

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

AND

INDEPENDENT AUDITOR'S REPORT

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

CITY OF LEVELLAND, TEXAS

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CITY OF LEVELLAND, TEXAS
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ANNUAL FINANCIAL REPORT
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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, 2023, 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, 2023, 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 39 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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 November 13, 2024, 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

November 13, 2024

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CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 9,439,303	\$ 27,107,378	\$ 36,546,681	\$ 4,280,919
Receivables (Net of Allowances)	1,168,715	936,276	2,104,991	38,856
Intergovernmental Receivables	223,436		223,436	132,445
Due from Component Units	1,759,678		1,759,678	
Inventories		321,677	321,677	772,682
Prepaid Items	73,252	20,079	93,331	7,400
Internal Balances	850,239	(850,239)		
Capital Assets Not being Depreciated	1,484,960	1,542,307	3,027,267	84,205
Depreciable Assets, Net	26,811,468	18,928,267	45,739,735	4,738,347
Water Rights, Net		4,907,281	4,907,281	
Total Assets	\$ 41,811,051	\$ 52,913,026	\$ 94,724,077	\$ 10,054,854
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan	\$ 3,735,716	\$ 883,288	\$ 4,619,004	\$ 122,375
OPEB Plan	3,558	841	4,399	195
Total Deferred Outflows of Resources	\$ 3,739,274	\$ 884,129	\$ 4,623,403	\$ 122,570
LIABILITIES				
Accounts Payable	\$ 265,291	\$ 305,618	\$ 570,909	\$ 786
Accrued Wages	180,965	42,526	223,491	
Accrued Interest	15,690	123,134	138,824	1,285
Customer Deposits and Prepayments	4,000	315,382	319,382	
Due to City of Levelland				1,759,678
Noncurrent Liabilities				
Net Pension Liability	1,931,655	456,729	2,388,384	63,041
Total OPEB Liability	203,717	48,168	251,885	6,648
Accrued Compensated Absences	500,003	144,431	644,434	4,115
Closure/Post Closure Landfill Liability		58,870	58,870	
Due Within One Year	859,223	1,130,353	1,989,576	155,000
Due In More Than One Year	4,434,540	19,762,519	24,197,059	165,000
Total Liabilities	\$ 8,395,084	\$ 22,387,730	\$ 30,782,814	\$ 2,155,553
DEFERRED INFLOWS OF RESOURCES				
Pension Plan	\$ 1,632,600	\$ 386,019	\$ 2,018,619	\$ 40,152
OPEB Plan	58,328	13,791	72,119	1,904
Unearned Revenue - Unspent Grants	2,752,674		2,752,674	
Deferred Gain on Bond Refunding	11,350		11,350	
Total Deferred Inflows of Resources	\$ 4,454,952	\$ 399,810	\$ 4,854,762	\$ 42,056
NET POSITION				
Net Investment in Capital Assets	\$ 23,502,668	\$ 22,733,033	\$ 46,235,701	\$ 4,627,552
Restricted for:				
Enabling Legislation	323,043		323,043	
Debt Service	38,113		38,113	
Donor Requirements	258,177		258,177	
Economic Development	336,270		336,270	3,352,263
Sewer Improvements		2,862,565	2,862,565	
Water Improvements		175,001	175,001	
Unrestricted	8,242,018	5,239,016	13,481,034	
Total Net Position	\$ 32,700,289	\$ 31,009,615	\$ 63,709,904	\$ 7,979,815

See accompanying notes to the financial statements.

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CITY OF LEBELAND, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
					Primary Government				
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
PRIMARY GOVERNMENT									
Governmental Activities:									
General Government	\$ 1,427,851	\$ 51,025	\$ 247,770	\$ 35,879	\$ (1,129,056)	\$	\$ (1,129,056)		
Public Safety	5,105,447	203,926	709,200		(4,156,442)		(4,156,442)		
Highways and Streets	736,984				(736,984)		(736,984)		
Recreation and Parks	885,433				(885,433)		(885,433)		
Economic Development	236,082		7,977	743,996	515,891		515,891		
Cemetery	322,277	136,132			(186,145)		(186,145)		
Depreciation	1,724,677				(1,724,677)		(1,724,677)		
Interest and Fee's Related to Debt	108,147		370,974		262,827		262,827		
Total Governmental Activities	<u>\$ 10,546,898</u>	<u>\$ 391,083</u>	<u>\$ 1,335,921</u>	<u>\$ 779,875</u>	<u>\$ (8,040,019)</u>	<u>\$ 0</u>	<u>\$ (8,040,019)</u>		
Business-Type Activities:									
Water and Sewer	\$ 3,053,122	\$ 4,236,652	\$	\$	\$	\$ 1,183,530	\$ 1,183,530		
Sanitation	2,263,006	2,741,949				478,943	478,943		
Street Lights	238,167	207,419				(30,748)	(30,748)		
Sewer Improvement Fee	11,093	583,764				572,671	572,671		
Water Improvement Fee	425	66,436				66,011	66,011		
Swimming Pool	57,707	7,911				(49,796)	(49,796)		
Airport	73,903	42,152				(31,751)	(31,751)		
Interest and Fee's Related to Debt	761,274					(761,274)	(761,274)		
Bond Issue Costs	300,000					(300,000)	(300,000)		
Depreciation	1,215,600					(1,215,600)	(1,215,600)		
Amortization	262,349					(262,349)	(262,349)		
Total Business-Type Activities	<u>\$ 8,236,646</u>	<u>\$ 7,886,283</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (350,363)</u>	<u>\$ (350,363)</u>		
Total Primary Government	<u>\$ 18,783,544</u>	<u>\$ 8,277,366</u>	<u>\$ 1,335,921</u>	<u>\$ 779,875</u>	<u>\$ (8,040,019)</u>	<u>\$ (350,363)</u>	<u>\$ (8,390,382)</u>		
Component Units	<u>\$ 2,316,281</u>	<u>\$ 126,750</u>	<u>\$ 0</u>	<u>\$ 0</u>				<u>\$ (2,189,531)</u>	
General Revenues (Expenses):									
Taxes:									
Property Taxes, Levied for General Purposes	\$ 4,368,879					\$ 4,368,879	\$		
Sales Taxes	3,532,908					3,532,908		1,602,213	
Franchise Taxes	1,183,149					1,183,149			
Motel Occupancy Taxes	125,076					125,076			
Investment Earnings	438,446				1,108,777		1,547,223		
Rents and Royalties	78,058						78,058		
Miscellaneous	363,655				166,645		530,300		
Gain on Disposition of Assets	20,000						20,000		
Contributions and Donations	937,649						937,649		
Transfers	450,000				(450,000)				
Total General Revenues, Special Items, and Transfers	<u>\$ 11,497,820</u>	<u>\$ 825,422</u>	<u>\$ 12,323,242</u>	<u>\$ 1,820,161</u>					
Change in Net Position	<u>\$ 3,457,801</u>	<u>\$ 475,059</u>	<u>\$ 3,932,860</u>	<u>\$ (369,370)</u>					
Net Position—Beginning	<u>\$ 29,242,488</u>	<u>\$ 30,534,556</u>	<u>\$ 59,777,044</u>	<u>\$ 8,349,185</u>					
Net Position—Ending	<u>\$ 32,700,289</u>	<u>\$ 31,009,615</u>	<u>\$ 63,709,904</u>	<u>\$ 7,979,815</u>					

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Major Funds		Nonmajor	
	General Fund	Corona Virus Relief Fund	EDA Grant Fund	Governmental Funds
				Total
ASSETS				
Cash and Cash Equivalents	\$ 3,318,906	\$ 2,930,883	\$ 1,381,029	\$ 8,173,144
Receivables (Net of Allowances)	851,727			316,988
Due from Other Funds	1,829,762			1,829,762
Intergovernmental Receivables		217,236	6,200	223,436
Due from LEDC	224,911	1,163,793	370,974	1,759,678
Prepays	71,037		2,215	73,252
Total Assets	\$ 6,296,343	\$ 2,930,883	\$ 1,381,029	\$ 13,227,987
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 205,828	\$ 19,134	\$ 40,329	\$ 265,291
Accrued Wages	174,668		6,297	180,965
Due to Other Funds		1,381,029	448,733	1,829,762
Customer Deposits	4,000			4,000
Advances from Other Funds	81,349			81,349
Total Liabilities	\$ 465,845	\$ 19,134	\$ 1,381,029	\$ 2,361,367
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Property Taxes	\$ 106,570	\$ 2,752,674	\$ 15,488	\$ 122,058
Unearned Revenue - Grants	<u>\$ 106,570</u>	<u>\$ 2,752,674</u>	<u>\$ 0</u>	<u>\$ 15,488</u>
				<u>\$ 2,874,732</u>
FUND BALANCES				
Nonspendable - Prepays	\$ 71,037	\$	\$ 2,215	\$ 73,252
Restricted Fund Balance:				
Restricted for Enabling Legislation			323,043	323,043
Restricted for Economic Development			336,270	336,270
Restricted for Donor Requirements			258,177	258,177
Restricted for Debt Service			38,113	38,113
Committed Fund Balance:				
Committed for Expansion and Improvements			798,398	798,398
Committed for Cemetery Operations			352,669	352,669
Unassigned	<u>5,652,891</u>	<u>159,075</u>		<u>5,811,966</u>
Total Fund Balances	\$ 5,723,928	\$ 159,075	\$ 0	\$ 2,108,885
				<u>\$ 7,991,888</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,296,343	\$ 2,930,883	\$ 1,381,029	\$ 13,227,987

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 7,991,888
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)	28,296,428
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,197,747
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(500,003)
Long-term obligations including reoffering premiums are not due and payable in the current period and therefore are not reported in the funds.	(5,293,763)
Deferred Gains on Bond Refundings are not recorded in the funds.	(11,350)
Payables for bond interest which are not due in the current period are not reported in the funds.	(15,690)
Net Pension Liability and Related Deferred Outflows and Inflows are not reported in the funds.	171,461
Total OPEB Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(258,487)
Property tax revenue is recognized in funds but not in the Statement of Net Position.	<u>122,058</u>
Net Position of Governmental Activities	<u>\$ 32,700,289</u>

See accompanying notes to the financial statements

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF GOVERNMENTAL FUNDS REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Major Funds			Nonmajor Governmental Funds		Total
	General Fund	Corona Virus Relief Fund	EDA Grant Fund			
REVENUES						
Taxes:						
General Property Taxes	\$ 3,287,583	\$	\$	\$ 1,079,657	\$ 4,367,240	
Sales and Use Taxes	3,532,908				3,532,908	
Franchise Taxes	1,183,149				1,183,149	
Motel Occupancy Taxes				125,076	125,076	
Intergovernmental Revenues	511,240	247,770	743,996	612,791	2,115,797	
Charges for Services	20,019				20,019	
Fines and Fees	186,477			184,587	371,064	
Rents and Royalties	65,320			12,738	78,058	
Investment Earnings	180,618	141,949		85,037	407,604	
Miscellaneous	283,333			80,322	363,655	
Contributions and Donations	2,331		778,197	157,121	937,649	
Total Revenues	\$ 9,252,978	\$ 389,719	\$ 1,522,193	\$ 2,337,329	\$ 13,502,219	
EXPENDITURES						
Current						
General Government	\$ 1,270,848	\$ 155,513	\$	\$ 3,500	\$ 1,429,861	
Public Safety	5,503,980			40,417	5,544,397	
Highways and Streets	714,961			51,021	765,982	
Recreation and Parks	1,067,778				1,067,778	
Economic Development			1,522,193	202,332	1,724,525	
Cemetery				367,662	367,662	
Debt Service						
Principal	111,022			720,000	831,022	
Interest	17,757			122,928	140,685	
Fiscal Agent's Fees				1,000	1,000	
Total Expenditures	\$ 8,686,346	\$ 155,513	\$ 1,522,193	\$ 1,508,860	\$ 11,872,912	
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 566,632	\$ 234,206	\$ 0	\$ 828,469	\$ 1,629,307	
OTHER FINANCING SOURCES (USES)						
Transfers In (Out)	\$ 581,987	\$ (92,257)	\$	\$ (39,730)	\$ 450,000	
Proceeds from the Sale of Assets	20,000				20,000	
Total Other Financing Sources	\$ 601,987	\$ (92,257)	\$ 0	\$ (39,730)	\$ 470,000	
Net Change in Fund Balance	\$ 1,168,619	\$ 141,949	\$ 0	\$ 788,739	\$ 2,099,307	
Fund Balance - Beginning	4,555,309	17,126	0	1,320,146	5,892,581	
Fund Balance - Ending	\$ 5,723,928	\$ 159,075	\$ 0	\$ 2,108,885	\$ 7,991,888	

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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 2,099,307

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.	2,271,333
Depreciation is recorded in the SOA as an expense but not in governmental funds.	(1,724,677)
Principal payments are recorded as expenditures in governmental funds but excluded in the Statement of Activities.	831,022
The net revenue of internal service funds is reported with governmental activities.	30,842
Change in accrued interest from beginning of period to end of period.	18,011
Accrued compensated absences are recorded in the statement of activities as an expense but not in governmental funds.	72,670
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.	(152,872)
OPEB Expense is not recognized in the funds related to the Total OPEB Liability and related balance sheet amounts.	(5,001)
Deferred revenue is not recorded in the statements of net position thus the change is excluded in activities.	<u>1,639</u>
Change in Net Position of Governmental Activities	\$ <u>3,457,801</u>

See accompanying notes to the financial statements

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CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Major Proprietary Funds		Total Proprietary Funds		Internal Service Funds	
	Enterprise Fund	Airport Fund	Enterprise Fund	Airport Fund		
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 27,050,821	\$ 56,557	\$ 27,107,378	\$ 1,266,159		
Receivables (Net of Allowances)	921,996	14,280	936,276			
Inventories	321,677			321,677		
Prepads	16,422	3,657	20,079			
Noncurrent Assets:						
Advances to Other Funds						931,588
Capital Assets Not being Depreciated	1,306,061	236,246	1,542,307			
Depreciable Assets, Net	15,367,227	3,561,040	18,928,267			
Water Rights, Net	4,907,281		4,907,281			
Total Assets	<u>49,891,485</u>	<u>3,871,780</u>	<u>53,763,265</u>	<u>\$ 2,197,747</u>		
DEFERRED OUTFLOWS OF RESOURCES						
Pension Plan	\$ 883,288			\$ 883,288	\$	
OPEB Plan	841			841		
Total Deferred Outflows of Resources	<u>884,129</u>	<u>0</u>	<u>\$ 884,129</u>	<u>\$ 0</u>		
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ 303,144	\$ 2,474	\$ 305,618	\$		
Accrued Wages	42,526		42,526			
Accrued Interest	123,134		123,134			
Customer Deposits and Prepayments	315,382		315,382			
Noncurrent Liabilities:						
Due Within One Year	1,130,353		1,130,353			
Due In More Than One Year	19,762,519		19,762,519			
Closure/Post Closure Landfill Liability	58,870		58,870			
Accrued Compensated Absences	144,431		144,431			
Net Pension Liability	456,729		456,729			
Total OPEB Liability	48,168		48,168			
Advances from Other Funds	850,239		850,239			
Total Liabilities	<u>23,235,495</u>	<u>2,474</u>	<u>\$ 23,237,969</u>	<u>\$ 0</u>		
DEFERRED INFLOWS OF RESOURCES						
Pension Plan	\$ 386,019			\$ 386,019	\$	
OPEB Plan	13,791			13,791		
Total Deferred Inflows of Resources	<u>399,810</u>	<u>0</u>	<u>\$ 399,810</u>	<u>\$ 0</u>		
NET POSITION						
Net Investment in Capital Assets and Water Rights	\$ 18,935,747	\$ 3,797,286	\$ 22,733,033	\$		
Restricted for Sewer Improvements	2,862,565		2,862,565			
Restricted for Water Improvements	175,001		175,001			
Unrestricted	5,166,996	72,020	5,239,016		2,197,747	
Total Net Position	<u>27,140,309</u>	<u>3,869,306</u>	<u>\$ 31,009,615</u>	<u>\$ 2,197,747</u>		

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Major Proprietary Funds		Total Proprietary Funds		Internal Service Funds	
	Enterprise Fund	Airport Fund	Enterprise Fund	Airport Fund		
OPERATING REVENUES						
Water and Sewer Revenues	\$ 4,236,652	\$	\$ 4,236,652	\$		
Sanitation Charges	2,741,949		2,741,949			
Street Lights	207,419		207,419			
Sewer Improvement Fee	583,764		583,764			
Water Improvement Fee	66,436		66,436			
Swimming Pool Fee	7,911		7,911			
Hanger Rental and Fuel Sales		42,152		42,152		
Total Operating Revenues	\$ 7,844,131	\$ 42,152	\$ 7,886,283	\$ 0		
OPERATING EXPENSES						
Personnel Services	\$ 1,468,974	\$	\$ 1,468,974	\$		
Supplies and Capital Outlay	280,047		280,047			
Repairs and Maintenance	511,553		28,185		539,738	
Services	3,329,382		45,718		3,375,100	
Other Operating Expenses	33,564				33,564	
Depreciation	1,004,079		211,521		1,215,600	
Amortization of Water Rights	262,349				262,349	
Total Operating Expense	\$ 6,889,948	\$ 285,424	\$ 7,175,372	\$ 0		
Operating Income (Loss)	\$ 954,183	\$ (243,272)	\$ 710,911	\$ 0		
NONOPERATING REVENUE (EXPENSE)						
Investment Earnings	\$ 1,105,987	\$ 2,790	\$ 1,108,777	\$ 30,842		
Interest Expense and Fees	(761,274)		(761,274)			
Bond Issue Costs	(300,000)		(300,000)			
Miscellaneous	166,645		166,645			
Total Nonoperating Revenue (Expense)	\$ 211,358	\$ 2,790	\$ 214,148	\$ 30,842		
Income (Loss) Before Transfers	\$ 1,165,541	\$ (240,482)	\$ 925,059	\$ 30,842		
TRANSFERS						
Transfers In/Out	\$ (450,000)	\$	\$ (450,000)	\$		
Total Transfers	\$ (450,000)	\$ 0	\$ (450,000)	\$ 0		
Change in Net Position	\$ 715,541	\$ (240,482)	\$ 475,059	\$ 30,842		
TOTAL NET POSITION - BEGINNING	\$ 26,424,768	\$ 4,109,788	\$ 30,534,556	\$ 2,166,905		
TOTAL NET POSITION - ENDING	\$ 27,140,309	\$ 3,869,306	\$ 31,009,615	\$ 2,197,747		

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Major Proprietary Funds		Total	
	Enterprise Fund	Airport Fund	Proprietary Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 7,779,827	\$ 87,104	\$ 7,866,931	\$
Cash Payments to Suppliers for Goods and Services	(4,132,649)	(76,450)	(4,209,099)	
Cash Payments to Employees for Services	(1,405,011)		(1,405,011)	
Net Cash From Operating Activities	<u>\$ 2,242,167</u>	<u>\$ 10,654</u>	<u>\$ 2,252,821</u>	<u>\$ 0</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Transfers To/From Other Funds	\$ (759,171)	\$ 0	\$ (759,171)	\$ 818,955
Cash Receipts From Non-Operating Activities	166,645		166,645	
Net Cash From Noncapital Financing Activities	<u>\$ (592,526)</u>	<u>\$ 0</u>	<u>\$ (592,526)</u>	<u>\$ 818,955</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions of Capital Assets	\$ (526,957)		\$ (526,957)	\$
Proceeds from Bond Issuance	19,350,000		19,350,000	
Principal Payments on Long-Term Debt	(1,621,168)		(1,621,168)	
Interest Payments	(641,743)		(641,743)	
Net Cash From Capital and Related Financing Activities	<u>\$ 16,560,132</u>	<u>\$ 0</u>	<u>\$ 16,560,132</u>	<u>\$ 0</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earned on Investments	\$ 1,105,987	\$ 2,791	\$ 1,108,778	\$ 30,842
Net Cash From Investing Activities	<u>\$ 1,105,987</u>	<u>\$ 2,791</u>	<u>\$ 1,108,778</u>	<u>\$ 30,842</u>
CHANGE IN CASH AND CASH EQUIVALENTS				
	\$ 19,315,760	\$ 13,445	\$ 19,329,205	\$ 849,797
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,735,061</u>	<u>43,112</u>	<u>7,778,173</u>	<u>416,362</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 27,050,821</u>	<u>\$ 56,557</u>	<u>\$ 27,107,378</u>	<u>\$ 1,266,159</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities				
Operating Income (Loss)	\$ 954,183	\$ (243,272)	\$ 710,911	\$ 0
Adjustments to Reconcile Income From Operations to Net Cash From Operating Activities:				
Depreciation Expense	\$ 1,004,079	\$ 211,521	\$ 1,215,600	\$
Amortization Expense	262,349		262,349	
Change in Assets and Liabilities:				
Receivables	(64,960)	44,952	(20,008)	
Inventories	(41,444)		(41,444)	
Prepads	(11,201)	(3,657)	(14,858)	
Deferred Outflows	(807,775)		(807,775)	
Accounts Payable	67,703	1,110	68,813	
Accrued Payroll	(278)		(278)	
Meter Deposits	656		656	
Net Pension Asset/Liability	942,482		942,482	
Total OPEB Liability	(17,782)		(17,782)	
Closure/Post Closure Landfill Liability	6,839		6,839	
Accrued Compensated Absences	14,101		14,101	
Deferred Inflows	(66,785)		(66,785)	
Total Adjustments	<u>\$ 1,287,984</u>	<u>\$ 253,926</u>	<u>\$ 1,541,910</u>	<u>\$ 0</u>
Net Cash From Operating Activities	<u>\$ 2,242,167</u>	<u>\$ 10,654</u>	<u>\$ 2,252,821</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.

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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

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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.

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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.

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:

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

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.

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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.

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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.

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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:

Asset Class	Estimated Useful Lives
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 Authority (CRMWA) that are related to the City.

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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, 2023, there were no material commitments to be indicated by a reserve in the general fund balance.

8. Inventory:

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

9. Deferred Outflows/Inflows of Resources:

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

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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, 2023, the carrying amount of the City's cash and cash equivalents was \$36,546,681, with bank balances of \$37,055,658. The City's cash in bank at September 30, 2023, 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, 2023, 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	\$ 402,087	\$ 295,517	\$ 106,570
Sales Taxes	291,378		291,378
Franchise Taxes	300,512		300,512
Other	153,267		153,267
Special Revenue Funds			
Hotel Occupancy Tax	33,035		33,035
Tax Increment Financing	258,079		258,079
Park Grants and Contributions			
Other	3,892		3,892
Debt Service			
Ad Valorem Taxes	42,542	34,084	8,458
Other	2,475		2,475
Cemetery Fund			
Ad Valorem Taxes	20,826	13,796	7,030
Other	4,019		4,019
Total Governmental Activities	\$ 1,512,112	\$ 343,397	\$ 1,168,715
Business-Type Activities:			
Enterprise Fund			
Customer Accounts	\$ 2,015,490	\$ 1,128,637	\$ 886,853
Other	35,143		35,143
Airport Fund			
Hanger Rental and Fuel	14,280		14,280
Total Business-Type Activities	\$ 2,064,913	\$ 1,128,637	\$ 936,276
Primary Government	\$ 3,577,025	\$ 1,472,034	\$ 2,104,991

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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.

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, 2023, 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.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

- 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, 2023, 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, 2022, property taxes of \$3,984,555 were levied for the governmental funds. Individual tax levies from the tax roll on October 1, 2022, were delinquent if unpaid at January 31, 2023.

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

F. Component Unit Receivable

The City had \$1,759,678 due from LEDC and LCDC at September 30, 2023 for their share of administration costs and grant matching requirements.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

G. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Balance 10/1/2022</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance 9/30/2023</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,484,960	\$	\$	\$ 1,484,960
Construction Work in Progress	<u>1,020,918</u>	<u>(1,020,918)</u>	<u>_____</u>	<u>0</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,505,878</u>	<u>\$ (1,020,918)</u>	<u>\$ 0</u>	<u>\$ 1,484,960</u>
Depreciable Assets:				
Buildings and Improvements	\$ 7,556,508	\$	\$	\$ 7,556,508
Improvements Other Than Buildings	<u>28,475,753</u>	<u>2,964,053</u>	<u>_____</u>	<u>31,439,806</u>
Machinery and Equipment	<u>8,410,063</u>	<u>328,198</u>	<u>22,369</u>	<u>8,715,892</u>
Total Depreciable Assets	<u>\$ 44,442,324</u>	<u>\$ 3,292,251</u>	<u>\$ 22,369</u>	<u>\$ 47,712,206</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,540,102	\$ 252,012	\$	\$ 1,792,114
Improvements Other Than Buildings	<u>11,367,196</u>	<u>918,372</u>	<u>_____</u>	<u>12,285,568</u>
Machinery and Equipment	<u>6,291,132</u>	<u>554,293</u>	<u>22,369</u>	<u>6,823,056</u>
Total Accumulated Depreciation	<u>\$ 19,198,430</u>	<u>\$ 1,724,677</u>	<u>\$ 22,369</u>	<u>\$ 20,900,738</u>
Total Depreciable Assets, Net	<u>\$ 25,243,894</u>	<u>\$ 1,567,574</u>	<u>\$ 0</u>	<u>\$ 26,811,468</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,749,772</u>	<u>\$ 546,656</u>	<u>\$ 0</u>	<u>\$ 28,296,428</u>

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

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	Balance 10/1/2022	Increases	Transfers/ Decreases	Balance 9/30/2023
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,085,357	\$	\$	\$ 1,085,357
Construction Work in Progress		456,950		456,950
Total Capital Assets Not Being Depreciated	<u>\$ 1,085,357</u>	<u>\$ 456,950</u>	<u>\$ 0</u>	<u>\$ 1,542,307</u>
Depreciable Assets:				
Buildings and Improvements	\$ 2,220,243	\$	\$	\$ 2,220,243
Improvements Other Than Buildings	31,405,295	7,374		31,412,669
Machinery and Equipment	<u>4,722,817</u>	<u>62,633</u>		<u>4,785,450</u>
Total Depreciable Assets	<u>\$ 38,348,355</u>	<u>\$ 70,007</u>	<u>\$ 0</u>	<u>\$ 38,418,362</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 692,818	\$ 47,371	\$	\$ 740,189
Improvements Other Than Buildings	14,464,432	844,678		15,309,110
Machinery and Equipment	<u>3,117,245</u>	<u>323,551</u>		<u>3,440,796</u>
Total Accumulated Depreciation	<u>\$ 18,274,495</u>	<u>\$ 1,215,600</u>	<u>\$ 0</u>	<u>\$ 19,490,095</u>
Total Depreciable Assets, Net	<u>\$ 20,073,860</u>	<u>\$ (1,145,593)</u>	<u>\$ 0</u>	<u>\$ 18,928,267</u>
Investment in Water Facilities	\$ 13,101,582	\$	\$	\$ 13,101,582
Accumulated Amortization Investment in Water Facilities		(7,836,554)	(357,747)	(8,194,301)
Net Investment in Water Facilities	<u>\$ 5,265,028</u>	<u>\$ (357,747)</u>	<u>\$ 0</u>	<u>\$ 4,907,281</u>

H. Investment in Water Facilities and Related Debt

The City, along with several West Texas municipalities, entered into various contracts with the 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.

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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, 2023:

<u>Water Facilities Debt</u>	<u>Balance</u>	<u>Refunding</u>	<u>Principal Payments</u>	<u>Balance</u>
	<u>10/1/2022</u>			<u>9/30/2023</u>
Series 2014, Refunding, CUP	\$ 381,021	\$ (354,841)	\$ 26,180	\$ 0
Series 2017, Refunding, CUP	209,156		31,597	177,559
Series 2020, Refunding, CUP	641,830		64,283	577,547
Series 2021, Refunding, CUP	528,538		213,843	314,695
Series 2023, Refunding, CUP		344,007	53,195	290,812
Water Treatment Plant 2014	<u>130,348</u>		<u>63,737</u>	<u>66,611</u>
	<u><u>\$ 1,890,893</u></u>	<u><u>\$ (10,834)</u></u>	<u><u>\$ 452,835</u></u>	<u><u>\$ 1,427,224</u></u>

<u>Water Facilities Debt</u>	<u>Maturity</u>	<u>Interest Rates</u>
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%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2023	2027	5.0%
Water Treatment Plant 2014 - City of Lubbock	2024	3.38%

The City paid \$81,876 in interest related to this debt for the year ended September 30, 2023.

Debt service requirements related to this debt at September 30, 2023, are as follows:

Year Ending September 30,	Total Water Facilities Debt		
	Principal	Interest	Total
2024	\$ 462,043	\$ 61,000	\$ 523,043
2025	285,333	42,694	328,027
2026	200,931	31,473	232,404
2027	154,249	21,373	175,622
2028	110,499	14,596	125,095
2029-2032	<u>214,169</u>	<u>15,963</u>	<u>230,132</u>
Totals	<u>\$ 1,427,224</u>	<u>\$ 187,099</u>	<u>\$ 1,614,323</u>

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Investment in Water Facilities at cost as of September 30, 2023 is as follows:

	Beginning	Additions	Deletions/ Other	Ending
Cost of Water Facilities:				
CRMWA	\$ 12,316,077	\$	\$	\$ 12,316,077
City of Lubbock	585,505	\$	\$	585,505
Other	200,000	\$	\$	200,000
Total Cost of Water Facilities	\$ 13,101,582	\$ 0	\$ 0	\$ 13,101,582
Accumulated Amortization:				
CRMWA	\$ 7,394,217	\$ 305,534	\$	\$ 7,699,751
City of Lubbock	390,337	48,213	\$	438,550
Other	52,000	4,000	\$	56,000
Total Accumulated Amortization	\$ 7,836,554	\$ 357,747	\$ 0	\$ 8,194,301
Total Investment in Water Facilities	\$ 5,265,028	\$ (357,747)	\$ 0	\$ 4,907,281
Investments in Water Facilities, Net of Related Debt:				
	Net Investment	Debt	Investment Net of Related Debt	
CRMWA	\$ 4,616,326	\$ 1,360,613	\$ 3,255,713	
City of Lubbock	146,955	66,611	80,344	
Other	144,000	\$	144,000	
Totals	\$ 4,907,281	\$ 1,427,224	\$ 3,480,057	

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, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Interest and Fees
Governmental Activities:						
Series 2012, GO Refunding Bonds	\$ 735,000	\$	\$ 235,000	\$ 500,000	\$ 245,000	\$ 16,381
Series 2013, COs	2,825,000	\$	220,000	2,605,000	\$ 230,000	73,831
Series 2019, GO Refunding Bonds	1,940,000	\$	265,000	1,675,000	\$ 270,000	32,716
Lease Obligations	536,099	\$	111,023	425,076	\$ 114,223	17,757
Compensated Absences	572,673	\$	72,670	500,003		
Unamortized Bond Premiums	102,322	\$	13,635	88,687		
Total Governmental Activities	\$ 6,711,094	\$ 0	\$ 917,328	\$ 5,793,766	\$ 859,223	\$ 140,685

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Interest and Fees</u>
Business-Type Activities:						
CRMWA - Debt	\$ 1,760,545	\$ (10,834)	\$ 389,098	\$ 1,360,613	\$ 395,432	\$ 76,767
City of Lubbock Debt	130,348		63,737	66,611	66,611	5,109
Series 2022, Tax and Waterworks		19,650,000	945,000	18,705,000	615,000	632,666
State Infrastructure Bank Loan	635,651		51,946	583,705	53,310	16,023
Lease Obligations	171,385		171,385	0		5,474
Compensated Absences	130,330	14,101		144,431		
Unamortized Net Bond Premium	256,731	15,610	95,398	176,943		
Total Business-Type Activities	\$ 3,084,990	\$ 19,668,877	\$ 1,716,564	\$ 21,037,303	\$ 1,130,353	\$ 736,039

Detail on the maturity dates and interest rates of the outstanding Long-Term Debt of the City as of September 30, 2023 are as follows:

Governmental Activities:

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

Business-Type Activities:

<u>Debt</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
CRMWA - Debt	See Note H	See Note H
City of Lubbock - Debt	See Note H	See Note H
Series 2022, Tax and Waterworks	2042	4.67% - 5.50%
Lease Obligations	2023	3.19%

Debt service requirements on all long-term debt outstanding at September 30, 2023, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2024	\$ 859,223	\$ 121,411	\$ 980,634
2025	838,866	100,802	939,668
2026	596,374	84,093	680,467
2027	608,966	70,290	679,256
2028	626,647	56,089	682,736
2029-2033	1,675,000	112,996	1,787,996
Unamortized Bond Premiums	88,687		88,687
Totals	\$ 5,293,763	\$ 545,681	\$ 5,839,444

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	Business-Type Activities		
	Principal	Interest	Total
Year Ending September 30,			
2024	\$ 1,130,353	\$ 1,039,314	\$ 2,169,667
2025	985,042	990,581	1,975,623
2026	932,077	947,415	1,879,492
2027	921,869	903,846	1,825,715
2028	909,630	861,689	1,771,319
2029-2033	4,806,958	3,646,795	8,453,753
2034-2038	5,490,000	2,404,577	7,894,577
2039-2042	5,540,000	776,001	6,316,001
Unamortized Bond Premiums	<u>176,943</u>		<u>176,943</u>
Totals	<u><u>\$ 20,892,872</u></u>	<u><u>\$ 11,570,218</u></u>	<u><u>\$ 32,463,090</u></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.

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.

CRMWA refunded the 2014 refunding bonds with the 2023 refunding bond issue. The refunding will result in a savings of \$463,750 (Net Present Value Savings - \$430,579 or 3.377% of the refunded principal) over the next 4 years. This results in annual savings of around \$113,625 – \$118,500 for the CRMWA members. The City's proportionate share of the savings is 2.7%.

Lease Obligations:

The assets acquired through lease obligations are as follows:

Cash and Capital Assets	Governmental Activities
Machinery and Equipment	\$ 733,075
Less: Accumulated Depreciation	<u>(244,025)</u>
Totals	<u><u>\$ 489,050</u></u>

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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, 2023, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 114,223	\$ 14,265	\$ 128,488
2025	73,866	10,552	84,418
2026	76,374	8,044	84,418
2027	78,966	5,452	84,418
2028	81,647	2,722	84,369
Totals	<u>\$ 425,076</u>	<u>\$ 41,035</u>	<u>\$ 466,111</u>

J. Pension Plan

Plan Description

The City participates as one of 919 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.

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.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2022
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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	66
Inactive Employees Entitled to but not Yet Receiving Benefits	51
Active Employees	94
Total Plan Employees	<u>211</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 9.04% and 8.97% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$479,321, and were equal to the required contributions.

Net Pension Asset/Liability

The City's Net Pension Asset/Liability (NPAL) was measured as of December 31, 2022, 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	23 years

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 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).

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%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance 12/31/2022	\$ 31,683,089	\$ 34,235,531	\$ (2,552,442)
Service Cost	767,592		767,592
Interest (on the Total Pension Liability)	2,074,206		2,074,206
Difference Between Expected and Actual Expenses	426,126		426,126
Contributions - Employer		470,376	(470,376)
Contributions - Employee		312,518	(312,518)
Net Investment Income		(2,456,929)	2,456,929
Benefit Payments	(1,550,918)	(1,550,918)	
Administrative Expense		(21,272)	21,272
Other	2,978	25,383	(22,405)
Balance 12/31/2021	<u>\$ 33,403,073</u>	<u>\$ 31,014,689</u>	<u>\$ 2,388,384</u>

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>
\$ 6,897,478	\$ 2,388,384	\$ (1,317,030)

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.tmrss.com.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

For the year ended September 30, 2023, the City recognized pension income of \$678,997 and calculated as shown below:

Total Service Cost	\$ 767,592
Interest on the Total Pension Liability	2,074,206
Employee Contributions (Reduction of Expense)	(312,518)
Projected Earnings on Plan Investments (Reduction of Expense)	(2,273,048)
Administrative Expense	21,272
Other Changes in Fiduciary Net Position	(25,383)
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(161,263)
Recognition of Current Year Outflow (Inflow) of Resources-Assets	588,139
Total Pension Expense (Income)	\$ 678,997

At September 30, 2023, 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	\$ 334,126	1.000
Differences Between Projected and Actual Investment Earnings	2019	(445,060)	1.000
Differences Between Projected and Actual Investment Earnings	2020	(97,887)	2.000
Differences Between Projected and Actual Investment Earnings	2021	(1,144,441)	3.000
Differences Between Projected and Actual Investment Earnings	2022	3,783,983	4.000
Differences Between Expected and Actual Economic Experience	2019	(75,984)	0.790
Differences Between Expected and Actual Economic Experience	2020	(255,247)	1.740
Differences Between Expected and Actual Economic Experience	2021	168,915	2.820
Differences Between Expected and Actual Economic Experience	2022	327,940	2.340
Difference in Assumptions	2019	4,040	0.790
Total Deferred Outflows/(Inflows) of Resources		\$ 2,600,385	

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
2024	\$ 344,087
2025	565,105
2026	711,816
2027	979,377
	\$ 2,600,385

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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.

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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	42
Inactive Employees Entitled to but not Yet Receiving Benefits	18
Active Employees	94
Total Plan Employees	<u><u>154</u></u>

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Total OPEB Liability:

The City's total OPEB liability of \$251,885 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2022 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	4.05%
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 GASB 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 4.05% based on the 20-Year Bond GO Index published by bondbuyer.com is used as the measurement date of December 31, 2022.

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

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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.

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 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 No. 75.

Changes in the Total OPEB Liability:

Balance as of December 31, 2021	\$ 353,050
Changes for the year:	
Service Cost	18,116
Interest on Total OPEB Liability	6,614
Difference Between Expected and Actual Experiences	4,523
Changes in Assumptions and Other Inputs	(124,962)
Other	238
Benefit Payments	<u>(5,694)</u>
Balance as of December 31, 2022	<u>\$ 251,885</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 4.05%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) 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.

	<u>1% Decrease in Discount Rate (3.05%)</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase in Discount Rate (5.05%)</u>
Total OPEB Liability	<u>\$ 300,156</u>	<u>\$ 251,885</u>	<u>\$ 213,913</u>

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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, 2023, the City recognized OPEB expense of \$13,690. At September 30, 2023, 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	\$	\$ 11,956
Changes in Assumptions and Other Inputs		60,163
Contributions Made Subsequent to		
Measurement Date	<u>4,399</u>	<u></u>
	<u>\$ 4,399</u>	<u>\$ 72,119</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>
2023	\$ (9,196)
2024	(9,797)
2025	(13,893)
2026	(17,832)
2027	(17,001)
Thereafter	<u></u>
	<u>\$ (67,720)</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.

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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 \$58,870 reported as landfill closure and post closure care liability at September 30, 2023, 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 \$898,000 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, 2023. 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 \$3,797,286, with no related debt, at September 30, 2023. 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.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LEBELAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION ASSET/LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2023

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
	<u>Total Pension Liability</u>								
Service Cost	\$ 603,817	\$ 675,914	\$ 694,574	\$ 689,896	\$ 718,366	\$ 707,536	\$ 709,849	\$ 756,758	\$ 767,592
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	2,074,206
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)	(1,550,918)
Differences between Expected and Actual Experience	(54,713)	(53,434)	51,860	(498,031)	(458,872)	(449,560)	(695,328)	288,717	426,126
Changes of Assumptions		144,698			23,901				
Other - Proportionate Share Adjustment		(17,433)	(40,143)	(1,935)	448	(4,795)	(193)	(883)	2,978
Net Change	\$ 1,036,000	\$ 1,485,991	\$ 1,556,317	\$ 764,510	\$ 911,847	\$ 1,035,472	\$ 763,716	\$ 1,530,808	\$ 1,719,984
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>	<u>31,683,089</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>	<u>\$ 33,403,073</u>
	<u>Fiduciary Net Position</u>								
Employer Contributions	\$ 575,137	\$ 600,220	\$ 581,693	\$ 593,349	\$ 612,125	\$ 559,987	\$ 556,334	\$ 542,368	\$ 470,376
Employee Contributions	277,347	291,133	292,431	291,095	297,871	287,422	299,016	307,001	312,518
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	(2,456,929)
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)	(1,550,918)
Administration Expenses	(12,643)	(19,666)	(16,434)	(16,589)	(15,056)	(21,778)	(13,993)	(18,307)	(21,272)
Other	(1,039)	(972)	(887)	(840)	(787)	(654)	(546)	127	25,383
Net Change	\$ 971,350	\$ 11,665	\$ 1,514,591	\$ 2,897,261	\$ (1,033,314)	\$ 3,577,857	\$ 1,826,284	\$ 3,302,176	\$ (3,220,842)
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>	<u>34,235,531</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>	<u>\$ 31,014,689</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>	<u>\$ (2,388,384)</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%	92.85%
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	\$ 5,206,220
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%	-45.88%

Note: Only nine years of GASB 68 Data Available as of 12/31/2022. The remaining one year of data will be built on a go forward basis.

CITY OF LEBELAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	9/30/2023
Actuarially Determined Contribution	\$ 608,830	\$ 608,954	\$ 604,475	\$ 607,218	\$ 573,303	\$ 552,984	\$ 519,633	\$ 490,705	\$ 479,321
Actual Contributions	\$ 608,830	\$ 608,954	\$ 604,475	\$ 607,218	\$ 573,303	\$ 552,984	\$ 519,633	\$ 490,705	\$ 479,321
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
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	\$ 5,191,832
Contributions as a Percentage of Covered Employee Payroll	12.57%	12.06%	12.16%	12.31%	11.85%	11.48%	10.80%	9.48%	9.23%

Note: Only nine years of GASB 68 Data Available as of 09/30/2023 The remaining one year 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, 2023

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2017</u> Total OPEB Liability	<u>12/31/2018</u> Total OPEB Liability	<u>12/31/2019</u> Total OPEB Liability	<u>12/31/2020</u> Total OPEB Liability	<u>12/31/2021</u> Total OPEB Liability	<u>12/31/2022</u> Total OPEB Liability
Service Cost	\$ 11,159	\$ 12,908	\$ 11,496	\$ 13,937	\$ 19,443	\$ 18,116
Interest	7,680	7,970	8,394	7,848	6,492	6,614
Differences between expected and actual experience		(16,327)	(7,768)	(24,360)	3,834	4,523
Benefit Payments	(1,456)	(1,491)	(1,437)	(1,442)	(5,629)	(5,694)
Other		122	(376)	(192)	360	238
Changes in Assumptions	<u>19,263</u>	<u>(16,530)</u>	<u>47,405</u>	<u>42,209</u>	<u>11,229</u>	<u>(124,962)</u>
Net Change	\$ 36,646	\$ (13,348)	\$ 57,714	\$ 38,000	\$ 35,729	\$ (101,165)
Beginning Balance	<u>198,309</u>	<u>234,955</u>	<u>221,607</u>	<u>279,321</u>	<u>317,321</u>	<u>353,050</u>
Ending Balance	<u>234,955</u>	<u>221,607</u>	<u>279,321</u>	<u>317,321</u>	<u>353,050</u>	<u>251,885</u>
Total OPEB Liability	<u><u>234,955</u></u>	<u><u>221,607</u></u>	<u><u>279,321</u></u>	<u><u>317,321</u></u>	<u><u>353,050</u></u>	<u><u>251,885</u></u>
Covered Employee Payroll	\$ 4,851,588	\$ 4,964,512	\$ 4,790,361	\$ 4,806,021	\$ 5,109,708	\$ 5,206,220
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.84%	4.46%	5.83%	6.60%	6.91%	4.84%

Note: Only six year of GASB 75 Data Available as of 12/31/2022. The remaining four 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, 2023

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Taxes:				
Property Taxes	\$ 3,433,212	\$ 3,433,212	\$ 3,287,583	\$ (145,629)
General Sales Taxes	2,925,625	2,925,625	3,532,908	607,283
Gross Receipts Business Tax	910,000	910,000	1,183,149	273,149
Intergovernmental Revenues and Grants	602,000	602,000	511,240	(90,760)
Charges for Services	3,250	3,250	20,019	16,769
Fines and Fees	167,500	167,500	186,477	18,977
Investment Earnings	25,000	25,000	180,618	155,618
Rents and Royalties	47,500	47,500	65,320	17,820
Miscellaneous	25,000	29,000	283,333	254,333
Contributions and Donations			2,331	2,331
Total Revenue	\$ 8,139,087	\$ 8,143,087	\$ 9,252,978	\$ 1,109,891
EXPENDITURES				
City Council	\$ 165,610	\$ 165,610	\$ 197,851	\$ (32,241)
City Management	370,730	370,730	332,482	38,248
City Secretary	111,638	111,638	109,775	1,863
Finance	185,156	185,156	135,013	50,143
Municipal Court	151,481	151,481	153,683	(2,202)
Fire	1,330,373	1,377,588	1,177,678	199,910
Police	3,406,018	3,654,462	3,295,426	359,036
Inspection	382,480	382,480	373,392	9,088
Emergency and Health Services	259,927	509,138	503,801	5,337
Street	608,287	978,303	603,951	374,352
Shop	112,069	117,238	111,010	6,228
Park	853,886	864,243	1,067,778	(203,535)
Information Technology	92,000	92,000	104,782	(12,782)
Building Services	112,750	112,750	125,611	(12,861)
Professional Services	97,500	97,500	73,097	24,403
Human Resources	107,533	107,533	80,974	26,559
Economic Development	178,794	178,794		178,794
Main Street	102,307	102,307	111,263	(8,956)
Debt Service				
Principal			111,022	(111,022)
Interest			17,757	(17,757)
Total Expenditures	\$ 8,628,539	\$ 9,558,951	\$ 8,686,346	\$ 872,605
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (489,452)	\$ (1,415,864)	\$ 566,632	\$ 1,982,496
OTHER FINANCING SOURCES				
Transfers In (Out)	\$ 489,730	\$ 1,385,642	\$ 581,987	\$ (803,655)
Proceeds from the Sale of Capital Assets			20,000	20,000
Total Other Financing Sources	\$ 489,730	\$ 1,385,642	\$ 601,987	\$ (783,655)
Net Change in Fund Balance	\$ 278	\$ (30,222)	\$ 1,168,619	\$ 1,198,841
Fund Balances - Beginning	4,555,309	4,555,309	4,555,309	
Fund Balances - Ending	\$ 4,555,587	\$ 4,525,087	\$ 5,723,928	\$ 1,198,841

The accompanying notes are an integral part of this statement.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SEPTEMBER 30, 2023**

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	23 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.

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CITY OF LEVELLAND, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2023**

BUDGETARY DATA

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

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

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

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

Amounts over budget are covered by unassigned general fund balance.

SUPPLEMENTARY INFORMATION

CITY OF LEBELAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Special Revenue Funds	Debt Service Fund	Civic Improvement	Texas Capital Fund - Main Street	Capital Projects Fund	Tax Increment Financing #1	Tax Increment Financing #2	Total Nonmajor Governmental Funds (See Pg. 6)
ASSETS								
Assets:								
Cash and Cash Equivalents	\$ 1,274,950	\$ 10,933	\$ 111,615	\$ 38,905	\$ 497,885	\$ 149,256	\$ 108,823	\$ 1,923,355
Receivables (Net of Allowance for Uncollectibles)	47,976							316,988
Intergovernmental Receivables	6,200							6,200
Due from LEDC		370,974						370,974
Prepays	2,215							2,215
Total Assets	\$ 1,331,341	\$ 381,907	\$ 111,615	\$ 38,905	\$ 647,141	\$ 108,823	\$ 2,619,732	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:								
Liabilities:								
Accounts Payable	\$ 39,440	\$ 889	\$ 889	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,329
Accrued Wages	6,297							6,297
Due to Other Funds	6,200	335,336	889	0	0	107,197	107,197	448,733
Total Liabilities	\$ 51,937	\$ 335,336	\$ 889	\$ 0	\$ 0	\$ 107,197	\$ 107,197	\$ 495,359
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue - Property Taxes	\$ 7,030	\$ 8,458	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,488
Total Deferred Inflows of Resources	\$ 7,030	\$ 8,458	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,488
Fund Balances:								
Nonspendable - Prepays	\$ 2,215	\$ 38,113	\$ 110,726	\$ 38,905	\$ 647,141	\$ 1,626	\$ 798,398	
Restricted Fund Balances:								
Restricted for Enabling Legislation	323,043							323,043
Restricted for Economic Development	336,270							336,270
Restricted for Donor Requirements	258,177							258,177
Restricted for Debt Service								38,113
Committed Fund Balances:								
Committed for Expansion and Improvements			110,726	38,905	647,141	1,626	798,398	
Committed for Cemetery Operations	352,669							352,669
Total Fund Balances	\$ 1,272,374	\$ 38,113	\$ 110,726	\$ 38,905	\$ 647,141	\$ 1,626	\$ 2,108,885	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,331,341	\$ 381,907	\$ 111,615	\$ 38,905	\$ 647,141	\$ 108,823	\$ 2,619,732	

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CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Special Revenue Funds	Debt Service Fund	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	\$ 234,829	\$ 288,743	\$	\$	\$ 335,512	\$ 220,573	\$ 1,079,657
Motel Occupancy Taxes	125,076						125,076
Intergovernmental	241,817	370,974					612,791
Fines and Fees	184,587						184,587
Investment Earnings	53,192	703	8,530	1,903	20,417	292	85,037
Rents and Royalties	5,188		7,550				12,738
Miscellaneous	302		80,020				80,322
Contributions and Donations	157,121						157,121
Total Revenue	\$ 1,002,112	\$ 660,420	\$ 96,100	\$ 1,903	\$ 355,929	\$ 220,865	\$ 2,337,329
Expenditures:							
Current							
General Government	\$	\$ 3,500	\$	\$	\$	\$	\$ 3,500
Public Safety	40,417						40,417
Highways and Streets	39,821				11,200		51,021
Economic Development	105,048		97,284				202,332
Cemetery	367,662						367,662
Debt Service							
Principal		720,000					720,000
Interest		122,928					122,928
Fiscal Agent's Fees		1,000					1,000
Total Expenditures	\$ 552,948	\$ 847,428	\$ 97,284	\$ 11,200	\$ 0	\$ 0	\$ 1,508,860
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 449,164	\$ (187,008)	\$ (1,184)	\$ (9,297)	\$ 355,929	\$ 220,865	\$ 828,469
Other Financing Sources (Uses):							
Transfers In (Out)	\$ (39,730)	\$ 220,573	\$	\$	\$	\$ (220,573)	\$ (39,730)
Total Other Financing Sources (Uses)	\$ (39,730)	\$ 220,573	\$ 0	\$ 0	\$ 0	\$ 0	\$ (39,730)
Net Change in Fund Balances	\$ 409,434	\$ 33,565	\$ (1,184)	\$ (9,297)	\$ 355,929	\$ 292	\$ 788,739
Fund Balances - Beginning	862,940	4,548	111,910	48,202	291,212	1,334	1,320,146
Fund Balances - Ending	\$ 1,272,374	\$ 38,113	\$ 110,726	\$ 38,905	\$ 647,141	\$ 1,626	\$ 2,108,885

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CITY OF LEVELLAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2023

	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	\$ 391,056	\$ 7,984	\$ 18,167	\$ 5,170	\$ 303,235	\$ 8,848	\$ 28,242	\$ 141,420	\$ 112,865	\$ 16,166	\$ 241,797	\$ 1,274,950	
Receivables (Net of Allowance for Uncollectibles)	\$ 11,049				\$ 33,035			\$ 3,892				\$ 47,976	
Intergovernmental Receivables									6,200			6,200	
Prepads	2,215											2,215	
Total Assets	\$ 404,320	\$ 7,984	\$ 18,167	\$ 5,170	\$ 336,270	\$ 8,848	\$ 28,242	\$ 145,312	\$ 6,200	\$ 112,865	\$ 16,166	\$ 241,797	\$ 1,331,341
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:													
Liabilities:													
Accounts Payable	\$ 36,109	\$ 6,297											\$ 39,440
Accrued Wages													6,297
Due to Other Funds									6,200				6,200
Total Liabilities	\$ 42,406	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156	\$ 3,175	\$ 0	\$ 6,200	\$ 0	\$ 0	\$ 0	\$ 51,937
DEFERRED INFLOWS OF RESOURCES:													
Unavailable Revenue - Property Taxes	\$ 7,030	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,030
Total Deferred Inflows of Resources	\$ 7,030	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,030
Fund Balances:													
Nonspendable - Prepads	\$ 2,215												2,215
Restricted Fund Balances:													
Restricted for Enabling Legislation		7,984	18,167	5,170		8,692	25,067				16,166	241,797	323,043
Restricted for Economic Development					336,270				0				336,270
Restricted for Donor Requirements								145,312		112,865			258,177
Committed Fund Balances:													
Committed for Cemetery Operations	\$ 352,669												352,669
Total Fund Balances	\$ 354,884	\$ 7,984	\$ 18,167	\$ 5,170	\$ 336,270	\$ 8,692	\$ 25,067	\$ 145,312	\$ 0	\$ 112,865	\$ 16,166	\$ 241,797	\$ 1,272,374
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 404,320	\$ 7,984	\$ 18,167	\$ 5,170	\$ 336,270	\$ 8,848	\$ 28,242	\$ 145,312	\$ 6,200	\$ 112,865	\$ 16,166	\$ 241,797	\$ 1,331,341

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CITY OF LEVELLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Cemetery</u>	<u>LEOSE</u>	<u>Court Security</u>	<u>Time Payment Court Fee</u>	<u>Motel Occupancy</u>	<u>Court Technology</u>	<u>Police Special</u>	<u>Park Grants and Contribution</u>	<u>Mainstreet Activities</u>	<u>Truancy</u>	<u>Federal Forfeitures</u>	<u>Total Nonmajor Revenue Funds (See Pg. 49)</u>
Revenue:												
Taxes												
General Property Taxes	\$ 234,829	\$ 1,994	\$ 4,982	\$ 241	\$ 146,078	\$ 3,822	\$ 37,195	\$ 51,698	\$ 110,449	\$ 4,718	\$ 240,959	\$ 234,829
Motel Occupancy Taxes					1,662			7,977				125,076
Intergovernmental												241,817
Fines and Fees	136,132		4,148	25		3,445	36,720			4,117		184,587
Investment Earnings	21,590	332	834	216	13,025	377	475	5,026	1,935	601	8,781	53,192
Rents and Royalties	5,188											5,188
Miscellaneous	302											302
Contributions and Donations								46,672				157,121
Total Revenue	\$ 398,041	\$ 1,994	\$ 4,982	\$ 241	\$ 146,078	\$ 3,822	\$ 37,195	\$ 51,698	\$ 110,449	\$ 4,718	\$ 240,959	\$ 1,002,112
Expenditures:												
Current												
Public Safety	\$ 775	\$ 5,745	\$ 0	\$ 0	\$ 3,714	\$ 16,283	\$ 0	\$ 39,821	\$ 0	\$ 13,900	\$ 40,417	
Highways and Streets												39,821
Economic Development					105,048							105,048
Cemetery	367,662	775	5,745	0	105,048	3,714	16,283	0	39,821	0	13,900	367,662
Total Expenditures	\$ 367,662	\$ 775	\$ 5,745	\$ 0	\$ 105,048	\$ 3,714	\$ 16,283	\$ 0	\$ 39,821	\$ 0	\$ 13,900	\$ 552,948
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 30,379	\$ 1,219	\$ (763)	\$ 241	\$ 41,030	\$ 108	\$ 20,912	\$ 51,698	\$ 72,563	\$ 4,718	\$ 227,059	\$ 449,164
Other Financing Sources (Uses):												
Transfers In (Out)	\$ (39,730)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (39,730)
Total Other Financing Sources (Uses)	\$ (39,730)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (39,730)
Net Change in Fund Balances	\$ (9,351)	\$ 1,219	\$ (763)	\$ 241	\$ 41,030	\$ 108	\$ 20,912	\$ 51,698	\$ 72,563	\$ 4,718	\$ 227,059	\$ 409,434
Fund Balances - Beginning	364,235	6,765	18,930	4,929	295,240	8,584	4,155	93,614	40,302	11,448	14,738	862,940
Fund Balances - Ending	\$ 354,884	\$ 7,984	\$ 18,167	\$ 5,170	\$ 336,270	\$ 8,692	\$ 25,067	\$ 145,312	\$ 112,865	\$ 16,166	\$ 241,797	\$ 1,272,374

OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION

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

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, as of and for the year ended September 30, 2023, 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 November 13, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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 the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, 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 and significant deficiencies 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

November 13, 2024