

**CITY OF LITTLEFIELD
LITTLEFIELD, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2015**

Webb, Webb, and Wright
Certified Public Accountants

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LITTLEFIELD, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2015

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FINANCIAL SECTION

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Richard B. Wright, CPA

Independent Auditor's Report

Honorable Mayor & City Council
City of Littlefield
301 XIT Drive
Littlefield, Texas 79339

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Littlefield's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield as of September 30, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the City of Littlefield adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Littlefield's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate 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 other supplementary information is 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 dated March 11, 2016, on our consideration of the City of Littlefield'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 the 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 the City of Littlefield's internal control over financial reporting and compliance.

Respectfully submitted,

Webb, Webb + Wright

WEBB, WEBB AND WRIGHT, CPA's
March 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Littlefield's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how well the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the same basis of accounting used by most private sector companies – accrual.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by business functions that are intended to recover a portion of their costs through user fees and charges and general revenues provided by the taxpayers. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets, plus deferred outflows of resources less liabilities, less deferred inflows of resources) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City operates under two kinds of activities:

Governmental activities – Most of the City's basic services are reported here, including general government, police, fire, EMS, refuse, streets and other. Property taxes and fees finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of services it provides in water and sewer services.

Component Unit - The City includes one separate legal entity in its report - The Littlefield Economic Development Corporation. Although legally separate, this component unit is important because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City's administration establishes many funds to help it control and manage money for particular purposes.

Governmental Funds – The City reports most of its basic services in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

Proprietary Funds – The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund (one category of proprietary funds) is the business-type activity reported in the government-wide statements but containing more detail and some additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities.

Net position of the City's governmental activities increased from \$2,347,542 to \$2,560,977. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit of \$140,177 at September 30, 2015.

This increase in governmental net position was the net result of the City's revenues exceeding the expenses by \$521,008.

Also, there was a decrease in the governmental net position of \$307,572 due to a restatement of beginning net position required by the implementation of GASB Statement No. 68.

The net position of our business-type activities decreased by \$631,365. This decrease is significant to the overall operations of the City as it provides significant services to the community. Factors contributing to this decrease are shown in Exhibit B-1.

Also, there was a decrease in the business-type net position of \$76,893 due to a restatement of beginning net position required by the implementation of GASB Statement No. 68.

Table 1
City of Littlefield

Net Position
in thousands

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | | Total Percentage Change |
|---|-------------------------|--------------|--------------------------|---------------|--------------------------|---------------|-------------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2014-2015 |
| Current and other assets | 564 | 396 | 1,364 | 1,735 | 1,928 | 2,131 | -9.5% |
| Capital assets | 3,621 | 3,467 | 13,726 | 14,155 | 17,347 | 17,622 | -1.6% |
| Total assets | 4,185 | 3,863 | 15,090 | 15,890 | 19,275 | 19,753 | -2.4% |
| Total deferred outflows of resources | 261 | | 706 | 673 | 967 | 673 | 43.7% |
| Long-term liabilities | 1,229 | 975 | 9,786 | 10,310 | 11,015 | 11,285 | -2.4% |
| Other liabilities | 656 | 540 | 1,045 | 580 | 1,701 | 1,120 | 51.9% |
| Total liabilities | 1,885 | 1,515 | 10,831 | 10,890 | 12,716 | 12,405 | 2.5% |
| Net position:* | | | | | | | |
| Net investment in capital assets | 2,578 | 2,139 | 3,415 | 3,451 | 5,993 | 5,590 | 7.2% |
| Restricted | 123 | 27 | 614 | 359 | 737 | 386 | 90.9% |
| Unrestricted | (140) | 182 | 936 | 1,863 | 796 | 2,045 | -61.1% |
| Total net position | 2,561 | 2,348 | 4,965 | 5,673 | 7,526 | 8,021 | -6.2% |

* The implementation of GASB Statement No. 68 resulted in the beginning net position of the governmental and business-type activities being restated. Net position was not restated for FY 2014 on this table.

Table 2

City of Littlefield

**Changes in Net Position
in thousands**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | | Total Percentage Change |
|--|-------------------------|--------------|--------------------------|--------------|--------------------------|--------------|-------------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2014-2015 |
| Revenues: | | | | | | | |
| Net program revenues: | | | | | | | |
| Charges for services | 1,562 | 1,437 | 1,904 | 2,196 | 3,466 | 3,633 | -4.6% |
| Operating grants and contributions | | | | | -0- | -0- | 0.0% |
| Capital grants and contributions | 100 | | | | 100 | -0- | 100.0% |
| General revenues: | | | | | | | |
| Property taxes | 971 | 979 | 116 | 116 | 1,087 | 1,095 | -.7% |
| Other taxes | 955 | 978 | | | 955 | 978 | -2.4% |
| Investment earnings | 1 | 1 | 4 | 6 | 5 | 7 | -28.6% |
| Other | 373 | 256 | 151 | 125 | 524 | 381 | 37.5% |
| Gain(Loss) on sale of assets | 29 | 3 | | | 29 | 3 | 866.7% |
| Total revenues | 3,991 | 3,654 | 2,175 | 2,443 | 6,166 | 6,097 | 1.1% |
| Expenses: | | | | | | | |
| General government | 1,227 | 1,137 | | | 1,227 | 1,137 | 7.9% |
| Police | 1,173 | 901 | | | 1,173 | 901 | 30.2% |
| Fire | 141 | 147 | | | 141 | 147 | -4.1% |
| EMS | 699 | 636 | | | 699 | 636 | 9.9% |
| Refuse | 517 | 517 | | | 517 | 517 | 0.0% |
| Public services | 146 | 119 | | | 146 | 119 | 22.7% |
| Public works | 400 | 394 | | | 400 | 394 | 1.5% |
| Other | 12 | | | | 12 | -0- | 100.0% |
| Interest on long-term debt | 50 | 36 | | | 50 | 36 | 38.9% |
| Water and Sewer | | | 1,442 | 1,606 | 1,442 | 1,606 | -10.2% |
| BCDC | | | 604 | 711 | 604 | 711 | -15.0% |
| Total expenses | 4,366 | 3,887 | 2,046 | 2,317 | 6,412 | 6,204 | 3.4% |
| Increase(decrease) in net position before transfers | | | | | | | |
| | (375) | (233) | 130 | 126 | (245) | (107) | 129.0% |
| Transfers | 896 | 180 | (761) | 91 | 135 | 271 | -50.2% |
| Change in net position | 521 | (53) | (631) | 217 | (110) | 164 | -167.1% |
| Net position-beginning, as restated | 2,040 | 2,400 | 5,596 | 5,457 | 7,636 | 7,857 | -2.8% |
| Net position-ending | 2,561 | 2,348 | 4,965 | 5,673 | 7,526 | 8,021 | -6.2% |

The City's total revenues increased over \$50,000 this year. The total cost of all programs and services increased over \$124,000 this year.

The City's total revenue increased for the year due to a large jump in other revenue-most notably due to an EMS ambulance subsidy as well as a large increase in miscellaneous revenue. In addition, the City received two ambulance grants. Most of these increases were offset by the reduction in water sales which have been negatively impacted by the closing of a local industrial site (American Cotton Growers). Expenses increased in large part due to the creation of a new department (Dispatch).

The cost of all governmental and business-type activities this year was \$6,411,868. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,042,199 because \$3,465,919 of the costs were paid by those who directly benefited from the programs and \$100,000 by other governments and organizations that subsidized certain programs with grants and contributions.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$1,068,262, which is significantly higher than last year's total of \$754,962. Included in this year's total change in fund balance is a decrease of \$23,401 in the City's General Fund.

The City's proprietary funds reported a net position of \$4,964,961 which is lower than last year's total of \$5,673,219.

The details of the above summarized information can be found on Exhibit C-3 and Exhibit D-2.

General Fund Budgetary Highlights

The City's General Fund balance of \$26,708 differs significantly from the General Fund's budgetary deficit fund balance of \$321,393. This difference is shown on the Budgetary Comparison Schedule (Exhibit E-1).

Over the course of the year, the City recommended and the council approved several revisions to the original General Fund budgeted revenue and appropriations. The final amended budget reflected an excess of expenditures over revenues of \$512,501 and the actual was \$1,048,966. The most positive variance was from the LEDC department as expenditures reported in under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the City had \$36,721,232 invested in a broad range of capital assets, including administrative facilities and equipment, public safety facilities and equipment, and maintenance buildings and equipment. This amount represents a net increase of \$350,714, or 1% above last year.

This year's major additions included:

| | |
|-------------------------|------------|
| Trash Pump | \$ 9,296 |
| (3) Police Vehicles | 134,830 |
| Channel Dispatch System | 18,000 |
| (2) EMS Ambulances | 402,242 |
| Mosquito Sprayer | 9,144 |
| Well Work | 12,958 |
| (2) Hydra-Stop Valves | 13,000 |
| Fire Alarm System | 22,362 |
| | ----- |
| Total | \$ 621,832 |
| | ===== |

The City's only planned expenditures for FY 2016 deal with the opening of what was the Bill Clayton Detention Center, now known as the Texas Civil Commitment Center-Bill Clayton Facility. Projects for the facility are to be considered as they are presented. Further capital expenditures are possible with approval of the city council. No additional debt to fund said capital expenditures is anticipated.

Debt

At year-end, the City had \$11,353,307 in bonds, capital leases and a note payable outstanding versus \$12,032,178 last year. More detailed information about the City's long-term liabilities is presented in Exhibit G-2 and Exhibit G-3.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials and appointed officials considered many factors when setting the fiscal year 2016 budget and tax rates. The City intends to monitor and be proactive in spending habits to insure compliance with the budget while still providing city services to the citizens of Littlefield. The City intends to minimize the raising of tax rates and user fees. The effect of the new tax rate is based on the cost of doing business.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Business Office.

BASIC FINANCIAL STATEMENTS

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

PRIMARY GOVERNMENT

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNIT |
|---|----------------------------|-----------------------------|---------------|-------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 259,074 | \$ | \$ 259,074 | \$ 912,317 |
| Receivables (net of allowance for uncollectibles) | 615,230 | 323,875 | 939,105 | |
| Internal Balances | (386,474) | 386,474 | -0- | |
| Due from Other Governments | 40,909 | | 40,909 | 40,909 |
| Due from Other Funds | 8,533 | | 8,533 | |
| Note Receivable | | 39,764 | 39,764 | |
| Restricted Assets: | | | | |
| Cash | 26,708 | 613,851 | 640,559 | |
| Capital Assets (net of accumulated depreciation): | | | | |
| Land | 818,324 | 507,595 | 1,325,919 | |
| Buildings & Structures | 522,926 | 12,417,267 | 12,940,193 | |
| Machinery and Equipment | 723,550 | 410,897 | 1,134,447 | |
| Furniture and Fixtures | 51,080 | 555 | 51,635 | |
| Capital Leases | 1,505,177 | 389,511 | 1,894,688 | |
| Total Capital Assets | \$ 3,621,057 | \$ 13,725,825 | \$ 17,346,882 | \$ -0- |
| TOTAL ASSETS | \$ 4,185,038 | \$ 15,089,787 | \$ 19,274,825 | \$ 953,226 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Charge on Refunding | \$ | \$ 641,049 | \$ 641,049 | \$ |
| Deferred Outflow Related to Pensions | 260,616 | 65,155 | 325,771 | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 260,616 | \$ 706,204 | \$ 966,820 | \$ -0- |
| LIABILITIES | | | | |
| Checks in Excess of Bank Balance | \$ | \$ 30,070 | \$ 30,070 | \$ |
| Accounts Payable | 52,715 | 2,259 | 54,974 | |
| Accrued Liabilities | 222,645 | 175,479 | 398,124 | |
| Due to Other Funds | | | -0- | 8,533 |
| Escrow Deposits | | 1,298 | 1,298 | |
| Customer Deposits | | 173,250 | 173,250 | |
| Unearned Revenue | | 13,728 | 13,728 | |
| Landfill Closure Liability | 68,339 | | 68,339 | |
| Noncurrent Liabilities: | | | | |
| Due within one year | 312,396 | 648,877 | 961,273 | |
| Due in more than one year | 730,488 | 9,661,546 | 10,392,034 | |
| Net pension liability | 498,094 | 124,523 | 622,617 | |
| TOTAL LIABILITIES | \$ 1,884,677 | \$ 10,831,030 | \$ 12,715,707 | \$ 8,533 |

The accompanying notes are an integral part of this statement.
(12)

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

| | PRIMARY GOVERNMENT | | | COMPONENT UNIT |
|----------------------------------|----------------------------|-----------------------------|--------------|-------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 2,578,173 | \$ 3,415,402 | \$ 5,993,575 | \$ |
| Restricted for: | | | | |
| Technology Improvements | 3,707 | | 3,707 | |
| Public Relations | 23,001 | | 23,001 | |
| Parks & Recreation | 96,273 | | 96,273 | |
| Debt Service | | 613,851 | 613,851 | |
| Unrestricted (Deficit) | (140,177) | 935,708 | 795,531 | 944,693 |
| TOTAL NET POSITION | \$ 2,560,977 | \$ 4,964,961 | \$ 7,525,938 | \$ 944,693 |

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| PRIMARY GOVERNMENT: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General Government | \$ 1,226,556 | \$ 58,865 | \$ | \$ | \$ (1,167,691) | \$ | \$ (1,167,691) | \$ |
| Police | 1,173,004 | | | | (1,173,004) | | (1,173,004) | |
| Fire | 141,312 | 11,600 | | | (129,712) | | (129,712) | |
| EMS | 699,250 | 550,061 | | 100,000 | (49,189) | | (49,189) | |
| Refuse | 517,018 | 827,871 | | | 310,853 | | 310,853 | |
| Public Services | 146,367 | 53,551 | | | (92,816) | | (92,816) | |
| Public Works | 400,058 | | | | (400,058) | | (400,058) | |
| Other | 11,691 | 59,628 | | | 47,937 | | 47,937 | |
| Interest on Long-Term Debt | 50,283 | | | | (50,283) | | (50,283) | |
| Total Governmental Activities | \$ 4,365,539 | \$ 1,561,576 | \$ -0- | \$ 100,000 | \$ (2,703,963) | \$ -0- | \$ (2,703,963) | \$ -0- |
| Business - Type Activities: | | | | | | | | |
| Water & Sewer | \$ 1,442,168 | \$ 1,904,343 | \$ | \$ | \$ | \$ 462,175 | \$ 462,175 | \$ |
| BCDC | 604,161 | | | | | (604,161) | (604,161) | |
| Total Business-Type Activities | \$ 2,046,329 | \$ 1,904,343 | \$ -0- | \$ -0- | \$ -0- | \$ (141,986) | \$ (141,986) | \$ -0- |
| TOTAL PRIMARY GOVERNMENT | \$ 6,411,868 | \$ 3,465,919 | \$ -0- | \$ 100,000 | \$ (2,703,963) | \$ (141,986) | \$ (2,845,949) | \$ -0- |
| COMPONENT UNIT: | | | | | | | | |
| Economic Development | \$ 126,564 | \$ | \$ | \$ | \$ | \$ | \$ | \$ (126,564) |
| TOTAL COMPONENT UNIT | \$ 126,564 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ (126,564) |
| General Revenues: | | | | | | | | |
| Property taxes | | | | | \$ 970,834 | \$ 116,097 | \$ 1,086,931 | \$ |
| Sales taxes | | | | | 535,768 | | 535,768 | 535,767 |
| Franchise fees | | | | | 388,289 | | 388,289 | |
| Hotel/Motel tax | | | | | 31,211 | | 31,211 | |
| Investment earnings | | | | | 1,156 | 4,344 | 5,500 | 1,974 |
| Other | | | | | 372,549 | 151,329 | 523,878 | 400 |
| Gain (Loss) on sale of assets | | | | | 29,014 | | 29,014 | (7,982) |
| Transfers | | | | | 896,150 | (761,150) | 135,000 | (135,000) |
| Total general revenues and transfers | | | | | \$ 3,224,971 | \$ (489,380) | \$ 2,735,591 | \$ 395,159 |
| Change in net position | | | | | \$ 521,008 | \$ (631,365) | \$ (110,357) | \$ 268,595 |
| Net position - beginning, as restated | | | | | 2,039,969 | 5,596,326 | 7,636,295 | 676,098 |
| Net position - ending | | | | | \$ 2,560,977 | \$ 4,964,961 | \$ 7,525,938 | \$ 944,693 |

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

| | GENERAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 166,265 | \$ 1,005,126 | \$ 1,171,391 |
| Accounts Receivable | 497,548 | 4,052 | 501,600 |
| Delinquent Taxes Receivable | 133,696 | | 133,696 |
| Allowance for Uncollectible Taxes | (20,066) | | (20,066) |
| Due From Other Governments | 40,909 | 40,909 | 81,818 |
| Due From Other Funds | 8,533 | | 8,533 |
| Restricted Assets: | | | |
| Cash | 26,708 | | 26,708 |
| TOTAL ASSETS | \$ 853,593 | \$ 1,050,087 | \$ 1,903,680 |
| LIABILITIES | | | |
| Accounts Payable | \$ 52,715 | \$ | \$ 52,715 |
| Accrued Liabilities | 205,728 | | 205,728 |
| Due To Other Funds | 386,474 | 8,533 | 395,007 |
| Landfill Closure Liability | 68,339 | | 68,339 |
| TOTAL LIABILITIES | \$ 713,255 | \$ 8,533 | \$ 721,788 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue – Property Taxes | \$ 113,630 | \$ | \$ 113,630 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 113,630 | \$ -0- | \$ 113,630 |
| FUND BALANCES | | | |
| Restricted For: | | | |
| Technology Improvements | \$ 3,707 | \$ | \$ 3,707 |
| Public Relations | 23,001 | | 23,001 |
| Parks and Recreation | | 96,273 | 96,273 |
| Assigned For: | | | |
| Economic Development | | 944,693 | 944,693 |
| Other Purposes | | 588 | 588 |
| TOTAL FUND BALANCES | \$ 26,708 | \$ 1,041,554 | \$ 1,068,262 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | \$ 853,593 | \$ 1,050,087 | \$ 1,903,680 |

The accompanying notes are an integral part of this statement.
(15)

CITY OF LITTLEFIELD
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|--|-----------------------|
| Total fund balances - governmental funds balance sheet. | \$ 1,068,262 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 3,621,057 |
| A reclassification is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting and, thereby recognizing unavailable revenue from property taxes as revenue. | 113,630 |
| Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds. | (1,042,884) |
| Liabilities for long-term debt interest are not due and payable in the current period and therefore not reported in the funds. | (16,917) |
| Recognition of the City's net pension liability not reported in the funds. | (498,094) |
| Deferred outflow related to pensions not reported in the funds. | 260,616 |
| Component unit presented separately. | (944,693) |
| Total net position of governmental activities. | \$ 2,560,977 ===== |

The accompanying notes are an integral part of this statement.
(16)

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | GENERAL FUND ----- | OTHER GOVERNMENTAL FUNDS ----- | TOTAL GOVERNMENTAL FUNDS ----- |
|-------------------------|--------------------------|---|---|
| <u>REVENUES</u> | | | |
| Taxes | \$ 1,921,026 | \$ 535,767 | \$ 2,456,793 |
| Charges for Services | 1,435,623 | | 1,435,623 |
| Licenses and Permits | 7,460 | | 7,460 |
| Fines | 58,865 | | 58,865 |
| Grants | 100,000 | | 100,000 |
| Local Funds | | 60,028 | 60,028 |
| Interest Income | 1,155 | 1,975 | 3,130 |
| Other Revenue | 372,549 | | 372,549 |
| | ----- | ----- | ----- |
| Total Revenues | \$ 3,896,678 | \$ 597,770 | \$ 4,494,448 |
| | ----- | ----- | ----- |
| <u>EXPENDITURES</u> | | | |
| Current Operating: | | | |
| Legislative | \$ 124,780 | \$ | \$ 124,780 |
| Administrative | 417,033 | | 417,033 |
| Municipal Court | 79,825 | | 79,825 |
| Police | 931,902 | | 931,902 |
| Dispatch | 163,522 | | 163,522 |
| Fire | 117,318 | | 117,318 |
| Refuse | 248,227 | | 248,227 |
| Residential Collection | 172,140 | | 172,140 |
| Public Works | 351,282 | | 351,282 |
| Airport | 14,211 | | 14,211 |
| Building & Maintenance | 381,164 | | 381,164 |
| EMS | 635,163 | | 635,163 |
| Fleet Services | 196,231 | | 196,231 |
| LEDC | 32,079 | | 32,079 |
| Licensing & Enforcement | 132,156 | | 132,156 |
| Emergency Management | 20,021 | | 20,021 |
| SRF's | | 138,255 | 138,255 |
| Capital Outlay | 525,258 | | 525,258 |
| Debt Service: | | | |
| Principal | 369,966 | | 369,966 |
| Interest | 33,366 | | 33,366 |
| | ----- | ----- | ----- |
| Total Expenditures | \$ 4,945,644 | \$ 138,255 | \$ 5,083,899 |
| | ----- | ----- | ----- |

The accompanying notes are an integral part of this statement.
(17)

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | GENERAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------|--------------------------------|--------------------------------|
| | ----- | ----- | ----- |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (1,048,966) | \$ 459,515 | \$ (589,451) |
| | ----- | ----- | ----- |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Sale of Assets | \$ 43,600 | \$ 13,000 | \$ 56,600 |
| Proceeds from Capital Leases | 85,000 | | 85,000 |
| Operating Transfers In | 899,943 | | 899,943 |
| Operating Transfers Out | (2,978) | (135,815) | (138,793) |
| | ----- | ----- | ----- |
| Total Other Financing Sources (Uses) | \$ 1,025,565 | \$ (122,815) | \$ 902,750 |
| | ----- | ----- | ----- |
| Net Change in Fund Balances | \$ (23,401) | \$ 336,700 | \$ 313,299 |
| Fund Balances - Beginning | 50,108 | 704,854 | 754,962 |
| | ----- | ----- | ----- |
| Fund Balances - Ending | \$ 26,708 | \$ 1,041,554 | \$ 1,068,262 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of this statement.
(18)

CITY OF LITTLEFIELD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of activities (SOA) are different because:

| | |
|--|------------|
| Net change in fund balances - total governmental funds. | \$ 313,299 |
| Capital outlays are not reported as expenses in the SOA. | 525,258 |
| Governmental funds only report the sale of assets to the extent proceeds are received from the sale. In the SOA, a gain or loss is reported. | (14,586) |
| Capital asset depreciation used in governmental activities is not reported in the funds. | (356,606) |
| Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds. | 5,076 |
| Proceeds from capital leases and installment note are not reported as revenue in the SOA. | (85,000) |
| Some expenditures (e.g. principal debt payment) on fund statements are not expenses on the SOA. | 369,966 |
| (Increase) decrease in accrued interest payable from beginning of period to end of period. | (16,917) |
| Implementing GASB #68 required certain expenditures to be de-expensed. | 70,095 |
| Component unit presented separately. | (289,577) |
| Change in net position of governmental activities. | \$ 521,008 |
| | ===== |

The accompanying notes are an integral part of this statement.
(19)

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

| | WATER & SEWER ----- | BCDC ----- | TOTAL ----- |
|---|------------------------|---------------------|----------------------|
| ASSETS: | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 310,147 | \$ | \$ -0- |
| Accounts Receivable | | | 310,147 |
| Delinquent Taxes Receivable | | 16,137 | 16,137 |
| Allowance for Uncollectible Taxes | | (2,409) | (2,409) |
| Note Receivable | 39,764 | | 39,764 |
| Due From Other Funds | 1,487,889 | | 1,487,889 |
| Restricted Assets: | | | |
| Cash | 394,751 | 219,100 | 613,851 |
| | ----- | ----- | ----- |
| Total Current Assets | \$ 2,232,551 | \$ 232,828 | \$ 2,465,379 |
| | ----- | ----- | ----- |
| Capital Assets (Net) | | | |
| Land | \$ 325,933 | \$ 181,662 | \$ 507,595 |
| Building & Structures | 4,536,390 | 7,880,877 | 12,417,267 |
| Machinery & Equipment | 410,897 | | 410,897 |
| Furniture & Fixtures | 555 | | 555 |
| Capital Lease Assets | 389,511 | | 389,511 |
| | ----- | ----- | ----- |
| Total Capital Assets | \$ 5,663,286 | \$ 8,062,539 | \$ 13,725,825 |
| | ----- | ----- | ----- |
| TOTAL ASSETS | \$ 7,895,836 | \$ 8,295,367 | \$ 16,191,202 |
| | ===== | ===== | ===== |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred Charge on Refunding | \$ | \$ 641,049 | \$ 641,049 |
| Deferred Outflow Related to Pensions | 65,155 | | 65,155 |
| | ----- | ----- | ----- |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 65,155 | \$ 641,049 | \$ 706,204 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of this statement.
(20)

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

| | WATER & SEWER ----- | BCDC ----- | TOTAL ----- |
|---|------------------------|---------------------|----------------------|
| LIABILITIES: | | | |
| Current Liabilities | | | |
| Checks in Excess of Bank | | | |
| Balance | \$ 30,070 | \$ | \$ 30,070 |
| Accounts Payable | 2,259 | | 2,259 |
| Accrued Liabilities | 33,238 | 142,241 | 175,479 |
| Due to Other Funds | | 1,101,415 | 1,101,415 |
| Escrow Deposits | 1,298 | | 1,298 |
| Customer Deposits | 173,250 | | 173,250 |
| Unearned Revenue | | 13,728 | 13,728 |
| Capital Leases - Current | 118,877 | | 118,877 |
| | ----- | ----- | ----- |
| Total Current Liabilities | \$ 358,992 | \$ 1,257,384 | \$ 1,616,376 |
| | ----- | ----- | ----- |
| Current Liabilities Payable From Restricted Assets | | | |
| Bonds Payable - Current | \$ 275,000 | \$ 255,000 | \$ 530,000 |
| | ----- | ----- | ----- |
| Total Current Liabilities Payable From Restricted Assets | \$ 275,000 | \$ 255,000 | \$ 530,000 |
| | ----- | ----- | ----- |
| Noncurrent Liabilities | | | |
| Bonds Payable | \$ 1,395,000 | \$ 7,880,000 | \$ 9,275,000 |
| Capital Leases Payable | 386,546 | | 386,546 |
| Net Pension Liability | 124,523 | | 124,523 |
| | ----- | ----- | ----- |
| Total Noncurrent Liabilities | \$ 1,906,069 | \$ 7,880,000 | \$ 9,786,069 |
| | ----- | ----- | ----- |
| TOTAL LIABILITIES | \$ 2,540,061 | \$ 9,392,384 | \$ 11,932,445 |
| | ===== | ===== | ===== |
| NET POSITION: | | | |
| Net Investment in Capital Assets | \$ 3,487,863 | \$ (72,461) | \$ 3,415,402 |
| Restricted for Debt Service | 394,751 | 219,100 | 613,851 |
| Unrestricted (Deficit) | 1,538,316 | (602,607) | 935,709 |
| | ----- | ----- | ----- |
| TOTAL NET POSITION | \$ 5,420,930 | \$ (455,968) | \$ 4,964,961 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of this statement.
(21)

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | WATER & SEWER ----- | BCDC ----- | TOTAL ----- |
|--|------------------------|---------------|----------------|
| Operating Revenues | | | |
| Water Sales | \$ 1,307,328 | \$ | \$ 1,307,328 |
| Charges for Services | 597,015 | | 597,015 |
| Taxes | | 116,097 | 116,097 |
| Other Revenue | 151,329 | | 151,329 |
| | ----- | ----- | ----- |
| Total Operating Revenues | \$ 2,055,672 | \$ 116,097 | \$ 2,171,769 |
| | ----- | ----- | ----- |
| Operating Expenses | | | |
| Personnel Services | \$ 400,258 | \$ | \$ 400,258 |
| Contractual Services | 457,582 | 72,415 | 529,997 |
| Supplies and Maintenance | 141,801 | 93,147 | 234,948 |
| Depreciation & Amortization | 326,841 | 192,298 | 519,139 |
| | ----- | ----- | ----- |
| Total Operating Expenses | \$ 1,326,483 | \$ 357,860 | \$ 1,684,343 |
| | ----- | ----- | ----- |
| Operating Income (Loss) | \$ 729,189 | \$ (241,763) | \$ 487,426 |
| | ----- | ----- | ----- |
| Nonoperating Revenues (Expenses) | | | |
| Interest Income | \$ 4,035 | \$ 309 | \$ 4,343 |
| Bonds and Capital Lease Interest | (115,684) | (246,301) | (361,985) |
| | ----- | ----- | ----- |
| Total Nonoperating Revenues (Expenses) | \$ (111,649) | \$ (245,992) | \$ (357,641) |
| | ----- | ----- | ----- |
| Income(Loss) Before Operating Transfers | \$ 617,540 | \$ (487,755) | \$ 129,785 |
| Operating Transfers In | 198,014 | 226,008 | 424,022 |
| Operating Transfers (Out) | (990,951) | (194,221) | (1,185,172) |
| | ----- | ----- | ----- |
| Change in Net Position | \$ (175,397) | \$ (455,968) | \$ (631,365) |
| Net Position - Beginning | 5,673,219 | -0- | 5,673,219 |
| Prior Period Adjustment | (76,893) | -0- | (76,893) |
| Net Position - Beginning, as Restated | 5,596,326 | -0- | 5,596,326 |
| | ----- | ----- | ----- |
| Net Position - Ending | \$ 5,420,930 | \$ (455,968) | \$ 4,964,961 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | WATER AND SEWER ----- | BCBD ----- | TOTAL ----- |
|---|--------------------------|---------------------|---------------------|
| Cash Flows From Operating Activities: | | | |
| Cash Received From Customers | \$ 2,039,419 | \$ | \$ 2,039,419 |
| Cash Payments for Goods and Services | (590,814) | (165,562) | (756,376) |
| Cash Payments to Employees | (417,783) | | (417,783) |
| Other Operating Revenues | | 116,097 | 116,097 |
| Net Cash Provided (Used) by Operating Activities | \$ 1,030,821 | \$ (49,465) | \$ 981,356 |
| Cash Flows From Noncapital Financing Activities: | | | |
| Due To/From Other Funds | \$ (77,716) | \$ 219,532 | \$ 141,816 |
| Operating Transfers In | 198,014 | 226,008 | 424,022 |
| Operating Transfers (Out) | (990,951) | (194,221) | (1,185,172) |
| Net Cash Provided (Used) by Noncapital Financing Activities | \$ (870,653) | \$ 251,319 | \$ (619,334) |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Acquisition of Fixed Assets | \$ (35,254) | \$ (22,362) | \$ (57,616) |
| Capital Lease Payments | (113,905) | | (113,905) |
| Prior Period Refunding Proceeds | | 32,778 | 32,778 |
| Principal Paid on Bonds | (270,000) | (10,000) | (280,000) |
| Interest Paid on Bonds and Capital Leases | (82,445) | (104,060) | (186,505) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | \$ (501,604) | \$ (103,644) | \$ (605,248) |
| Cash Flows From Investing Activities: | | | |
| Proceeds from Note Receivable | \$ 2,461 | \$ | \$ 2,461 |
| Interest Earnings on Cash and Investments | 4,035 | 309 | 4,343 |
| Net Cash Provided (Used) by Investing Activities | \$ 6,495 | \$ 309 | \$ 6,804 |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ (334,941) | \$ 98,519 | \$ (236,422) |
| Cash and Cash Equivalents - Beginning | 699,622 | 120,581 | 820,203 |
| Cash and Cash Equivalents - Ending | \$ 364,681 | \$ 219,100 | \$ 583,781 |

The accompanying notes are an integral part of this statement.
(23)

CITY OF LITTLEFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | WATER AND SEWER ----- | BCDC ----- | TOTAL ----- |
|--|--------------------------|--------------------|-------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ 729,189 | \$ (241,763) | \$ 487,426 |
| | ----- | ----- | ----- |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation & Amortization | \$ 326,841 | \$ 192,298 | \$ 519,139 |
| Bad Debt Write-off | 10,195 | | 10,195 |
| GASB #68 De-Expensed Expenses | (17,525) | | (17,525) |
| Changes in Assets and Liabilities: | | | |
| Accounts Receivable (Increase) Decrease | (22,216) | | (22,216) |
| Accounts Payable & Accrued Liabilities Increase (Decrease) | (1,626) | | (1,626) |
| Escrow & Customer Deposits Increase (Decrease) | 5,963 | | 5,963 |
| | ----- | ----- | ----- |
| Total Adjustments | \$ 301,632 | \$ 192,298 | \$ 493,930 |
| | ----- | ----- | ----- |
| Net Cash Provided (Used) by Operating Activities | \$ 1,030,821 | \$ (49,465) | \$ 981,356 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of this statement.
(24)

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies follow.

A. REPORTING ENTITY

This report includes all of the services provided by the City to residents and businesses within its boundaries. In evaluating the City's reporting entity in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, management has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and/or the nature and significance of the relationship with the City is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

The Littlefield Economic Development Corporation (Entity) is legally separate from the City; however, the Entity is fiscally dependent on the City. The Entity provides marketing and economic development services to the City and the City provides custody and investment of the Entity's assets and various administrative services. The City Council appoints the board members and its operations are funded primarily through budgeted allocations of the City's sales and use taxes. The Entity is reported as a governmental fund. There are no separately issued financial statements for the Entity. The Entity will be presented as a discretely presented component unit.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

B. BASIS OF PRESENTATION

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed assets, including infrastructure.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the City's governmental programs. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Statement No. 34 also requires the City to present a Management's Discussion and Analysis (MD&A) which provides an analytical overview of the City's financial activities. Although it is Required Supplementary Information (RSI), the City is required to present the MD&A before the basic financial statements. In addition, a budgetary comparison statement that compares the adopted and modified General Fund budget with actual results is required to be presented as RSI.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

B. BASIS OF PRESENTATION (continued)

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

Proprietary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

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.

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.

The City has presented the following Major Governmental Fund:

General Fund (GF) The City accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any fund balances are considered resources available for current operations. The general fund accounts for all financial resources except those required to be accounted for in another fund.

The City has presented the following Major Proprietary Funds:

Water and Sewer Fund This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

BCDC Fund This fund is used to account for revenues and expenses associated in managing a correctional facility. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest associated with this facility.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

D. CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, all highly liquid investments (including restricted assets) purchased with a maturity of three months or less are considered to be cash equivalents.

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.

F. 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.

G. INVENTORIES AND PREPAID ITEMS

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

H. RESTRICTED ASSETS

Restricted cash assets in the General Fund are to be used for technology improvements and public relations. Restricted cash assets in the Water & Sewer Fund and the BCDC Fund are to be used for debt service.

I. 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. Interest costs incurred during construction of capital assets are 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:

| Asset Class ----- | Estimated Useful Lives (Years) ----- |
|------------------------|--|
| Buildings & Structures | 5-50 |
| Machinery & Equipment | 5-50 |
| Furniture & Fixtures | 5-20 |

J. ENCUMBRANCES

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The City had no outstanding end-of-year encumbrances.

K. ACCUMULATED UNPAID VACATION AND SICK PAY

Vacation time is earned based on years of service. Vacation time does not accumulate from year to year. Employees receive twelve days of sick leave per year. Sick leave may accumulate up to a total of sixty days. Sick leave does not vest, and is only paid as used by the employee.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

L. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of The Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. FUND BALANCES

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.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's governing body. Committed amounts cannot be used for any other purpose unless the governing body 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 governing body. 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 governing body or by an official or body to which the governing body 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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

M. FUND BALANCES (continued)

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.

N. USE OF ESTIMATES

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

O. NEW ACCOUNTING STANDARDS ADOPTED

In fiscal year 2015, the City adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No.67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No.25*
- Statement No.68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No.27ea*
- Statement No.69, *Government Combinations and Disposals of Governmental Operations*
- Statement No.70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No.68.*

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

O. NEW ACCOUNTING STANDARDS ADOPTED (continued)

1. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:
 - (a) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
 - (b) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
 - (c) Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the City's financial statements.

2. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

O. NEW ACCOUNTING STANDARDS ADOPTED (continued)

The requirements of Statement No. 68 apply to the financial statements of all state and local government employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements. However, the adoption has resulted in the restatement of the City's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

3. Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operation. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

O. NEW ACCOUNTING STANDARDS ADOPTED (continued)

There was no impact on the City's financial statements as a result of the implementation of Statement No. 69.

4. Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the City's financial statements as a result of the implementation of Statement No.70.

5. Statement No.71 amends Statement No.68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the City's final year-end, the effects from the City's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Council reviews the operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted when applicable by law.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Transfer of budgeted amounts between line items is authorized within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget was properly amended by the City Council as needed throughout the year. There were no significant budget amendments passed during the 2014-15 fiscal year.

NOTE 3. 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> |
|------------------|-----------------------|----------------------------------|
| BCDC | \$ 455,968 | Excess Expenses Over Revenues |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 4: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of 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") coverage.

Cash Deposits:

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$1,781,880 and the bank balance was \$1,936,399. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015, were entirely covered by FDIC insurance and by pledged collateral held by the City's agent bank in the City's name.

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 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.

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 basic 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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

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, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

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.

The City's investments at September 30, 2015 are shown below.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------------------------|-----------------|-------------------|
| None | N/A | \$ -0- |
| | | ----- |
| Total Investments | | \$ -0- |
| | | ===== |

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 LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 5: PROPERTY TAX

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 February 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 when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund and Proprietary Fund-BCDC 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

NOTE 6: NOTE RECEIVABLE

Note receivable balance of \$39,764 in the Water and Sewer Fund was from the sale of a house in January 2002. This note in the amount of \$65,000 was set up for 348 monthly installments at an interest rate of 6%.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|---------------------|---------------------|-----------------------|
| <u>Governmental Activities:</u> | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 818,324 | \$ | \$ | \$ 818,324 |
| Total capital assets not being depreciated | \$ 818,324 | \$ -0- | \$ -0- | \$ 818,324 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and Structures | \$ 6,360,000 | \$ | \$ | \$ 6,360,000 |
| Machinery and Equipment | 2,315,471 | 742,003 | (250,136) | 2,807,338 |
| Furniture and Fixtures | 191,736 | 18,000 | | 209,736 |
| Capital Leases | 2,030,722 | (195,787) | | 1,834,935 |
| Total capital assets being depreciated | \$ 10,897,929 | \$ 564,216 | \$ (250,136) | \$ 11,212,009 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and Structures | \$ (5,790,232) | \$ (46,842) | \$ | \$ (5,837,074) |
| Machinery and Equipment | (1,819,180) | (461,199) | 196,591 | (2,083,788) |
| Furniture and Fixtures | (147,304) | (11,352) | | (158,656) |
| Capital Leases | (492,545) | 162,787 | | (329,758) |
| Total accumulated depreciation | \$ (8,249,261) | \$ (356,606) | \$ 196,591 | \$ (8,409,276) |
| Total capital assets being depreciated, net | \$ 2,648,668 | \$ 207,610 | \$ (53,545) | \$ 2,802,733 |
| Governmental activities capital assets, net | \$ 3,466,992 | \$ 207,610 | \$ (53,545) | \$ 3,621,057 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 7: CAPITAL ASSETS (continued)

Business-type Activities:

Capital assets not being depreciated:

| | | | | |
|--|------------|--------|--------|------------|
| Land | \$ 507,595 | \$ -0- | \$ -0- | \$ 507,595 |
| Total capital assets not being depreciated | \$ 507,595 | \$ -0- | \$ -0- | \$ 507,595 |

Capital assets being depreciated:

| | | | | |
|--|-----------------|--------------|--------|-----------------|
| Buildings and Structures | \$ 19,821,608 | \$ 22,362 | \$ -0- | \$ 19,843,970 |
| Machinery and Equipment | 2,801,990 | 35,254 | | 2,837,244 |
| Furniture and Fixtures | 199,854 | | | 199,854 |
| Capital Leases | 1,302,236 | | | 1,302,236 |
| Total capital assets being depreciated | \$ 24,125,688 | \$ 57,616 | \$ -0- | \$ 24,183,304 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and Structures | \$ (7,084,352) | \$ (342,351) | \$ -0- | \$ (7,426,703) |
| Machinery and Equipment | (2,385,312) | (41,035) | | (2,426,347) |
| Furniture and Fixtures | (198,190) | (1,109) | | (199,299) |
| Capital Leases | (809,962) | (102,763) | | (912,725) |
| Total accumulated depreciation | \$ (10,477,816) | \$ (487,258) | \$ -0- | \$ (10,965,074) |
| Total capital assets being depreciated, net | \$ 13,647,872 | \$ (429,642) | \$ -0- | \$ 13,218,230 |
| Business-type activities capital assets, net | \$ 14,155,467 | \$ (429,642) | \$ -0- | \$ 13,725,825 |

Depreciation expense, including capital lease amortization expense, was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|---|------------|
| Administrative | \$ 45,518 |
| Police | 77,580 |
| Fire | 23,994 |
| Refuse | 96,651 |
| Public Works | 48,776 |
| EMS | 64,087 |
| Total depreciation expense - Governmental activities | \$ 356,606 |
| Business-type activities: | |
| Water and Sewer | \$ 326,841 |
| BCDC | 160,417 |
| Total depreciation expense - Business-type activities | \$ 487,258 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

**NOTE 8: MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE
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 postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

\$68,339 reported as landfill closure and postclosure care liability at September 30, 2015 represents the cumulative amount reported to date based on the use of 47% of the estimated capacity of the Type IV landfill and the use of 13% of the estimated capacity of the Type I landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$283,598 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. The City expects to close the Type IV landfill in the year 2051 and close the Type I landfill in the year 2114. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws to meet Financial Assurance Requirements concerning closure and postclosure care costs. The City has filed a letter of credit through Prosperity Bank with the Texas Commission on Environmental Quality in order to meet this Financial Assurance Requirement.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 9: OPERATING/CAPITAL LEASES

The City had no operating leases at September 30, 2015. During the current year, there were eight capital lease agreements related to the General Fund and three related to the Water & Sewer Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Interest paid on all capital leases for the current year was \$56,713. Commitments under capitalized lease obligations provide for future minimum lease payments as of September 30, 2015, as follows:

| <u>Year Ending September 30</u> | General Fund | Water and Sewer Fund |
|--|-----------------|-------------------------|
| 2016 | \$ 337,005 | \$ 139,024 |
| 2017 | 281,437 | 139,023 |
| 2018 | 186,339 | 139,024 |
| 2019 | 147,926 | 121,555 |
| 2020 | 147,899 | 15,684 |
| | ----- | ----- |
| Total Minimum Lease Payments | \$1,100,606 | \$ 554,310 |
| Less Amount Representing Interest | (57,722) | (48,888) |
| | ----- | ----- |
| Present Value - Minimum Lease Payments | \$1,042,884 | \$ 505,423 |
| | ===== | ===== |

See Exhibit G-3 for detailed information for each capital lease.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 10: BONDS PAYABLE

On April 4, 2014, the City issued \$560,000 of Combination Tax and Revenue C/O Refunding and Improvement Bonds, Series 2014 to refund \$545,000 of the City's outstanding Certificates of Obligation, Series 1997 in order to lower the overall debt service requirements of the City. This bond obligation is accounted for in the water and sewer fund. The refunding bonds, with an effective interest rate of 1.87%, mature on February 15, 2017. The amount of interest paid in FYE 2015 was \$9,221.

A summary of changes in long-term debt for the year ended September 30, 2015, is as follows:

| Description | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|-------------|-------------------|----------|------------|----------------|---------------------|
| Series 2014 | \$ 560,000 | \$ -0- | \$ 185,000 | \$ 375,000 | \$ 185,000 |
| Totals | \$ 560,000 | \$ -0- | \$ 185,000 | \$ 375,000 | \$ 185,000 |

Debt service requirements are as follows:

| Year Ending September 30 | Principal | Interest | Total Requirements |
|--------------------------|------------|-----------|--------------------|
| 2016 | \$ 185,000 | \$ 7,013 | \$ 192,013 |
| 2017 | 190,000 | 3,553 | 193,553 |
| Totals | \$ 375,000 | \$ 10,566 | \$ 385,566 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 10: BONDS PAYABLE (continued)

On April 4, 2014, the City issued \$605,000 of Combination Tax and Revenue C/O Refunding and Improvement Bonds, Series 2014 to refund \$705,000 of the City's outstanding Certificates of Obligation, Series 2000 in order to lower the overall debt service requirements of the City. This bond obligation is accounted for in the BCDC Fund. The refunding bonds, with an effective interest rate of 2.45%, mature on February 15, 2020. The amount of interest paid in FYE 2015 was \$13,052.

A summary of changes in long-term debt for the year ended September 30, 2015, is as follows:

| Description | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|-------------|-------------------|----------|-----------|----------------|---------------------|
| Series 2014 | \$ 605,000 | \$ -0- | \$ 10,000 | \$ 595,000 | \$ 105,000 |
| Totals | \$ 605,000 | \$ -0- | \$ 10,000 | \$ 595,000 | \$ 105,000 |

Debt service requirements are as follows:

| Year Ending September 30 | Principal | Interest | Total Requirements |
|--------------------------|------------|-----------|--------------------|
| 2016 | \$ 105,000 | \$ 14,578 | \$ 119,578 |
| 2017 | 120,000 | 12,005 | 132,005 |
| 2018 | 120,000 | 9,065 | 129,065 |
| 2019 | 125,000 | 6,125 | 131,125 |
| 2020 | 125,000 | 3,062 | 128,062 |
| Totals | \$ 595,000 | \$ 44,835 | \$ 639,835 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 10: BONDS PAYABLE (continued)

On September 12, 2014, the City issued \$7,540,000 of Combination Tax and Revenue Refunding Bonds, Series 2014A to refund \$7,945,000 of the City's outstanding Refunding Bonds, Series 2001 in order to lower the overall debt service requirements of the City. This bond obligation is accounted for in the BCDC Fund. The refunding bonds, with an effective interest rate of 2.84%, mature on February 15, 2029. The amount of interest paid in FYE 2015 was \$91,008.

A summary of changes in long-term debt for the year ended September 30, 2015 is as follows:

| Description | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|--------------|-------------------|----------|----------|----------------|---------------------|
| Series 2014A | \$ 7,540,000 | \$ -0- | \$ -0- | \$7,540,000 | \$ 150,000 |
| Totals | \$ 7,540,000 | \$ -0- | \$ -0- | \$7,540,000 | \$ 150,000 |

Debt service requirements are as follows:

| Year Ending September 30 | Principal | Interest | Total Requirements |
|--------------------------|--------------|--------------|--------------------|
| 2016 | \$ 150,000 | \$ 214,136 | \$ 364,136 |
| 2017 | 380,000 | 209,876 | 589,876 |
| 2018 | 390,000 | 199,084 | 589,084 |
| 2019 | 405,000 | 188,008 | 593,008 |
| 2020 | 540,000 | 176,506 | 716,506 |
| 2021-2025 | 2,930,000 | 643,970 | 3,573,970 |
| 2026-2029 | 2,745,000 | 198,374 | 2,943,374 |
| Totals | \$ 7,540,000 | \$ 1,829,954 | \$ 9,369,954 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 10: BONDS PAYABLE (continued)

On October 20, 2006, the City issued combination tax and revenue certificates of obligation, Series 2006. This bond obligation is accounted for in the Water and Sewer Fund. The original amount of the bond obligation was \$1,910,000, with effective interest rates ranging from 3.00% to 3.80%. The amount of interest paid in FYE 2015 was \$48,105.

A summary of changes in long-term debt for the year ended September 30, 2015, is as follows:

| Description | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|-------------|-------------------|----------|-----------|----------------|---------------------|
| Series 2006 | \$1,380,000 | \$ -0- | \$ 85,000 | \$ 1,295,000 | \$ 90,000 |

Debt service requirements are as follows:

| Year Ending September 30 | Principal | Interest | Total Requirements |
|--------------------------|--------------|------------|--------------------|
| 2016 | \$ 90,000 | \$ 45,195 | \$ 135,195 |
| 2017 | 90,000 | 42,158 | 132,158 |
| 2018 | 95,000 | 38,989 | 133,989 |
| 2019 | 100,000 | 35,600 | 135,600 |
| 2020 | 105,000 | 31,986 | 136,986 |
| 2021-2025 | 575,000 | 100,289 | 675,289 |
| 2026-2027 | 240,000 | 8,707 | 248,707 |
| Totals | \$ 1,295,000 | \$ 302,924 | \$ 1,597,924 |

The City of Littlefield 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 of Littlefield.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 11: NOTE PAYABLE

In October 2012, the City borrowed \$34,396 from Ally Bank to purchase a 2012 GMC Sierra pickup. This vehicle is for administrative use and the note payable is a General Fund obligation. The note is for 66 months at an interest rate of 5.49%. The balance of this obligation was paid off in January, 2015. The amount of interest paid in FYE 2015 was \$1,772.

A summary of changes in long-term debt for the year ended September 30, 2015, is as follows:

| Description | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|--------------|-------------------|----------|-----------|----------------|---------------------|
| Note Payable | \$ 23,034 | \$ -0- | \$ 23,034 | \$ -0- | \$ -0- |

NOTE 12: CHANGES IN OTHER LONG-TERM DEBT

| Description | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|--------------------|--------------------|------------------|-------------------|--------------------|---------------------|
| Capital Leases | \$1,924,144 | \$ 85,000 | \$ 460,837 | \$1,548,307 | \$ 431,273 |
| Landfill Liability | 287,467 | -0- | 3,869 | 283,598 | -0- |
| Totals | \$2,211,611 | \$ 85,000 | \$ 464,706 | \$1,831,905 | \$ 431,273 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 13: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from funds at September 30, 2015 consisted of the following:

| Due To Fund | Due From Fund | Amount |
|--------------------|-------------------------|--------------|
| ----- | ----- | ----- |
| Water & Sewer Fund | General Fund | \$ 386,474 |
| Water & Sewer Fund | BCDC Fund | 1,101,415 |
| General Fund | Other Governmental Fund | 8,533 |
| | | ----- |
| | Total | \$ 1,496,422 |
| | | ===== |

Interfund balances, specifically, the due to and due from other funds, are short-term loans to cover temporary cash deficits in various funds. The repayment of all amounts due from the BCDC fund is subject to the net cash provided by operating activities of the Bill Clayton Detention Center.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2015 consisted of the following:

| Transfers From | Transfers To | Amount |
|--------------------------|--------------------|-------------|
| ----- | ----- | ----- |
| Water & Sewer Fund (Net) | General Fund | \$ 896,965 |
| BCDC Fund | Water & Sewer Fund | 103,213 |
| Other Governmental Fund | Water & Sewer Fund | 815 |
| Other Governmental Fund | BCDC Fund | 135,000 |
| | | ----- |
| | Total | \$1,135,993 |
| | | ===== |

The purpose of interfund transfers was to supplement other fund sources operations and bookkeeping.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 14: 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 2015, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 15: SELF-INSURED INSURANCE

The City is a member of the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for Workers' Compensation, Liability and Property/Casualty coverage. The City pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of insured amounts. The pooling agreement requires the pool to be self-sustaining.

NOTE 16: SUBSEQUENT EVENTS

There has been no significant subsequent event which would have a material effect on the financial statements as of the Independent Auditor's Report date.

NOTE 17: COMMITMENTS AND CONTINGENCIES

The City participates in state and federal 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 financial statements for such contingencies.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 18: LITIGATION

The City was not involved in any significant litigation as of September 30, 2015.

NOTE 19: PENSION BENEFITS PLAN

A. PLAN DESCRIPTION

The City of Littlefield participates as one of 860 Plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. BENEFITS PROVIDED

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

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity.

Benefits depend upon the sum of an employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a percentage adopted by the City, of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

B. BENEFITS PROVIDED (continued)

Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as an Updated Service Credit. This monetary credit is determined by hypothetically re-computing the member's account balance by assuming that the current member deposit rate has always been in effect. The computation also assumes that the member's salary has always been the member's average salary-using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year and increased by the city match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years.

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|------|
| Inactive employees or beneficiaries currently receiving benefits | 38 |
| Inactive employees entitled to but not yet receiving benefits | 36 |
| Active employees | 55 |
| | ---- |
| | 129 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

C. CONTRIBUTIONS

The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for the 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. The City's contributions to TMRS for the 2015 FY were \$210,788, and were equal to the required contributions.

D. NET PENSION LIABILITY

The city's Net Position Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 3.0% per year |
| Overall payroll growth | 3.0% per year |
| Investment Rate of Return | 7.0% net of pension plan investment expense, including inflation |

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

D. NET PENSION LIABILITY (continued)

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal(EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|--------------------------|--|
| Domestic Equity | 17.5% | 4.80% |
| International Equity | 17.5% | 6.05% |
| Core Fixed Income | 30.0% | 1.50% |
| Non-Core Fixed Income | 10.0% | 3.50% |
| Real Return | 5.0% | 1.75% |
| Real Estate | 10.0% | 5.25% |
| Absolute Return | 5.0% | 4.25% |
| Private Equity | 5.0% | 8.50% |
| Total | 100.0% | |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

D. NET PENSION LIABILITY (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at 12/31/2013 | \$6,839,079 | \$6,308,267 | \$530,812 |
| Changes for the year: | | | |
| Service cost | 184,328 | | 184,328 |
| Interest | 472,991 | | 472,991 |
| Change of benefit terms | | | |
| Difference between expected and actual experience | 93,249 | | 93,249 |
| Changes of assumptions | | | |
| Contributions - employer | | 199,809 | (199,809) |
| Contributions - employee | | 102,161 | (102,161) |
| Net investment income | | 360,871 | (360,871) |
| Benefit payments, including refunds of employee contributions | (348,455) | (348,455) | |
| Administrative expense | | (3,768) | 3,768 |
| Other changes | | (310) | 310 |
| Net changes | \$402,113 | \$310,308 | \$91,805 |
| Balance at 12/31/2014 | \$7,241,192 | \$6,618,575 | \$622,617 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

D. NET PENSION LIABILITY (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

| | 1% Decrease in Discount Rate (6.0%) | Discount Rate (7.0%) | 1% Increase in Discount Rate (8.0%) |
|------------------------------|---|-------------------------|---|
| City's net pension liability | \$ 1,698,931 | \$ 622,617 | \$ (251,049) |

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.tmr.com.

E. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2015, the city recognized pension expense of \$162,089. The calculation was based on the measurement date of December 31, 2014.

At December 31, 2014, 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 economic experience | \$93,249 | \$0 |
| Changes in actuarial assumptions | \$0 | \$0 |
| Difference between projected and actual investment earnings | \$80,708 | \$0 |
| Contributions subsequent to the measurement date | \$151,814 | |
| TOTAL | \$325,771 | \$0 |

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

E. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

\$151,814 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30

| | |
|------|------------|
| 2015 | \$ 44,432 |
| 2016 | 44,432 |
| 2017 | 44,432 |
| 2018 | 24,521 |
| 2019 | 16,140 |
| | ----- |
| | \$ 173,957 |

NOTE 20: SUPPLEMENTAL DEATH BENEFITS FUND

The City of Littlefield also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund(SDBF) and operated by the Texas Municipal Retirement System(TMRS). The City elected, by ordinance, to provide group-term life insurance coverage ("Supplemental Death Benefits") to both active 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 considered an "other postemployment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

The City contributes monthly 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 employees' entire careers.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2015

NOTE 20: SUPPLEMENTAL DEATH BENEFITS FUND (continued)

The City's contributions to the TMRS SDBF for the fiscal years ended 2015, 2014 and 2013 were \$5,440, \$4,675 and \$4,258, respectively, which equaled the required contributions each year.

The City of Littlefield is one of 740 municipalities having the benefit plan operated by TMRS. Each of the 740 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2014 TMRS Comprehensive Annual Report, a copy of which may be obtained from TMRS'website at WWW.TMRS.com.

NOTE 21: HEALTHCARE COVERAGE

During the year ended September 30, 2015, employees of the City were covered by a healthcare insurance plan. The City pays up to \$425 in premiums per month per employee and 0% of the cost of premiums for dependents. This plan, provided through the Texas Municipal League Intergovernmental Employee Benefits Pool, is renewable October 1, 2015, and the terms of coverage and contribution costs are included in the contractual provisions.

The Texas Municipal League Intergovernmental Employee Benefits Pool has liability for all claims. The Pool was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Standard Life Insurance Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000, and for aggregate loss.

NOTE 22: PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the City adopted GASB Statement No.68 for Accounting and Reporting for Pensions. Under GASB No.68, the City must report the net pension liability, pension expense, and related deferred outflows and inflows of resources associated with providing retirement benefits to their employees (and former employees) in their basic financial statements. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of prior period adjustment is \$(384,465). The restated beginning net position for the Governmental Activities is \$2,039,969 and for the Business Activities is \$5,596,326.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| REVENUES | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| TAXES: | | | | |
| Current Taxes | \$1,041,471 | \$1,041,471 | \$ 909,324 | \$ (132,147) |
| Delinquent Taxes | 45,000 | 45,000 | 33,661 | (11,339) |
| Penalty and Interest | 20,000 | 20,000 | 22,773 | 2,773 |
| City Sales Tax | 600,000 | 600,000 | 535,768 | (64,232) |
| Franchise Fees | 400,000 | 400,000 | 388,289 | (11,711) |
| Hotel/Motel Tax | 34,500 | 34,500 | 31,211 | (3,289) |
| TOTAL TAXES | \$2,140,971 | \$2,140,971 | \$1,921,026 | \$ (219,945) |
| CHARGES FOR SERVICES: | | | | |
| Refuse Collection | \$ 790,000 | \$ 790,000 | \$ 755,885 | \$ (34,115) |
| Fire Service | 10,000 | 10,000 | 11,600 | 1,600 |
| EMS Fees | 550,000 | 550,000 | 550,061 | 61 |
| Vector Control | 43,200 | 43,200 | 41,451 | (1,749) |
| Landfill Operations | 55,000 | 55,000 | 71,986 | 16,986 |
| Other | 5,200 | 5,200 | 4,640 | (560) |
| TOTAL CHARGES FOR SERVICES | \$1,453,400 | \$1,453,400 | \$1,435,623 | \$ (17,777) |
| LICENSES AND PERMITS: | | | | |
| Plumbing | \$ 2,256 | \$ 2,256 | \$ 1,227 | \$ (1,029) |
| Electrical | 1,728 | 1,728 | 936 | (792) |
| Building | 7,000 | 7,000 | 4,186 | (2,814) |
| Other | 1,310 | 1,310 | 1,111 | (199) |
| TOTAL LICENSES & PERMITS | \$ 12,294 | \$ 12,294 | \$ 7,460 | \$ (4,834) |
| FINES: | | | | |
| Municipal Court | \$ 44,752 | \$ 44,752 | \$ 58,865 | \$ 14,113 |
| GRANTS: | | | | |
| Federal/State | \$ -0- | \$ -0- | \$ 100,000 | \$ 100,000 |

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| REVENUES | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| OTHER REVENUE: | | | | |
| Land Rental | \$ 25,300 | \$ 25,300 | \$ 26,055 | \$ 755 |
| Penalties | 18,000 | 18,000 | 19,685 | 1,685 |
| Ambulance Subsidies | 174,819 | 174,819 | 174,819 | -0- |
| EMS Subsidies | 42,550 | 42,550 | 42,900 | 350 |
| Interest Income | 7,500 | 7,500 | 1,155 | (6,345) |
| Miscellaneous Revenue | 541,420 | 547,920 | 109,090 | (438,830) |
| TOTAL OTHER REVENUE | \$ 809,589 | \$ 816,089 | \$ 373,704 | \$ (442,385) |
| TOTAL REVENUES | \$4,461,006 | \$4,467,506 | \$3,896,678 | \$ (570,828) |
| EXPENDITURES | | | | |
| LEGISLATIVE: | | | | |
| Personnel Services | \$ 10,454 | \$ 10,334 | \$ 10,505 | \$ (171) |
| Contractual Services | 89,335 | 99,135 | 113,223 | (14,088) |
| Supplies and Materials | 2,000 | 1,000 | 1,052 | (52) |
| TOTAL LEGISLATIVE | \$ 101,789 | \$ 110,469 | \$ 124,780 | \$ (14,311) |
| ADMINISTRATIVE: | | | | |
| Personnel Services | \$ 197,133 | \$ 259,953 | \$ 275,291 | \$ (15,338) |
| Contractual Services | 96,250 | 126,590 | 137,345 | (10,755) |
| Supplies and Materials | 2,500 | 3,452 | 4,397 | (945) |
| TOTAL ADMINISTRATIVE | \$ 295,883 | \$ 389,995 | \$ 417,033 | \$ (27,038) |

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| EXPENDITURES | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------|------------|------------|------------|---|
| | Original | Final | | |
| MUNICIPAL COURT: | | | | |
| Personnel Services | \$ 75,720 | \$ 75,069 | \$ 74,750 | \$ 319 |
| Contractual Services | 6,800 | 3,600 | 4,143 | (543) |
| Supplies and Materials | 1,000 | 1,000 | 932 | 68 |
| TOTAL MUNICIPAL COURT | \$ 83,520 | \$ 79,669 | \$ 79,825 | \$ (156) |
| POLICE: | | | | |
| Personnel Services | \$ 836,028 | \$ 872,101 | \$ 869,252 | \$ 2,849 |
| Contractual Services | 55,065 | 46,765 | 47,845 | (1,080) |
| Supplies and Materials | 15,650 | 15,650 | 14,805 | 845 |
| TOTAL POLICE | \$ 906,743 | \$ 934,516 | \$ 931,902 | \$ 2,614 |
| DISPATCH: | | | | |
| Personnel Services | \$ 182,840 | \$ 167,839 | \$ 162,133 | \$ 5,706 |
| Contractual Services | 4,850 | 2,250 | 1,059 | 1,191 |
| Supplies and Materials | 2,200 | 1,300 | 330 | 970 |
| TOTAL DISPATCH | \$ 189,890 | \$ 171,389 | \$ 163,522 | \$ 7,867 |
| FIRE: | | | | |
| Personnel Services | \$ 93,580 | \$ 87,869 | \$ 89,259 | \$ (1,390) |
| Contractual Services | 27,450 | 27,450 | 24,413 | 3,037 |
| Supplies and Materials | 3,600 | 3,600 | 3,646 | (46) |
| TOTAL FIRE | \$ 124,630 | \$ 118,919 | \$ 117,318 | \$ 1,601 |
| REFUSE: | | | | |
| Personnel Services | \$ 173,354 | \$ 169,354 | \$ 172,163 | \$ (2,809) |
| Contractual Services | 39,800 | 39,825 | 28,289 | 11,536 |
| Supplies and Materials | 76,500 | 61,000 | 47,775 | 13,225 |
| TOTAL REFUSE | \$ 289,654 | \$ 270,179 | \$ 248,227 | \$ 21,952 |

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| EXPENDITURES | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| RESIDENTIAL COLLECTION: | | | | |
| Personnel Services | \$ 108,889 | \$ 106,190 | \$ 104,256 | \$ 1,934 |
| Contractual Services | 18,400 | 12,486 | 13,888 | (1,402) |
| Supplies & Materials | 84,404 | 55,404 | 53,996 | 1,408 |
| TOTAL RESIDENTIAL COLLECTION | \$ 211,693 | \$ 174,080 | \$ 172,140 | \$ 1,940 |
| PUBLIC WORKS: | | | | |
| Personnel Services | \$ 223,248 | \$ 213,648 | \$ 210,890 | \$ 2,758 |
| Contractual Services | 36,000 | 35,125 | 31,608 | 3,517 |
| Supplies and Materials | 131,574 | 129,974 | 108,784 | 21,190 |
| TOTAL PUBLIC WORKS | \$ 390,822 | \$ 378,747 | \$ 351,282 | \$ 27,465 |
| AIRPORT: | | | | |
| Personnel Services | \$ 5,813 | \$ 5,813 | \$ 5,822 | \$ (9) |
| Contractual Services | 3,950 | 3,950 | 6,046 | (2,096) |
| Supplies and Materials | 2,200 | 2,200 | 2,343 | (143) |
| TOTAL AIRPORT | \$ 11,963 | \$ 11,963 | \$ 14,211 | \$ (2,248) |
| BUILDING & MAINTENANCE: | | | | |
| Personnel Services | \$ 11,992 | \$ 11,992 | \$ 10,272 | \$ 1,720 |
| Contractual Services | 279,900 | 256,129 | 286,181 | (30,052) |
| Supplies and Materials | 46,500 | 69,900 | 84,711 | (14,811) |
| TOTAL BUILDING & MAINTENANCE | \$ 338,392 | \$ 338,021 | \$ 381,164 | \$ (43,143) |

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| EXPENDITURES | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------|------------|------------|------------|---|
| | Original | Final | | |
| EMS: | | | | |
| Personnel Services | \$ 433,970 | \$ 426,970 | \$ 418,087 | \$ 8,883 |
| Contractual Services | 27,190 | 27,190 | 22,361 | 4,829 |
| Supplies and Materials | 182,150 | 182,150 | 194,715 | (12,565) |
| TOTAL EMS | \$ 643,310 | \$ 636,310 | \$ 635,163 | \$ 1,147 |
| FLEET SERVICES: | | | | |
| Personnel Services | \$ 42,323 | \$ 41,924 | \$ 31,294 | \$ 10,630 |
| Contractual Services | -0- | -0- | 7 | (7) |
| Supplies and Materials | 200,500 | 155,000 | 164,930 | (9,930) |
| TOTAL FLEET SERVICES | \$ 242,823 | \$ 196,924 | \$ 196,231 | \$ 693 |
| LEDC: | | | | |
| Personnel Services | \$ 27,451 | \$ 27,451 | \$ 27,746 | \$ (295) |
| Contractual Services | 52,700 | 52,700 | 4,094 | 48,606 |
| Supplies and Materials | 10,500 | 10,500 | 239 | 10,261 |
| TOTAL LEDC | \$ 90,651 | \$ 90,651 | \$ 32,079 | \$ 58,572 |
| LICENSING & ENFORCEMENT: | | | | |
| Personnel Services | \$ 78,171 | \$ 82,861 | \$ 81,117 | \$ 1,744 |
| Contractual Services | 16,450 | 36,100 | 46,453 | (10,353) |
| Supplies & Materials | 5,900 | 6,100 | 4,586 | 1,514 |
| TOTAL LICENSING & ENFORCEMENT | \$ 100,521 | \$ 125,061 | \$ 132,156 | \$ (7,095) |

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| EXPENDITURES | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------|--------------|--------------|---|
| | Original | Final | | |
| EMERGENCY MANAGEMENT: | | | | |
| Personnel Services | \$ 6,348 | \$ 6,348 | \$ 6,455 | \$ (107) |
| Contractual Services | 13,180 | 13,180 | 11,265 | 1,915 |
| Supplies & Materials | 1,300 | 2,702 | 2,301 | 401 |
| TOTAL EMERGENCY MANAGEMENT | \$ 20,828 | \$ 22,230 | \$ 20,021 | \$ 2,209 |
| SWIMMING POOL: | | | | |
| Personnel Services | \$ 26,899 | \$ -0- | \$ -0- | \$ -0- |
| Contractual Services | 1,250 | -0- | -0- | -0- |
| Supplies & Materials | 11,700 | -0- | -0- | -0- |
| TOTAL SWIMMING POOL | \$ 39,849 | \$ -0- | \$ -0- | \$ -0- |
| CAPITAL OUTLAY: | | | | |
| Capital Outlay | \$ 500,631 | \$ 527,549 | \$ 525,258 | \$ 2,291 |
| TOTAL CAPITAL OUTLAY | \$ 500,631 | \$ 527,549 | \$ 525,258 | \$ 2,291 |
| DEBT SERVICE: | | | | |
| Principal | \$ 369,965 | \$ 369,965 | \$ 369,966 | \$ (1) |
| Interest | 33,370 | 33,370 | 33,366 | 4 |
| TOTAL DEBT SERVICE | \$ 403,335 | \$ 403,335 | \$ 403,332 | \$ 3 |
| TOTAL EXPENDITURES | \$ 4,986,927 | \$ 4,980,007 | \$ 4,945,644 | \$ 34,363 |

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------|--------------|----------------|---|
| | Original | Final | | |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (525,921) | \$ (512,501) | \$ (1,048,966) | \$ (536,465) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds From Sale of Assets | \$ 10,000 | \$ 56,000 | \$ 43,600 | \$ (12,400) |
| Proceeds From Capital Leases | -0- | 85,000 | 85,000 | -0- |
| Operating Transfers In | -0- | -0- | 899,943 | 899,943 |
| Operating Transfers Out | -0- | -0- | (2,978) | (2,978) |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ 10,000 | \$ 141,000 | \$ 1,025,565 | \$ 884,565 |
| Net Change in Fund Balances | \$ (515,921) | \$ (371,501) | \$ (23,401) | \$ 348,100 |
| Fund Balances - Beginning | 50,108 | 50,108 | 50,108 | -0- |
| Fund Balances - Ending | \$ (465,813) | \$ (321,393) | \$ 26,708 | \$ 348,100 |

CITY OF LITTLEFIELD

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 YEAR ENDED DECEMBER 31
 Last 10 Years (will ultimately be displayed)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total pension liability | | | | | | | | | | |
| Service Cost | \$ 184,328 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Interest (on the Total Pension Liability) | 472,991 | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Changes of benefit terms | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Difference between expected and actual experience | 93,249 | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Change of assumptions | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Benefit payments, including refunds of employee contributions | (348,455) | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Net Change in Total Pension Liability | 402,113 | -0- |
| Total Pension Liability - Beginning | 6,839,079 | -0- |
| Total Pension Liability - Ending (a) | \$ 7,241,192 | \$ -0- |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions-Employer | \$ 199,809 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Contributions-Employee | 102,161 | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Net Investment Income | 360,871 | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Benefit payments, including refunds of employee contributions | (348,455) | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Administrative Expense | (3,768) | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Other | (310) | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Net Change in Plan Fiduciary Net Position | 310,308 | -0- |
| Plan Fiduciary Net Position - Beginning | 6,308,267 | -0- |
| Plan Fiduciary Net Position - Ending (b) | \$ 6,618,575 | \$ -0- |
| Net Pension Liability - Ending (a) - (b) | \$ 622,617 | \$ -0- |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 91.40% | -0- |
| Covered Employee Payroll | \$ 2,043,228 | \$ -0- |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 30.47% | -0- |

Notes to Schedule:
 N/A

CITY OF LITTLEFIELD

SCHEDULE OF CONTRIBUTIONS
YEAR ENDED DECEMBER 31

Last 10 Years (will ultimately be displayed)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Actuarially Determined Contribution | \$ 151,814 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Contributions in relation to the actuarially determined contribution | \$ (151,814) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Contribution deficiency (excess) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Covered employee payroll Contributions as a percentage of covered employee payroll | \$ 1,530,730 9.92% | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial Cost Method Entry Age Normal
- Amortization Method Level Percentage of Payroll, Closed
- Remaining Amortization Period 30 years
- Asset Valuation Method 10 Year smoothed market; 15% soft corridor
- Inflation 3.0%
- Salary Increases 3.50% to 12.00% including inflation
- Investment Rate of Return 7.00%
- Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
- Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

COMBINING FUND FINANCIAL STATEMENTS

CITY OF LITTLEFIELD
 COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2015

| | ECONOMIC DEVELOPMENT | PDNF | PARKS & RECREATION | OTHER LOCAL SRF's | TOTAL |
|-------------------------------------|-------------------------|--------|-----------------------|-------------------------|--------------|
| | ----- | ----- | ----- | ----- | ----- |
| <u>ASSETS</u> | | | | | |
| Cash and Cash Equivalents | \$ 912,317 | \$ 262 | \$ 92,221 | \$ 326 | \$ 1,005,126 |
| Accounts Receivable | | | 4,052 | | 4,052 |
| Due From Other Governments | 40,909 | | | | 40,909 |
| Due From Other Funds | | | | | -0- |
| | ----- | ----- | ----- | ----- | ----- |
| TOTAL ASSETS | \$ 953,226 | \$ 262 | \$ 96,273 | \$ 326 | \$ 1,050,087 |
| | ===== | ===== | ===== | ===== | ===== |
| <u>LIABILITIES</u> | | | | | |
| Due To Other Funds | \$ 8,533 | \$ | \$ | \$ | \$ 8,533 |
| Due To Others | | | | | -0- |
| | ----- | ----- | ----- | ----- | ----- |
| TOTAL LIABILITIES | \$ 8,533 | \$ -0- | \$ -0- | \$ -0- | \$ 8,533 |
| | ----- | ----- | ----- | ----- | ----- |
| <u>FUND BALANCES</u> | | | | | |
| Restricted For: | | | | | |
| Parks & Recreation | \$ | \$ | \$ 96,273 | \$ | \$ 96,273 |
| Assigned For: | | | | | |
| Economic Development | 944,693 | | | | 944,693 |
| Other Purposes | | 262 | | 326 | 588 |
| | ----- | ----- | ----- | ----- | ----- |
| TOTAL FUND BALANCES | \$ 944,693 | \$ 262 | \$ 96,273 | \$ 326 | \$ 1,041,554 |
| | ----- | ----- | ----- | ----- | ----- |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 953,226 | \$ 262 | \$ 96,273 | \$ 326 | \$ 1,050,087 |
| | ===== | ===== | ===== | ===== | ===== |

CITY OF LITTLEFIELD

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | ECONOMIC DEVELOPMENT | PDNF | PARKS & RECREATION | OTHER LOCAL SRF's | TOTAL |
|--|-------------------------|--------|-----------------------|-------------------------|--------------|
| | ----- | ----- | ----- | ----- | ----- |
| REVENUES | | | | | |
| Taxes | \$ 535,767 | \$ | \$ | \$ | \$ 535,767 |
| Grants | | | | | -0- |
| Local Funds | 400 | 137 | 59,491 | | 60,028 |
| Interest Income | 1,974 | | | 1 | 1,975 |
| TOTAL REVENUES | \$ 538,141 | \$ 137 | \$ 59,491 | \$ 1 | \$ 597,770 |
| EXPENDITURES | | | | | |
| Personnel Services | \$ 27,750 | \$ | \$ | \$ | \$ 27,750 |
| Contractual Services | 54,127 | | | | 54,127 |
| Supplies & Materials | 8,512 | | | | 8,512 |
| Other | 36,175 | | 11,691 | | 47,866 |
| TOTAL EXPENDITURES | \$ 126,564 | \$ -0- | \$ 11,691 | \$ -0- | \$ 138,255 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 411,577 | \$ 137 | \$ 47,800 | \$ 1 | \$ 459,515 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds From Sale of Assets | \$ 13,000 | \$ | \$ | \$ | \$ 13,000 |
| Operating Transfers In(Out) | (135,000) | | (815) | | (135,815) |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ (122,000) | \$ -0- | \$ (815) | \$ -0- | \$ (122,815) |
| Net Change in Fund Balances | \$ 289,577 | \$ 137 | \$ 46,985 | \$ 1 | \$ 336,700 |
| Fund Balances - Beginning | 655,116 | 125 | 49,288 | 325 | 704,854 |
| Fund Balances - Ending | \$ 944,693 | \$ 262 | \$ 96,273 | \$ 326 | \$ 1,041,554 |
| | ===== | ===== | ===== | ===== | ===== |

OTHER SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELD

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2015

| LAST TEN YEARS ENDED SEPTEMBER 30 | TAX RATES | ASSESSED OR APPRAISED VALUATION | BEGINNING BALANCE 10-1-14 | CURRENT YEAR'S LEVY | TOTAL COLLECTIONS | ENTIRE YEAR'S ADJUSTMENTS | ENDING BALANCE 9-30-15 |
|---|--------------|---------------------------------------|---------------------------------|---------------------------|----------------------|---------------------------------|------------------------------|
| 2006 and Prior Years | Various | Various | \$ 9,472 | \$ | \$ 263 | \$ (210) | \$ 8,999 |
| 2007 | .5922 | 120,112,854 | 2,421 | | 144 | -0- | 2,277 |
| 2008 | .5989 | 126,138,686 | 4,306 | | 185 | -0- | 4,121 |
| 2009 | .5989 | 137,168,047 | 5,906 | | 294 | -0- | 5,612 |
| 2010 | .5989 | 146,103,832 | 7,177 | | 993 | (1) | 6,183 |
| 2011 | .6993 | 142,531,341 | 13,018 | | 2,938 | -0- | 10,080 |
| 2012 | .6993 | 142,269,977 | 18,040 | | 5,431 | -0- | 12,609 |
| 2013 | .7215 | 147,367,663 | 32,375 | | 13,027 | -0- | 19,348 |
| 2014 | .7215 | 148,365,656 | 50,345 | | 19,172 | (78) | 31,095 |
| 2015 (Year Under Audit) | .7349 | 145,627,308 | -0- | 1,070,215 | 1,020,706 | -0- | 49,509 |
| Totals | | | \$ 143,060 | \$1,070,215 | \$ 1,063,153 | \$ (289) | \$ 149,833 |

CITY OF LITTLEFIELD

SCHEDULE OF BONDS
SEPTEMBER 30, 2015

| DATE OF ISSUE | DESCRIPTION | INTEREST RATE | (TERMS) MATURITY SCHEDULE | FUND PAYABLE FROM | AMOUNTS OUTSTANDING 10/1/14 | ISSUED CURRENT YEAR | RETIRED CURRENT YEAR |
|---------------|--|----------------|---------------------------|----------------------|-----------------------------|---------------------|----------------------|
| 10-20-06 | CERTIFICATE OF OBLIGATION, SERIES 2006 | 3.00% to 3.80% | 20 YEARS | WATER AND SEWER FUND | \$ 1,380,000 | | \$ 85,000 |
| 04-04-14 | REFUNDING BONDS SERIES 2014 | 1.87% | 6 YEARS | WATER AND SEWER FUND | 560,000 | | 185,000 |
| 04-04-14 | REFUNDING BONDS SERIES 2014 | 2.45% | 6 YEARS | BCDC | 605,000 | | 10,000 |
| 09-10-14 | REFUNDING BONDS SERIES 2014A | 2.84% | 15 YEARS | BCDC | 7,540,000 | | |
| | | | | | <u>\$ 10,085,000</u> | <u>\$ -0-</u> | <u>\$ 280,000</u> |

REQUIREMENTS

| AMOUNTS OUTSTANDING 9/30/15 | INTEREST CURRENT YEAR | YEAR ENDING 9/30/16 | | YEAR ENDING 9/30/17 | | 10/1/17 TO MATURITY INTEREST |
|-----------------------------|-----------------------|---------------------|-------------------|---------------------|-------------------|------------------------------|
| | | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | |
| \$ 1,295,000 | \$ 48,105 | \$ 90,000 | \$ 45,195 | \$ 90,000 | \$ 42,158 | \$ 215,571 |
| 375,000 | 9,221 | 185,000 | 7,013 | 190,000 | 3,553 | |
| 595,000 | 13,052 | 105,000 | 14,578 | 120,000 | 12,005 | 18,252 |
| 7,540,000 | 91,008 | 150,000 | 214,136 | 380,000 | 209,876 | 1,405,942 |
| <u>\$ 9,805,000</u> | <u>\$ 161,386</u> | <u>\$ 530,000</u> | <u>\$ 280,922</u> | <u>\$ 780,000</u> | <u>\$ 267,592</u> | <u>\$ 1,639,765</u> |

CITY OF LITTLEFIELD

SCHEDULE OF CAPITAL LEASES
SEPTEMBER 30, 2015

| DATE OF ISSUE | PURPOSE AND LAWFUL AUTHORITY | INTEREST RATE | (TERMS) MATURITY SCHEDULE | FUND PAYABLE FROM | ORIGINAL COST | AMOUNTS OUTSTANDING 10/1/14 | RETIRED CURRENT YEAR |
|---------------|------------------------------------|---------------|---------------------------|-------------------|---------------------|-----------------------------|----------------------|
| 02-05-04 | UTILITY METERS | 4.69% | 15 YEARS | W&S | \$ 1,109,322 | \$ 469,220 | \$ 85,312 |
| 04-22-05 | N440 RESCUE PUMPER | 4.78% | 10 YEARS | GENERAL | 224,332 | 27,350 | 27,350 |
| 01-28-10 | ELGIN EAGLE SWEEPER | 4.75% | 5 YEARS | GENERAL | 189,402 | 41,555 | 41,555 |
| 10-25-12 | CATERPILLAR SCRAPER | 2.86% | 5 YEARS | GENERAL | 210,200 | 126,835 | 41,088 |
| 11-14-12 | 5 - CHEVY TAHOES | 2.51% | 4 YEARS | GENERAL | 207,836 | 105,378 | 51,816 |
| 11-14-12 | 3 - CHEVY SILVERADOS | 3.55% | 6 YEARS | W&S | 95,164 | 64,358 | 15,244 |
| 11-14-12 | 1 - CHEVY SILVERADO | 3.55% | 6 YEARS | GENERAL | 42,547 | 28,774 | 6,815 |
| 04-14-13 | 2 - 2014 REFUSE TRUCKS & DUMPSTERS | 1.81% | 7 YEARS | GENERAL | 968,341 | 833,511 | 132,732 |
| 09-03-13 | 4 - CHEVY TAHOES | 3.30% | 4 YEARS | GENERAL | 188,064 | 141,413 | 45,576 |
| 01-03-14 | SEWER JETTER | 2.69% | 6 YEARS | W&S | 97,750 | 85,750 | 13,349 |
| 04-30-15 | 2015 DODGE 4500 AMBULANCE | 3.95% | 3 YEARS | GENERAL | 217,947 | -0- | -0- |
| | | | | | <u>\$ 3,550,905</u> | <u>\$ 1,924,144</u> | <u>\$ 460,837</u> |
| | | | | | ===== | ===== | ===== |

REQUIREMENTS

| AMOUNTS OUTSTANDING 9/30/15 | INTEREST CURRENT YEAR | YEAR ENDING 9/30/16 | | YEAR ENDING 9/30/17 | | 10/1/17 TO MATURITY INTEREST |
|-----------------------------|-----------------------|---------------------|------------------|---------------------|------------------|------------------------------|
| | | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | |
| \$ 383,908 | \$ 20,499 | \$ 89,379 | \$ 16,431 | \$ 93,641 | \$ 12,169 | \$ 10,733 |
| -0- | 1,403 | | | | | |
| -0- | 2,017 | | | | | |
| 85,747 | 3,642 | 42,268 | 2,462 | 43,479 | 1,252 | |
| 53,562 | 3,552 | 53,562 | 1,805 | | | |
| 49,114 | 2,285 | 15,785 | 1,744 | 16,342 | 1,187 | 603 |
| 21,959 | 1,022 | 7,057 | 780 | 7,307 | 531 | 269 |
| 700,779 | 15,167 | 135,147 | 12,752 | 137,606 | 10,293 | 15,671 |
| 95,837 | 4,791 | 47,120 | 3,247 | 48,717 | 1,651 | |
| 72,401 | 2,335 | 13,713 | 1,972 | 14,086 | 1,598 | 2,451 |
| 85,000 | -0- | 27,242 | 3,361 | 28,319 | 2,284 | 1,164 |
| <u>\$ 1,548,307</u> | <u>\$ 56,713</u> | <u>\$ 431,273</u> | <u>\$ 44,554</u> | <u>\$ 389,497</u> | <u>\$ 30,965</u> | <u>\$ 30,891</u> |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== |

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

823 LFD Drive
Littlefield, Texas 79339
(806) 385-5181
FAX: (806) 385-5183

Stephen H. Webb, CPA
Richard B. Wright, CPA

Independent Auditor's Report

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

Honorable Mayor & City Council
City of Littlefield
301 XIT Drive
Littlefield, Texas 79339

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Littlefield's basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Littlefield's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Littlefield's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Littlefield'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Respectfully submitted,



WEBB, WEBB, & WRIGHT, CPA's
March 11, 2016

CITY OF LITTLEFIELD

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

None

CITY OF LITTLEFIELD

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>Management's Explanation If Not Implemented</u> |
|-------------------------------|-----------------------|--|
| None | | |

CITY OF LITTLEFIELD

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015

None