

Basic Financial Statements

CITY OF LEVELLAND, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
<i>Cash</i>	\$ 5,978,446	\$ 3,226,750	\$ 9,205,196	\$ 1,771,619
<i>Temporary Investments</i>	3,881,903	1,480,723	5,362,626	622,854
<i>Delinquent Taxes Receivable (Net)</i>	165,286	--	165,286	--
<i>Accounts Receivable</i>	1,159,214	1,479,282	2,638,496	18,800
<i>Special Assessments & Liens - Paving</i>	17,508	--	17,508	--
<i>Allowance for Uncollectibles</i>	(25,494)	(751,702)	(777,196)	--
<i>Inventory</i>	--	147,845	147,845	--
<i>Accrued Interest Receivable</i>	23	--	23	133
<i>Internal Balances</i>	951,018	(932,465)	18,553	(18,553)
<i>Due From State</i>	1,449	17,108	18,557	107,000
<i>Unrealized Expenditures</i>	--	4,561	4,561	24,635
<i>Notes Receivable</i>	--	--	--	70,000
Property and Equipment:				
<i>Land</i>	1,539,797	510,739	2,050,536	587,208
<i>Buildings</i>	1,742,979	605,145	2,348,124	576,590
<i>Improvements</i>	23,368,993	18,276,184	41,645,177	4,994,039
<i>Machinery and Equipment</i>	5,706,147	2,439,285	8,145,432	235,201
<i>Construction in Progress</i>	3,987,912	1,105,052	5,092,964	5,963
<i>Accumulated Depreciation</i>	(11,005,800)	(8,470,117)	(19,475,917)	(441,519)
<i>Investment in Water Source</i>	--	13,015,886	13,015,886	--
<i>Less: Amortization</i>	--	(5,297,602)	(5,297,602)	--
Total Assets	37,469,381	26,856,674	64,326,055	8,553,970
LIABILITIES:				
<i>Accounts Payable - Trade</i>	529,358	333,440	862,798	11,701
<i>Accrued Wages and Payroll Deductions Payable</i>	119,184	21,553	140,737	--
<i>Accrued Interest Payable</i>	40,974	--	40,974	--
<i>Bonds Payable - Current</i>	660,000	382,901	1,042,901	--
<i>Capital Lease Payable - Current</i>	--	175,365	175,365	--
Due In More Than One Year:				
<i>User Deposits</i>	1,500	256,130	257,630	--
<i>Capital Lease Payable</i>	--	861,053	861,053	--
<i>Bonds Payable</i>	10,225,000	4,831,911	15,056,911	--
<i>Bond Escrow Accounts Payable</i>	5,776	--	5,776	--
<i>Other Payables</i>	--	--	--	--
<i>Due To Other Funds</i>	--	--	--	--
<i>Due To Other Governments</i>	--	--	--	--
Total Liabilities	11,581,792	6,862,353	18,444,145	11,701
NET POSITION:				
Invested in Capital Assets, net of related debt	14,455,028	15,933,342	30,388,370	5,957,482
Unrestricted	11,432,561	4,060,979	15,493,540	2,584,787
Total Net Position	\$ 25,887,589	\$ 19,994,321	\$ 45,881,910	\$ 8,542,269

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	LEDC	LCDC
Governmental Activities:									
General Government	\$ 1,182,817	\$ 45,421	\$ --	\$ --	\$ (1,137,396)	\$ --	\$ (1,137,396)	\$ --	\$ --
Public Safety	4,581,618	189,412	131,394	--	(4,260,812)	--	(4,260,812)	--	--
Highways and Streets	1,466,578	--	482,786	--	(983,792)	--	(983,792)	--	--
Culture and Recreation	857,353	--	2,500	--	(854,853)	--	(854,853)	--	--
Economic and Physical Development	767,251	390,162	--	514,695	137,606	--	137,606	--	--
Airport	150,104	74,809	9,912	--	(65,383)	--	(65,383)	--	--
Interest and Fiscal Charges	345,875	--	535,080	--	189,205	--	189,205	--	--
Total Governmental Activities	\$ 9,351,596	\$ 699,804	\$ 1,161,672	\$ 514,695	\$ (6,975,425)	\$ --	\$ (6,975,425)	\$ --	\$ --
Business-Type Activities:									
Water and Wastewater	5,995,716	6,156,804	--	17,108	--	178,196	178,196	--	--
Total Primary Government	\$ 15,347,312	\$ 6,856,608	\$ 1,161,672	\$ 531,803	\$ (6,975,425)	\$ 178,196	\$ (6,797,229)	\$ --	\$ --
Component Units:									
Levelland Economic Development Corp.	\$ 846,902	\$ 385,031	\$ --	\$ 450,000	\$ --	\$ --	\$ --	\$ (11,871)	\$ --
Levelland Community Development Corp.	266,786	--	--	--	--	--	--	--	(266,786)
Total Component Units	\$ 1,113,688	\$ 385,031	\$ --	\$ 450,000	\$ --	\$ --	\$ --	\$ (11,871)	\$ (266,786)
General Revenues:									
Taxes:									
Ad Valorem					\$ 3,959,978	\$ --	\$ 3,959,978	\$ --	\$ --
Franchise					992,753	--	992,753	--	--
Sales and Use					2,856,655	--	2,856,655	724,178	482,785
Royalties					65,043	271,880	336,923	--	--
Investment Earnings					89,438	28,628	118,066	5,800	9,269
Gain/(Loss) on Sale of Assets					24,327	--	24,327	--	--
Transfer-Internal Activities					(242,464)	242,464	--	--	--
Miscellaneous Revenue					--	--	--	--	--
Total Revenues and Transfers					\$ 7,745,730	\$ 542,972	\$ 8,288,702	\$ 729,978	\$ 492,054
Change in Net Position					\$ 770,305	\$ 721,168	\$ 1,491,473	\$ 718,107	\$ 225,268
Net Position - October 01, 2013					25,117,284	19,273,153	44,390,437	6,397,611	1,201,283
Prior Period Adjustments					--	--	--	--	--
Net Position - September 30, 2014					\$ 25,887,589	\$ 19,994,321	\$ 45,881,910	\$ 7,115,718	\$ 1,426,551

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>CDBG Grant Fund</u>
ASSETS:		
<i>Cash</i>	\$ 3,290,668	\$ --
<i>Temporary Investments</i>	1,615,434	--
<i>Delinquent Taxes Receivable (Net)</i>	141,000	--
<i>Accounts Receivable</i>	599,162	455,071
<i>Special Assessments & Liens - Paving</i>	17,508	--
<i>Allowance for Uncollectibles</i>	--	--
<i>Accrued Interest Receivable</i>	23	--
<i>Due From Other Funds</i>	430,308	--
<i>Due From State</i>	--	--
<i>Unrelaized Expenditures</i>	56,264	--
Total Assets	<u>\$ 6,150,367</u>	<u>\$ 455,071</u>
LIABILITIES:		
<i>Accounts Payable - Trade</i>	\$ 276,415	\$ 44,894
<i>Unearned Revenue</i>	141,001	--
<i>Accrued Wages</i>	113,546	--
<i>Payroll Deductions - Payable</i>	394	--
<i>Other Payables</i>	1,500	--
<i>Bond Escrow Accounts Payable</i>	5,776	--
<i>Due To Other Funds</i>	14,327	410,177
Total Liabilities	<u>552,959</u>	<u>455,071</u>
FUND BALANCES:		
<i>Unassigned</i>	5,590,870	--
<i>Restricted Fund Balances:</i>		
<i>Debt Retirement</i>	--	--
<i>Expansion/Improvements</i>	--	--
<i>Committed Fund Balances:</i>		
<i>Special Purposes</i>	--	--
<i>Expansion/Improvements</i>	6,538	--
Total Fund Balances	<u>5,597,408</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 6,150,367</u>	<u>\$ 455,071</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

<u>Capital Project Bond Fund</u>	1 <u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,007,287	\$ 1,269,727	\$ 5,567,682
--	1,283,919	2,899,353
--	24,285	165,285
--	104,984	1,159,217
--	--	17,508
--	(25,494)	(25,494)
--	--	23
--	--	430,308
--	1,449	1,449
--	314	56,578
<u>\$ 1,007,287</u>	<u>\$ 2,659,184</u>	<u>\$ 10,271,909</u>
\$ 130,632	\$ 62,714	\$ 514,655
--	24,807	165,808
--	5,244	118,790
--	--	394
--	--	1,500
--	--	5,776
--	1,449	425,953
<u>130,632</u>	<u>94,214</u>	<u>1,232,876</u>
--	--	5,590,870
--	54,335	54,335
876,655	--	876,655
--	1,229,175	1,229,175
--	1,281,460	1,287,998
<u>876,655</u>	<u>2,564,970</u>	<u>9,039,033</u>
<u>\$ 1,007,287</u>	<u>\$ 2,659,184</u>	<u>\$ 10,271,909</u>

CITY OF LEVELLAND, TEXAS
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2014*

Total fund balances - governmental funds balance sheet	\$ 9,039,033
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	25,340,027
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds.	165,286
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,325,276
Payables for bond principal which are not due in the current period are not reported in the funds.	(10,885,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(40,974)
Long-term assets not available to pay for current period expenditures are unrealized in the funds.	(56,578)
Revenues received unavailable to pay for current period expenditures are not accrued in the funds.	<u>519</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 25,887,589</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	CDBG Grant Fund
REVENUES:		
<i>Ad Valorem Taxes</i>	\$ 3,305,694	\$ --
<i>Franchise Fees</i>	992,753	--
<i>Wastewater Revenue</i>	--	--
<i>Sales Tax</i>	2,655,321	--
<i>Motel Occupancy Tax</i>	--	--
<i>Licenses and Permits</i>	54,489	--
<i>Fines and Fees</i>	174,561	--
<i>Rents</i>	53,216	--
<i>Royalties</i>	52,742	--
<i>Interest</i>	41,518	--
<i>Cemetery Spaces</i>	--	--
<i>Open and Close Graves</i>	--	--
<i>Federal</i>	11,394	455,071
<i>State</i>	9,912	--
<i>Local</i>	510,162	--
<i>Seized Funds</i>	--	--
<i>Building Security</i>	--	--
<i>Time Payment Fees</i>	--	--
<i>Sale of Assets</i>	--	--
<i>Developers Contribution</i>	--	--
<i>Gifts & Bequests</i>	50	--
<i>Miscellaneous</i>	61,972	--
<i>Total Revenues</i>	7,923,784	455,071
EXPENDITURES:		
Current:		
<i>General government</i>	1,552,683	--
<i>Public Safety</i>	4,136,747	--
<i>Highways and streets</i>	1,200,321	--
<i>Culture and recreation</i>	466,805	--
<i>Economic and physical development</i>	150,792	455,071
<i>Airport</i>	51,483	--
Debt service:		
<i>Principal</i>	--	--
<i>Interest and fiscal charges</i>	--	--
<i>Total expenditures</i>	7,558,831	455,071
Excess (deficiency) of revenues (under) expenditures	364,953	--
Other financing sources (uses):		
<i>Sale of Assets</i>	41,827	--
<i>Operating transfers in</i>	274,896	--
<i>Operating transfers out</i>	(403,393)	--
<i>Total other financing sources (uses)</i>	(86,670)	--
Excess of revenues and other financing sources over (under) expenditures and other financing uses	278,283	--
Fund balance, October 1	5,319,125	--
Fund balance, September 30	\$ 5,597,408	\$ --

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Capital Project Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 647,938	\$ 3,953,632
--	--	992,753
--	194,344	194,344
--	--	2,655,321
--	189,044	189,044
--	27,712	82,201
--	--	174,561
--	5,195	58,411
--	12,301	65,043
5,952	16,651	64,121
--	53,482	53,482
--	76,850	76,850
--	150,336	616,801
--	2,194	12,106
--	535,080	1,045,242
--	3,556	3,556
--	3,426	3,426
--	899	899
--	241	241
--	2,500	2,500
--	--	50
--	4,593	66,565
<u>5,952</u>	<u>1,926,342</u>	<u>10,311,149</u>
--	438,833	1,991,516
--	71,699	4,208,446
--	--	1,200,321
--	72,732	539,537
3,372,555	5,640	3,984,058
--	--	51,483
--	545,000	545,000
--	409,015	409,015
<u>3,372,555</u>	<u>1,542,919</u>	<u>12,929,376</u>
(3,366,603)	383,423	(2,618,227)
--	--	41,827
--	104,082	378,978
--	(215,678)	(619,071)
<u>--</u>	<u>(111,596)</u>	<u>(198,266)</u>
(3,366,603)	271,827	(2,816,493)
4,243,258	2,293,143	11,855,526
<u>\$ 876,655</u>	<u>\$ 2,564,970</u>	<u>\$ 9,039,033</u>

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, 2014*

Net change in fund balances - total governmental funds	\$ (2,816,493)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,961,372
The depreciation of capital assets used in governmental activities is not reported in the funds.	(944,290)
The gain or loss on the sale of capital assets is not reported in the funds.	(7,597)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,920
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(10,144)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(47,442)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	545,000
(Increase) decrease in accrued interest from beginning of period to end of period.	63,141
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>24,838</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 770,305</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Enterprise Fund	Internal Service Funds
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
ASSETS:		
Current Assets:		
Cash	\$ 3,226,750	\$ 410,764
Temporary Investments	1,480,723	982,550
Accounts Receivable	1,479,282	--
Allowance for Uncollectibles	(751,702)	--
Inventory	147,845	--
Due From Other Funds	188	57,775
Due From State	17,108	--
Unrealized Expenditures	4,561	--
Total Current Assets:	<u>5,604,755</u>	<u>1,451,089</u>
Noncurrent Assets:		
Due From Other Funds	--	888,888
Capital Assets:		
Land	510,739	--
Buildings	605,145	--
Improvements	18,276,184	--
Machinery and Equipment	2,439,285	--
Construction in Progress	1,105,052	--
Accumulated Depreciation	(8,470,117)	--
Investment in Water Source	13,015,886	--
Less: Amortization	(5,297,602)	--
Total Noncurrent Assets	<u>22,184,572</u>	<u>888,888</u>
Total Assets	<u>\$ 27,789,326</u>	<u>\$ 2,339,977</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable - Trade	\$ 333,440	\$ 14,701
Accrued Wages and Payroll Deductions	21,553	--
Bonds Payable	382,901	--
Due To Other Funds	43,635	--
Capital Lease Payable	175,365	--
Total Current Liabilities:	<u>956,894</u>	<u>14,701</u>
Noncurrent Liabilities:		
User Deposits	256,130	--
Bonds Payable	4,831,911	--
Due To Other Funds	889,018	--
Capital Lease Payable	861,053	--
Total Noncurrent Liabilities:	<u>6,838,112</u>	<u>--</u>
Total Liabilities	<u>7,795,006</u>	<u>14,701</u>
NET POSITION:		
Invested in Capital Assets, net of related debt	15,933,342	--
Unrestricted	4,060,979	2,325,276
Total Net Position	<u>\$ 19,994,321</u>	<u>\$ 2,325,276</u>

CITY OF LEVELLAND, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund	Internal Service Funds
	Enterprise Fund	Funds
OPERATING REVENUES:		
<i>Street Light Revenue</i>	\$ 155,643	\$ --
<i>Refuse Collection Revenue</i>	2,111,769	--
<i>Water Revenue</i>	2,624,738	--
<i>Sewer Revenue</i>	939,199	--
<i>State Revenues</i>	17,108	--
<i>Miscellaneous</i>	597,335	--
Total Operating Revenues	<u>6,445,792</u>	<u>--</u>
OPERATING EXPENSES:		
<i>Administration</i>	451,110	--
<i>Water Production</i>	2,443,802	--
<i>Developers Capital Improvement</i>	2,046	--
<i>Wastewater Collection</i>	751,234	--
<i>Sanitation</i>	1,983,296	--
<i>Swimming Pool</i>	57,932	--
Total Operating Expenses	<u>5,689,420</u>	<u>--</u>
Operating Income (Loss)	<u>756,372</u>	<u>--</u>
NON-OPERATING REVENUES (EXPENSES):		
<i>Interest Income</i>	28,628	24,838
<i>Interest Expense</i>	(306,297)	--
Total Non-operating Revenues (Expenses)	<u>(277,669)</u>	<u>24,838</u>
Net Income (Loss) before Operating Transfers	<u>478,703</u>	<u>24,838</u>
TRANSFERS:		
<i>Operating transfers in</i>	492,464	--
<i>Operating transfers out</i>	(250,000)	--
Total Transfers	<u>242,464</u>	<u>--</u>
Net income	721,167	24,838
Net Position, October 1	19,273,154	2,300,438
Net Position, September 30	<u>\$ 19,994,321</u>	<u>\$ 2,325,276</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Fund	Internal Service Funds
Cash Flows from Operating Activities:		
<i>Cash Received from Customers</i>	\$ 6,490,582	\$ --
<i>Cash Payments to Employees for Services</i>	(1,114,208)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(3,536,680)	--
<i>Other Operating Cash Receipts (Payments)</i>	--	14,701
Net Cash Provided (Used) by Operating Activities	<u>1,839,694</u>	<u>14,701</u>
Cash Flows from Non-capital Financing Activities:		
<i>Principal Received/(Paid) on Loans Made to Other Funds</i>	782,143	124,517
<i>Loans Made to Other Funds</i>	--	(823,258)
<i>Transfers From(To) Other Funds</i>	97,370	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>879,513</u>	<u>(698,741)</u>
Cash Flows from Capital and Related Financing Activities:		
<i>Sale of Assets</i>	--	--
<i>Capital Lease Payable</i>	(167,829)	--
<i>Principal and Interest Paid</i>	(678,392)	--
<i>Acquisition or Construction of Capital Assets</i>	(1,297,538)	--
<i>Investment in Water Source</i>	--	--
<i>Loans to Other Funds</i>	94,150	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,049,609)</u>	<u>--</u>
Cash Flows Provided (Used) for Investing Activities:		
<i>Interest and Dividends on Investments</i>	28,628	24,838
Net Cash Provided (Used) for Investing Activities	<u>28,628</u>	<u>24,838</u>
Net Increase (Decrease) in Cash and Cash Equivalents	698,226	(659,202)
Cash and Cash Equivalents at Beginning of Year	4,009,248	2,052,516
Cash and Cash Equivalents at End of Year	<u>\$ 4,707,474</u>	<u>\$ 1,393,314</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 756,372	\$ --
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
<i>Depreciation</i>	573,318	--
<i>Amortization</i>	357,397	--
<i>Increase in allowance for doubtful accts</i>	43,334	--
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	52,762	--
<i>Decrease (Increase) in Inventories</i>	45,987	--
<i>Decrease (Increase) in Prepaid Expenses</i>	(4,039)	--
<i>Increase (Decrease) in Accounts Payable</i>	21,403	14,701
<i>Increase (Decrease) in Payroll Deductions</i>	(8,354)	--
<i>Increase (Decrease) in Accrued Wages Payable</i>	1,514	--
Total Adjustments	<u>1,083,322</u>	<u>14,701</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,839,694</u>	<u>\$ 14,701</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2014

	TNRCC NonExpendable Trust Fund
ASSETS:	
<i>Investments at fair value:</i>	
<i>U. S. Government Securities</i>	\$ 29,196
 Total Assets	 <u>\$ 29,196</u>
LIABILITIES:	
NET POSITION:	
<i>Held in Trust for TNRCC</i>	\$ 29,196
<i>Total Net Position</i>	<u>\$ 29,196</u>

CITY OF LEVELLAND, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	TNRCC Nonexpendable Trust Fund
Additions:	
Gain on Maturity of Investments	\$ 35
Total Additions	<u>35</u>
Deductions:	
Net Decrease in Fair Value of Investments	434
Total Deductions	<u>434</u>
Other financing sources (uses):	
Operating transfers in	--
Operating transfers out	<u>(2,370)</u>
Total other financing sources (uses)	<u>(2,370)</u>
Change in Net Position	(2,769)
Net Position-Beginning of the Year	31,965
Net Position-End of the Year	<u>\$ 29,196</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

COMBINING BALANCE SHEET - COMPONENT UNITS
 SEPTEMBER 30, 2014

	Economic Development Corporation	Community Development Corporation	Total Component Units
ASSETS:			
<i>Cash</i>	\$ 675,440	\$ 1,096,179	\$ 1,771,619
<i>Temporary Investments</i>	376,242	246,612	622,854
<i>Accounts Receivable</i>	18,800	--	18,800
<i>Accrued Interest Receivable</i>	88	45	133
<i>Due From State</i>	64,200	42,800	107,000
<i>Unrealized Expenditures</i>	24,635	--	24,635
<i>Note Receivable</i>	70,000	--	70,000
Property and Equipment:			
<i>Land</i>	587,208	--	587,208
<i>Buildings</i>	576,590	--	576,590
<i>Improvements</i>	4,966,696	27,343	4,994,039
<i>Machinery and Equipment</i>	221,629	13,572	235,201
<i>Construction in Progress</i>	5,963	--	5,963
<i>Accumulated Depreciation</i>	(441,519)	--	(441,519)
 Total Assets	 <u>7,145,972</u>	 <u>1,426,551</u>	 <u>8,572,523</u>
LIABILITIES:			
<i>Accounts Payable - Trade</i>	11,701	--	11,701
<i>Due To Other Funds</i>	18,553	--	18,553
Total Liabilities	<u>30,254</u>	<u>--</u>	<u>30,254</u>
NET POSITION:			
<i>Invested in Capital Assets, net of related debt</i>	5,916,567	40,915	5,957,482
<i>Unrestricted</i>	1,199,151	1,385,636	2,584,787
Total Net Position	<u>\$ 7,115,718</u>	<u>\$ 1,426,551</u>	<u>\$ 8,542,269</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Economic Development Corporation	Community Development Corporation	Total Component Units
REVENUES:			
<i>Sales Tax</i>	\$ 724,178	\$ 482,785	\$ 1,206,963
<i>Rents</i>	323,960	--	323,960
<i>Interest</i>	5,800	9,269	15,069
<i>Local</i>	455,071	--	455,071
<i>Miscellaneous</i>	56,000	--	56,000
<i>Total Revenues</i>	<u>1,565,009</u>	<u>492,054</u>	<u>2,057,063</u>
EXPENDITURES:			
<i>Economic and physical development</i>	<u>846,902</u>	<u>266,786</u>	<u>1,113,688</u>
<i>Total expenditures</i>	<u>846,902</u>	<u>266,786</u>	<u>1,113,688</u>
Excess (deficiency) of revenues (under) expenditures	718,107	225,268	943,375
Other financing sources (uses):			
<i>Operating transfers in</i>	--	--	--
<i>Operating transfers out</i>	--	--	--
<i>Total other financing sources (uses)</i>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	718,107	225,268	943,375
Fund balance, October 1	6,397,611	1,201,283	7,598,894
Fund balance, September 30	<u>\$ 7,115,718</u>	<u>\$ 1,426,551</u>	<u>\$ 8,542,269</u>

The accompanying notes are an integral part of this statement.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

The combined financial statements of the City of Levelland, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has reported the Levelland Economic Development Corporation and the Levelland Community Development Corporation as discretely presented component units.

The Levelland Economic Development Corporation (LEDC), a nonprofit corporation, was incorporated in the state of Texas, March 12, 1992. The purpose of the LEDC is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for and on behalf of the City of Levelland, Texas. Complete financial statements for the LEDC may be obtained at the City's administrative offices.

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

The City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Community Development Block Grant (CDBG) Fund. This fund was used to account for a federally funded economic development project passed through the Texas Department of Agriculture.

Capital Project Bond Fund. This fund accounts for the resources accumulated and payments made for the amateur sports complex.

The City reports the following major enterprise funds:

Enterprise Fund. The enterprise fund accounts for the operations of the sewage treatment plant, sewage pumpings stations and collection systems, the water distribution system and the City's swimming pool.

In addition, the City reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support City programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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 taxes without specific statutory authority from the Texas Legislature.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in the governmental funds. The first in first out method is used in the enterprise fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

g. 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 revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Cash Deposits:

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$16,891,874 and the bank balance was \$17,419,749. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were not entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: AIM Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,740,675.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$5,044,461 and occurred during the month of September, 2014.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (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 City's investments at September 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	< 12 Months	\$ 5,915,610
Investment Pools	N/A	69,871
U. S. Treasury Strip	8/15/19	29,196
Total Investments		<u>\$ 6,014,676</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- a. Credit Risk

Credit risk is 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 year end, the City was not significantly exposed to credit risk.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

At September 30, 2014, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

D. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,539,031	\$ 766	\$ --	\$ 1,539,797
Construction in progress	627,357	3,372,555	12,000	3,987,912
Total capital assets not being depreciated	<u>2,166,388</u>	<u>3,373,321</u>	<u>12,000</u>	<u>5,527,709</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,560,476	182,503	--	1,742,979
Equipment	5,390,319	397,383	81,555	5,706,147
Improvements Other Than Buildings	23,348,828	205,867	185,702	23,368,993
Total capital assets being depreciated	<u>30,299,623</u>	<u>785,753</u>	<u>267,257</u>	<u>30,818,119</u>
Less accumulated depreciation for:				
Buildings and improvements	(345,888)	(38,850)	--	(384,738)
Equipment	(3,119,655)	(415,656)	(73,958)	(3,461,353)
Improvements Other Than Buildings	(6,669,925)	(489,784)	--	(7,159,709)
Total accumulated depreciation	<u>(10,135,468)</u>	<u>(944,290)</u>	<u>(73,958)</u>	<u>(11,005,800)</u>
Total capital assets being depreciated, net	<u>20,164,155</u>	<u>(158,537)</u>	<u>193,299</u>	<u>19,812,319</u>
Governmental activities capital assets, net	<u>\$ 22,330,543</u>	<u>\$ 3,214,783</u>	<u>\$ 205,299</u>	<u>\$ 25,340,028</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 510,739	\$ --	\$ --	\$ 510,739
Construction in progress	165,571	939,482	--	1,105,053
Total capital assets not being depreciated	<u>676,310</u>	<u>939,482</u>	<u>--</u>	<u>1,615,792</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	605,145	--	--	605,145
Equipment	2,013,541	425,744	--	2,439,285
Improvements Other Than Buildings	18,198,778	77,406	--	18,276,184
Total capital assets being depreciated	<u>20,817,464</u>	<u>503,150</u>	<u>--</u>	<u>21,320,614</u>
Less accumulated depreciation for:				
Buildings and improvements	(234,105)	(11,994)	--	(246,099)
Equipment	(962,249)	(129,814)	--	(1,092,063)
Improvements Other Than Buildings	(6,700,446)	(431,510)	--	(7,131,956)
Total accumulated depreciation	<u>(7,896,800)</u>	<u>(573,318)</u>	<u>--</u>	<u>(8,470,118)</u>
Total capital assets being depreciated, net	<u>12,920,664</u>	<u>(70,168)</u>	<u>--</u>	<u>12,850,496</u>
Business-type activities capital assets, net	<u>\$ 13,596,974</u>	<u>\$ 869,314</u>	<u>\$ --</u>	<u>\$ 14,466,288</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Component Units:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 618,202	\$ --	\$ 30,995	\$ 587,207
Construction in progress	84,288	5,963	84,288	5,963
Total capital assets not being depreciated	<u>702,490</u>	<u>5,963</u>	<u>115,283</u>	<u>593,170</u>

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Capital assets being depreciated:

Buildings and improvements	576,590	--	--	576,590
Equipment	221,629	13,572	--	235,201
Improvements Other Than Buildings	4,316,816	677,223	--	4,994,039
Total capital assets being depreciated	<u>5,115,035</u>	<u>690,795</u>	<u>--</u>	<u>5,805,830</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,641)	(14,415)	--	(54,056)
Equipment	(44,674)	(14,744)	--	(59,418)
Improvements Other Than Buildings	(238,660)	(89,385)	--	(328,045)
Total accumulated depreciation	<u>(322,975)</u>	<u>(118,544)</u>	<u>--</u>	<u>(441,519)</u>
Total capital assets being depreciated, net	4,792,060	572,251	--	5,364,311
Business-type activities capital assets, net	\$ <u>5,494,550</u>	\$ <u>578,214</u>	\$ <u>115,283</u>	\$ <u>5,957,481</u>

Depreciation was charged to functions as follows:

General Government	\$ 117,848
Public Protection:	
Fire Protection	181,806
Police	130,748
Inspections	5,186
Public Ways and Facilities, Including	
Depreciation of General Infrastructure Assets	390,257
Airport	118,445
	<u>\$ 944,290</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2014, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 411,755	Short-term loans
General Fund	Component Units	18,553	Short-term loans
Internal Service Fund	General Fund	14,139	Purchase of Capital Equipment
Internal Service Fund	Enterprise Fund	932,525	Purchase of Capital Equipment
Enterprise Fund	Other Governmental Funds	188	
	Total	<u>\$ 1,377,160</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2014, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Enterprise fund	\$ 345,000	Supplement other funds sources
General fund	Other Governmental Funds	58,394	Supplement other funds sources
Enterprise fund	General fund	250,000	Supplement other funds sources
Other Governmental Funds	General Fund	24,896	Supplement other funds sources
Other Governmental Funds	Other Governmental Funds	48,058	Supplement other funds sources
Other Governmental Funds	Enterprise fund	145,094	Supplement other funds sources
	Total	<u>\$ 871,442</u>	

CITY OF LEVELLAND, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2014

F. Long-Term Obligations

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 150,000	\$ --	\$ 150,000	\$ --	--
Certificates of Obligation	8,850,000	--	370,000	8,480,000	470,000
G/O Refunding Bonds	2,430,000	--	25,000	2,405,000	190,000
Total governmental activities	<u>\$ 11,430,000</u>	<u>\$ --</u>	<u>\$ 545,000</u>	<u>\$ 10,885,000</u>	<u>\$ 660,000</u>
<u>Business-type activities:</u>					
Revenue bonds	\$ 5,586,906	\$ --	\$ 372,095	\$ 5,214,812	382,901
Capital leases	1,204,246	--	167,828	1,036,418	175,365
Total business-type activities	<u>\$ 6,791,152</u>	<u>\$ --</u>	<u>\$ 539,923</u>	<u>\$ 6,251,230</u>	<u>\$ 558,266</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 660,000	\$ 318,241	\$ 978,241
2016	680,000	298,841	978,841
2017	700,000	278,791	978,791
2018	725,000	258,041	983,041
2019	615,000	238,716	853,716
2020-2024	3,415,000	919,181	4,334,181
2025-2029	2,965,000	415,566	3,380,566
2030-2034	1,125,000	71,641	1,196,641
Totals	<u>\$ 10,885,000</u>	<u>\$ 2,799,020</u>	<u>\$ 13,684,020</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 558,266	\$ 282,253	\$ 840,519
2016	1,256,415	311,527	1,567,942
2017	411,978	207,480	619,458
2018	521,335	190,285	711,620
2019	356,832	168,704	525,536
2020-2024	2,000,413	575,759	2,576,172
2025-2029	1,005,573	151,102	1,156,675
2030-2034	140,418	7,901	148,319
Totals	<u>\$ 6,251,230</u>	<u>\$ 1,895,011</u>	<u>\$ 8,146,241</u>

The interest rate on long-term obligations range from 2.625% to 5.000%.

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FOR THE YEAR ENDED SEPTEMBER 30, 2014

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2014, as follows:

<u>Year Ending September 30:</u>	
2015	\$ 216,643
2016	216,643
2017	216,643
2018	216,643
2019	280,059
2020-2024	--
2025-2029	--
2030-2034	--
Total Minimum Rentals	<u>\$ 1,146,631</u>
Rental Expenditures in 2014	<u>\$ 216,643</u>

The effective interest rate on capital leases is 4.250%.

4. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2014, as follows:

<u>Year Ending September 30,</u>	
2015	\$ 2,500
2016	2,500
2017	2,500
2018	2,500
2019	2,500
2020-2024	12,500
2025-2029	12,500
2030-2034	7,500
Total Minimum Rentals	<u>\$ 45,000</u>
Rental Expenditures in 2014	<u>\$ 2,500</u>

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Pension Plan

1. Plan Description

The City provides pension benefits for all its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously the Projected Unit Credit actuarial cost method was used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rates in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The annual pension cost and net pension obligation/ (asset) are as follows:

1. Annual Required Contribution (ARC)	\$	582,466
2. Interest on Net Pension Obligation		n/a
3. Adjustment to the ARC		--
4. Annual Pension Cost (APC)		582,466
5. Contributions Made		582,466
6. Increase (decrease) in net pension obligation		--
7. Net Pension Obligation / (Asset), beginning of year		--
8. Net Pension Obligation / (Asset), end of year		--

3. Three-Year Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contributions Made	Percentage of APC Contributed	Net Pension Obligation
September 30, 2012	568,498	568,498	100%	--
September 30, 2013	570,243	570,243	100%	--
September 30, 2014	582,466	582,466	100%	--

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.9 years; closed period	24.79 years; closed period	19.0 years; closed period
Amortization Period for new Gains / Losses	30 years;	30 years;	30 years;
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age & service	Varies by age & service	Varies by age & service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Funded Status and Funding Progress - In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3)	Unfunded AAL (UAAL) (4)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6)
			(1) / (2)	(2) -(1)		(4) / (5)
12/31/2013	\$19,944,393	\$22,598,428	88.3%	\$2,654,035	\$4,317,638	61.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

4. Supplemental Death Benefits Fund

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The 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 program 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 employee' entire careers.

The city's contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$8,815, \$8,344 \$7,586, respectively, which equaled the required contributions each year.

CITY OF LEVELLAND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Schedule of Contributions Rates:
 (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution made (Rate)	Percentage of ARC Contributed
2012	0.03%	0.03%	100.00%
2013	0.03%	0.03%	100.00%
2014	0.03%	0.03%	100.00%

J. Health Care Coverage

During the year ended September 30, 2014 employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$550 per month per employee, \$625 for employee and children, \$650 for employees and spousal coverage or \$675 for family coverage to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable December 31, and terms of coverage and premium costs are included in the contractual provisions.

K. Commitments and Contingencies

1. 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 collectibility 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.

2. Litigation

No reportable litigation was pending against the City at September 30, 2014.

L. Closure and Postclosure Care Cost

State and federal laws and regulations required the City to place a final cover on its Levelland Transfer Station site when it stopped accepting waste in 1994 and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The City was required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements at September 30, 2014, investments of \$29,196 fair value are held for these purposes. These are reported as Fiduciary Funds. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future and fill users or from future tax revenue.

CITY OF LEVELLAND, TEXAS

CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12 (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS... Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities and deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 12 – CURRENT INVESTMENTS

As of September 30, 2014, the following percentages of the City's investible funds were invested in the following categories of Investments:

Type of Investment	Amount	Interest Rate	Percent of Portfolio	Maturity
Certificates of Deposit	\$ 5,915,610	0.65% to 1.15%	98.36%	< 12 months
Investment Pools	69,871	0.10%	1.16%	N/A
U.S. Treasury Strip	29,196	1.55%	0.48%	08/15/2024
Total	<u>\$ 6,014,677</u>		<u>100.00%</u>	

As such date, the market value of such investments (as determined by the City reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value.