

**CITY OF LITTLEFIELD
LITTLEFIELD, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012**

Webb, Webb, and Wright
Certified Public Accountants

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CITY OF LITTLEFIELD
LITTLEFIELD, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012

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FINANCIAL SECTION

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Stephen H. Webb, CPA
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February 18, 2013

Independent Auditor's Report on Financial Statements

Honorable Mayor & City Council
City of Littlefield
100 W. 6th
Littlefield, Texas

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Littlefield's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining fund financial statements and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted, .

WEBB, WEBB AND WRIGHT, CPA's

Webb, Webb + Wright

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, 2012. 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 Assets 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 Assets 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 Assets 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 assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets 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 Assets 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 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 Assets 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 Assets 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 assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities.

Net assets of the City's governmental activities decreased from \$2,302,262 to \$2,262,707. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$378,632 at September 30, 2012.

This decrease in governmental net assets was the net result of the City's expenses exceeding the revenues by \$39,555.

The net assets of our business-type activities increased by \$298,634. This increase is significant to the overall operations of the City, and it provides significant services to the community.

Table 1
City of Littlefield

Net Assets
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	928	816	2,408	2,085	3,336	2,901	15.0%
Capital assets	2,057	2,261	15,000	15,556	17,057	17,817	-4.3%
Total assets	2,985	3,077	17,408	17,641	20,393	20,718	-1.6%
Long-term liabilities	135	197	11,144	11,703	11,279	11,900	-5.2%
Other liabilities	587	578	894	867	1,481	1,445	2.5%
Total liabilities	722	775	12,038	12,570	12,760	13,345	-4.4%
Net assets:							
Invested in capital assets, net of related debt	1,859	2,004	3,258	3,288	5,117	5,292	-3.3%
Restricted	25	4	985	1,041	1,010	1,045	-3.4%
Unrestricted	379	294	1,127	742	1,506	1,036	45.4%
Total net assets	2,263	2,302	5,370	5,071	7,633	7,373	3.5%

Table 2

City of Littlefield

Changes in Net Assets
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Net program revenues:							
Charges for services	1,672	1,694	2,195	2,159	3,867	3,853	.4%
Operating grants and contributions	17	7			17	7	142.9%
Capital grants and contributions		40			-0-	40	-100.0%
General revenues:							
Property taxes	889	889	122	117	1,011	1,006	.5%
Other taxes	894	901			894	901	-.8%
Unrestricted investment earnings	2	3	5	6	7	9	-22.2%
Other revenues	555	221	92	100	647	321	101.6%
Total revenues	4,029	3,755	2,414	2,382	6,443	6,137	5.0%
Expenses:							
General government	706	460			706	460	53.5%
Police	1,046	1,095			1,046	1,095	-4.5%
Fire	233	267			233	267	-12.7%
EMS	628	619			628	619	1.5%
Refuse	848	867			848	867	-2.2%
Parks & Recreation	130	127			130	127	2.4%
Public Services	130	117			130	117	11.1%
Streets	326	398			326	398	-18.1%
Other	6	5			6	5	20.0%
Interest on long-term debt	12	16			12	16	-25.0%
Water and Sewer			1,474	1,415	1,474	1,415	4.2%
BCDC			873	927	873	927	-5.8%
Total expenses	4,065	3,971	2,347	2,342	6,412	6,313	1.6%
Increase(decrease) in net assets before contributions and transfers							
Capital contributions	(36)	(216)	67	40	31	(176)	-117.6%
Transfers	(3)	293	232	190	229	483	-52.6%
Change in net assets	(39)	37	299	270	260	307	-15.3%
Net assets-beginning	2,302	2,265	5,071	4,801	7,373	7,066	4.3%
Net assets-ending	2,263	2,302	5,370	5,071	7,633	7,373	3.5%

The City's total revenues increased over \$489,000 this year. The total cost of all programs and services increased over \$120,000 this year.

The City received approximately \$325,000 in insurance claims and sales tax revenue increased over \$160,000. Expenditures for almost all departments were under budget for the fiscal year 2012.

The cost of all governmental and business-type activities this year was \$6,412,629. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,905,159 because \$3,867,169 of the costs were paid by those who directly benefited from the programs and \$17,479 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 \$702,202, which is significantly higher than last year's total of \$382,395. Included in this year's total change in fund balance is an increase of \$118,547 in the City's General Fund.

The budget for FY 2013 includes increased revenues including small increases in the property tax rate and water/sewer rates. It also contains decreases in operating budgets for almost every department. These changes were made to assist the City in meeting the capital projects approved by City Council.

General Fund Budgetary Highlights

The City's General Fund balance of \$357,777 differs significantly from the General Fund's budgetary fund balance of \$95,065. 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 \$497,275 and the actual was a \$121,694 excess of revenues over expenditures. The most positive variance was in the form of contributions from almost all departments as expenditures reported in under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the City had \$34,474,510 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 \$94,748, or .3% above last year.

This year's major additions included:

EMS Equipment	\$ 6,000
Parks Tractor	5,800
Vehicle	28,153
Office Equipment	11,353
Communications Equipment	13,450
Airport Improvement	29,992

Total	\$ 94,748
	=====

The City has several capital projects planned for the fiscal year 2013 totaling \$326,188. There is a possibility for further budget amendments for additional capital outlays. No additional debt is expected to be incurred.

Debt

At year-end, the City had \$12,460,887 in bonds and capital leases outstanding versus \$13,084,974 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 2013 budget and tax rates. The City intends to limit spending and control the number of personnel and associated costs to minimize the raising of tax rates or 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 ASSETS
SEPTEMBER 30, 2012

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and Cash Equivalents	\$ 261,529	\$ 996,918	\$ 1,258,447	\$ 285,045
Receivables (net of allowance for uncollectibles)	623,336	374,595	997,931	49,154
Note receivable		47,111	47,111	
Deferred Expense	18,303	4,356	22,659	
Restricted assets:				
Cash in Bank	24,974	985,370	1,010,344	
Capital assets (net of accumulated depreciation):				
Land	818,324	507,595	1,325,919	
Buildings & Structures	625,361	13,551,396	14,176,757	20,982
Machinery and Equipment	430,925	454,644	885,569	
Furniture and Fixtures	26,754	5,331	32,085	
Capital Leases	155,252	480,706	635,958	
Total Capital Assets	\$ 2,056,616	\$ 14,999,672	\$ 17,056,288	\$ 20,982
TOTAL ASSETS	\$ 2,984,758	\$ 17,408,022	\$ 20,392,780	\$ 355,181
LIABILITIES				
Accounts payable	\$ 113,409	\$ 22,771	\$ 136,180	\$
Accrued liabilities	57,471	4,356	61,827	
Due to Others	5	1	6	
Escrow Deposits		2,020	2,020	
Customer Deposits		159,014	159,014	
Deferred revenue	298,460	107,723	406,183	
Landfill Closure Liability	55,191		55,191	
Noncurrent liabilities:				
Due within one year	62,790	597,723	660,513	
Due in more than one year	134,725	11,144,414	11,279,139	
TOTAL LIABILITIES	\$ 722,051	\$ 12,038,022	\$ 12,760,073	\$ -0-
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,859,101	\$ 3,257,535	\$ 5,116,636	\$ 20,982
Restricted for:				
Technology Improvements	2,506		2,506	
Public Relations	22,468		22,468	
Debt Service		985,370	985,370	
Unrestricted	378,632	1,127,095	1,505,727	334,199
TOTAL NET ASSETS	\$ 2,262,707	\$ 5,370,000	\$ 7,632,707	\$ 355,181

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	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	\$ 706,193	\$ 69,190	\$	\$	\$ (637,003)	\$	\$ (637,003)	\$
Police	1,046,491				(1,046,491)		(1,046,491)	
Fire	233,186	8,000			(225,186)		(225,186)	
EMS	628,000	529,641			(98,359)		(98,359)	
Refuse	848,172	1,026,906			178,734		178,734	
Parks & Recreation	129,741				(129,741)		(129,741)	
Public Services	129,861	38,560	17,479		(73,822)		(73,822)	
Streets	325,595				(325,595)		(325,595)	
Other	5,742				(5,742)		(5,742)	
Interest on Long-Term Debt	12,424				(12,424)		(12,424)	
Total Governmental Activities	\$ 4,065,405	\$ 1,672,297	\$ 17,479	\$ -0-	\$ (2,375,629)	\$ -0-	\$ (2,375,629)	\$ -0-
Business – Type Activities:								
Water & Sewer	\$ 1,474,424	\$ 2,194,872	\$	\$	\$	\$ 720,448	\$ 720,448	\$
BCDC	872,800					(872,800)	(872,800)	
Total Business-Type Activities	\$ 2,347,224	\$ 2,194,872	\$ -0-	\$ -0-	\$ -0-	\$ (152,352)	\$ (152,352)	\$ -0-
TOTAL PRIMARY GOVERNMENT	\$ 6,412,629	\$ 3,867,169	\$ 17,479	\$ -0-	\$ (2,375,629)	\$ (152,352)	\$ (2,527,981)	\$ -0-
COMPONENT UNIT:								
Economic Development	\$ 86,476	\$	\$	\$	\$	\$	\$	\$ (86,476)
TOTAL COMPONENT UNIT	\$ 86,476	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (86,476)
General Revenues:								
Property taxes					\$ 889,166	\$ 122,187	\$ 1,011,353	\$
Sales taxes					521,664		521,664	521,664
Franchise fees					339,899		339,899	
Hotel/Motel Tax					32,243		32,243	
Investment earnings					1,737	4,971	6,708	196
Other					554,513	92,282	646,795	
Transfers					(3,146)	231,546	228,400	(228,400)
Total general revenues and transfers					\$ 2,336,076	\$ 450,986	\$ 2,787,062	\$ 293,460
Change in net assets					\$ 39,555	\$ 298,634	\$ 259,079	\$ 206,983
Net assets – beginning					2,302,262	5,071,366	7,373,628	148,198
Net assets – ending					\$ 2,262,707	\$ 5,370,000	\$ 7,632,707	\$ 355,181

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash & Cash Equivalents	\$ 251,300	\$ 295,274	\$ 546,574
Accounts Receivable	472,568		472,568
Delinquent Taxes Receivable	119,545		119,545
Allowance for Uncollectible Taxes	(17,932)		(17,932)
Due From Other Governments	49,155	49,154	98,309
Deferred Expense	18,303		18,303
Restricted Assets:			
Cash in Bank	24,974		24,974
Total Assets	\$ 917,913	\$ 344,428	\$ 1,262,341
LIABILITIES			
Accounts Payable	\$ 113,409	\$	\$ 113,409
Accrued Liabilities	57,471		57,471
Due to Others	2	3	5
Deferred Revenue	334,063		334,063
Landfill Closure Liability	55,191		55,191
Total Liabilities	\$ 560,136	\$ 3	\$ 560,139
FUND BALANCES			
Restricted Fund Balances For:			
Technology Improvements	\$ 2,506	\$	\$ 2,506
Public Relations	22,468		22,468
Assigned Fund Balances For:			
Retirement of Capital Leases	197,515		197,515
Economic Development		334,199	334,199
Other Purposes		10,226	10,226
Unassigned	135,288		135,288
Total Fund Balances	\$ 357,777	\$ 344,425	\$ 702,202
Total Liabilities and Fund Balances	\$ 917,913	\$ 344,428	\$ 1,262,341

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

CITY OF LITTLEFIELD
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

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

Total fund balances - governmental fund balance sheet	\$ 702,202
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,056,616
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	35,603
Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds.	(197,515)
Component unit presented separately	(334,199)

Total net assets of governmental activities - statement of net assets	\$ 2,262,707 =====

The accompanying notes are an integral part of this statement.
(13)

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
<u>REVENUES</u>			
Taxes	\$ 1,790,735	\$ 521,664	\$ 2,312,399
Charges for Services	1,603,107		1,603,107
License and Permits	30,456		30,456
Fines	38,734		38,734
Grants	17,479		17,479
Local Funds		12	12
Interest Income	1,729	204	1,933
Other Revenue	554,501		554,501
	-----	-----	-----
Total Revenues	\$ 4,036,741	\$ 521,880	\$ 4,558,621
	-----	-----	-----
<u>EXPENDITURES</u>			
Current Operating:			
Legislative	\$ 155,029	\$	\$ 155,029
Administrative	246,762		246,762
Legal-Municipal Court	52,628		52,628
Police	1,016,929		1,016,929
Fire	164,966		164,966
Refuse	814,406		814,406
Street	290,188		290,188
Parks and Recreation	129,741		129,741
Airport	27,972		27,972
Building Maintenance	215,370		215,370
Animal Control	50,159		50,159
Code Enforcement	51,730		51,730
EMS	571,074		571,074
Technology & Development	2,624		2,624
Contractual Services		9,170	9,170
Supplies and Materials		31,632	31,632
Other (Incentive)		51,416	51,416
Capital Outlay	53,145		53,145
Debt Service:			
Principal	59,900		59,900
Interest	12,424		12,424
	-----	-----	-----
Total Expenditures	\$ 3,915,047	\$ 92,218	\$ 4,007,265
	-----	-----	-----

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ 121,694	\$ 429,662	\$ 551,356
	-----	-----	-----
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	\$ 4,635	\$	\$ 4,635
Operating Transfers Out	(7,781)	(228,400)	(236,181)
	-----	-----	-----
Total Other Financing Sources (Uses)	\$ (3,146)	\$ (228,400)	\$ (231,546)
	-----	-----	-----
Net Change in Fund Balances	\$ 118,547	\$ 201,260	\$ 319,807
Fund Balances - Beginning	239,230	143,165	382,395
	-----	-----	-----
Fund Balances - Ending	\$ 357,777	\$ 344,425	\$ 702,202
	=====	=====	=====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

Net change in fund balances - total governmental funds.	\$ 319,807
Capital outlays are not reported as expenses in the SOA.	53,145
Capital asset depreciation used in governmental activities is not reported in the funds.	(257,661)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	(7,763)
Some expenditures (e.g. principal debt payment) on fund statements are not expenditures on the SOA.	59,900
Component unit presented separately	(206,983)

Change in net assets of governmental activities.	\$ (39,555)
	=====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	WATER & SEWER -----	BCDC -----	TOTAL -----
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 996,918	\$	\$ 996,918
Accounts Receivable	360,238		360,238
Delinquent Taxes Receivable		16,891	16,891
Allowance for Uncollectible Taxes		(2,534)	(2,534)
Note Receivable	47,111		47,111
Due From Other Funds	726,597		726,597
Deferred Expense	4,356		4,356
Restricted Assets:			
Cash in Bank	117,029	868,341	985,370
Total Current Assets	\$ 2,252,249	\$ 882,698	\$ 3,134,947
Capital Assets (Net)			
Land	\$ 325,933	\$ 181,662	\$ 507,595
Building & Structures	5,100,427	8,450,969	13,551,396
Machinery & Equipment	454,644		454,644
Furniture & Fixtures	5,331		5,331
Capital Lease Assets	480,706		480,706
Total Noncurrent assets	\$ 6,367,041	\$ 8,632,631	\$ 14,999,672
Total Assets	\$ 8,619,290	\$ 9,515,329	\$ 18,134,619
	=====	=====	=====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	WATER & SEWER -----	BCDC -----	TOTAL -----
LIABILITIES:			
Current Liabilities			
Accounts Payable	\$ 22,681	\$ 90	\$ 22,771
Accrued Liabilities	4,356		4,356
Due to Other Funds		726,597	726,597
Due to Others	1		1
Escrow Deposits	2,020		2,020
Customer Deposits	159,014		159,014
Deferred Credits	93,366	14,357	107,723
Capital Leases - Current	77,723		77,723
	-----	-----	-----
Total Current Liabilities	\$ 359,161	\$ 741,044	\$ 1,100,205
	-----	-----	-----
Current Liabilities Payable From Restricted Assets			
Bonds Payable - Current	\$ 240,000	\$ 280,000	\$ 520,000
	-----	-----	-----
Total Current Liabilities Payable From Restricted Assets	\$ 240,000	\$ 280,000	\$ 520,000
	-----	-----	-----
Noncurrent Liabilities			
Bonds Payable	\$ 2,099,480	\$ 8,494,285	\$ 10,593,765
Capital Leases Payable	550,649		550,649
	-----	-----	-----
Total Noncurrent Liabilities	\$ 2,650,129	\$ 8,494,285	\$ 11,144,414
	-----	-----	-----
Total Liabilities	\$ 3,249,290	\$ 9,515,329	\$ 12,764,619
	=====	=====	=====
NET ASSETS:			
Invested in Capital Assets-			
Net of Related Debt	\$ 3,399,189	\$ (141,654)	\$ 3,257,535
Restricted for Debt Service	117,029	868,341	985,370
Unrestricted (Deficit)	1,853,782	(726,687)	1,127,095
	-----	-----	-----
Total Net Assets	\$ 5,370,000	\$ -0-	\$ 5,370,000
	=====	=====	=====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	WATER & SEWER	BCDC	TOTAL
	-----	-----	-----
Operating Revenues			
Water Sales	\$ 1,615,735	\$	\$ 1,615,735
Charges for Service	579,137		579,137
Taxes		122,187	122,187
Other Revenue	92,282		92,282
	-----	-----	-----
Total Operating Revenue	\$ 2,287,154	\$ 122,187	\$ 2,409,341
	-----	-----	-----
Operating Expenses			
Personnel Services	\$ 446,647	\$	\$ 446,647
Contractual Services	436,510	49,231	485,741
Supplies and Maintenance	133,812	249	134,061
Depreciation	325,804	271,992	597,796
	-----	-----	-----
Total Operating Expenses	\$ 1,342,773	\$ 321,473	\$ 1,664,246
	-----	-----	-----
Operating Income (Loss)	\$ 944,381	\$ (199,286)	\$ 745,095
	-----	-----	-----
Non-Operating Revenues (Expenses)			
Interest - Investments	\$ 4,038	\$ 933	\$ 4,971
Bonds and Capital Lease Interest	(126,614)	(517,410)	(644,024)
Amortization - Bond Costs	(5,037)	(33,917)	(38,954)
	-----	-----	-----
Total Non-Operating Revenues (Expenses)	\$ (127,613)	\$ (550,394)	\$ (678,007)
	-----	-----	-----
Income Before Operating Transfers	\$ 816,768	\$ (749,680)	\$ 67,088
Operating Transfers In	7,781	749,680	757,461
Operating Transfers (Out)	(525,915)		(525,915)
	-----	-----	-----
Change in Net Assets	\$ 298,634	\$ -0-	\$ 298,634
Net Assets - Beginning	5,071,366	-0-	5,071,366
	-----	-----	-----
Net Assets - Ending	\$ 5,370,000	\$ -0-	\$ 5,370,000
	=====	=====	=====

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, 2012

	WATER AND SEWER -----	BCBD -----	TOTAL -----
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 2,244,376	\$	\$ 2,244,376
Cash Payments for Goods and Services	(567,269)	(50,310)	(617,579)
Cash Payments to Employees	(446,647)		(446,647)
Other Operating Revenues		122,187	122,187
	-----	-----	-----
Net Cash Provided (Used) by Operating Activities	\$ 1,230,460	\$ 71,876	\$ 1,302,336
	-----	-----	-----
Cash Flows From Noncapital Financing:			
Due to and From Other Funds	\$ 65,701	\$ (65,701)	\$ -0-
Operating Transfers In	7,781	749,680	757,461
Operating Transfers (Out)	(525,915)		(525,915)
	-----	-----	-----
Net Cash Provided (Used) for Noncapital Financing Activities	\$ (452,433)	\$ 683,979	\$ 231,546
	-----	-----	-----
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Note Receivable	\$ 2,232	\$	\$ 2,232
Acquisition of Fixed Assets	(41,603)		(41,603)
Capital Lease Payment	(74,187)		(74,187)
Principal Paid on Bonds	(225,000)	(265,000)	(490,000)
Interest Paid on Bonds and Capital Lease	(126,614)	(517,410)	(644,024)
	-----	-----	-----
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (465,172)	\$ (782,410)	\$ (1,247,582)
	-----	-----	-----
Cash Flows From Investing Activities:			
Interest on Investments	\$ 4,038	\$ 933	\$ 4,971
	-----	-----	-----
Net Cash Provided (Used) From Investing Activities	\$ 4,038	\$ 933	\$ 4,971
	-----	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 316,892	\$ (25,622)	\$ 291,270
Cash and Cash Equivalents - Beginning	797,055	893,963	1,691,018
	-----	-----	-----
Cash and Cash Equivalents - Ending	\$ 1,113,947	\$ 868,341	\$ 1,982,288
	=====	=====	=====

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

CITY OF LITTLEFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	WATER AND SEWER -----	BCDC -----	TOTAL -----
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 944,381	\$ (199,286)	\$ 745,095
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	\$ 325,804	\$ 271,992	\$ 597,796
Changes in Assets and Liabilities:			
Accounts Receivable (Increase) Decrease	(32,202)		(32,202)
Deferred Expense (Increase) Decrease	(1,626)		(1,626)
Accounts Payable & Accrued Liabilities Increase (Decrease)	4,679	(830)	3,849
Escrow & Customer Deposits Increase (Decrease)	5,861		5,861
Deferred Credits Increase (Decrease)	(16,437)		(16,437)
Total Adjustments	\$ 286,079	\$ 271,162	\$ 557,241
Net Cash Provided (Used) by Operating Activities	\$ 1,230,460	\$ 71,876	\$ 1,302,336

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

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 the nature and significance of the relationship. 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.

Discretely Presented Component Unit. The Littlefield Economic Development Corporation (Entity) is legally separate from the City; however, the Entity is fiscally dependent on the City. The Entity does provide marketing and economic development services to the City and the City provides custody and investment of the Entity's assets, various administrative services and the funding for the Entity's budget. The Entity is reported as a governmental fund. There are no separately issued financial statements of the Entity. The Entity will be presented as a discrete component unit.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

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 assets and statement of activities. Significantly, the City's statement of net assets 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 Assets 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 supplementary information Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

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, 2012

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.

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

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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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.

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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

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 assets.

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.

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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

I. CAPITAL ASSETS (continued)

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.

L. 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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

L. FUND BALANCES (continued)

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.

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.

M. USE OF ESTIMATES

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

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. During the year, the budget was amended as necessary. There were no significant budget amendments passed during the 2011-12 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 Assets of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

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, 2012, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$2,553,837 and the bank balance was \$2,629,233. The City's cash deposits at September 30, 2012 and during the year ended September 30, 2012, were entirely covered by FDIC insurance and by pledged collateral held by the City's agent bank in the City's name.

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

- a. Name of bank: American State Bank - Littlefield, Texas
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$3,259,500.
- c. Largest cash, savings and time deposits combined account balance amounted to \$3,020,613 and occurred during the month of February, 2012.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$298,387.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

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.

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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

The City's investments at September 30, 2012 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 exposed to credit risk.

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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

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.

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 is 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 \$47,111 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, 2012

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, 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	\$ 6,293,737	\$ 29,992	\$	\$ 6,323,729
Machinery and Equipment	2,272,189	11,800		2,283,989
Furniture and Fixtures	151,258	11,353		162,611
Capital Leases	413,734			413,734
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 9,130,918	\$ 53,145	\$ -0-	\$ 9,184,063
	-----	-----	-----	-----
<i>Less accumulated depreciation for:</i>				
Buildings and Structures	\$ (5,655,440)	\$ (42,928)	\$	\$ (5,698,368)
Machinery and Equipment	(1,690,366)	(162,698)		(1,853,064)
Furniture and Fixtures	(130,804)	(5,053)		(135,857)
Capital Leases	(211,500)	(46,982)		(258,482)
	-----	-----	-----	-----
Total accumulated depreciation	\$ (7,688,110)	\$ (257,661)	\$ -0-	\$ (7,945,771)
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 1,442,808	\$ (204,516)	\$ -0-	\$ 1,238,292
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 2,261,132	\$ (204,516)	\$ -0-	\$ 2,056,616
	=====	=====	=====	=====

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 7: CAPITAL ASSETS (continued)

Business-type Activities:

Capital assets not being depreciated:

Land	\$ 507,595	\$ -0-	\$ -0-	\$ 507,595
<hr style="border-top: 1px dashed black;"/>				
Total capital assets not being depreciated	\$ 507,595	\$ -0-	\$ -0-	\$ 507,595

Capital assets being depreciated:

Buildings and Structures	\$ 19,821,608	\$ 41,603	\$ -0-	\$ 19,821,608
Machinery and Equipment	2,771,159	41,603	-	2,812,762
Furniture and Fixtures	199,854	-	-	199,854
Capital Leases	1,109,322	-	-	1,109,322
<hr style="border-top: 1px dashed black;"/>				
Total capital assets being depreciated	\$ 23,901,943	\$ 41,603	\$ -0-	\$ 23,943,546

Less accumulated depreciation for:

Buildings and Structures	\$ (5,803,485)	\$ (466,727)	\$ -0-	\$ (6,270,212)
Machinery and Equipment	(2,305,013)	(53,105)	-	(2,358,118)
Furniture and Fixtures	(190,514)	(4,009)	-	(194,523)
Capital Leases	(554,661)	(73,955)	-	(628,616)
<hr style="border-top: 1px dashed black;"/>				

Total accumulated depreciation	\$ (8,853,673)	\$ (597,796)	\$ -0-	\$ (9,451,469)
--------------------------------	----------------	--------------	--------	----------------

Total capital assets being depreciated, net	\$ 15,048,270	\$ (556,193)	\$ -0-	\$ 14,492,077
---	---------------	--------------	--------	---------------

Business-type activities capital assets, net	\$ 15,555,865	\$ (556,193)	\$ -0-	\$ 14,999,672
<hr style="border-top: 1px dashed black;"/>				

Component Unit:

The carrying amount of capital assets that are idle at year end is \$20,982.

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

Governmental activities:

Administrative	\$ 33,780
Police	29,562
Fire	68,220
Refuse	33,766
Street	35,407
EMS	56,926
<hr style="border-top: 1px dashed black;"/>	

Total depreciation expense - Governmental activities	\$ 257,661
<hr style="border-top: 1px dashed black;"/>	

Business-type activities:

Water and Sewer	\$ 325,804
BCDC	271,992
<hr style="border-top: 1px dashed black;"/>	

Total depreciation expense - Business-type activities	\$ 597,796
<hr style="border-top: 1px dashed black;"/>	

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 8: DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

Revenue Description	Fund	Deferred Amount
-----	-----	-----
Net Tax Revenue	General	\$ 101,613
Landfill Operations	General	232,450
Net Tax Revenue	Proprietary-BCDC	14,357

Total Deferred Revenue		\$ 348,420 =====

NOTE 9: 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.

\$55,191 reported as landfill closure and postclosure care liability at September 30, 2012 represents the cumulative amount reported to date based on the use of 41% of the estimated capacity of the Type IV landfill and the use of 10% of the estimated capacity of the Type I landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$296,746 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The City expects to close the Type IV landfill in the year 2045 and close the Type I landfill in the year 2138. 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, 2012

NOTE 10: OPERATING/CAPITAL LEASES

The City had no operating leases at September 30, 2012. During the current year, there were four capital lease agreements related to the General Fund and one 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 expense on all capital leases for the current year was \$44,048. Commitments under capitalized lease obligations provide for future minimum lease payments as of September 30, 2012, as follows:

<u>Year Ending September</u>	<u>General Fund</u>	<u>Water and Sewer Fund</u>
2013	\$ 72,324	\$ 105,810
2014	72,324	105,810
2015	72,233	105,810
2016	-0-	105,810
2017	-0-	105,810
2018-2021	-0-	211,622
Total Minimum Lease Payments	\$ 216,881	\$ 740,672
Less Amount Representing Interest	(19,366)	(112,300)
Present Value - Minimum Lease Payments	\$ 197,515	\$ 628,372
	=====	=====

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 11: BONDS PAYABLE

On March 15, 1997, the city issued combination tax and revenue certificates of obligation , Series 1997. This bond obligation is accounted for in the water and sewer fund. The original amount of the bond obligation was \$2,565,000, with effective interest rates ranging from 2.80% to 4.25%. The amount of interest paid in FYE 2012 was \$39,142.

A summary of changes in long-term debt for the year ended September 30, 2012, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series 1997	\$ 1,020,000	\$ -0-	\$ 150,000	\$ 870,000	\$ 160,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2013	\$ 160,000	\$ 32,903	\$ 192,903
2014	165,000	26,280	191,280
2015	175,000	19,266	194,266
2016	180,000	11,855	191,855
2017	190,000	4,038	194,038
Totals	\$ 870,000	\$ 94,342	\$ 964,342

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 11: BONDS PAYABLE (continued)

On December 15, 1999, the City issued combination tax and revenue certificates of obligation, Series 2000. This bond obligation is accounted for in the BCDC fund. The original amount of the bond obligation was \$11,000,000, with an effective interest rate of 7.00%. The amount of interest paid in FYE 2012 was \$64,400.

A summary of changes in long-term debt for the year ended September 30, 2012, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
-----	-----	-----	-----	-----	-----
Bond Series					
2000	\$ 960,000	\$ -0-	\$ 80,000	\$ 880,000	\$ 85,000
	=====	=====	=====	=====	=====

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
-----	-----	-----	-----
2013	\$ 85,000	\$ 58,625	\$ 143,625
2014	90,000	52,500	142,500
2015	100,000	45,850	145,850
2016	105,000	38,675	143,675
2017	110,000	31,150	141,150
2018-2020	390,000	42,350	432,350
	-----	-----	-----
Totals	\$ 880,000	\$ 269,150	\$ 1,149,150
	=====	=====	=====

	9-30-12

Bond Principal	\$ 880,000
Less Bond Issuance Cost (Net of Amortization)	(115,819)

Bonds Payable (Net of Bond Issuance Cost)	\$ 764,181
	=====

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 11: BONDS PAYABLE (continued)

On May 22, 2001, the City issued combination tax and revenue refunding bonds, Series 2001. This bond obligation is accounted for in the BCDC Fund. The original amount of the bond obligation was \$9,995,000, with effective interest rates ranging from 3.45% to 5.45%. The amount of interest paid in FYE 2012 was \$453,010.

A summary of changes in long-term debt for the year ended September 30, 2012 is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series					
2001	\$ 8,530,000	\$ -0-	\$185,000	\$ 8,345,000	\$ 195,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2013	\$ 195,000	\$ 444,173	\$ 639,173
2014	205,000	434,721	639,721
2015	210,000	424,812	634,812
2016	225,000	414,260	639,260
2017	235,000	402,990	637,990
2018-2022	1,815,000	1,775,388	3,590,388
2023-2027	2,735,000	1,133,752	3,868,752
2028-2030	2,725,000	264,461	2,989,461
Totals	\$ 8,345,000	\$ 5,294,557	\$ 13,639,557

	9-30-12
Bond Principal	\$ 8,345,000
Less Bond Issuance Cost (Net of Amortization)	(334,896)
Bonds Payable (Net of Bond Issuance Cost)	\$ 8,010,104

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 11: 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 2012 was \$55,849.

A summary of changes in long-term debt for the year ended September 30, 2012, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series 2006	\$1,615,000	\$ -0-	\$ 75,000	\$ 1,540,000	\$ 80,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2013	\$ 80,000	\$ 53,388	\$ 133,388
2014	80,000	50,808	130,808
2015	85,000	48,105	133,105
2016	90,000	45,195	135,195
2017	90,000	42,157	132,157
2018-2022	515,000	159,221	674,221
2023-2027	600,000	56,350	656,350
Totals	\$ 1,540,000	\$ 455,224	\$ 1,995,224

	9-30-12
Bond Principal	\$ 1,540,000
Less Bond Issuance Cost (Net of Amortization)	(70,520)
Bonds Payable (Net of Bond Issuance Cost)	\$ 1,469,480

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 11: BONDS PAYABLE (continued)

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.

NOTE 12: CHANGES IN OTHER LONG-TERM DEBT

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Capital Leases	\$ 959,974	\$ -0-	\$ 134,087	\$ 825,887	\$ 140,513
Landfill Liability	251,989	56,228	11,471	296,746	-0-
Totals	\$1,211,963	\$ 56,228	\$ 145,558	\$1,122,633	\$ 140,513

NOTE 13: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from funds at September 30, 2012 consisted of the following:

Due to Fund	Due From Fund	Amount
Water & Sewer Fund	BCDC Fund	\$ 726,597
	Total	\$ 726,597

The repayment of all amounts due is subject to the sale of the Bill Clayton Detention Center.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 13: INTERFUND BALANCES AND ACTIVITIES (continued)

2. Transfers To and From Other Funds

Net transfers to and from other funds at September 30, 2012 consisted of the following:

Transfers From	Transfers To	Amount	Reason
Water & Sewer Fund	General Fund	\$ 4,635	For Operations
Water & Sewer Fund	BCDC Fund	521,280	For Operations
General Fund	Water & Sewer	7,781	For Operations
Other Governmental Fund	BCDC Fund	228,400	For Operations
	Total	\$ 762,096	

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 2012, 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, Health Care coverage 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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 17: COMMITMENTS AND CONTINGENCIES

The City participates in numerous 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 combined financial statements for such contingencies.

The Bill Clayton Detention Center continues to be a primary focus of City Management for the occupation of inmates/detainees. In July 2012, the City met with Immigration and Custom Enforcement officials in Washington, D.C. The purpose of the meeting was to discuss the possibility of housing female illegal immigrants detained by ICE officials. The City continues to be in communication with ICE Senior Management concerning this possibility. The City has also been in communication and working with officials from other state agencies and other county agencies concerning the possibility of housing inmates from their jurisdiction. While pursuing these possibilities, the City continues to meet the debt obligation for the Bill Clayton Detention Center and is current on this obligation.

NOTE 18: LITIGATION

The City was not involved in any significant litigation as of September 30, 2012.

NOTE 19: PENSION BENEFITS PLAN

The City of Littlefield provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.

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 theoretical amount 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, 2012

NOTE 19: PENSION BENEFITS PLAN (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 as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

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

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. 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.

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 Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 19: PENSION BENEFITS PLAN (continued)

Schedule of Funding Progress:

Actuarial Valuation Date	12-31-09	12-31-10	12-31-11
Actuarial Value of Assets	\$3,382,342	\$4,731,847	\$5,073,392
Actuarial Accrued Liability (AAL)	\$4,403,510	\$5,432,310	\$5,656,851
Unfunded or (Over-funded) Actuarial Accrued Liability (UAAL or OAAL)	\$1,021,168	\$ 700,463	\$ 583,459
Funded Ratio	76.8%	87.1%	89.7%
Annual Covered Payroll (Actuarial)	\$1,856,121	\$1,840,552	\$1,768,509
UAAL or OAAL as a Percentage of Covered Payroll	55.0%	38.1%	33.0%

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

	9-30-10	9-30-11	9-30-12
Annual Required Contribution (ARC)	\$ 183,127	\$ 188,414	\$ 176,529
Interest on NPO	2,371	5,730	8,136
Adjustment to the ARC	(1,963)	(4,732)	(6,871)
Annual Pension Cost	183,535	189,412	177,794
Contributions Made	(139,288)	(151,629)	(156,087)
Increase (Decrease) in NPO	44,247	37,783	21,707
Beginning NPO (Asset)	32,154	76,401	114,185
Ending NPO (Asset)	\$ 76,401	\$ 114,185	135,892

The City of Littlefield is one of 847 municipalities having the benefit plan administered by TMRS. Each of the 847 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2011 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained from TMRS' website at WWW.TMRS.com.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. The 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 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.

The City's contributions to the TMRS SDBF for the fiscal years ended 2012, 2011 and 2010 were \$5,128, \$6,504 and \$6,330, respectively, which equaled the required contributions each year.

The City of Littlefield is one of 725 municipalities having the benefit plan administered by TMRS. Each of the 725 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2011 TMRS Comprehensive Annual Report, a copy of which may be obtained from TMRS' website at WWW.TMRS.com.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2012

NOTE 21: HEALTH CARE COVERAGE

During the year ended September 30, 2012, employees of the City were covered by a health insurance plan. The City paid up to \$425 in premiums per month per employee and 0% of the cost of premiums for dependents. This plan, provided through Texas Municipal League Intergovernmental Risk Pool, is renewable October 1, 2012, and terms of coverage and contribution costs are included in the contractual provisions.

Texas Municipal League Intergovernmental Risk 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.

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, 2012

REVENUES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TAXES:				
Current Taxes	\$ 925,950	\$ 925,950	\$ 831,247	\$ (94,703)
Delinquent Taxes	45,000	45,000	41,238	(3,762)
Penalty and Interest	20,000	20,000	24,444	4,444
City Sales Tax	460,000	460,000	521,664	61,664
Franchise Fees	369,000	369,000	339,899	(29,101)
Hotel/Motel Tax	34,500	34,500	32,243	(2,257)
Total Taxes	\$1,854,450	\$1,854,450	\$1,790,735	\$ (63,715)
CHARGES FOR SERVICES:				
Refuse Collection	\$ 725,000	\$ 725,000	\$ 706,439	\$ (18,561)
Fire Service	10,000	10,000	8,000	(2,000)
EMS Fees	540,000	540,000	529,641	(10,359)
Vector Control	28,650	28,650	28,390	(260)
Landfill Operations	276,750	276,750	320,467	43,717
Other	16,500	16,500	10,170	(6,330)
Total Charges for Services	\$1,596,900	\$1,596,900	\$1,603,107	\$ 6,207
LICENSE AND PERMITS:				
Plumbing	\$ 2,350	\$ 2,350	\$ 2,122	\$ (228)
Electrical	1,800	1,800	1,703	(97)
Building	5,900	5,900	25,154	19,254
Other	2,285	2,285	1,477	(808)
Total License & Permits	\$ 12,335	\$ 12,335	\$ 30,456	\$ 18,121
FINES:				
Municipal Court	\$ 45,400	\$ 45,400	\$ 38,734	\$ (6,666)
GRANTS:				
Federal/State	\$ -0-	\$ -0-	\$ 17,479	\$ 17,479

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

REVENUES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER REVENUE:				
911 Subsidy	\$ 16,260	\$ 16,260	\$ 16,262	\$ 2
Land Rental	25,000	25,000	25,005	5
Penalties	16,600	16,600	16,313	(287)
Ambulance Subsidies	13,655	13,655	-0-	(13,655)
EMS Subsidies	41,850	41,850	41,825	(25)
TCEQ Recovery	29,000	29,000	29,021	21
Interest	2,500	2,500	1,729	(771)
Miscellaneous Revenues	120,735	120,735	426,075	305,340
Total Other Revenue	\$ 265,600	\$ 265,600	\$ 556,230	\$ 290,630
TOTAL REVENUES	\$3,774,685	\$3,774,685	\$4,036,741	\$ 262,056
EXPENDITURES				
LEGISLATIVE:				
Personnel Services	\$ 10,455	\$ 10,455	\$ 13,483	\$ (3,028)
Contractual Services	155,590	158,090	139,904	18,186
Supplies and Materials	1,500	1,500	1,642	(142)
Total Legislative	\$ 167,545	\$ 170,045	\$ 155,029	\$ 15,016
ADMINISTRATIVE:				
Personnel Services	\$ 132,605	\$ 132,605	\$ 128,038	\$ 4,567
Contractual Services	68,430	111,830	112,527	(697)
Supplies and Materials	2,650	6,650	6,197	453
Total Administrative	\$ 203,685	\$ 251,085	\$ 246,762	\$ 4,323

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
LEGAL-MUNICIPAL COURT:				
Personnel Services	\$ 41,855	\$ 41,855	\$ 41,410	\$ 445
Contractual Services	7,140	7,140	9,058	(1,918)
Supplies and Materials	900	900	2,160	(1,260)
Total Legal-Municipal Court	\$ 49,895	\$ 49,895	\$ 52,628	\$ (2,733)
POLICE:				
Personnel Services	\$ 923,870	\$ 913,870	\$ 916,307	\$ (2,437)
Contractual Services	75,510	75,510	46,416	29,094
Supplies and Materials	68,150	68,150	54,206	13,944
Total Police	\$1,067,530	\$1,057,530	\$1,016,929	\$ 40,601
FIRE:				
Personnel Services	\$ 111,310	\$ 110,510	\$ 110,827	\$ (317)
Contractual Services	73,955	48,955	40,340	8,615
Supplies and Materials	13,700	13,700	13,799	(99)
Total Fire	\$ 198,965	\$ 173,165	\$ 164,966	\$ 8,199
REFUSE:				
Personnel Services	\$ 123,335	\$ 124,170	\$ 125,978	\$ (1,808)
Contractual Services	703,560	648,560	618,612	29,948
Supplies and Materials	53,950	63,950	69,816	(5,866)
Total Refuse	\$ 880,845	\$ 836,680	\$ 814,406	\$ 22,274

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
STREET:				
Personnel Services	\$ 138,285	\$ 138,285	\$ 129,697	\$ 8,588
Contractual Services	154,900	147,500	119,287	28,213
Supplies and Materials	52,350	52,350	41,204	11,146
Total Street	\$ 345,535	\$ 338,135	\$ 290,188	\$ 47,947
PARKS AND RECREATION:				
Personnel Services	\$ 104,260	\$ 104,260	\$ 86,613	\$ 17,647
Contractual Services	23,605	23,605	23,752	(147)
Supplies and Materials	35,400	35,400	19,376	16,024
Total Parks & Recreation	\$ 163,265	\$ 163,265	\$ 129,741	\$ 33,524
AIRPORT:				
Contractual Services	\$ 27,750	\$ 27,750	\$ 19,720	\$ 8,030
Supplies and Materials	2,150	2,150	8,252	(6,102)
Total Airport	\$ 29,900	\$ 29,900	\$ 27,972	\$ 1,928
BUILDING & MAINTENANCE:				
Personnel Services	\$ -0-	\$ 10,525	\$ 7,196	\$ 3,329
Contractual Services	91,600	207,100	176,583	30,517
Supplies and Materials	9,700	30,900	31,591	(691)
Total Building and Maintenance	\$ 101,300	\$ 248,525	\$ 215,370	\$ 33,155

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
ANIMAL CONTROL:				
Personnel Services	\$ 36,785	\$ 36,785	\$ 30,091	\$ 6,694
Contractual Services	5,545	5,545	4,199	1,346
Supplies and Materials	10,400	16,600	15,869	731
Total Animal Control	\$ 52,730	\$ 58,930	\$ 50,159	\$ 8,771
CODE ENFORCEMENT:				
Personnel Services	\$ 35,755	\$ 35,755	\$ 33,005	\$ 2,750
Contractual Services	21,635	21,635	16,333	5,302
Supplies and Materials	4,950	4,950	2,392	2,558
Total Code Enforcement	\$ 62,340	\$ 62,340	\$ 51,730	\$ 10,610
EMS:				
Personnel Services	\$ 374,500	\$ 374,500	\$ 354,912	\$ 19,588
Contractual Services	35,910	35,910	33,498	2,412
Supplies and Materials	192,800	192,800	182,664	10,136
Total EMS	\$ 603,210	\$ 603,210	\$ 571,074	\$ 32,136

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TECHNOLOGY AND DEVELOPMENT:				
Personnel Services	\$ 57,220	\$ 57,220	\$ 153	\$ 57,067
Contractual Services	4,200	4,200	2,396	1,804
Supplies and Materials	-0-	-0-	75	(75)
Total Technology and Development	\$ 61,420	\$ 61,420	\$ 2,624	\$ 58,796
CAPITAL OUTLAY:				
Capital Outlay	\$ 67,304	\$ 95,509	\$ 53,145	\$ 42,364
Total Capital Outlay	\$ 67,304	\$ 95,509	\$ 53,145	\$ 42,364
DEBT SERVICE:				
Principal	\$ 59,900	\$ 59,900	\$ 59,900	\$ -0-
Interest	12,426	12,426	12,424	2
Total Debt Service	\$ 72,326	\$ 72,326	\$ 72,324	\$ 2
TOTAL EXPENDITURES	\$4,127,795	\$ 4,271,960	\$ 3,915,047	\$ 356,913
Excess (Deficiency) of Revenues Over Expenditures	\$ (353,110)	\$ (497,275)	\$ 121,694	\$ 618,969

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES(USES)				
Proceeds From Sale of Assets \$	5,000	\$ 5,000	\$ -0-	\$ (5,000)
Operating Transfers In	462,810	462,810	4,635	(458,175)
Operating Transfers Out	(114,700)	(114,700)	(7,781)	106,919
Total Other Financing Sources (Uses)	\$ 353,110	\$ 353,110	\$ (3,146)	\$ (356,256)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures And Other Uses	\$ -0-	\$ (144,165)	\$ 118,547	\$ 262,712
FUND BALANCE - BEGINNING	239,230	239,230	239,230	-0-
FUND BALANCE - ENDING	\$ 239,230	\$ 95,065	\$ 357,777	\$ 262,712

COMBINING FUND FINANCIAL STATEMENTS

CITY OF LITTLEFIELD

COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	ECONOMIC DEVELOPMENT	TDHCA GRANT	OTHER FEDERAL & STATE GRANTS	OTHER LOCAL SRF'S	TOTAL
<u>ASSETS</u>					
Cash	\$ 285,045	\$	\$ 737	\$ 9,492	\$ 295,274
Accounts Receivable	49,154				-0-
Due From Other Governments	\$ 334,199	\$ -0-	\$ 737	\$ 9,492	\$ 344,428
TOTAL ASSETS	=====	=====	=====	=====	=====
<u>LIABILITIES</u>					
Due to Other Funds	\$	\$	\$	\$	\$ -0-
Due to Others		1	2		3
TOTAL LIABILITIES	\$ -0-	\$ 1	\$ 2	\$ -0-	\$ 3
	=====	=====	=====	=====	=====
<u>FUND BALANCES</u>					
Assigned Fund Balances For:					
Economic Development	\$ 334,199	\$	\$ 735	\$ 9,492	\$ 334,199
Other Purposes		(1)			10,226
TOTAL LIABILITIES & FUND BALANCES	\$ 334,199	\$ -0-	\$ 737	\$ 9,492	\$ 344,428
	=====	=====	=====	=====	=====

CITY OF LITTLEFIELD

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	ECONOMIC DEVELOPMENT	TDHCA GRANT	OTHER FEDERAL & STATE GRANTS	OTHER LOCAL SRF'S	TOTAL
REVENUES					
Taxes	\$ 521,664	\$	\$	\$	\$ 521,664
Grants					-0-
Local Funds				12	12
Interest	196		1	7	204
Total Revenues	\$ 521,860	\$ -0-	\$ 1	\$ 19	\$ 521,880
EXPENDITURES					
Personnel Services	\$	\$	\$	\$	\$ -0-
Contractual Services	9,170				9,170
Supplies & Materials	25,890		2,986	2,756	31,632
Other(Incentive)	51,416				51,416
Capital Outlay					-0-
Total Expenditures	\$ 86,476	\$ -0-	\$ 2,986	\$ 2,756	\$ 92,218
Excess (Deficiency) of Revenues Over Expenditures	\$ 435,384	\$	\$ (2,985)	\$ (2,737)	\$ 429,662
Other Financing Sources (Uses)	(228,400)				(228,400)
Operating Transfers In(Out)	127,216	(1)	3,720	12,230	143,165
Fund Balance - Beginning	\$ 334,199	\$ (1)	\$ 735	\$ 9,492	\$ 344,425
Fund Balance - Ending					

OTHER SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELD

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2012

LAST TEN EARS ENDED SEPTEMBER 30	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-11	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-12
2003 and Prior Years			\$ 9,456	\$	\$ 100	\$ (509)	\$ 8,847
2004	.5601	116,842,212	2,013		173	(115)	1,725
2005	.5614	119,677,571	2,707		204	(319)	2,184
2006	.5690	121,248,780	3,797		557	(395)	2,845
2007	.5922	120,112,854	5,954		1,114	(428)	4,412
2008	.5989	126,138,686	9,943		2,482	(396)	7,065
2009	.5989	137,168,047	16,725		5,010	(406)	11,309
2010	.5989	146,103,832	27,380		10,499	(409)	16,472
2011	.6993	142,531,341	58,201		23,766	(694)	33,741
2012 (Year Under Audit)	.6993	142,269,977	-0-	997,072	948,448	(788)	47,836
Totals			\$ 136,176	\$ 997,072	\$ 992,353	\$ (4,459)	\$ 136,436

CITY OF LITTLEFIELD

SCHEDULE OF BONDS
FOR YEAR ENDED SEPTEMBER 30, 2012

DATE OF ISSUE	DESCRIPTION	INTEREST RATE	(TERMS) MATURITY SCHEDULE	FUND PAYABLE FROM	AMOUNTS OUTSTANDING 10/1/11	ISSUED CURRENT YEAR	RETIRED CURRENT YEAR
03-15-97	CERTIFICATE OF OBLIGATION, SERIES 1997	2.80% to 4.25%	20 YEARS	WATER AND SEWER FUND	\$ 1,020,000	\$ -0-	\$ 150,000
12-15-99	CERTIFICATE OF OBLIGATION, SERIES 2000	7.00%	20 YEARS	BCDC	\$ 960,000	\$ -0-	\$ 80,000
05-22-01	REFUNDING BONDS SERIES 2001	3.45% to 5.45%	30 YEARS	BCDC	\$ 8,530,000	\$ -0-	\$ 185,000
10-20-06	CERTIFICATE OF OBLIGATION, SERIES 2006	3.00% to 3.80%	20 YEARS	WATER AND SEWER FUND	\$ 1,615,000	\$ -0-	\$ 75,000
					\$ 12,125,000	\$ -0-	\$ 490,000

REQUIREMENTS

AMOUNTS OUTSTANDING 9/30/12	INTEREST CURRENT YEAR	YEAR ENDING 9/30/13		YEAR ENDING 9/30/14		10/1/14 TO MATURITY INTEREST
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ 870,000	\$ 39,142	\$ 160,000	\$ 32,903	\$ 165,000	\$ 26,280	\$ 35,159
880,000	64,400	85,000	58,625	90,000	52,500	158,025
8,345,000	453,010	195,000	444,173	205,000	434,721	4,415,663
1,540,000	55,849	80,000	53,388	80,000	50,808	351,028
\$ 11,635,000	\$ 612,401	\$ 520,000	\$ 589,089	\$ 540,000	\$ 564,309	\$ 4,959,875

CITY OF LITTLEFIELD

SCHEDULE OF CAPITAL LEASES
FOR YEAR ENDED SEPTEMBER 30, 2012

DATE OF ISSUE	PURPOSE AND LAWFUL AUTHORITY	INTEREST RATE	(TERMS) MATURITY SCHEDULE	FUND PAYABLE FROM	ORIGINAL COST	AMOUNTS OUTSTANDING 10/1/11	RETIRED CURRENT YEAR
02-05-04	UTILITY METERS	4.69%	15 YEARS	W&S	\$ 1,109,322	\$ 702,559	\$ 74,186
04-22-05	N440 RESCUE PUMPER	4.78%	10 YEARS	GENERAL	224,332	102,390	23,855
01-28-10	ELGIN EAGLE SWEEPER	4.75%	5 YEARS	GENERAL	189,402	155,025	36,046
					<u>\$ 1,523,056</u>	<u>\$ 959,974</u>	<u>\$ 134,087</u>
					=====	=====	=====

REQUIREMENTS

AMOUNTS OUTSTANDING 9/30/12	INTEREST CURRENT YEAR	YEAR ENDING 9/30/13		YEAR ENDING 9/30/14		10/1/14 TO MATURITY INTEREST
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ 628,372	\$ 31,624	\$ 77,723	\$ 28,087	\$ 81,429	\$ 24,381	\$ 59,832
78,535	4,898	24,995	3,758	26,190	2,563	1,311
118,980	7,526	37,795	5,776	39,630	3,941	2,017
<u>\$ 825,887</u>	<u>\$ 44,048</u>	<u>\$ 140,513</u>	<u>\$ 37,621</u>	<u>\$ 147,249</u>	<u>\$ 30,885</u>	<u>\$ 63,160</u>
=====	=====	=====	=====	=====	=====	=====

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

Webb, Webb, and Wright
Certified Public Accountants

Member
Texas Society of CPA's
American Institute of CPA's

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

February 18, 2013

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
100 W. 6th
Littlefield, Texas

We have audited 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, 2012, which collectively comprise the City of Littlefield's basic financial statements and have issued our report thereon dated February 18, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of Littlefield is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Littlefield's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Littlefield's internal control over financial reporting.

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 City of Littlefield's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 the City of Littlefield's 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.

This report is intended solely for the information and use of the City's management, City Council, others within the organization, and the appropriate state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WEBB, WEBB, & WRIGHT, CPA's

Webb, Webb & Wright

CITY OF LITTLEFIELD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

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

C. Federal Award Findings and Questioned Costs
None

CITY OF LITTLEFIELD

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<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, 2012

None