.

-41-
CITY OF LEBELAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021	9/30/2022
Actuarially Determined Contribution	\$ 608,830	\$ 608,954	\$ 604,475	\$ 607,218	\$ 573,303	\$ 552,984	\$ 519,633	\$ 490,705
Actual Contributions	\$ 608,830	\$ 608,954	\$ 604,475	\$ 607,218	\$ 573,303	\$ 552,984	\$ 519,633	\$ 490,705
Contribution Deficiency (Excess)	<u>\$ 0</u>							
Covered Employee Payroll	\$ 4,843,874	\$ 5,047,446	\$ 4,971,285	\$ 4,934,357	\$ 4,839,649	\$ 4,817,418	\$ 4,809,785	\$ 5,175,107
Contributions as a Percentage of Covered Employee Payroll	12.57%	12.06%	12.16%	12.31%	11.85%	11.48%	10.80%	9.48%

Note: Only eight years of GASB 68 Data Available as of 09/30/2022 The remaining two years of Data will be built on a go forward basis.

CITY OF LEBELAND, TEXAS
SUPPLEMENTAL DEATH BENEFIT FUND

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

	12/31/2017 Total OPEB Liability	12/31/2018 Total OPEB Liability	12/31/2019 Total OPEB Liability	12/31/2020 Total OPEB Liability	12/31/2021 Total OPEB Liability
Service Cost	\$ 11,159	\$ 12,908	\$ 11,496	\$ 13,937	\$ 19,443
Interest	7,680	7,970	8,394	7,848	6,492
Differences between expected and actual experience		(16,327)	(7,768)	(24,360)	3,834
Benefit Payments	(1,456)	(1,491)	(1,437)	(1,442)	(5,629)
Other		122	(376)	(192)	360
Changes in Assumptions	19,263	(16,530)	47,405	42,209	11,229
Net Change	\$ 36,646	\$ (13,348)	\$ 57,714	\$ 38,000	\$ 35,729
Beginning Balance	198,309	234,955	221,607	279,321	317,321
Ending Balance	\$ 234,955	\$ 221,607	\$ 279,321	\$ 317,321	\$ 353,050
Total OPEB Liability	\$ 234,955	\$ 221,607	\$ 279,321	\$ 317,321	\$ 353,050
Covered Employee Payroll	\$ 4,851,588	\$ 4,964,512	\$ 4,790,361	\$ 4,806,021	\$ 5,109,708
Total OPEB Liability as a Percentage of Covered Employee Payroll		4.84%	4.46%	5.83%	6.60%
					6.91%

Note: Only five year of GASB 75 Data Available as of 12/31/2021. The remaining five years of data will be built on a go forward basis.

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Taxes:				
Property Taxes	\$ 3,363,649	\$ 3,363,649	\$ 3,339,240	\$ (24,409)
General Sales Taxes	3,172,500	3,172,500	3,072,484	(100,016)
Gross Receipts Business Tax	910,000	910,000	1,084,701	174,701
Intergovernmental Revenues and Grants	527,000	799,000	602,291	(196,709)
Charges for Services	3,250	3,250	25,127	21,877
Fines and Fees	166,200	166,200	212,121	45,921
Investment Earnings	25,000	25,000	30,296	5,296
Rents and Royalties	47,500	47,500	56,706	9,206
Miscellaneous	15,000	25,000	145,094	120,094
Contributions and Donations	0	0	3,530	3,530
Total Revenue	\$ 8,230,099	\$ 8,512,099	\$ 8,571,590	\$ 59,491
EXPENDITURES				
Legislative	\$ 164,351	\$ 164,351	\$ 157,345	\$ 7,006
City Manager	318,283	318,283	304,840	13,443
City Secretary	111,016	126,016	123,974	2,042
Finance	186,864	186,864	180,355	6,509
Municipal Court	141,867	141,867	142,407	(540)
Fire	1,302,843	1,348,843	1,261,652	87,191
Police	3,474,137	3,326,137	3,128,943	197,194
Inspections	387,300	365,300	374,373	(9,073)
Emergency and Health Services	266,552	280,052	275,493	4,559
Street	943,386	1,320,386	1,324,982	(4,596)
Shop	155,428	160,428	148,663	11,765
Park	749,019	1,010,019	1,008,386	1,633
Information Technology	84,000	94,000	99,164	(5,164)
Building Services	118,287	125,287	131,906	(6,619)
Engineering	97,500	97,500	74,598	22,902
Administration Services	110,719	110,719	105,466	5,253
Legal	100,104	100,104	104,462	(4,358)
Debt Service				
Principal			107,436	(107,436)
Interest			20,632	(20,632)
Total Expenditures	\$ 8,711,656	\$ 9,276,156	\$ 9,075,077	\$ 201,079
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (481,557)	\$ (764,057)	\$ (503,487)	\$ 260,570
OTHER FINANCING SOURCES				
Transfers In (Out)	\$ 747,750	\$ 684,428	\$ 396,839	\$ (287,589)
Proceeds from the Sale of Capital Assets	50,000	0	54,601	54,601
Total Other Financing Sources	\$ 797,750	\$ 684,428	\$ 451,440	\$ (232,988)
Net Change in Fund Balance	\$ 316,193	\$ (79,629)	\$ (52,047)	\$ 27,582
Fund Balances - Beginning	4,607,356	4,607,356	4,607,356	
Fund Balances - Ending	\$ 4,923,549	\$ 4,527,727	\$ 4,555,309	\$ 27,582

The accompanying notes are an integral part of this statement.

-44-
CITY OF LEVELLAND, TEXAS

**BUDGETARY COMPARISON SCHEDULE
CORONA VIRUS RELIEF FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Intergovernmental Revenues and Grants	\$ 1,672,803	\$	\$ 351,774	\$ 351,774
Investment Earnings			15,347	15,347
Total Revenue	<u>\$ 1,672,803</u>	<u>\$ 0</u>	<u>\$ 367,121</u>	<u>\$ 367,121</u>
EXPENDITURES				
General Government	\$ 1,385,283	\$ 1,410,283	\$ 1,576	\$ 1,408,707
Total Expenditures	<u>\$ 1,385,283</u>	<u>\$ 1,410,283</u>	<u>\$ 1,576</u>	<u>\$ 1,408,707</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ 287,520</u>	<u>\$ (1,410,283)</u>	<u>\$ 365,545</u>	<u>\$ 1,775,828</u>
OTHER FINANCING SOURCES				
Transfers In (Out)	\$ (287,520)	\$ (350,198)	\$ (350,198)	\$ 0
Total Other Financing Sources	<u>\$ (287,520)</u>	<u>\$ (350,198)</u>	<u>\$ (350,198)</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ (1,760,481)</u>	<u>\$ 15,347</u>	<u>\$ 1,775,828</u>
Fund Balances - Beginning	<u>1,779</u>	<u>1,779</u>	<u>1,779</u>	<u></u>
Fund Balances - Ending	<u>\$ 1,779</u>	<u>\$ (1,758,702)</u>	<u>\$ 17,126</u>	<u>\$ 1,775,828</u>

-45-
CITY OF LEVELLAND, TEXAS

**BUDGETARY COMPARISON SCHEDULE
EDA GRANT FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Intergovernmental Revenues and Grants	\$ 1,500,000	\$ 1,500,000	\$ 403,196	\$ (1,096,804)
Contributions and Donations	943,952	943,952	421,730	(522,222)
Investment Earnings				0
Total Revenue	<u>\$ 2,443,952</u>	<u>\$ 2,443,952</u>	<u>\$ 824,926</u>	<u>\$ (1,619,026)</u>
EXPENDITURES				
Economic Development	\$ 2,443,952	\$ 2,443,952	\$ 824,926	\$ 1,619,026
Total Expenditures	<u>\$ 2,443,952</u>	<u>\$ 2,443,952</u>	<u>\$ 824,926</u>	<u>\$ 1,619,026</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
OTHER FINANCING SOURCES				
Transfers In (Out)	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances - Beginning	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SEPTEMBER 30, 2022**

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	24 years
Asset Valuation Method	Ten Year smoothed market; 12% soft corridor.
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

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

-47-
CITY OF LEVELLAND, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2022**

BUDGETARY DATA

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

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

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

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

Amounts over budget are covered by unassigned general fund balance.

SUPPLEMENTARY INFORMATION

-48-
CITY OF LEVELLAND, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	Special Revenue Funds	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	\$ 814,525	\$ 192,438	\$ 48,202	\$ 516,329	\$ 1,334	\$ 1,572,828
Receivables (Net of Allowance for Uncollectibles)	\$ 60,693					\$ 60,693
Intergovernmental Receivables	175,661					175,661
Prepays	1,710					1,710
Total Assets	<u>\$ 1,052,589</u>	<u>\$ 192,438</u>	<u>\$ 48,202</u>	<u>\$ 516,329</u>	<u>\$ 1,334</u>	<u>\$ 1,810,892</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 64,754	\$ 528	\$	\$ 225,117	\$	\$ 290,399
Accrued Wages	6,104					6,104
Due to Other Funds	112,719					112,719
Deferred Revenue - Insurance Proceeds	0	80,000				80,000
Total Liabilities	<u>\$ 183,577</u>	<u>\$ 80,528</u>	<u>\$ 0</u>	<u>\$ 225,117</u>	<u>\$ 0</u>	<u>\$ 489,222</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue - Property Taxes	\$ 6,072	\$	\$	\$	\$	\$ 6,072
Total Deferred Inflows of Resources	<u>\$ 6,072</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,072</u>
Fund Balances:						
Nonspendable - Prepays	\$ 1,710	\$	\$	\$	\$	\$ 1,710
Restricted Fund Balances:						
Restricted for Enabling Legislation	68,050					68,050
Restricted for Economic Development	295,240					295,240
Restricted for Donor Requirements	133,916					133,916
Committed Fund Balances:						
Committed for Expansion and Improvements		111,910	48,202	291,212	1,334	452,658
Committed for Cemetery Operations	364,024					364,024
Total Fund Balances	<u>\$ 862,940</u>	<u>\$ 111,910</u>	<u>\$ 48,202</u>	<u>\$ 291,212</u>	<u>\$ 1,334</u>	<u>\$ 1,315,598</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,052,589</u>	<u>\$ 192,438</u>	<u>\$ 48,202</u>	<u>\$ 516,329</u>	<u>\$ 1,334</u>	<u>\$ 1,810,892</u>

-49-
CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Special Revenue Funds	Capital Projects Fund				Total Nonmajor Governmental Funds (See Pg. 8)
		Civic Improvement	Texas Capital Fund - Main Street	Tax Increment Financing #1	Tax Increment Financing #2	
Revenue:						
Taxes						
General Property Taxes	\$ 197,769	\$	\$	\$ 152,534	\$ 176,304	\$ 526,607
Motel Occupancy Taxes	213,815					213,815
Intergovernmental	288,277					288,277
Fines and Fees	203,433					203,433
Investment Earnings	6,222	1,248	377	3,005	10	10,862
Rents and Royalties	7,700	8,660				16,360
Miscellaneous	0	12,113				12,113
Contributions and Donations	98,563			240,000		338,563
Total Revenue	\$ 1,015,779	\$ 22,021	\$ 377	\$ 395,539	\$ 176,314	\$ 1,610,030
Expenditures:						
Current						
Public Safety	\$ 22,923	\$	\$	\$	\$	\$ 22,923
Highways and Streets	51,225		7,328			58,553
Economic Development	111,042	24,736		614,076		749,854
Cemetery	283,339					283,339
Total Expenditures	\$ 468,529	\$ 24,736	\$ 7,328	\$ 614,076	\$ 0	\$ 1,114,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 547,250	\$ (2,715)	\$ (6,951)	\$ (218,537)	\$ 176,314	\$ 495,361
Other Financing Sources (Uses):						
Transfers In (Out)	\$ (311,955)	\$	\$ (207)	\$ (279,614)	\$ (176,000)	\$ (767,776)
Total Other Financing Sources (Uses)	\$ (311,955)	\$ 0	\$ (207)	\$ (279,614)	\$ (176,000)	\$ (767,776)
Net Change in Fund Balances	\$ 235,295	\$ (2,715)	\$ (7,158)	\$ (498,151)	\$ 314	\$ (272,415)
Fund Balances - Beginning	627,645	114,625	55,360	789,363	1,020	1,588,013
Fund Balances - Ending	\$ 862,940	\$ 111,910	\$ 48,202	\$ 291,212	\$ 1,334	\$ 1,315,598

-50-
CITY OF LEBELAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2022

	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	CDBG Grant	Mainstreet Activities	Truancy	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 48)
ASSETS													
Assets:													
Cash and Cash Equivalents	\$ 367,098	\$ 6,765	\$ 18,930	\$ 4,929	\$ 248,790	\$ 7,223	\$ 4,155	\$ 90,137	\$ 40,312	\$ 11,448	\$ 14,738	\$ 814,525	
Receivables (Net of Allowance for Uncollectibles)	10,766				46,450			3,477					60,693
Intergovernmental Receivables													175,661
Prepads	211					1,499							1,710
Total Assets	\$ 378,075	\$ 6,765	\$ 18,930	\$ 4,929	\$ 295,240	\$ 8,722	\$ 4,155	\$ 93,614	\$ 175,661	\$ 40,312	\$ 11,448	\$ 14,738	\$ 1,052,589
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:													
Liabilities:													
Accounts Payable	\$ 1,664	\$ 6,104	\$ 0	\$ 0	\$ 0	\$ 138	\$ 0	\$ 0	\$ 62,942	\$ 10	\$ 0	\$ 0	\$ 64,754
Accrued Wages													6,104
Due to Other Funds													112,719
Total Liabilities	\$ 7,768	\$ 0	\$ 0	\$ 0	\$ 0	\$ 138	\$ 0	\$ 0	\$ 175,661	\$ 10	\$ 0	\$ 0	\$ 183,577
DEFERRED INFLOWS OF RESOURCES:													
Unavailable Revenue - Property Taxes	\$ 6,072	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,072
Total Deferred Inflows of Resources	\$ 6,072	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,072
Fund Balances:													
Nonspendable - Prepads	\$ 211	\$ 6,765	\$ 18,930	\$ 4,929	\$ 295,240	\$ 7,085	\$ 4,155	\$ 0					1,710
Restricted Fund Balances:													
Restricted for Enabling Legislation													68,050
Restricted for Economic Development													295,240
Restricted for Donor Requirements													133,916
Committed Fund Balances:													
Committed for Cemetery Operations	\$ 364,024												364,024
Total Fund Balances	\$ 364,235	\$ 6,765	\$ 18,930	\$ 4,929	\$ 295,240	\$ 8,584	\$ 4,155	\$ 93,614	\$ 0	\$ 40,302	\$ 11,448	\$ 14,738	\$ 862,940
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 378,075	\$ 6,765	\$ 18,930	\$ 4,929	\$ 295,240	\$ 8,722	\$ 4,155	\$ 93,614	\$ 175,661	\$ 40,312	\$ 11,448	\$ 14,738	\$ 1,052,589

-51-
CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Cemetery	LEOSE	Court Security	Time Payment Court Fee	Motel Occupancy	Court Technology	Police Special	Park Grants and Contribution	Homeland Security	CDBG Grant	CESF Grant	Mainstreet Activities	Truancy	Federal Forfeitures	Total Nonmajor Revenue Funds (See Pg. 49)	
Revenue:																
Taxes																
General Property Taxes	\$ 197,769	\$ 0	\$ 0	\$ 0	\$ 213,815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 197,769	
Motel Occupancy Taxes					1,539	4,988	23	4,139		275,000					213,815	
Intergovernmental															288,277	
Fines and Fees	189,328		52	138	38	1,778	53	37	635						203,433	
Investment Earnings	3,059														6,222	
Rents and Royalties	7,700														7,700	
Contributions and Donations															98,563	
Total Revenue	\$ 397,856	\$ 1,591	\$ 5,126	\$ 61	\$ 227,331	\$ 4,192	\$ 37	\$ 46,610	\$ 0	\$ 275,000	\$ 0	\$ 51,953	\$ 52,213	\$ 5,036	\$ 91	\$ 1,015,779
Expenditures:																
Current																
Public Safety	\$ 0	\$ 0	2,325	\$ 0	\$ 0	\$ 9,459	\$ 1,139	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,923	
Highways and Streets															51,225	
Economic Development						108,267									111,042	
Cemetery	283,339														283,339	
Total Expenditures	\$ 283,339	\$ 2,325	\$ 0	\$ 0	\$ 108,267	\$ 9,459	\$ 1,139	\$ 0	\$ 0	\$ 2,775	\$ 0	\$ 51,225	\$ 0	\$ 10,000	\$ 468,529	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 114,517	\$ (734)	\$ 5,126	\$ 61	\$ 119,064	\$ (5,267)	\$ (1,102)	\$ 47,245	\$ 0	\$ 272,225	\$ 0	\$ 988	\$ 5,036	\$ (9,909)	\$ 547,250	
Other Financing Sources (Uses):																
Transfers In (Out)	\$ (39,730)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (272,225)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (311,955)	
Total Other Financing Sources (Uses)	\$ (39,730)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (272,225)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (311,955)	
Net Change in Fund Balances	\$ 74,787	\$ (734)	\$ 5,126	\$ 61	\$ 119,064	\$ (5,267)	\$ (1,102)	\$ 47,245	\$ 0	\$ 0	\$ 0	\$ 988	\$ 5,036	\$ (9,909)	\$ 235,295	
Fund Balances - Beginning	289,448	7,499	13,804	4,868	176,176	13,851	5,257	46,369	0	0	0	39,314	6,412	24,647	627,645	
Fund Balances - Ending	\$ 364,235	\$ 6,765	\$ 18,930	\$ 4,929	\$ 295,240	\$ 8,584	\$ 4,155	\$ 93,614	\$ 0	\$ 0	\$ 0	\$ 40,302	\$ 11,448	\$ 14,738	\$ 862,940	

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, 2022, 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 January 18, 2023.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Levelland, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Levelland, Texas' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Certified Public Accountants

Lubbock, Texas

January 18, 2023