

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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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FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

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

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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 year ended September 30, 2024, 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, 2024, 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. The financial statements of Levelland Economic Development Corporation and Levelland Community Development Corporation were not audited in accordance with Government Auditing Standards.

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 August 5, 2025, 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

August 5, 2025

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CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	LEDC	LCDC
ASSETS					
Cash and Cash Equivalents	\$ 11,057,731	\$ 9,092,250	\$ 20,149,981	\$ 3,396,389	\$ 1,443,203
Cash and Cash Equivalents - Restricted		17,559,375	17,559,375		
Receivables (Net of Allowances)	1,109,189	967,694	2,076,883	99,432	51,455
Intergovernmental Receivables	222,735		222,735		
Due from Component Units	1,312,274		1,312,274		
Inventories		301,786	301,786	772,683	
Prepaid Items	82,562	20,949	103,511		
Internal Balances	682,629	(682,629)			
Capital Assets Not being Depreciated	1,484,960	2,875,982	4,360,942	84,201	
Depreciable Assets, Net	26,230,490	18,452,235	44,682,725	4,596,544	
Water Rights, Net		4,549,535	4,549,535		
Total Assets	\$ 42,182,570	\$ 53,137,177	\$ 95,319,747	\$ 8,949,249	\$ 1,494,658
DEFERRED OUTFLOWS OF RESOURCES					
Pension Plan	\$ 1,300,891	\$ 319,571	\$ 1,620,462	\$ 42,633	\$
OPEB Plan	4,684	1,151	5,835	163	
Total Deferred Outflows of Resources	\$ 1,305,575	\$ 320,722	\$ 1,626,297	\$ 42,796	\$ 0
LIABILITIES					
Accounts Payable	\$ 268,337	\$ 390,539	\$ 658,876	\$	\$
Accrued Wages	173,256	40,488	213,744		
Accrued Interest	23,831	119,425	143,256	662	
Customer Deposits and Prepayments	4,000	328,545	332,545		
Due to City of Levelland				877,366	434,908
Noncurrent Liabilities					
Net Pension Liability	641,590	157,610	799,200	22,042	
Total OPEB Liability	221,185	54,335	275,520	7,599	
Accrued Compensated Absences	507,907	84,628	592,535	2,533	
Closure/Post Closure Landfill Liability		66,411	66,411		
Due Within One Year	838,866	1,009,102	1,847,968	165,000	
Due In More Than One Year	3,582,002	18,740,908	22,322,910		
Total Liabilities	\$ 6,260,974	\$ 20,991,991	\$ 27,252,965	\$ 1,075,202	\$ 434,908
DEFERRED INFLOWS OF RESOURCES					
Pension Plan	\$ 255,269	\$ 62,708	\$ 317,977	\$ 8,842	\$
OPEB Plan	39,210	9,632	48,842	1,347	
Unearned Revenue - Unspent Grants	1,692,463		1,692,463		
Deferred Gain on Bond Refunding	9,458		9,458		
Total Deferred Inflows of Resources	\$ 1,996,400	\$ 72,340	\$ 2,068,740	\$ 10,189	\$ 0
NET POSITION					
Net Investment in Capital Assets	\$ 23,802,489	\$ 22,427,117	\$ 46,229,606	\$ 4,580,745	\$
Restricted for:					
Enabling Legislation	323,407		323,407		
Debt Service	86,807		86,807		
Donor Requirements	241,009		241,009		
Economic Development	336,566		336,566	3,325,909	1,059,750
Sewer Improvements		4,271,811	4,271,811		
Water Improvements		241,719	241,719		
Unrestricted	10,440,493	5,452,921	15,893,414		
Total Net Position	\$ 35,230,771	\$ 32,393,568	\$ 67,624,339	\$ 7,906,654	\$ 1,059,750

See accompanying notes to the financial statements.

CITY OF LEVELLAND, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	LEDC	LCDC
					Governmental Activities	Business-Type Activities			
PRIMARY GOVERNMENT									
<u>Governmental Activities:</u>									
General Government	\$ 1,398,617	\$ 89,532	\$ 450,448	\$ 262,463	\$ (858,637)	\$	\$ (858,637)		
Public Safety	5,063,441	113,941	637,072	350,000	(4,049,965)		(4,049,965)		
Highways and Streets	684,287				(334,287)		(334,287)		
Recreation and Parks	915,269				(915,269)		(915,269)		
Economic Development	241,473		14,572		(226,901)		(226,901)		
Cemetery	309,791	160,081			(149,710)		(149,710)		
Depreciation	1,854,160				(1,854,160)		(1,854,160)		
Interest and Fee's Related to Debt	116,529		371,824		255,295		255,295		
Total Governmental Activities	\$ 10,583,567	\$ 363,554	\$ 1,473,916	\$ 612,463	\$ (8,133,634)	\$ 0	\$ (8,133,634)		
<u>Business-Type Activities:</u>									
Water and Sewer	\$ 3,043,166	\$ 4,088,380	\$	\$	\$	\$ 1,045,214	\$ 1,045,214		
Sanitation	2,241,570	2,774,084				532,514	532,514		
Street Lights	204,983	207,319				2,336	2,336		
Sewer Improvement Fee	3,833	898,591				894,758	894,758		
Water Improvement Fee	264	66,982				66,718	66,718		
Swimming Pool	89,575	11,999				(77,576)	(77,576)		
Airport	70,904	7,168				(63,736)	(63,736)		
Interest and Fee's Related to Debt	970,231					(970,231)	(970,231)		
Depreciation	1,276,514					(1,276,514)	(1,276,514)		
Amortization	357,746					(357,746)	(357,746)		
Total Business-Type Activities	\$ 8,258,786	\$ 8,054,523	\$ 0	\$ 0	\$ 0	\$ (204,263)	\$ (204,263)		
Total Primary Government	\$ 18,842,353	\$ 8,418,077	\$ 1,473,916	\$ 612,463	\$ (8,133,634)	\$ (204,263)	\$ (8,337,897)		
Component Unit - LEDC	\$ 687,851	\$ 120,044	\$ 0	\$ 0			\$ (567,807)		
Component Unit - LCDC	\$ 434,908	\$ 0	\$ 0	\$ 0				\$ (434,908)	

General Revenues (Expenses):

Taxes:

Property Taxes, Levied for General Purposes	\$ 4,721,692	\$	\$ 4,721,692	\$	\$
Sales Taxes	3,346,045		3,346,045		909,954
Franchise Taxes	998,285		998,285		
Motel Occupancy Taxes	172,331		172,331		
Investment Earnings	493,244		1,584,103	2,077,347	175,924
Rents and Royalties	91,219		91,219		71,834
Miscellaneous	319,051		413,087	732,138	7,856
Gain (Loss) on Disposition of Assets	(19,022)		41,026	22,004	217,100
Contributions and Donations	91,271			91,271	
Transfers	450,000		(450,000)		
Total General Revenues, Special Items, and Transfers	\$ 10,664,116	\$ 1,588,216	\$ 12,252,332	\$ 1,310,834	\$ 678,470
Change in Net Position	\$ 2,530,482	\$ 1,383,953	\$ 3,914,435	\$ 743,027	\$ 243,562
Net Position—Beginning	32,700,289	31,009,615	63,709,904	7,163,627	816,188
Net Position—Ending	\$ 35,230,771	\$ 32,393,568	\$ 67,624,339	\$ 7,906,654	\$ 1,059,750

See accompanying notes to the financial statements.

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CITY OF LEVELLAND, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	Major Funds		Nonmajor	
	General Fund	Corona Virus Relief Fund	EDA Grant Fund	Governmental Funds
				Total
ASSETS				
Cash and Cash Equivalents	\$ 5,181,262	\$ 2,025,775	\$ 2,314,804	\$ 9,521,841
Receivables (Net of Allowances)	811,386		297,803	1,109,189
Due from Other Funds	1,408,936			1,408,936
Intergovernmental Receivables		222,735		222,735
Due from LEDC	156,503	783,947	371,824	1,312,274
Prepays	80,333		2,229	82,562
Total Assets	\$ 7,638,420	\$ 2,025,775	\$ 1,006,682	\$ 2,986,660
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				\$ 13,657,537
LIABILITIES				
Accounts Payable	\$ 265,779	\$	\$ 2,558	\$ 268,337
Accrued Wages	167,616		5,640	173,256
Due to Other Funds		1,006,682	371,041	1,377,723
Customer Deposits	4,000			4,000
Advances from Other Funds	50,294			50,294
Total Liabilities	\$ 487,689	\$ 0	\$ 1,006,682	\$ 379,239
DEFERRED INFLOWS OF RESOURCES				\$ 1,873,610
Unavailable Revenues - Property Taxes	\$ 110,894	\$	\$ 11,546	\$ 122,440
Unearned Revenue - Grants		1,692,463		1,692,463
	\$ 110,894	\$ 1,692,463	\$ 0	\$ 11,546
FUND BALANCES				\$ 1,814,903
Nonspendable - Prepays	\$ 80,333	\$	\$ 2,229	\$ 82,562
Restricted Fund Balance:				
Restricted for Enabling Legislation			323,407	323,407
Restricted for Economic Development			336,566	336,566
Restricted for Donor Requirements			241,009	241,009
Restricted for Debt Service			86,807	86,807
Committed Fund Balance:				
Committed for Expansion and Improvements			1,196,619	1,196,619
Committed for Cemetery Operations			409,238	409,238
Unassigned	6,959,504	333,312		7,292,816
Total Fund Balances	\$ 7,039,837	\$ 333,312	\$ 0	\$ 2,595,875
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,638,420	\$ 2,025,775	\$ 1,006,682	\$ 2,986,660
				\$ 13,657,537

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, 2024**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 9,969,024
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Net of accumulated depreciation)	27,715,450
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,237,600
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(507,907)
Long-term obligations including reoffering premiums are not due and payable in the current period and therefore are not reported in the funds.	(4,420,868)
Deferred Gains on Bond Refundings are not recorded in the funds.	(9,458)
Payables for bond interest which are not due in the current period are not reported in the funds.	(23,831)
Net Pension Liability and Related Deferred Outflows and Inflows are not reported in the funds.	404,032
Total OPEB Liability and Related Deferred Outflows and Inflows are not reported in the funds.	(255,711)
Unavailable property tax revenue is recognized in funds but not in the SNP.	<u>122,440</u>
Net Position of Governmental Activities	<u><u>\$ 35,230,771</u></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, 2024**

	Major Funds			Nonmajor Governmental Funds		Total
	General Fund	Corona Virus Relief Fund	EDA Grant Fund			
REVENUES						
Taxes:						
General Property Taxes	\$ 3,571,406	\$	\$	\$ 1,149,904	\$ 4,721,310	
Sales and Use Taxes	3,346,045				3,346,045	
Franchise Taxes	998,285				998,285	
Motel Occupancy Taxes				172,331	172,331	
Intergovernmental Revenues	632,689	1,060,211	5,499	387,980	2,086,379	
Charges for Services	1,990				1,990	
Fines and Fees	193,041			168,523	361,564	
Rents and Royalties	77,254			13,965	91,219	
Investment Earnings	182,714	174,237		96,440	453,391	
Miscellaneous	297,170			21,881	319,051	
Contributions and Donations	11,116		5,751	74,404	91,271	
Total Revenues	\$ 9,311,710	\$ 1,234,448	\$ 11,250	\$ 2,085,428	\$ 12,642,836	
EXPENDITURES						
Current						
General Government	\$ 1,424,535	\$	\$	\$	\$ 1,424,535	
Public Safety	5,662,744			26,191	5,688,935	
Highways and Streets	1,359,374			16,631	1,376,005	
Recreation and Parks	970,310			87,100	1,057,410	
Economic Development			11,250	230,223	241,473	
Cemetery				344,167	344,167	
Debt Service						
Principal	114,223			745,000	859,223	
Interest	14,556			107,146	121,702	
Fiscal Agent's Fees				2,250	2,250	
Total Expenditures	\$ 9,545,742	\$ 0	\$ 11,250	\$ 1,558,708	\$ 11,115,700	
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (234,032)	\$ 1,234,448	\$ 0	\$ 526,720	\$ 1,527,136	
OTHER FINANCING SOURCES (USES)						
Transfers In (Out)	\$ 1,549,941	\$ (1,060,211)	\$	\$ (39,730)	\$ 450,000	
Total Other Financing Sources	\$ 1,549,941	\$ (1,060,211)	\$ 0	\$ (39,730)	\$ 450,000	
Net Change in Fund Balance	\$ 1,315,909	\$ 174,237	\$ 0	\$ 486,990	\$ 1,977,136	
Fund Balance - Beginning	5,723,928	159,075	0	2,108,885	7,991,888	
Fund Balance - Ending	\$ 7,039,837	\$ 333,312	\$ 0	\$ 2,595,875	\$ 9,969,024	

See accompanying notes to the financial statements.

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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, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ 1,977,136

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.	1,292,204
The loss on disposition of assets is not reported in the funds.	(19,022)
Depreciation is recorded in the SOA as an expense but not in governmental funds.	(1,854,160)
Principal payments are recorded as expenditures in governmental funds but excluded in the Statement of Activities.	859,223
The net revenue of internal service funds is reported with governmental activities.	39,853
Change in accrued interest from beginning of period to end of period.	(8,141)
Accrued compensated absences are recorded in the statement of activities as an expense but not in governmental funds.	(7,904)
Amortization of discounts and premiums are not reported in the funds.	13,672
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.	232,571
OPEB Expense is not recognized in the funds related to the Total OPEB Liability and related balance sheet amounts.	2,776
Unavailable property tax revenue is not recorded in the statements of net position thus the change is excluded in activities.	382
Change in Net Position of Governmental Activities	\$ <u>2,530,482</u>

See accompanying notes to the financial statements

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CITY OF LEVELLAND, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 9,092,250	\$	\$ 9,092,250	\$ 1,535,890
Cash and Cash Equivalents - Restricted	17,559,375		17,559,375	
Receivables (Net of Allowances)	956,759	10,935	967,694	
Inventories	301,786		301,786	
Prepays	17,189	3,760	20,949	
Noncurrent Assets:				
Advances to Other Funds				701,710
Capital Assets Not being Depreciated	2,639,736	236,246	2,875,982	
Depreciable Assets, Net	15,031,542	3,420,693	18,452,235	
Water Rights, Net	4,549,535		4,549,535	
Total Assets	<u>\$ 50,148,172</u>	<u>\$ 3,671,634</u>	<u>\$ 53,819,806</u>	<u>\$ 2,237,600</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan	\$ 319,571	\$	\$ 319,571	\$
OPEB Plan	1,151		1,151	
Total Deferred Outflows of Resources	<u>\$ 320,722</u>	<u>\$ 0</u>	<u>\$ 320,722</u>	<u>\$ 0</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 385,402	\$ 5,137	\$ 390,539	\$
Accrued Wages	40,488		40,488	
Accrued Interest	119,425		119,425	
Due to Other Funds		31,213	31,213	
Customer Deposits and Prepayments	328,545		328,545	
Noncurrent Liabilities:				
Due Within One Year	1,009,102		1,009,102	
Due In More Than One Year	18,740,908		18,740,908	
Closure/Post Closure Landfill Liability	66,411		66,411	
Accrued Compensated Absences	84,628		84,628	
Net Pension Liability	157,610		157,610	
Total OPEB Liability	54,335		54,335	
Advances from Other Funds	651,416		651,416	
Total Liabilities	<u>\$ 21,638,270</u>	<u>\$ 36,350</u>	<u>\$ 21,674,620</u>	<u>\$ 0</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Plan	\$ 62,708	\$	\$ 62,708	\$
OPEB Plan	9,632		9,632	
Total Deferred Inflows of Resources	<u>\$ 72,340</u>	<u>\$ 0</u>	<u>\$ 72,340</u>	<u>\$ 0</u>
NET POSITION				
Net Investment in Capital Assets and Water Rights	\$ 18,770,178	\$ 3,656,939	\$ 22,427,117	\$
Restricted for Sewer Improvements	4,271,811		4,271,811	
Restricted for Water Improvements	241,719		241,719	
Unrestricted	5,474,576	(21,655)	5,452,921	2,237,600
Total Net Position	<u>\$ 28,758,284</u>	<u>\$ 3,635,284</u>	<u>\$ 32,393,568</u>	<u>\$ 2,237,600</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, 2024**

	Major Proprietary Funds		Total Proprietary Funds	Internal Service Funds
	Enterprise Fund	Airport Fund		
OPERATING REVENUES				
Water and Sewer Revenues	\$ 4,088,380	\$	\$ 4,088,380	\$
Sanitation Charges	2,774,084		2,774,084	
Street Lights	207,319		207,319	
Sewer Improvement Fee	898,591		898,591	
Water Improvement Fee	66,982		66,982	
Swimming Pool Fee	11,999		11,999	
Hanger Rental and Fuel Sales		7,168	7,168	
Total Operating Revenues	\$ 8,047,355	\$ 7,168	\$ 8,054,523	\$ 0
OPERATING EXPENSES				
Personnel Services	\$ 1,406,766	\$	\$ 1,406,766	\$
Supplies and Maintenance	285,357	6,263	291,620	
Repairs and Maintenance	506,231	21,559	527,790	
Services	3,353,695	43,082	3,396,777	
Other Operating Expenses	31,342		31,342	
Depreciation	1,060,789	215,725	1,276,514	
Amortization of Water Rights	357,746		357,746	
Total Operating Expense	\$ 7,001,926	\$ 286,629	\$ 7,288,555	\$ 0
Operating Income (Loss)	\$ 1,045,429	\$ (279,461)	\$ 765,968	\$ 0
NONOPERATING REVENUE (EXPENSE)				
Investment Earnings	\$ 1,583,170	\$ 933	\$ 1,584,103	\$ 39,853
Interest Expense and Fees	(970,231)		(970,231)	
Gain on Disposition of Assets	41,026		41,026	
Miscellaneous	368,581	44,506	413,087	
Total Nonoperating Revenue	\$ 1,022,546	\$ 45,439	\$ 1,067,985	\$ 39,853
Income (Loss) Before Transfers	\$ 2,067,975	\$ (234,022)	\$ 1,833,953	\$ 39,853
TRANSFERS				
Transfers In/Out	\$ (450,000)	\$	\$ (450,000)	\$
Total Transfers	\$ (450,000)	\$ 0	\$ (450,000)	\$ 0
Change in Net Position	\$ 1,617,975	\$ (234,022)	\$ 1,383,953	\$ 39,853
TOTAL NET POSITION - BEGINNING	\$ 27,140,309	\$ 3,869,306	\$ 31,009,615	\$ 2,197,747
TOTAL NET POSITION - ENDING	\$ 28,758,284	\$ 3,635,284	\$ 32,393,568	\$ 2,237,600

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, 2024**

	Major Proprietary Funds		Total	
	Enterprise Fund	Airport Fund	Proprietary Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 8,025,755	\$ 10,513	\$ 8,036,268	\$
Cash Payments to Suppliers for Goods and Services	(4,067,702)	(68,344)	(4,136,046)	\$
Cash Payments to Employees for Services	(1,523,150)		(1,523,150)	
Net Cash From Operating Activities	<u>\$ 2,434,903</u>	<u>\$ (57,831)</u>	<u>\$ 2,377,072</u>	<u>\$ 0</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Transfers To/From Other Funds	\$ (648,823)	\$ 31,213	\$ (617,610)	\$ 229,878
Cash Receipts From Non-Operating Activities	421,210	44,506	465,716	
Net Cash From Noncapital Financing Activities	<u>\$ (227,613)</u>	<u>\$ 75,719</u>	<u>\$ (151,894)</u>	<u>\$ 229,878</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions of Capital Assets	\$ (2,072,854)	\$ (75,378)	\$ (2,148,232)	\$
Principal Payments on Long-Term Debt	(1,106,293)		(1,106,293)	
Interest Payments	(1,010,509)		(1,010,509)	
Net Cash From Capital and Related Financing Activities	<u>\$ (4,189,656)</u>	<u>\$ (75,378)</u>	<u>\$ (4,265,034)</u>	<u>\$ 0</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earned on Investments	\$ 1,583,170	\$ 933	\$ 1,584,103	\$ 39,853
Net Cash From Investing Activities	<u>\$ 1,583,170</u>	<u>\$ 933</u>	<u>\$ 1,584,103</u>	<u>\$ 39,853</u>
CHANGE IN CASH AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>\$ (399,196)</u>	<u>\$ (56,557)</u>	<u>\$ (455,753)</u>	<u>\$ 269,731</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 27,050,821</u></u>	<u><u>\$ 56,557</u></u>	<u><u>\$ 27,107,378</u></u>	<u><u>\$ 1,266,159</u></u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities				
Operating Income (Loss)	\$ 1,045,429	\$ (279,461)	\$ 765,968	\$ 0
Adjustments to Reconcile Income From Operations to Net Cash From Operating Activities:				
Depreciation Expense	\$ 1,060,789	\$ 215,725	\$ 1,276,514	\$
Amortization Expense	357,746		357,746	
Change in Assets and Liabilities:				
Receivables	(34,763)	3,345	(31,418)	
Inventories	19,891		19,891	
Prepays	(767)	(103)	(870)	
Deferred Outflows	565,879		565,879	
Accounts Payable	82,258	2,663	84,921	
Accrued Payroll	(2,038)		(2,038)	
Meter Deposits	13,163		13,163	
Net Pension Asset/Liability	(299,119)		(299,119)	
Total OPEB Liability	6,167		6,167	
Closure/Post Closure Landfill Liability	7,541		7,541	
Accrued Compensated Absences	(59,803)		(59,803)	
Deferred Inflows	<u>(327,470)</u>		<u>(327,470)</u>	
Total Adjustments	<u>\$ 1,389,474</u>	<u>\$ 221,630</u>	<u>\$ 1,611,104</u>	<u>\$ 0</u>
Net Cash From Operating Activities	<u><u>\$ 2,434,903</u></u>	<u><u>\$ (57,831)</u></u>	<u><u>\$ 2,377,072</u></u>	<u><u>\$ 0</u></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 GAAP 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:

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

3. Revenues:

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

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred. In accordance with GASB 63 and 65, any loss on bond refunding is recognized as a deferred outflow of resources on the statement of net position and amortized over the life of the refunding bonds. In addition, bond issue costs are immediately expensed. The City expenses immediately any refunding changes with respect to the debt issued by Canadian River Municipal Water 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, 2024, 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, 2024, the carrying amount of the City's cash and cash equivalents was \$37,709,356, with bank balances of \$37,752,877. The City's cash in bank at September 30, 2024, 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. Investments considered cash equivalents are deposited with TexPool, TexasCLASS, and LOGIC.

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, 2024, 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	\$ 426,020	\$ 315,126	\$ 110,894
Sales Taxes	283,003		283,003
Franchise Taxes	244,945		244,945
Other	172,544		172,544
Special Revenue Funds			
Hotel Occupancy Tax	39,869		39,869
Tax Increment Financing	231,865		231,865
Park Grants and Contributions	4,328		4,328
CDBG Grant	6,200		6,200
Debt Service			
Ad Valorem Taxes	37,096	33,538	3,558
Other	2,475		2,475
Cemetery Fund			
Ad Valorem Taxes	21,929	13,941	7,988
Other	1,520		1,520
Total Governmental Activities	\$ 1,471,794	\$ 362,605	\$ 1,109,189
Business-Type Activities:			
Enterprise Fund			
Customer Accounts	\$ 2,071,689	\$ 1,152,437	\$ 919,252
Other	37,507		37,507
Airport Fund			
Hanger Rental and Fuel	10,935		10,935
Total Business-Type Activities	\$ 2,120,131	\$ 1,152,437	\$ 967,694
Primary Government	\$ 3,591,925	\$ 1,515,042	\$ 2,076,883

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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 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, 2024, 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, 2024, 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, 2023, property taxes of \$4,475,374 were levied for the governmental funds. Individual tax levies from the tax roll on October 1, 2023, were delinquent if unpaid at January 31, 2024.

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 \$1,312,274 due from LEDC and LCDC at September 30, 2024 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, 2024, was as follows:

	<u>Balance 10/1/2023</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Balance 9/30/2024</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,484,960	\$ _____	\$ _____	\$ 1,484,960
Total Capital Assets Not Being Depreciated	<u>\$ 1,484,960</u>	<u>0</u>	<u>0</u>	<u>\$ 1,484,960</u>
Depreciable Assets:				
Buildings and Improvements	\$ 7,556,508	\$ 43,105	\$	\$ 7,599,613
Improvements Other Than Buildings	31,439,806	793,766		32,233,572
Machinery and Equipment	<u>8,715,892</u>	<u>455,333</u>	<u>196,273</u>	<u>8,974,952</u>
Total Depreciable Assets	<u>\$ 47,712,206</u>	<u>\$ 1,292,204</u>	<u>\$ 196,273</u>	<u>\$ 48,808,137</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,792,114	\$ 254,489	\$	\$ 2,046,603
Improvements Other Than Buildings	12,285,568	1,051,213		13,336,781
Machinery and Equipment	<u>6,823,056</u>	<u>548,458</u>	<u>177,251</u>	<u>7,194,263</u>
Total Accumulated Depreciation	<u>\$ 20,900,738</u>	<u>\$ 1,854,160</u>	<u>\$ 177,251</u>	<u>\$ 22,577,647</u>
Total Depreciable Assets, Net	<u>\$ 26,811,468</u>	<u>\$ (561,956)</u>	<u>\$ 19,022</u>	<u>\$ 26,230,490</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,296,428</u>	<u>\$ (561,956)</u>	<u>\$ 19,022</u>	<u>\$ 27,715,450</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 10/1/2023	Increases	Transfers/ Decreases	Balance 9/30/2024
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,085,357	\$	\$	\$ 1,085,357
Construction Work in Progress	456,950	1,333,675	_____	1,790,625
Total Capital Assets Not Being Depreciated	<u>\$ 1,542,307</u>	<u>\$ 1,333,675</u>	<u>\$ 0</u>	<u>\$ 2,875,982</u>
Depreciable Assets:				
Buildings and Improvements	\$ 2,220,243	\$ 156,480	\$	\$ 2,376,723
Improvements Other Than Buildings	31,412,669	383,213	_____	31,795,882
Machinery and Equipment	4,785,450	274,864	125,367	4,934,947
Total Depreciable Assets	<u>\$ 38,418,362</u>	<u>\$ 814,557</u>	<u>\$ 125,367</u>	<u>\$ 39,107,552</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 740,189	\$ 55,482	\$	\$ 795,671
Improvements Other Than Buildings	15,309,110	888,342	_____	16,197,452
Machinery and Equipment	3,440,796	332,690	111,292	3,662,194
Total Accumulated Depreciation	<u>\$ 19,490,095</u>	<u>\$ 1,276,514</u>	<u>\$ 111,292</u>	<u>\$ 20,655,317</u>
Total Depreciable Assets, Net	<u>\$ 18,928,267</u>	<u>\$ (461,957)</u>	<u>\$ 14,075</u>	<u>\$ 18,452,235</u>
Investment in Water Facilities	\$ 13,101,582	\$	\$	\$ 13,101,582
Accumulated Amortization Investment in Water Facilities	(8,194,301)	(357,746)	_____	(8,552,047)
Net Investment in Water Facilities	<u>\$ 4,907,281</u>	<u>\$ (357,746)</u>	<u>\$ 0</u>	<u>\$ 4,549,535</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, 2024:

Water Facilities Debt	Balance 10/1/2023	Refunding	Principal Payments	Balance 9/30/2024
Series 2017, Refunding, CUP	\$ 177,559	\$	30,306	\$ 147,253
Series 2020, Refunding, CUP	577,547		61,811	515,736
Series 2021, Refunding, CUP	314,695		203,669	111,026
Series 2023, Refunding, CUP	290,812		75,586	215,226
Water Treatment Plant 2014	66,611		66,611	
	<u>\$ 1,427,224</u>	<u>\$ 0</u>	<u>\$ 437,983</u>	<u>\$ 989,241</u>

Water Facilities Debt	Maturity	Interest Rates
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 \$32,195 in interest related to this debt for the year ended September 30, 2024.

Debt service requirements related to this debt at September 30, 2024, are as follows:

Year Ending September 30,	Total Water Facilities Debt		
	Principal	Interest	Total
2025	\$ 309,393	\$ 42,694	\$ 352,087
2026	200,931	31,473	232,404
2027	154,249	21,373	175,622
2028	110,499	14,596	125,095
2029	93,775	9,639	103,414
2030-2033	120,394	6,324	126,718
Totals	<u>\$ 989,241</u>	<u>\$ 126,099</u>	<u>\$ 1,115,340</u>

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Investment in Water Facilities at cost as of September 30, 2024 is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions/ Other</u>	<u>Ending</u>
Cost of Water Facilities:				
CRMWA	\$ 12,316,077	\$	\$	\$ 12,316,077
City of Lubbock	585,505	\$	\$	585,505
Other	200,000	\$	\$	200,000
Total Cost of Water Facilities	\$ 13,101,582	\$ 0	\$ 0	\$ 13,101,582
Accumulated Amortization:				
CRMWA	\$ 7,699,751	\$ 305,534	\$	\$ 8,005,285
City of Lubbock	438,550	48,213	\$	486,763
Other	56,000	4,000	\$	60,000
Total Accumulated Amortization	\$ 8,194,301	\$ 357,747	\$ 0	\$ 8,552,048
Total Investment in Water Facilities	\$ 4,907,281	\$ (357,747)	\$ 0	\$ 4,549,534
Investments in Water Facilities, Net of Related Debt:				
	<u>Net Investment</u>	<u>Debt</u>	<u>Investment Net of Related Debt</u>	
CRMWA	\$ 4,310,792	\$ 989,241	\$ 3,321,551	
City of Lubbock	98,742	\$	98,742	
Other	140,000	\$	140,000	
Totals	\$ 4,549,534	\$ 989,241	\$ 3,560,293	

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, 2024:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Interest and Fees</u>
Governmental Activities:						
Series 2012, GO Refunding Bonds	\$ 500,000	\$	\$ 245,000	\$ 255,000	\$ 255,000	\$ 10,228
Series 2013, COs	2,605,000	\$	230,000	\$ 2,375,000	\$ 240,000	\$ 69,044
Series 2019, GO Refunding Bonds	1,675,000	\$	270,000	\$ 1,405,000	\$ 270,000	\$ 27,874
Lease Obligations	425,076	\$	114,223	\$ 310,853	\$ 73,866	\$ 14,556
Compensated Absences	500,003	\$	7,904	\$ 507,907		
Unamortized Bond Premiums	88,687	\$	13,672	\$ 75,015		
Total Governmental Activities	\$ 5,793,766	\$ 7,904	\$ 872,895	\$ 4,928,775	\$ 838,866	\$ 121,702

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Interest and Fees
Business-Type Activities:						
CRMWA - Debt	\$ 1,360,613	\$ 371,372	\$ 66,611	\$ 989,241	\$ 309,393	\$ 29,959
City of Lubbock Debt	18,705,000	615,000	53,310	18,090,000	645,000	963,655
Series 2022, Tax and Waterworks	583,705	144,431	59,803	530,395	54,709	14,659
Compensated Absences	176,943	0	36,569	140,374		
Total Business-Type Activities	<u>\$ 21,037,303</u>	<u>\$ 0</u>	<u>\$ 1,202,665</u>	<u>\$ 19,834,638</u>	<u>\$ 1,009,102</u>	<u>\$ 1,010,509</u>

Detail on the maturity dates and interest rates of the outstanding Long-Term Debt of the City as of September 30, 2024 are as follows:

Governmental Activities:

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

Business-Type Activities:

Debt	Year of Maturity	Interest Rate
CRMWA - Debt	See Note H	See Note H
City of Lubbock - Debt	See Note H	See Note H
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, 2024, are as follows:

Governmental Activities				
Year Ending September 30,	Principal	Interest	Total	
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	550,000	41,356	591,356	
2030-2034	1,125,000	71,641	1,196,641	
Unamortized Bond Premiums	75,015		75,015	
Totals	\$ 4,420,868	\$ 424,271	\$ 4,845,139	

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

	Business-Type Activities		
	Principal	Interest	Total
Year Ending September 30,			
2025	\$ 1,009,102	\$ 990,581	\$ 1,999,683
2026	932,076	947,415	1,879,491
2027	921,869	903,846	1,825,715
2028	909,631	861,689	1,771,320
2029	929,460	819,660	1,749,120
2030-2034	4,867,498	3,416,055	8,283,553
2035-2039	5,780,000	2,117,170	7,897,170
2040-2043	4,260,000	474,489	4,734,489
Unamortized Bond Premiums	<u>140,374</u>		<u>140,374</u>
Totals	<u>\$ 19,750,010</u>	<u>\$ 10,530,905</u>	<u>\$ 30,280,915</u>

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

Lease Obligations:

The assets acquired through lease obligations are as follows:

Cash and Capital Assets	Governmental Activities
Machinery and Equipment	\$ 733,075
Less: Accumulated Depreciation	<u>(292,830)</u>
Totals	<u>\$ 440,245</u>

Commitments under lease obligation agreements for machinery and equipment provide for minimum future lease payments as of September 30, 2024, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
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>\$ 310,853</u>	<u>\$ 26,770</u>	<u>\$ 337,623</u>

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

J. Pension Plan

Plan Description

The City participates as one of 934 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.

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

December 31, 2023	
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

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Employees Covered by Benefit Terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	71
Inactive Employees Entitled to but not Yet Receiving Benefits	61
Active Employees	93
Total Plan Employees	225

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 8.97% and 10.14% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$554,083, 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, 2023, 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	22 years

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

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%

Discount Rate

The discount rate used to measure the TPL 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 TPL.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance 12/31/2022	\$ 33,403,073	\$ 31,014,689	\$ 2,388,384
Service Cost	783,181		783,181
Interest (on the Total Pension Liability)	2,170,163		2,170,163
Difference Between Expected and Actual Expenses	5,180		5,180
Changes of Assumptions	(273,862)		(273,862)
Contributions - Employer		465,548	(465,548)
Contributions - Employee		311,403	(311,403)
Net Investment Income		3,516,691	(3,516,691)
Benefit Payments	(2,081,565)	(2,081,565)	
Administrative Expense		(22,394)	22,394
Other	(2,785)	(187)	(2,598)
Balance 12/31/2023	<u><u>\$ 34,003,385</u></u>	<u><u>\$ 33,204,185</u></u>	<u><u>\$ 799,200</u></u>

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

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

1% Decrease	Current Rate Assumption	1% Increase
\$ 5,267,348	\$ 799,200	\$ (2,882,396)

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.

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

For the year ended September 30, 2024, the City recognized pension expense of \$277,991 and calculated as shown below:

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Total Service Cost	\$ 783,181
Interest on the Total Pension Liability	2,170,163
Employee Contributions (Reduction of Expense)	(311,403)
Projected Earnings on Plan Investments (Reduction of Expense)	(2,052,954)
Administrative Expense	22,394
Other Changes in Fiduciary Net Position	187
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(122,264)
Recognition of Current Year Outflow (Inflow) of Resources-Assets	<u>(211,313)</u>
Total Pension Expense	\$ <u>277,991</u>

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 342,729	\$ 108,554
Change in Assumptions		209,423
Net Difference In Projected and Actual Earnings	855,094	
Contributions Paid Subsequent to the Measurement Date	<u>422,639</u>	
Total	\$ <u>1,620,462</u>	\$ <u>317,977</u>

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

Plan Year	Amortization of Deferred Outflows
2025	\$ 631,776
2026	355,849
2027	623,409
2028	<u>(308,549)</u>
	\$ <u>1,302,485</u>

K. Other Post-Employment Benefits (OPEB)

Plan Description:

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).

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

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, 2023 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>154</u>

Total OPEB Liability:

The City's total OPEB liability of \$275,520 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions:

The total OPEB liability in the December 31, 2023 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	3.60% to 11.85% including inflation
Discount Rate	3.77%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The
 Mortality rates – Disabled Retirees	 2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% 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 the most recent Scale MP-2021 (with immediate convergence) 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, 2023.

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

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

Experience Studies:

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the 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, 2022	\$ 251,885
Changes for the year:	
Service Cost	8,304
Interest on Total OPEB Liability	10,232
Difference Between Expected and Actual Experiences	(2,245)
Changes in Assumptions and Other Inputs	13,864
Other	(292)
Benefit Payments	<u>(6,228)</u>
Balance as of December 31, 2023	<u>\$ 275,520</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.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	<u>\$ 329,656</u>	<u>\$ 275,520</u>	<u>\$ 233,028</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, 2024, the City recognized OPEB expense of \$6,960. At September 30, 2024, 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	\$	\$ 41,529
Changes in Assumptions and Other Inputs		7,313
Contributions Made Subsequent to		
Measurement Date	<u>5,835</u>	
	<u>\$ 5,835</u>	<u>\$ 48,842</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>
2024	\$ (1,947)
2025	(11,874)
2026	(15,808)
2027	(14,978)
2028	1,600
Thereafter	<u>(43,007)</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 is committed to purchasing a large brush truck in the amount of \$360,801 as of September 30, 2024.

The City is committed to leasing body cameras in the amount of \$345,212 over a period of 5 years. The contract was signed before September 30, 2024, but the equipment was not received until after year end.

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CITY OF LEVELLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

The City has no litigation pending which would have a material impact on the 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 \$66,411 reported as landfill closure and post closure care liability at September 30, 2024, represents the cumulative amount reported to date based on the use of 6.78% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$913,424 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, 2024. 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 (the County) both own a 50% undivided interest in the real property of the airport. Total net capital assets of the Airport are \$3,656,938, with no related debt, at September 30, 2024. The total net capital assets are included in the proprietary funds and in the business-type activities of the primary government in the City's statement of net position. The City and the County have always equally shared the responsibilities and benefits in regards to the undivided interests ownership and joint operations. While the City and the County share equally in all decision making, the City accepted the mantle of adopting government regulations to facilitate airport operations and for the accounting function.

O. Subsequent Events

On February 18, 2025, the City issued Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Taxable Series 2025 in the amount of \$5,285,000. 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 system properties and facilities, water meter additions and replacements, and (ii) the payment of the costs associated with the issuance of the Certificates.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEVELLAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION ASSET/LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2024

REQUIRED SUPPLEMENTARY INFORMATION

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
	Total Pension Liability									
Service Cost	\$ 603,817	\$ 675,914	\$ 694,574	\$ 689,896	\$ 718,366	\$ 707,536	\$ 709,849	\$ 756,758	\$ 767,592	\$ 783,181
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	2,170,163
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)	(2,081,565)
Differences between Expected and Actual Experience	(54,713)	(53,434)	51,860	(498,031)	(458,872)	(449,560)	(695,328)	288,717	426,126	5,180
Changes of Assumptions		144,698				23,901				(273,862)
Other - Proportionate Share Adjustment		(17,433)	(40,143)	(1,935)	448	(4,795)	(193)	(883)	2,978	(2,785)
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	\$ 600,312
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>	<u>33,403,073</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>\$ 34,003,385</u>
	Fiduciary Net Position									
Employer Contributions	\$ 575,137	\$ 600,220	\$ 581,693	\$ 593,349	\$ 612,125	\$ 559,987	\$ 556,334	\$ 542,368	\$ 470,376	\$ 465,548
Employee Contributions	277,347	291,133	292,431	291,095	297,871	287,422	299,016	307,001	312,518	311,403
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)	3,516,691
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)	(2,081,565)
Administration Expenses	(12,643)	(19,666)	(16,434)	(16,589)	(15,056)	(21,778)	(13,993)	(18,307)	(21,272)	(22,394)
Other	(1,039)	(972)	(887)	(840)	(787)	(654)	(546)	127	25,383	(187)
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)	\$ 2,189,496
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>	<u>31,014,689</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>	<u>\$ 33,204,185</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>	<u>\$ (799,200)</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%	97.65%
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	\$ 5,190,065
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%	-15.40%

The accompanying notes are an integral part of this statement.

CITY OF LEBELAND, TEXAS
DEFINED BENEFIT RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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	9/30/2024
Actuarially Determined Contribution	\$ 608,830	\$ 608,954	\$ 604,475	\$ 607,218	\$ 573,303	\$ 552,984	\$ 519,633	\$ 490,705	\$ 479,321	\$ 554,083
Actual Contributions	608,830	608,954	604,475	607,218	573,303	552,984	519,633	490,705	479,321	554,083
Contribution Deficiency (Excess)	\$ 0	\$ 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	\$ 5,427,194
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%	10.21%

Note: Only nine years of GASB 68 Data Available as of 09/30/2024 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, 2024

REQUIRED SUPPLEMENTARY INFORMATION

	<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>12/31/2023</u>
	<u>Total OPEB Liability</u>						
Service Cost	\$ 11,159	\$ 12,908	\$ 11,496	\$ 13,937	\$ 19,443	\$ 18,116	\$ 8,304
Interest	7,680	7,970	8,394	7,848	6,492	6,614	10,232
Differences between expected and actual experience		(16,327)	(7,768)	(24,360)	3,834	4,523	(2,245)
Benefit Payments	(1,456)	(1,491)	(1,437)	(1,442)	(5,629)	(5,694)	(6,228)
Other		122	(376)	(192)	360	238	(292)
Changes in Assumptions	19,263	(16,530)	47,405	42,209	11,229	(124,962)	13,864
Net Change	\$ 36,646	\$ (13,348)	\$ 57,714	\$ 38,000	\$ 35,729	\$ (101,165)	\$ 23,635
Beginning Balance	198,309	234,955	221,607	279,321	317,321	353,050	251,885
Ending Balance	\$ 234,955	\$ 221,607	\$ 279,321	\$ 317,321	\$ 353,050	\$ 251,885	\$ 275,520
Total OPEB Liability	\$ 234,955	\$ 221,607	\$ 279,321	\$ 317,321	\$ 353,050	\$ 251,885	\$ 275,520
Covered Employee Payroll	\$ 4,851,588	\$ 4,964,512	\$ 4,790,361	\$ 4,806,021	\$ 5,109,708	\$ 5,206,220	\$ 5,190,065
Total OPEB Liability as a Percentage of Covered Employee Payroll		4.84%	4.46%	5.83%	6.60%	6.91%	4.84%
							5.31%

Note: Only seven year of GASB 75 Data Available as of 12/31/2023. The remaining three 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, 2024

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Amended Budget	Actual	Variance with Amended Budget- Positive (Negative)
REVENUE				
Taxes:				
Property Taxes	\$ 3,665,565	\$ 3,665,565	\$ 3,571,406	\$ (94,159)
General Sales Taxes	3,239,000	3,239,000	3,346,045	107,045
Gross Receipts Business Tax	1,060,000	1,060,000	998,285	(61,715)
Intergovernmental Revenues and Grants	555,500	680,829	632,689	(48,140)
Charges for Services	25,000	25,000	1,990	(23,010)
Fines and Fees	182,500	182,500	193,041	10,541
Investment Earnings	100,000	100,139	182,714	82,575
Rents and Royalties	52,500	52,500	77,254	24,754
Miscellaneous	40,000	40,000	297,170	257,170
Contributions and Donations			11,116	11,116
Total Revenue	\$ 8,920,065	\$ 9,045,533	\$ 9,311,710	\$ 266,177
EXPENDITURES				
Legislative	\$ 168,110	\$ 168,110	\$ 177,011	\$ (8,901)
City Manager	378,579	378,579	401,532	(22,953)
City Secretary	119,600	119,600	107,298	12,302
Finance	199,074	199,074	222,948	(23,874)
Municipal Court	161,172	161,172	171,831	(10,659)
Fire	1,505,377	1,505,377	1,368,936	136,441
Police	3,518,344	3,518,344	3,464,517	53,827
Inspections	416,241	416,241	386,638	29,603
Emergency and Health Services	272,181	272,181	270,822	1,359
Street	961,774	961,774	1,238,953	(277,179)
Shop	131,998	131,998	120,421	11,577
Park	898,851	1,024,180	970,310	53,870
Information Technology	110,000	110,000	124,057	(14,057)
Building Services	152,750	152,750	150,602	2,148
Engineering	97,500	97,500	85,892	11,608
Administration Services	112,951	112,951	50,828	62,123
Economic Development	192,568	192,568		192,568
Legal	116,899	116,899	104,367	12,532
Debt Service				
Principal			111,022	(111,022)
Interest			17,757	(17,757)
Total Expenditures	\$ 9,513,969	\$ 9,639,298	\$ 9,545,742	\$ 93,556
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (593,904)	\$ (593,765)	\$ (234,032)	\$ 359,733
OTHER FINANCING SOURCES				
Transfers In (Out)	\$ 597,730	\$ 597,730	\$ 1,549,941	\$ 952,211
Total Other Financing Sources	\$ 597,730	\$ 597,730	\$ 1,549,941	\$ 952,211
Net Change in Fund Balance	\$ 3,826	\$ 3,965	\$ 1,315,909	\$ 1,311,944
Fund Balances - Beginning	5,723,928	5,723,928	5,723,928	
Fund Balances - Ending	\$ 5,727,754	\$ 5,727,893	\$ 7,039,837	\$ 1,311,944

The accompanying notes are an integral part of this statement.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SEPTEMBER 30, 2024**

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	22 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 vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes: There were no benefit or plan changes during the year.

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CITY OF LEVELLAND, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2024**

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

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CITY OF LEVELLAND, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund				Total Nonmajor Governmental Funds (See Pg. 6)
			Civic Improvement	Texas Capital Fund - Main Street	Tax Increment Financing #1	Tax Increment Financing #2	
ASSETS							
Assets:							
Cash and Cash Equivalents	\$ 1,269,584	\$ 6,033	\$ 114,792	\$ 33,732	\$ 896,696	\$ 140,618	\$ 2,314,804
Receivables (Net of Allowance for Uncollectibles)	\$ 59,905						297,803
Due from LEDC		371,824					371,824
Prepays	\$ 2,229						2,229
Total Assets	\$ <u>1,331,718</u>	\$ <u>377,857</u>	\$ <u>114,792</u>	\$ <u>33,732</u>	\$ <u>1,037,314</u>	\$ <u>91,247</u>	\$ <u>2,986,660</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 2,343	\$ 215	\$ 215	\$ 0	\$ 0	\$ 0	\$ 2,558
Accrued Wages	\$ 5,640						5,640
Due to Other Funds	\$ 3,298	\$ 287,492	\$ 215	\$ 0	\$ 0	\$ 80,251	\$ 371,041
Total Liabilities	\$ <u>11,281</u>	\$ <u>287,492</u>	\$ <u>215</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>80,251</u>	\$ <u>379,239</u>
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue - Property Taxes	\$ 7,988	\$ 3,558	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,546
Total Deferred Inflows of Resources	\$ <u>7,988</u>	\$ <u>3,558</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>11,546</u>
Fund Balances:							
Nonspendable - Prepays	\$ 2,229	\$ 86,807	\$ 114,577	\$ 33,732	\$ 1,037,314	\$ 10,996	\$ 1,196,619
Restricted Fund Balances:							
Restricted for Enabling Legislation	323,407						323,407
Restricted for Economic Development	336,566						336,566
Restricted for Donor Requirements	241,009						241,009
Restricted for Debt Service							86,807
Committed Fund Balances:							
Committed for Expansion and Improvements							
Committed for Cemetery Operations	409,238	\$ 86,807	\$ 114,577	\$ 33,732	\$ 1,037,314	\$ 10,996	\$ 409,238
Total Fund Balances	\$ <u>1,312,449</u>	\$ <u>86,807</u>	\$ <u>114,577</u>	\$ <u>33,732</u>	\$ <u>1,037,314</u>	\$ <u>10,996</u>	\$ <u>2,595,875</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>1,331,718</u>	\$ <u>377,857</u>	\$ <u>114,792</u>	\$ <u>33,732</u>	\$ <u>1,037,314</u>	\$ <u>91,247</u>	\$ <u>2,986,660</u>

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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, 2024**

	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	\$ 252,420	\$ 306,172	\$	\$	\$ 361,218	\$ 230,094	\$ 1,149,904
Motel Occupancy Taxes	172,331						172,331
Intergovernmental	16,156	371,824					387,980
Fines and Fees	168,523						168,523
Investment Earnings	55,784		6,504	827	28,955	4,370	96,440
Rents and Royalties	5,630		8,335				13,965
Miscellaneous	141		21,740				21,881
Contributions and Donations	74,404						74,404
Total Revenue	\$ 745,389	\$ 677,996	\$ 36,579	\$ 827	\$ 390,173	\$ 234,464	\$ 2,085,428
Expenditures:							
Current							
Public Safety	\$ 26,191	\$	\$	\$	\$	\$	\$ 26,191
Highways and Streets	10,631				6,000		16,631
Recreation and Parks	87,100						87,100
Economic Development	197,495			32,728			230,223
Cemetery	344,167						344,167
Debt Service							
Principal			745,000				745,000
Interest			107,146				107,146
Fiscal Agent's Fees			2,250				2,250
Total Expenditures	\$ 665,584	\$ 854,396	\$ 32,728	\$ 6,000	\$ 0	\$ 0	\$ 1,558,708
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 79,805	\$ (176,400)	\$ 3,851	\$ (5,173)	\$ 390,173	\$ 234,464	\$ 526,720
Other Financing Sources (Uses):							
Transfers In (Out)	\$ (39,730)	\$ 225,094	\$	\$	\$	\$ (225,094)	\$ (39,730)
Total Other Financing Sources (Uses)	\$ (39,730)	\$ 225,094	\$ 0	\$ 0	\$ 0	\$ (225,094)	\$ (39,730)
Net Change in Fund Balances	\$ 40,075	\$ 48,694	\$ 3,851	\$ (5,173)	\$ 390,173	\$ 9,370	\$ 486,990
Fund Balances - Beginning	<u>1,272,374</u>	<u>38,113</u>	<u>110,726</u>	<u>38,905</u>	<u>647,141</u>	<u>1,626</u>	<u>2,108,885</u>
Fund Balances - Ending	\$ 1,312,449	\$ 86,807	\$ 114,577	\$ 33,732	\$ 1,037,314	\$ 10,996	\$ 2,595,875

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CITY OF LEBELAND, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2024

ASSETS	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:													
Cash and Cash Equivalents	\$ 415,701	\$ 9,721	\$ 21,595	\$ 5,313	\$ 293,795	\$ 11,085	\$ 19,644	\$ 104,000	\$ 6,200	\$ 132,681	\$ 19,571	\$ 236,478	\$ 1,269,584
Receivables (Net of Allowance for Uncollectibles)	9,508				39,869			4,328					59,905
Prepads	2,229												2,229
Total Assets	\$ 427,438	\$ 9,721	\$ 21,595	\$ 5,313	\$ 333,664	\$ 11,085	\$ 19,644	\$ 108,328	\$ 6,200	\$ 132,681	\$ 19,571	\$ 236,478	\$ 1,331,718
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:													
Liabilities:													
Accounts Payable	\$ 2,343	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 2,343
Accrued Wages	5,640												5,640
Due to Other Funds													3,298
Total Liabilities	\$ 7,983	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,298	\$ 0	\$ 0	\$ 0	\$ 11,281
DEFERRED INFLOWS OF RESOURCES:													
Unavailable Revenue - Property Taxes	\$ 7,988	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 7,988
Total Deferred Inflows of Resources	\$ 7,988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,988
Fund Balances:													
Nonspendable - Prepads	\$ 2,229	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 2,229
Restricted Fund Balances:													
Restricted for Enabling Legislation	9,721		21,595	5,313		333,664	11,085	19,644				19,571	236,478
Restricted for Economic Development									2,902				323,407
Restricted for Donor Requirements									108,328				336,566
Committed Fund Balances:										132,681			241,009
Committed for Cemetery Operations	409,238												409,238
Total Fund Balances	\$ 411,467	\$ 9,721	\$ 21,595	\$ 5,313	\$ 333,664	\$ 11,085	\$ 19,644	\$ 108,328	\$ 2,902	\$ 132,681	\$ 19,571	\$ 236,478	\$ 1,312,449
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 427,438	\$ 9,721	\$ 21,595	\$ 5,313	\$ 333,664	\$ 11,085	\$ 19,644	\$ 108,328	\$ 6,200	\$ 132,681	\$ 19,571	\$ 236,478	\$ 1,331,718

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CITY OF LEBELAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	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. 49)
Revenue:													
Taxes													
General Property Taxes	\$ 252,420	\$ 0	\$ 0	\$ 0	\$ 172,331	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 252,420
Motel Occupancy Taxes					4,383								172,331
Intergovernmental													16,156
Fines and Fees	160,081		2,952	18	9,073								168,523
Investment Earnings	22,208	220	476	125	13,485	2,495	237	513	2,971	202	3,188	428	55,784
Rents and Royalties	5,630												5,630
Miscellaneous	141												141
Contributions and Donations													74,404
Total Revenue	\$ 440,480	\$ 4,603	\$ 3,428	\$ 143	\$ 194,889	\$ 2,732	\$ 513	\$ 50,116	\$ 2,902	\$ 30,447	\$ 3,405	\$ 11,731	\$ 745,389
Expenditures:													
Current													
Public Safety	\$ 0	\$ 0	2,866	\$ 0	\$ 0	\$ 339	\$ 0	5,936	\$ 0	\$ 0	\$ 0	\$ 17,050	\$ 26,191
Highways and Streets													10,631
Recreation and Parks													87,100
Economic Development													197,495
Cemetery	344,167	2,866	0	0	197,495	339	5,936	87,100	0	10,631	0	0	344,167
Total Expenditures	\$ 344,167	\$ 2,866	\$ 0	\$ 0	\$ 197,495	\$ 339	\$ 5,936	\$ 87,100	\$ 0	\$ 10,631	\$ 0	\$ 0	\$ 665,584
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 96,313	\$ 1,737	\$ 3,428	\$ 143	\$ (2,606)	\$ 2,393	\$ (5,423)	\$ (36,984)	\$ 2,902	\$ 19,816	\$ 3,405	\$ (5,319)	\$ 79,805
Other Financing Sources (Uses):													
Transfers In (Out)	\$ (39,730)	\$ 0	\$ 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	\$ 0	\$ (39,730)
Net Change in Fund Balances	\$ 56,583	\$ 1,737	\$ 3,428	\$ 143	\$ (2,606)	\$ 2,393	\$ (5,423)	\$ (36,984)	\$ 2,902	\$ 19,816	\$ 3,405	\$ (5,319)	\$ 40,075
Fund Balances - Beginning	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
Fund Balances - Ending	\$ 411,467	\$ 9,721	\$ 21,595	\$ 5,313	\$ 333,664	\$ 11,085	\$ 19,644	\$ 108,328	\$ 2,902	\$ 132,681	\$ 19,571	\$ 236,478	\$ 1,312,449

OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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 of Levelland, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 5, 2025. The financial statements of Levelland Economic Development Corporation (LEDC) and Levelland Community Development Corporation (LCDC) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with LEDC and LCDC.

Report on 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 the City's 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item [2024-01] that we considered to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

City of Levelland, Texas – Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 LLP

Certified Public Accountants

Lubbock, Texas

August 5, 2025

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CITY OF LEVELLAND, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Financial Statement Findings:

2024-01

Condition and Criteria: Pooled cash is not being reconciled monthly to the funds.

Cause: The pooled cash bank account has not been fully reconciled to the funds as of September 30, 2024.

Effect: The City's pooled cash bank reconciliation is out of balance by \$131,071 as of September 30, 2024.

Recommendation: The City needs to make sure the pooled cash bank reconciliation per the accounting system balances to each fund and not only fund 50.

View of Responsible Officials and Planned Corrective Actions—

2024-01 The City has reconciled each month through August 31, 2024 and is still in the process of working with their accounting software provider to reconcile September 30, 2024.

Contact: Cynthia Sanchez, Director of Finance

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CITY OF LEVELLAND, TEXAS

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Prior Year's Findings and Status—NONE