

**CITY OF LITTLEFIELD  
LITTLEFIELD, TEXAS  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2014**

**Webb, Webb, and Wright**  
Certified Public Accountants

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Littlefield, Texas 79339  
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CITY OF LITTLEFIELD  
LITTLEFIELD, TEXAS  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2014

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FINANCIAL SECTION

**Webb, Webb, and Wright**  
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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Littlefield's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### ***Change in Accounting Principle***

As described in Note 22 to the financial statements, in 2014, the City adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2015, on our consideration of the City of Littlefield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Littlefield's internal control over financial reporting and compliance.

Respectfully submitted,

*Webb, Webb + Wright*

WEBB, WEBB AND WRIGHT, CPA's  
March 11, 2015

## **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, 2014. Please read it in conjunction with the City's financial statements.

### **USING THIS ANNUAL REPORT**

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

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

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

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

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

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

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

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

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

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

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

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Net position of the City's governmental activities decreased from \$2,400,495 to \$2,347,542. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$181,762 at September 30, 2014.

This decrease in governmental net position was the net result of the City's expenses exceeding the revenues by \$52,952.

The net position of our business-type activities increased by \$216,729. This increase is significant to the overall operations of the City as it provides significant services to the community. Factors contributing to this increase are shown in Exhibit B-1.

**Table 1**  
**City of Littlefield**

**Net Position**  
**in thousands**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	396	618	1,735	2,514	2,131	3,132	-32.0%
Capital assets	3,467	2,434	14,155	14,549	17,622	16,993	3.8%
<b>Total assets</b>	<b>3,863</b>	<b>3,052</b>	<b>15,890</b>	<b>17,063</b>	<b>19,753</b>	<b>20,115</b>	<b>-1.8%</b>
Total deferred outflows of resources	\$	\$	\$ 673	\$	\$ 673	\$ -0-	100.0%
Long-term liabilities	975	353	10,310	10,626	11,285	10,979	2.8%
Other liabilities	540	298	580	915	1,120	1,213	-7.7%
<b>Total liabilities</b>	<b>1,515</b>	<b>651</b>	<b>10,890</b>	<b>11,541</b>	<b>12,405</b>	<b>12,192</b>	<b>1.7%</b>
<b>Net position:*</b>							
Net investment in capital assets	2,139	1,913	3,451	3,287	5,590	5,200	7.5%
Restricted	27	11	359	1,063	386	1,074	-64.1%
Unrestricted	182	477	1,863	1,172	2,045	1,649	24.0%
<b>Total net position</b>	<b>2,348</b>	<b>2,400</b>	<b>5,673</b>	<b>5,522</b>	<b>8,021</b>	<b>7,922</b>	<b>1.2%</b>

\* The implementation of GASB Statement No. 65 resulted in the beginning net position of the business-type activities being restated. Net position was not restated for FY 2013 on this table.

**Table 2**

**City of Littlefield**

**Changes in Net Position  
in thousands**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
<b>Revenues:</b>							
<b>Net program revenues:</b>							
Charges for services	1,437	1,710	2,196	2,252	3,633	3,962	-8.3%
Operating grants and contributions					-0-	-0-	0.0%
Capital grants and contributions					-0-	-0-	0.0%
<b>General revenues:</b>							
Property taxes	979	1,039	116	115	1,095	1,154	-5.1%
Other taxes	978	963			978	963	1.6%
Unrestricted investment earnings	1	2	6	6	7	8	-12.5%
Other revenues	256	401	125	110	381	511	-25.4%
Gain(Loss)on sale of assets	3	12			3	12	-75.0%
<b>Total revenues</b>	<b>3,654</b>	<b>4,127</b>	<b>2,443</b>	<b>2,483</b>	<b>6,097</b>	<b>6,610</b>	<b>-7.8%</b>
<b>Expenses:</b>							
General government	1,137	1,027			1,137	1,027	10.7%
Police	901	940			901	940	-4.1%
Fire	147	218			147	218	-32.6%
EMS	636	635			636	635	.2%
Refuse	517	909			517	909	-43.1%
Parks	134	149			134	149	-10.1%
Public Services	119	120			119	120	-.8%
Streets	260	220			260	220	18.2%
Other		6			-0-	6	-100.0%
Interest on long-term debt	36	15			36	15	140.0%
Water and Sewer			1,606	1,484	1,606	1,484	8.2%
BCDC			711	882	711	882	-19.4%
<b>Total expenses</b>	<b>3,887</b>	<b>4,239</b>	<b>2,317</b>	<b>2,366</b>	<b>6,204</b>	<b>6,605</b>	<b>-6.1%</b>
<b>Increase(decrease) in net position before transfers</b>							
Transfers	(233)	(112)	126	117	(107)	5	-2,240.0%
Change in net position	(53)	138	217	152	164	290	-43.4%
Net position-beginning, as restated	2,400	2,263	5,457	5,370	7,857	7,633	2.9%
Net position-ending	2,348	2,400	5,673	5,522	8,021	7,922	1.2%

The City's total revenues decreased over \$564,000 this year. The total cost of all programs and services decreased over \$253,000 this year.

The City's total revenue decreased due to lower charges for services revenue – primarily from landfill operations and lower general revenues – primarily from taxes and miscellaneous income. In addition, the City's overall expenses decreased also – primarily from the City undertaking in-house operations of residential refuse collections coupled with an increase in component unit expenses.

The cost of all governmental and business-type activities this year was \$6,203,564. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,072,087 because \$3,633,094 of the costs were paid by those who directly benefited from the programs and \$-0- 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 \$754,962, which is significantly lower than last year's total of \$969,053. Included in this year's total change in fund balance is a decrease of \$322,832 in the City's General Fund.

The budget for FY 2015 includes an overall increase in total revenue due to proceeds from the refinancing of bonds and a slight uptick in sales tax collected due to an improved economy. The budget also includes an overall increase in expenditures primarily for the paydown of existing debt.

#### ***General Fund Budgetary Highlights***

The City's General Fund balance of \$50,108 differs significantly from the General Fund's budgetary deficit fund balance of \$30,980. 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 \$1,570,326 and the actual was \$1,658,525. The most positive variance was from other revenue and contributions from about half of all departments as expenditures reported in under budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At the end of 2014, the City had \$36,370,518 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 \$1,404,707, or 4% above last year.

This year's major additions included:

Residential Collection - Collection Trucks & Dumpsters	\$ 968,341
Police Vehicles	188,064
Streets – Asphalt Truck	154,379
Water & Sewer - Sewer Jetter	97,750
Park Pavilions	36,271
Computer & Server	29,125
	-----
Total	\$1,473,930
	=====

The City has several capital projects planned for the fiscal year 2015 totaling \$893,133. The projects include purchasing 3 new Tahoes for the police department and a new ambulance for the EMS department which will be offset by a subsidy from Lamb County. There is a possibility for further budget amendments for additional capital outlays.

### ***Debt***

At year-end, the City had \$12,032,178 in bonds, capital leases and a note payable outstanding versus \$12,265,960 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 2015 budget and tax rates. The City intends to monitor and be proactive in spending habits to insure compliance with the budget while still providing city services to the citizens of Littlefield. The City intends to minimize the raising of tax rates and user fees. The effect of the new tax rate is based on the cost of doing business.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

CITY OF LITTLEFIELD  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 243,192	\$ 460,687	\$ 703,879	\$ 566,902
Receivables (net of allowance for uncollectibles)	609,830	343,952	953,782	
Internal Balances	(528,290)	528,290	-0-	
Due from Other Governments	44,644		44,644	44,644
Due from Other Funds				43,570
Note Receivable		42,225	42,225	
Restricted Assets:				
Cash	26,638	359,516	386,154	
Capital Assets (net of accumulated depreciation):				
Land	818,324	507,595	1,325,919	
Buildings & Structures	569,768	12,737,256	13,307,024	20,982
Machinery and Equipment	496,291	416,678	912,969	
Furniture and Fixtures	44,432	1,664	46,096	
Capital Leases	1,538,177	492,274	2,030,451	
Total Capital Assets	\$ 3,466,992	\$ 14,155,467	\$ 17,622,459	\$ 20,982
<b>TOTAL ASSETS</b>	\$ 3,863,006	\$ 15,890,136	\$ 19,753,142	\$ 676,098
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Refunding	\$ -	\$ 672,930	\$ 672,930	\$ -
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	\$ -0-	\$ 672,930	\$ 672,930	\$ -0-
<b>LIABILITIES</b>				
Accounts Payable	\$ 34,622	\$ 3,885	\$ 38,507	\$ -
Accrued Liabilities	44,953		44,953	
Due to Other Funds	43,570		43,570	
Escrow Deposits		971	971	
Customer Deposits		167,614	167,614	
Unearned Revenue		13,048	13,048	
Landfill Closure Liability	64,470		64,470	
Noncurrent Liabilities:				
Due within one year	353,097	393,905	747,002	
Due in more than one year	974,753	10,310,423	11,285,176	
<b>TOTAL LIABILITIES</b>	\$ 1,515,464	\$ 10,889,847	\$ 12,405,311	\$ -0-
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 2,139,142	\$ 3,451,138	\$ 5,590,280	\$ 20,982
Restricted for:				
Technology Improvements	2,232		2,232	
Public Relations	24,406		24,406	
Debt Service		359,516	359,516	
Unrestricted	181,762	1,862,565	2,044,327	655,116
<b>TOTAL NET POSITION</b>	\$ 2,347,542	\$ 5,673,219	\$ 8,020,761	\$ 676,098

The accompanying notes are an integral part of this statement.

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

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental Activities:								
General Government	\$ 1,137,173	\$ 35,971	\$	\$	\$ (1,101,202)	\$	\$ (1,101,202)	\$
Police	901,525				(901,525)		(901,525)	
Fire	146,820	7,500			(139,320)		(139,320)	
EMS	635,818	517,808			(118,010)		(118,010)	
Refuse	516,926	766,139			249,213		249,213	
Parks	134,245	58,584			(75,661)		(75,661)	
Public Services	118,561	51,181			(67,380)		(67,380)	
Streets	259,776				(259,776)		(259,776)	
Other	308				(308)		(308)	
Interest on Long-Term Debt	36,015				(36,015)		(36,015)	
<b>Total Governmental Activities</b>	<b>\$ 3,887,167</b>	<b>\$ 1,437,183</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ (2,449,984)</b>	<b>\$ -0-</b>	<b>\$ (2,449,984)</b>	<b>\$ -0-</b>
Business – Type Activities:								
Water & Sewer	\$ 1,605,892	\$ 2,195,911	\$	\$	\$	\$ 590,019	\$ 590,019	\$
BCDC	710,505					(710,505)	(710,505)	
<b>Total Business-Type Activities</b>	<b>\$ 2,316,397</b>	<b>\$ 2,195,911</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ (120,486)</b>	<b>\$ (120,486)</b>	<b>\$ -0-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 6,203,564</b>	<b>\$ 3,633,094</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ (2,449,984)</b>	<b>\$ (120,486)</b>	<b>\$ (2,570,470)</b>	<b>\$ -0-</b>
<b>COMPONENT UNIT:</b>								
Economic Development	\$ 210,713	\$	\$	\$	\$	\$	\$	\$ 210,713
<b>TOTAL COMPONENT UNIT</b>	<b>\$ 210,713</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 210,713</b>
General Revenues:								
Property taxes					\$ 978,750	\$ 115,684	\$ 1,094,434	\$
Sales taxes					547,820		547,820	547,820
Franchise fees					395,481		395,481	
Hotel/Motel Tax					34,352		34,352	
Investment earnings					1,344	6,309	7,653	1,586
Other					256,224	124,620	380,844	
Gain (Loss) on sale of assets					3,117		3,117	
Transfers					179,944	90,602	270,546	(270,546)
<b>Total general revenues and transfers</b>					<b>\$ 2,397,032</b>	<b>\$ 337,215</b>	<b>\$ 2,734,247</b>	<b>\$ 278,860</b>
Change in net position					\$ (52,952)	\$ 216,729	\$ 163,777	\$ 68,147
Net position – beginning, as restated					2,400,495	5,456,490	7,856,985	607,951
Net position – ending					<b>\$ 2,347,542</b>	<b>\$ 5,673,219</b>	<b>\$ 8,020,761</b>	<b>\$ 676,098</b>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 197,629	\$ 612,465	\$ 810,094
Accounts Receivable	497,101	4,175	501,276
Delinquent Taxes Receivable	127,710		127,710
Allowance for Uncollectible Taxes	(19,156)		(19,156)
Due From Other Governments	44,644	44,644	89,288
Due From Other Funds		43,570	43,570
Restricted Assets:			
Cash	26,638		26,638
<b>TOTAL ASSETS</b>	<b>\$ 874,566</b>	<b>\$ 704,854</b>	<b>\$ 1,579,420</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 34,622	\$	\$ 34,622
Accrued Liabilities	44,953		44,953
Due to Other Funds	571,860		571,860
Landfill Closure Liability	64,470		64,470
<b>TOTAL LIABILITIES</b>	<b>\$ 715,904</b>	<b>\$ -0-</b>	<b>\$ 715,904</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue – Property Taxes	\$ 108,554	\$	\$ 108,554
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 108,554</b>	<b>\$ -0-</b>	<b>\$ 108,554</b>
<b>FUND BALANCES</b>			
Restricted Fund Balances For:			
Technology Improvements	\$ 2,232	\$	\$ 2,232
Public Relations	24,406		24,406
Assigned Fund Balances For:			
Economic Development		655,116	655,116
Other Purposes		49,738	49,738
Unassigned Fund Balance	23,470		23,470
<b>TOTAL FUND BALANCES</b>	<b>\$ 50,108</b>	<b>\$ 704,854</b>	<b>\$ 754,962</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 874,566</b>	<b>\$ 704,854</b>	<b>\$ 1,579,420</b>

The accompanying notes are an integral part of this statement.

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

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

Total fund balances - governmental funds balance sheet.	\$ 754,962
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,466,992
A reclassification is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting and, thereby recognizing unearned revenue from property taxes as revenue.	108,554
Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds.	(1,327,850)
Component unit presented separately.	(655,116)
	-----
Total net position of governmental activities.	\$ 2,347,542 =====

The accompanying notes are an integral part of this statement.  
(14)

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

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
<u>REVENUES</u>			
Taxes	\$ 1,953,695	\$ 547,820	\$ 2,501,515
Charges for Services	1,332,814		1,332,814
Licenses and Permits	9,814		9,814
Fines	35,971		35,971
Grants			-0-
Local Funds		58,584	58,584
Interest Income	1,343	1,587	2,930
Other Revenue	256,224		256,224
	-----	-----	-----
Total Revenues	\$ 3,589,861	\$ 607,991	\$ 4,197,852
	-----	-----	-----
<u>EXPENDITURES</u>			
Current Operating:			
Legislative	\$ 265,218	\$	\$ 265,218
Administrative	261,269		261,269
Municipal Court	80,957		80,957
Police	837,835		837,835
Fire	119,563		119,563
Refuse	247,793		247,793
Streets	222,297		222,297
Parks	133,338		133,338
Airport	21,034		21,034
Building & Maintenance	270,833		270,833
Fleet Services	168,511		168,511
EMS	577,246		577,246
LEDC	31,900		31,900
Licensing & Enforcement	97,527		97,527
Emergency Management	16,587		16,587
Residential Collection	170,767		170,767
SRF's		211,021	211,021
Capital Outlay	1,339,909	36,271	1,376,180
Debt Service:			
Principal	349,787		349,787
Interest	36,015		36,015
	-----	-----	-----
Total Expenditures	\$ 5,248,386	\$ 247,292	\$ 5,495,678
	-----	-----	-----

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, 2014

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,658,525)	\$ 360,699	\$ (1,297,826)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Assets	\$ 17,933	\$	\$ 17,933
Proceeds from Capital Leases	1,156,405		1,156,405
Operating Transfers In	240,004	18,592	258,596
Operating Transfers Out	(78,649)	(270,549)	(349,198)
Total Other Financing Sources (Uses)	\$ 1,335,693	\$ (251,957)	\$ 1,083,736
Net Change in Fund Balances	\$ (322,832)	\$ 108,742	\$ (214,090)
Fund Balances - Beginning	372,941	596,112	969,053
Fund Balances - Ending	\$ 50,108 =====	\$ 704,854 =====	\$ 754,962 =====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Net change in fund balances - total governmental funds.	\$ (214,090)
Capital outlays are not reported as expenses in the SOA.	1,376,180
Governmental funds only report the sale of assets to the extent proceeds are received from the sale. In the SOA, a gain or loss is reported.	(14,816)
Capital asset depreciation used in governmental activities is not reported in the funds.	(328,169)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	2,708
Some expenditures (e.g. principal debt payment) on fund statements are not expenditures on the SOA.	349,787
Proceeds from capital leases and installment note are not reported as revenue in the SOA.	(1,156,405)
Component unit presented separately.	(68,147)
Change in net position of governmental activities.	\$ (52,952)
	=====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	WATER & SEWER -----	BCDC -----	TOTAL -----
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 460,687	\$	\$ 460,687
Accounts Receivable	298,126	32,778	330,904
Delinquent Taxes Receivable		15,350	15,350
Allowance for Uncollectible Taxes		(2,302)	(2,302)
Note Receivable	42,225		42,225
Due From Other Funds	1,410,173		1,410,173
Restricted Assets:			
Cash in Bank	238,935	120,581	359,516
	-----	-----	-----
<b>Total Current Assets</b>	<b>\$ 2,450,146</b>	<b>\$ 166,407</b>	<b>\$ 2,616,553</b>
	-----	-----	-----
<b>Capital Assets (Net)</b>			
Land	\$ 325,933	\$ 181,662	\$ 507,595
Building & Structures	4,718,324	8,018,932	12,737,256
Machinery & Equipment	416,678		416,678
Furniture & Fixtures	1,664		1,664
Capital Lease Assets	492,274		492,274
	-----	-----	-----
<b>Total Noncurrent Assets</b>	<b>\$ 5,954,873</b>	<b>\$ 8,200,594</b>	<b>\$ 14,155,467</b>
	-----	-----	-----
<b>TOTAL ASSETS</b>	<b>\$ 8,405,018</b>	<b>\$ 8,367,001</b>	<b>\$ 16,772,019</b>
	=====	=====	=====
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Charge on Refunding	\$	\$ 672,930	\$ 672,930
	-----	-----	-----
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -0-</b>	<b>\$ 672,930</b>	<b>\$ 672,930</b>
	=====	=====	=====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	WATER & SEWER -----	BCDC -----	TOTAL -----
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 3,885	\$	\$ 3,885
Due to Other Funds		881,883	881,883
Escrow Deposits	971		971
Customer Deposits	167,614		167,614
Unearned Revenue		13,048	13,048
Capital Leases - Current	113,905		113,905
	-----	-----	-----
<b>Total Current Liabilities</b>	<b>\$ 286,375</b>	<b>\$ 894,931</b>	<b>\$ 1,181,306</b>
	-----	-----	-----
<b>Current Liabilities Payable From Restricted Assets</b>			
Bonds Payable - Current	\$ 270,000	\$ 10,000	\$ 280,000
	-----	-----	-----
<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>\$ 270,000</b>	<b>\$ 10,000</b>	<b>\$ 280,000</b>
	-----	-----	-----
<b>Noncurrent Liabilities</b>			
Bonds Payable	\$ 1,670,000	\$ 8,135,000	\$ 9,805,000
Capital Leases Payable	505,423		505,423
	-----	-----	-----
<b>Total Noncurrent Liabilities</b>	<b>\$ 2,175,423</b>	<b>\$ 8,135,000</b>	<b>\$ 10,310,423</b>
	-----	-----	-----
<b>TOTAL LIABILITIES</b>	<b>\$ 2,731,799</b>	<b>\$ 9,039,931</b>	<b>\$ 11,771,730</b>
	=====	=====	=====
<b>NET POSITION:</b>			
Net Investment in Capital Assets	\$ 3,395,544	\$ 55,594	\$ 3,451,138
Restricted for Debt Service	238,935	120,581	359,516
Unrestricted (Deficit)	2,038,740	(176,175)	1,862,565
	-----	-----	-----
<b>TOTAL NET POSITION</b>	<b>\$ 5,673,219</b>	<b>\$ -0-</b>	<b>\$ 5,673,219</b>
	=====	=====	=====

The accompanying notes are an integral part of this statement.

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

	WATER & SEWER	BCDC	TOTAL
	-----	-----	-----
Operating Revenues			
Water Sales	\$ 1,618,941	\$	\$ 1,618,941
Charges for Services	576,970		576,970
Taxes		115,684	115,684
Other Revenue	124,565	55	124,620
	-----	-----	-----
Total Operating Revenues	\$ 2,320,476	\$ 115,739	\$ 2,436,215
	-----	-----	-----
Operating Expenses			
Personnel Services	\$ 516,582	\$	\$ 516,582
Contractual Services	526,743	86,753	613,496
Supplies and Maintenance	138,093	1,162	139,255
Depreciation	331,708	160,044	491,752
	-----	-----	-----
Total Operating Expenses	\$ 1,513,126	\$ 247,959	\$ 1,761,085
	-----	-----	-----
Operating Income (Loss)	\$ 807,350	\$ (132,220)	\$ 675,130
	-----	-----	-----
Non-Operating Revenues (Expenses)			
Interest Income	\$ 4,176	\$ 2,133	\$ 6,309
Bonds and Capital Lease Interest	(92,766)	(462,546)	(555,312)
	-----	-----	-----
Total Non-Operating Revenues (Expenses)	\$ (88,590)	\$ (460,413)	\$ (549,003)
	-----	-----	-----
Income(Loss) Before Operating Transfers	\$ 718,760	\$ (592,633)	\$ 126,127
Operating Transfers In	60,056	592,633	652,689
Operating Transfers (Out)	(562,087)		(562,087)
	-----	-----	-----
Change in Net Position	\$ 216,729	\$ -0-	\$ 216,729
Net Position - Beginning, as Restated	5,456,490	-0-	5,456,490
	-----	-----	-----
Net Position - Ending	\$ 5,673,219	\$ -0-	\$ 5,673,219
	=====	=====	=====

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

CITY OF LITTLEFIELD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	WATER AND SEWER	BCBD	TOTAL
	-----	-----	-----
<b>Cash Flows From Operating Activities:</b>			
Cash Received From Customers	\$ 2,332,636	\$ (87,915)	\$ 2,332,636
Cash Payments for Goods and Services	(678,239)	(87,915)	(766,154)
Cash Payments to Employees	(516,582)		(516,582)
Other Operating Revenues		115,739	115,739
	-----	-----	-----
Net Cash Provided (Used) by Operating Activities	\$ 1,137,815	\$ 27,824	\$ 1,165,639
	-----	-----	-----
<b>Cash Flows From Noncapital Financing Activities:</b>			
Due To/From Other Funds	\$ (417,816)	\$ 140,765	\$ (277,051)
Operating Transfers In	60,056	592,633	652,689
Operating Transfers (Out)	(562,087)		(562,087)
	-----	-----	-----
Net Cash Provided (Used) for Noncapital Financing Activities	\$ (919,847)	\$ 733,398	\$ (186,449)
	-----	-----	-----
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition of Fixed Assets	\$ (97,750)	\$	\$ (97,750)
Proceeds From Capital Leases	97,750		97,750
Capital Lease Payments	(108,150)		(108,150)
Current Refunding Proceeds	560,000	7,856,090	8,416,090
Principal Paid on Bonds	(790,000)	(8,945,000)	(9,735,000)
Interest Paid on Bonds and Capital Leases	(92,766)	(462,546)	(555,312)
	-----	-----	-----
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (430,916)	\$ (1,551,456)	\$ (1,982,372)
	-----	-----	-----
<b>Cash Flows From Investing Activities:</b>			
Proceeds from Note Receivable	\$ 2,516	\$	\$ 2,516
Interest Earnings on Cash and Investments	4,176	2,133	6,309
	-----	-----	-----
Net Cash Provided (Used) From Investing Activities	\$ 6,692	\$ 2,133	\$ 8,825
	-----	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (206,255)	\$ (788,101)	\$ (994,356)
Cash and Cash Equivalents - Beginning	905,877	908,682	1,814,559
	-----	-----	-----
Cash and Cash Equivalents - Ending	\$ 699,622	\$ 120,581	\$ 820,203
	=====	=====	=====

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

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

	<u>WATER AND SEWER</u>	<u>BCDC</u>	<u>TOTAL</u>
	-----	-----	-----
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 807,350	\$ (132,220)	\$ 675,130
	-----	-----	-----
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	\$ 331,708	\$ 160,044	\$ 491,752
Bad Debt Write-off	98,088		98,088
<b>Changes in Assets and Liabilities:</b>			
Accounts Receivable (Increase) Decrease	(11,737)		(11,737)
Accounts Payable & Accrued Liabilities Increase (Decrease)	(13,403)		(13,403)
Escrow & Customer Deposits Increase (Decrease)	4,976		4,976
Other Liabilities Increase (Decrease)	(79,167)		(79,167)
	-----	-----	-----
<b>Total Adjustments</b>	<b>\$ 330,465</b>	<b>\$ 160,044</b>	<b>\$ 490,509</b>
	-----	-----	-----
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,137,815</b>	<b>\$ 27,824</b>	<b>\$ 1,165,639</b>
	=====	=====	=====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

B. BASIS OF PRESENTATION

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

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

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**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, 2014

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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

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

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

The City has presented the following Major Governmental Fund:

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

The City has presented the following Major Proprietary Funds:

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

D. CASH AND CASH EQUIVALENTS

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

E. RECEIVABLE AND PAYABLE BALANCES

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

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

F. INTERFUND ACTIVITY

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

G. INVENTORIES AND PREPAID ITEMS

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

H. RESTRICTED ASSETS

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

I. CAPITAL ASSETS

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

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

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

J. ENCUMBRANCES

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

K. ACCUMULATED UNPAID VACATION AND SICK PAY

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

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.

*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.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

L. FUND BALANCES (continued)

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.

**NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING**

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

1. Prior to October 1, the City Council reviews the operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted when applicable by law.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Transfer of budgeted amounts between line items is authorized within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget was properly amended by the City Council as needed throughout the year. There were no significant budget amendments passed during the 2013-14 fiscal year.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 3. COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

**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, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$1,656,935 and the bank balance was \$1,733,054. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance and by pledged collateral held by the City's agent bank in the City's name.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**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, 2014

**NOTE 4: DEPOSITS AND INVESTMENTS (continued)**

The City's investments at September 30, 2014 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, 2014

**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 and Proprietary Fund-BCDC 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 \$42,225 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, 2014

**NOTE 7: CAPITAL ASSETS**

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

	Beginning Balances	Increases	Decreases	Ending Balances
	-----	-----	-----	-----
<b><u>Governmental Activities:</u></b>				
<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	\$ 6,323,729	\$ 36,271	\$	\$ 6,360,000
Machinery and Equipment	2,230,315	154,379	(69,223)	2,315,471
Furniture and Fixtures	162,611	29,125		191,736
Capital Leases	874,317	1,156,405		2,030,722
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 9,590,972	\$ 1,376,180	\$ (69,223)	\$ 10,897,929
	-----	-----	-----	-----
<i>Less accumulated depreciation for:</i>				
Buildings and Structures	\$ (5,744,296)	\$ (45,936)	\$	\$ (5,790,232)
Machinery and Equipment	(1,744,146)	(129,441)	54,407	(1,819,180)
Furniture and Fixtures	(141,221)	(6,083)		(147,304)
Capital Leases	(345,836)	(146,709)		(492,545)
	-----	-----	-----	-----
Total accumulated depreciation	\$ (7,975,499)	\$ (328,169)	\$ 54,407	\$ (8,249,261)
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 1,615,473	\$ 1,048,011	\$ (14,816)	\$ 2,648,668
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 2,433,797	\$ 1,048,011	\$ (14,816)	\$ 3,466,992
	=====	=====	=====	=====

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 7: CAPITAL ASSETS (continued)**

Business-type Activities:

*Capital assets not being depreciated:*

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

*Capital assets being depreciated:*

Buildings and Structures	\$ 19,821,608	\$	\$	\$ 19,821,608
Machinery and Equipment	2,801,990			2,801,990
Furniture and Fixtures	199,854			199,854
Capital Leases	1,204,486	97,750		1,302,236
<hr style="border-top: 1px dashed black;"/>				
Total capital assets being depreciated	\$ 24,027,938	\$ 97,750	\$ -0-	\$ 24,125,688
<hr style="border-top: 1px dashed black;"/>				

*Less accumulated depreciation for:*

Buildings and Structures	\$ (6,736,939)	\$ (347,413)	\$	\$ (7,084,352)
Machinery and Equipment	(2,339,956)	(45,355)		(2,385,312)
Furniture and Fixtures	(197,082)	(1,109)		(198,190)
Capital Leases	(712,087)	(97,875)		(809,962)
<hr style="border-top: 1px dashed black;"/>				

Total accumulated depreciation	\$ (9,986,064)	\$ (491,752)	\$ -0-	\$ (10,477,816)
<hr style="border-top: 1px dashed black;"/>				

Total capital assets being depreciated, net	\$ 14,041,874	\$ (394,002)	\$ -0-	\$ 13,647,872
<hr style="border-top: 1px dashed black;"/>				

Business-type activities capital assets, net	\$ 14,549,469	\$ (394,002)	\$ -0-	\$ 14,155,467
<hr style="border-top: 1px dashed black;"/>				
=====				

BCDC Fund:

The carrying amount of impaired capital assets that are idle at year end is \$8,200,594.

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	\$ 41,898
Police	63,690
Fire	27,257
Refuse	98,366
Streets	37,479
EMS	58,572
Parks	907
<hr style="border-top: 1px dashed black;"/>	

Total depreciation expense - Governmental activities	\$ 328,169
<hr style="border-top: 1px dashed black;"/>	

Business-type activities:

Water and Sewer	\$ 331,708
BCDC	160,044
<hr style="border-top: 1px dashed black;"/>	

Total depreciation expense - Business-type activities	\$ 491,752
<hr style="border-top: 1px dashed black;"/>	

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 8: MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE  
CARE COSTS**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure.

Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

\$64,470 reported as landfill closure and postclosure care liability at September 30, 2014 represents the cumulative amount reported to date based on the use of 45% of the estimated capacity of the Type IV landfill and the use of 12% of the estimated capacity of the Type I landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$287,467 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. The City expects to close the Type IV landfill in the year 2045 and close the Type I landfill in the year 2114. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 9: OPERATING/CAPITAL LEASES**

The City had no operating leases at September 30, 2014. During the current year, there were seven capital lease agreements related to the General Fund and three related to the Water & Sewer Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Interest paid on all capital leases for the current year was \$61,764. Commitments under capitalized lease obligations provide for future minimum lease payments as of September 30, 2014, as follows:

<u>Year Ending September 30</u>	General Fund	Water and Sewer Fund
	-----	-----
2015	\$ 378,526	\$ 139,024
2016	306,202	139,024
2017	250,834	139,023
2018	155,763	139,085
2019	147,899	121,495
2020-2024	147,899	15,684
	-----	-----
Total Minimum Lease Payments	\$1,387,123	\$ 693,335
Less Amount Representing Interest	(82,307)	(74,007)
	-----	-----
Present Value - Minimum Lease Payments	\$1,304,816	\$ 619,328
	=====	=====

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 10: BONDS PAYABLE**

During the current fiscal year, the City issued \$560,000 of Combination Tax and Revenue C/O Refunding and Improvement Bonds, Series 2014 to refund \$545,000 of the City's outstanding Certificates of Obligation, Series 1997 in order to lower the overall debt service requirements of the City. Both bond obligations are accounted for in the water and sewer fund. The current refunding bonds, with an effective interest rate of 1.87%, mature on February 15, 2017. The amount of interest paid in FYE 2014 was \$14,831. As a result of the current refunding, the City decreased total debt service requirements by \$11,734, which resulted in an economic gain of \$13,835.

A summary of changes in long-term debt for the year ended September 30, 2014, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Series 1997	\$ 710,000	\$ -0-	\$ 710,000	\$ -0-	\$ -0-
Series 2014	-0-	560,000	-0-	560,000	185,000
<b>Totals</b>	<b>\$ 710,000</b>	<b>\$560,000</b>	<b>\$ 710,000</b>	<b>\$ 560,000</b>	<b>\$ 185,000</b>

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 185,000	\$ 9,308	\$ 194,308
2016	185,000	7,013	192,013
2017	190,000	3,553	193,553
<b>Totals</b>	<b>\$ 560,000</b>	<b>\$ 19,874</b>	<b>\$ 579,874</b>

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 10: BONDS PAYABLE (continued)**

During the current fiscal year, the City issued \$605,000 of Combination Tax and Revenue C/O Refunding and Improvement Bonds, Series 2014 to refund \$705,000 of the City's outstanding Certificates of Obligation, Series 2000 in order to lower the overall debt service requirements of the City. Both bond obligations are accounted for in the BCDC Fund. The current refunding bonds, with an effective interest rate of 2.45%, mature on February 15, 2020. The amount of interest paid in FYE 2014 was \$27,825. As a result of the current refunding, the City decreased total debt service requirements by \$224,689, which resulted in an economic gain of \$69,312.

A summary of changes in long-term debt for the year ended September 30, 2014, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Series 2000	\$ 795,000	\$ -0-	\$795,000	\$ -0-	\$ -0-
Series 2014	-0-	605,000	-0-	605,000	10,000
<b>Totals</b>	<b>\$ 795,000</b>	<b>\$605,000</b>	<b>\$795,000</b>	<b>\$ 605,000</b>	<b>\$ 10,000</b>

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 10,000	\$ 13,176	\$ 23,176
2016	105,000	14,578	119,578
2017	120,000	12,005	132,005
2018	120,000	9,065	129,065
2019	125,000	6,125	131,125
2020	125,000	3,062	128,062
<b>Totals</b>	<b>\$ 605,000</b>	<b>\$ 58,011</b>	<b>\$ 663,011</b>

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 10: BONDS PAYABLE (continued)**

During the current fiscal year, the City issued \$7,540,000 of Combination Tax and Revenue Refunding Bonds, Series 2014A to refund \$7,945,000 of the City's outstanding Refunding Bonds, Series 2001 in order to lower the overall debt service requirements of the City. Both bond obligations are accounted for in the BCDC Fund. The current refunding bonds, with an effective interest rate of 2.84%, mature on February 15, 2029. The amount of interest paid in FYE 2014 was \$434,721. As a result of the current refunding, the City decreased total debt service requirements by \$2,899,702, which resulted in an economic gain of \$1,563,382.

A summary of changes in long-term debt for the year ended September 30, 2014 is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Series 2001	\$ 8,150,000	\$ -0-	\$8,150,000	\$ -0-	\$ -0-
Series 2014A	-0-	7,540,000	-0-	7,540,000	-0-
<b>Totals</b>	<b>\$ 8,150,000</b>	<b>\$7,540,000</b>	<b>\$8,150,000</b>	<b>\$7,540,000</b>	<b>\$ -0-</b>

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ -0-	\$ 91,008	\$ 91,008
2016	150,000	214,136	364,136
2017	380,000	209,876	589,876
2018	390,000	199,084	589,084
2019	405,000	188,008	593,008
2020-2024	2,850,000	724,910	3,574,910
2025-2029	3,365,000	293,940	3,658,940
<b>Totals</b>	<b>\$ 7,540,000</b>	<b>\$ 1,920,962</b>	<b>\$ 9,460,962</b>

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 10: BONDS PAYABLE (continued)**

On October 20, 2006, the City issued combination tax and revenue certificates of obligation, Series 2006. This bond obligation is accounted for in the Water and Sewer Fund. The original amount of the bond obligation was \$1,910,000, with effective interest rates ranging from 3.00% to 3.80%. The amount of interest paid in FYE 2014 was \$50,808.

A summary of changes in long-term debt for the year ended September 30, 2014, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Series 2006	\$1,460,000	\$ -0-	\$ 80,000	\$ 1,380,000	\$ 85,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 85,000	\$ 48,105	\$ 133,105
2016	90,000	45,195	135,195
2017	90,000	42,158	132,158
2018	95,000	38,989	133,989
2019	100,000	35,600	135,600
2020-2024	555,000	120,876	675,876
2025-2027	365,000	20,106	385,106
<b>Totals</b>	<b>\$ 1,380,000</b>	<b>\$ 351,029</b>	<b>\$ 1,731,029</b>

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 11: NOTE PAYABLE**

In October 2012, the City borrowed \$34,396 from Ally Bank to purchase a 2012 GMC Sierra pickup. This vehicle is for administrative use and the note payable is a General Fund obligation. The note is for 66 months at an interest rate of 5.49%. The amount of interest paid in FYE 2014 was \$1,440.

A summary of changes in long-term debt for the year ended September 30, 2014, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Note Payable	\$ 28,871	\$ -0-	\$ 5,837	\$ 23,034	\$ 6,165

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2015	\$ 6,165	\$ 1,111	\$ 7,276
2016	6,513	764	7,277
2017	6,879	397	7,276
2018	3,477	55	3,532
Totals	\$ 23,034	\$ 2,327	\$ 25,361

**NOTE 12: CHANGES IN OTHER LONG-TERM DEBT**

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Capital Leases	\$1,122,089	\$1,254,155	\$ 452,100	\$1,924,144	\$ 463,713
Landfill Liability	291,676	-0-	4,209	287,467	-0-
Totals	\$1,413,765	\$1,254,155	\$ 456,309	\$2,211,611	\$ 463,713

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 13: INTERFUND BALANCES AND ACTIVITIES**

1. Due To and From Other Funds

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

Due to Fund	Due From Fund	Amount
-----	-----	-----
Water & Sewer Fund	General Fund	\$ 528,290
Water & Sewer Fund	BCDC Fund	881,883
Other Governmental Fund	General Fund	43,570
	Total	----- \$ 1,453,743 =====

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount
-----	-----	-----
General Fund (Net)	Other Governmental Funds	\$ 18,589
Water & Sewer Fund (Net)	General Fund	179,944
Water & Sewer Fund	BCDC Fund	322,087
Other Governmental Fund	BCDC Fund	270,546
	Total	----- \$ 791,166 =====

The purpose of interfund transfers was for operations and bookkeeping.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**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 2014, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**NOTE 15: SELF-INSURED INSURANCE**

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

**NOTE 16: SUBSEQUENT EVENTS**

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

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

The City participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 17: COMMITMENTS AND CONTINGENCIES (continued)**

The Bill Clayton Detention Center (BCDC) continues to be a primary focus of City Management for the occupation of inmates/detainees. The City has met on numerous occasions with senior officials from United States Citizenship and Immigration Services (USCIS) for the detention of illegal immigrants in the BCDC and recently have begun working with the State of Texas for possible detention of offenders. Various factors have slowed the process, which include: failure to adopt a federal budget, failure to authorize the funding of Homeland Security past the February 27, 2015, Executive Order issued by President Barack Obama, and changes to Texas statute concerning how offenders receive psychological treatment. While actively pursuing these opportunities, along with others that would present themselves, the City has continued to meet the debt obligation of the BCDC. At the present time, the BCDC is current on this obligation. Recent upgrades in the bond rating by the Standard & Poor's Bond Review Committee to 'investment grade' status is evidence of the City's efforts to improve its bond evaluation.

**NOTE 18: LITIGATION**

The City was not involved in any significant litigation as of September 30, 2014.

**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 percentage adopted by the City, of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan.

Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as an Updated Service Credit.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 19: PENSION BENEFITS PLAN (continued)**

This monetary credit is determined by hypothetically re-computing the member's account balance by assuming that the current member deposit rate has always been in effect. The computation also assumes that the member's salary has always been the member's average salary-using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year and increased by the city match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted.

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.

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

The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method (EAN was first used in the December 31, 2013 valuation; previously the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases as well as future increases in salary.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 19: PENSION BENEFITS PLAN (continued)**

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.

Schedule of Funding Progress:

Actuarial Valuation Date	12-31-11	12-31-12	12-31-13
Actuarial Value of Assets	\$5,073,392	\$5,521,242	\$5,943,789
Actuarial Accrued Liability (AAL)	\$5,656,851	\$6,097,275	\$6,839,079
Unfunded or (Over-funded) Actuarial Accrued Liability (UAAL or OAAL)	\$ 583,459	\$ 576,033	\$ 895,290
Funded Ratio	89.7%	90.6%	86.9%
Annual Covered Payroll (Actuarial)	\$1,768,509	\$1,783,681	\$1,689,117
UAAL or OAAL as a Percentage of Covered Payroll	33.0%	32.3%	53.0%

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

	9-30-12	9-30-13	9-30-14
Annual Required Contribution (ARC)	\$ 176,529	\$ 176,804	\$ 194,196
Interest on NPO	8,136	9,512	10,515
Adjustment to the ARC	(6,871)	(8,357)	(9,455)
Annual Pension Cost	177,794	177,959	195,256
Contributions Made	(156,087)	(163,636)	(184,638)
Increase (Decrease) in NPO	21,707	14,323	10,618
Beginning NPO (Asset)	114,185	135,892	150,215
Ending NPO (Asset)	\$ 135,892	\$ 150,215	\$ 160,833

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 19: PENSION BENEFITS PLAN (continued)**

The City of Littlefield is one of 850 municipalities having the benefit plan administered by TMRS. Each of the 850 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2013 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained from TMRS' website at [WWW.TMRS.com](http://WWW.TMRS.com).

**NOTE 20: SUPPLEMENTAL DEATH BENEFITS FUND**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

The City contributes monthly to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 20: SUPPLEMENTAL DEATH BENEFITS FUND (continued)**

The City's contributions to the TMRS SDBF for the fiscal years ended 2014, 2013 and 2012 were \$4,675, \$4,258 and \$5,128, respectively, which equaled the required contributions each year.

The City of Littlefield is one of 731 municipalities having the benefit plan administered by TMRS. Each of the 731 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2013 TMRS Comprehensive Annual Report, a copy of which may be obtained from TMRS' website at WWW.TMRS.com.

**NOTE 21: HEALTHCARE COVERAGE**

During the year ended September 30, 2014, employees of the City were covered by a healthcare insurance plan. The City pays up to \$425 in premiums per month per employee and 0% of the cost of premiums for dependents. This plan, provided through the Texas Municipal League Intergovernmental Employee Benefits Pool, is renewable October 1, 2014, and the terms of coverage and contribution costs are included in the contractual provisions.

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

CITY OF LITTLEFIELD

Notes to Financial Statements  
September 30, 2014

**NOTE 22: CHANGE IN ACCOUNTING PRINCIPLE**

In 2014, the City adopted GASB Statement No. 65. This statement changes how certain items previously reported as assets and liabilities are now to be reported in the financial statements. The requirements of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. The implementation of Statement 65 resulted in the restatement of the beginning net position of the Water and Sewer Fund in the Proprietary Fund financial statements. The unamortized bond issuance costs were restated as an expense of prior periods and resulted in the following adjustment:

Net Position at September 30, 2013	\$ 5,521,974
Change in reporting for unamortized bond issuance costs	(65,483)
	-----
Net Position at September 30, 2013, as restated	\$ 5,456,490
	=====

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, 2014

REVENUES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>TAXES:</b>				
Current Taxes	\$1,027,927	\$1,027,927	\$ 914,320	\$ (113,607)
Delinquent Taxes	45,000	45,000	36,097	(8,903)
Penalty and Interest	20,000	20,000	25,625	5,625
City Sales Tax	587,500	587,500	547,820	(39,680)
Franchise Fees	410,000	410,000	395,481	(14,519)
Hotel/Motel Tax	34,500	34,500	34,352	(148)
<b>TOTAL TAXES</b>	<b>\$2,124,927</b>	<b>\$2,124,927</b>	<b>\$1,953,695</b>	<b>\$ (171,232)</b>
<b>CHARGES FOR SERVICES:</b>				
Refuse Collection	\$ 720,000	\$ 720,000	\$ 708,294	\$ (11,706)
Fire Service	10,000	10,000	7,500	(2,500)
EMS Fees	540,000	540,000	517,808	(22,192)
Vector Control	56,000	56,000	38,246	(17,754)
Landfill Operations	55,000	55,000	57,845	2,845
Other	6,000	6,000	3,121	(2,879)
<b>TOTAL CHARGES FOR SERVICES</b>	<b>\$1,387,000</b>	<b>\$1,387,000</b>	<b>\$1,332,814</b>	<b>\$ (54,186)</b>
<b>LICENSES AND PERMITS:</b>				
Plumbing	\$ 2,820	\$ 2,820	\$ 1,374	\$ (1,446)
Electrical	2,160	2,160	1,161	(999)
Building	6,500	6,500	6,275	(225)
Other	1,310	1,310	1,004	(306)
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>\$ 12,790</b>	<b>\$ 12,790</b>	<b>\$ 9,814</b>	<b>\$ (2,976)</b>
<b>FINES:</b>				
Municipal Court	\$ 54,480	\$ 54,480	\$ 35,971	\$ (18,509)
<b>GRANTS:</b>				
Federal/State	\$ -0-	\$ -0-	\$ -0-	\$ -0-

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER REVENUE:				
911 Subsidy	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Land Rental	25,000	25,000	26,055	1,055
Penalties	17,000	17,000	17,912	912
Ambulance Subsidies	-0-	-0-	-0-	-0-
EMS Subsidies	43,950	43,950	42,375	(1,575)
TCEQ Recovery	29,000	29,000	-0-	(29,000)
Interest Income	2,000	2,000	1,343	(657)
Miscellaneous Revenue	91,120	91,120	169,882	78,762
TOTAL OTHER REVENUE	\$ 208,070	\$ 208,070	\$ 257,567	\$ 49,497
TOTAL REVENUES	\$3,787,267	\$3,787,267	\$3,589,861	\$ (197,406)
EXPENDITURES				
LEGISLATIVE:				
Personnel Services	\$ 10,454	\$ 10,454	\$ 10,937	\$ (483)
Contractual Services	216,835	237,985	250,967	(12,982)
Supplies and Materials	2,000	3,000	3,314	(314)
TOTAL LEGISLATIVE	\$ 229,289	\$ 251,439	\$ 265,218	\$ (13,779)
ADMINISTRATIVE:				
Personnel Services	\$ 144,111	\$ 145,711	\$ 153,307	\$ (7,596)
Contractual Services	94,050	99,800	104,707	(4,907)
Supplies and Materials	2,500	3,500	3,255	245
TOTAL ADMINISTRATIVE	\$ 240,661	\$ 249,011	\$ 261,269	\$ (12,258)

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
MUNICIPAL COURT:				
Personnel Services	\$ 73,681	\$ 73,680	\$ 74,474	\$ (794)
Contractual Services	8,325	5,825	5,489	336
Supplies and Materials	1,000	1,000	994	6
TOTAL MUNICIPAL COURT	\$ 83,006	\$ 80,505	\$ 80,957	\$ (452)
POLICE:				
Personnel Services	\$ 765,014	\$ 781,515	\$ 795,826	\$ (14,311)
Contractual Services	39,460	25,710	18,816	6,894
Supplies and Materials	12,350	10,600	23,193	(12,593)
TOTAL POLICE	\$ 816,824	\$ 817,825	\$ 837,835	\$ (20,010)
FIRE:				
Personnel Services	\$ 91,214	\$ 91,214	\$ 90,580	\$ 634
Contractual Services	24,700	22,000	20,200	1,800
Supplies and Materials	4,250	4,250	8,783	(4,533)
TOTAL FIRE	\$ 120,164	\$ 117,464	\$ 119,563	\$ (2,099)
REFUSE:				
Personnel Services	\$ 132,103	\$ 132,104	\$ 133,542	\$ (1,438)
Contractual Services	52,500	59,000	57,097	1,903
Supplies and Materials	61,150	50,150	57,154	(7,004)
TOTAL REFUSE	\$ 245,753	\$ 241,254	\$ 247,793	\$ (6,539)

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>STREETS:</b>				
Personnel Services	\$ 144,077	\$ 161,327	\$ 162,562	\$ (1,235)
Contractual Services	175,500	27,500	27,401	99
Supplies and Materials	37,760	36,760	32,334	4,426
<b>TOTAL STREETS</b>	<b>\$ 357,337</b>	<b>\$ 225,587</b>	<b>\$ 222,297</b>	<b>\$ 3,290</b>
<b>PARKS:</b>				
Personnel Services	\$ 110,892	\$ 110,891	\$ 100,408	\$ 10,483
Contractual Services	19,000	12,000	10,430	1,570
Supplies and Materials	28,374	27,374	22,500	4,874
<b>TOTAL PARKS</b>	<b>\$ 158,266</b>	<b>\$ 150,265</b>	<b>\$ 133,338</b>	<b>\$ 16,927</b>
<b>AIRPORT:</b>				
Personnel Services	\$ 5,813	\$ 5,813	\$ 5,813	\$ -0-
Contractual Services	3,950	3,950	14,066	(10,116)
Supplies and Materials	2,200	2,200	1,155	1,045
<b>TOTAL AIRPORT</b>	<b>\$ 11,963</b>	<b>\$ 11,963</b>	<b>\$ 21,034</b>	<b>\$ (9,071)</b>
<b>BUILDING &amp; MAINTENANCE:</b>				
Personnel Services	\$ 16,793	\$ 16,793	\$ 9,525	\$ 7,268
Contractual Services	285,450	287,450	221,718	65,732
Supplies and Materials	24,000	12,500	39,590	(27,090)
<b>TOTAL BUILDING &amp; MAINTENANCE</b>	<b>\$ 326,243</b>	<b>\$ 316,743</b>	<b>\$ 270,833</b>	<b>\$ 45,910</b>

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>FLEET SERVICES:</b>				
Contractual Services	\$ 500	\$ 500	\$ -0-	\$ 500
Supplies and Materials	190,900	175,900	168,511	7,389
<b>TOTAL FLEET SERVICES</b>	<b>\$ 191,400</b>	<b>\$ 176,400</b>	<b>\$ 168,511</b>	<b>\$ 7,889</b>
<b>EMS:</b>				
Personnel Services	\$ 415,871	\$ 395,871	\$ 393,856	\$ 2,015
Contractual Services	23,850	23,850	19,852	3,998
Supplies and Materials	183,550	163,550	163,538	12
<b>TOTAL EMS</b>	<b>\$ 623,271</b>	<b>\$ 583,271</b>	<b>\$ 577,246</b>	<b>\$ 6,025</b>
<b>LEDC:</b>				
Personnel Services	\$ 26,620	\$ 51,620	\$ 26,887	\$ 24,733
Contractual Services	49,750	24,750	5,013	19,737
Supplies and Materials	10,500	10,500	-0-	10,500
<b>TOTAL LEDC</b>	<b>\$ 86,870</b>	<b>\$ 86,870</b>	<b>\$ 31,900</b>	<b>\$ 54,970</b>
<b>LICENSING &amp; ENFORCEMENT:</b>				
Personnel Services	\$ 74,500	\$ 80,001	\$ 84,892	\$ (4,891)
Contractual Services	6,450	7,950	7,492	458
Supplies & Materials	5,900	5,900	5,143	757
<b>TOTAL LICENSING &amp; ENFORCEMENT</b>	<b>\$ 86,850</b>	<b>\$ 93,851</b>	<b>\$ 97,527</b>	<b>\$ (3,676)</b>

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EMERGENCY MANAGEMENT:				
Personnel Services	\$ 4,348	\$ 4,349	\$ 3,604	\$ 745
Contractual Services	11,700	11,700	9,311	2,389
Supplies & Materials	1,300	1,300	3,672	(2,372)
TOTAL EMERGENCY MANAGEMENT	\$ 17,348	\$ 17,349	\$ 16,587	\$ 762
RESIDENTIAL COLLECTION:				
Personnel Services	\$ 98,655	\$ 98,655	\$ 93,269	\$ 5,386
Contractual Services	18,400	19,900	19,392	508
Supplies & Materials	84,404	76,904	58,106	18,798
TOTAL RESIDENTIAL COLLECTION	\$ 201,459	\$ 195,459	\$ 170,767	\$ 24,692
CAPITAL OUTLAY:				
Capital Outlay	\$1,219,533	\$ 1,362,033	\$ 1,339,909	\$ 22,124
TOTAL CAPITAL OUTLAY	\$1,219,533	\$ 1,362,033	\$ 1,339,909	\$ 22,124
DEBT SERVICE:				
Principal	\$ 349,786	\$ 349,786	\$ 349,787	\$ (1)
Interest	30,518	30,518	36,015	(5,497)
TOTAL DEBT SERVICE	\$ 380,304	\$ 380,304	\$ 385,802	\$ (5,498)
TOTAL EXPENDITURES	\$ 5,396,541	\$ 5,357,593	\$ 5,248,386	\$ 109,207

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,609,274)	\$ (1,570,326)	\$ (1,658,525)	\$ (88,199)
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Assets	\$ 10,000	\$ 10,000	\$ 17,933	\$ 7,933
Proceeds From Capital Leases	1,156,405	1,156,405	1,156,405	-0-
Operating Transfers In	-0-	-0-	240,004	240,004
Operating Transfers Out	-0-	-0-	(78,649)	(78,649)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 1,166,405	\$ 1,166,405	\$1,335,693	\$ 169,288
Net Change in Fund Balance	\$ (442,869)	\$ (403,921)	\$ (322,832)	\$ 81,089
Fund Balances - Beginning	372,941	372,941	372,941	-0-
Fund Balances - Ending	\$ (69,928)	\$ (30,980)	\$ 50,108	\$ 81,089

COMBINING FUND FINANCIAL STATEMENTS

CITY OF LITTLEFIELD

COMBINING BALANCE SHEET  
 ALL SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	ECONOMIC DEVELOPMENT	PDNF	PARKS & RECREATION	OTHER LOCAL SRF'S	TOTAL
<u>ASSETS</u>					
Cash	\$ 566,902	\$ 125	\$ 45,113	\$ 325	\$ 612,465
Accounts Receivable			4,175		4,175
Due From Other Governments	44,644				44,644
Due From Other Funds	43,570				43,570
<b>TOTAL ASSETS</b>	<b>\$ 655,116</b>	<b>\$ 125</b>	<b>\$ 49,288</b>	<b>\$ 325</b>	<b>\$ 704,854</b>
	=====	=====	=====	=====	=====
<u>LIABILITIES</u>					
Due to Other Funds	\$	\$	\$	\$	\$ -0-
Due to Others					-0-
<b>TOTAL LIABILITIES</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
	=====	=====	=====	=====	=====
<u>FUND BALANCES</u>					
Assigned Fund Balances For:					
Economic Development	\$ 655,116	\$ 125	\$ 49,288	\$ 325	\$ 655,116
Other Purposes					49,738
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 655,116</b>	<b>\$ 125</b>	<b>\$ 49,288</b>	<b>\$ 325</b>	<b>\$ 704,854</b>
	=====	=====	=====	=====	=====

CITY OF LITTLEFIELD

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	ECONOMIC DEVELOPMENT	PDNF	PARKS & RECREATION	OTHER LOCAL SRF'S	TOTAL
REVENUES					
Taxes	\$ 547,820	\$	\$	\$	\$ 547,820
Grants				-0-	
Local Funds			58,584		58,584
Interest Income	1,586			1	1,587
TOTAL REVENUES	\$ 549,406	\$ -0-	\$ 58,584	\$ 1	\$ 607,991
EXPENDITURES					
Personnel Services	\$ 8,261	\$	\$	\$	\$ 8,261
Contractual Services	62,729				62,729
Supplies & Materials	1,209	131		177	1,517
Other	138,514				138,514
Capital Outlay			36,271		36,271
TOTAL EXPENDITURES	\$ 210,713	\$ 131	\$ 36,271	\$ 177	\$ 247,292
Excess (Deficiency) of Revenues Over Expenditures	\$ 338,693	\$ (131)	\$ 22,313	\$ (176)	\$ 360,699
OTHER FINANCING SOURCES (USES)					
Operating Transfers In(Out)	\$ (270,546)	\$	\$ 18,592	\$ (3)	\$ (251,957)
Net Change in Fund Balances	\$ 68,147	\$ (131)	\$ 40,905	\$ (179)	\$ 108,742
Fund Balances - Beginning	586,969	256	8,383	504	596,112
Fund Balances - Ending	\$ 655,116	\$ 125	\$ 49,288	\$ 325	\$ 704,854

(60)

OTHER SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELDSCHEDULE OF DELINQUENT TAXES RECEIVABLE  
SEPTEMBER 30, 2014

LAST TEN YEARS ENDED SEPTEMBER 30	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-13	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-14
2005 and Prior Years	Various	Various	\$ 9,766	\$	\$ 155	\$ (1,997)	\$ 7,614
2006	.5690	121,248,780	2,351		220	(273)	1,858
2007	.5922	120,112,854	3,330		522	(387)	2,421
2008	.5989	126,138,686	5,364		663	(395)	4,306
2009	.5989	137,168,047	8,135		1,954	(275)	5,906
2010	.5989	146,103,832	10,425		2,994	(254)	7,177
2011	.6993	142,531,341	19,428		6,113	(297)	13,018
2012	.6993	142,269,977	30,164		11,827	(297)	18,040
2013	.7215	147,367,663	50,529		17,566	(588)	32,375
2014 (Year Under Audit)	.7215	148,365,656	-0-	1,070,672	1,020,327	-0-	50,345
Totals			\$ 139,492	\$1,070,672	\$ 1,062,341	\$ (4,763)	\$ 143,060

CITY OF LITTLEFIELD

**SCHEDULE OF BONDS  
FOR YEAR ENDED SEPTEMBER 30, 2014**

DATE OF ISSUE	DESCRIPTION	INTEREST RATE	(TERMS) MATURITY SCHEDULE	FUND PAYABLE FROM	AMOUNTS OUTSTANDING 10/1/13	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	\$ 710,000	\$	\$ 710,000
12-15-99	CERTIFICATE OF OBLIGATION, SERIES 2000	7.00%	20 YEARS	BCDC	795,000		795,000
05-22-01	REFUNDING BONDS SERIES 2001	3.45% to 5.45%	30 YEARS	BCDC	8,150,000		8,150,000
10-20-06	CERTIFICATE OF OBLIGATION, SERIES 2006	3.00% to 3.80%	20 YEARS	WATER AND SEWER FUND	1,460,000		80,000
04-04-14	REFUNDING BONDS SERIES 2014	1.87%	6 YEARS	WATER AND SEWER FUND	-0-	560,000	
04-04-14	REFUNDING BONDS SERIES 2014	2.45%	6 YEARS	BCDC	-0-	605,000	
09-10-14	REFUNDING BONDS SERIES 2014A	2.84%	15 YEARS	BCDC	-0-	7,540,000	
					<u>\$ 11,115,000</u>	<u>\$ 8,705,000</u>	<u>\$ 9,735,000</u>

REQUIREMENTS

AMOUNTS OUTSTANDING 9/30/14	INTEREST CURRENT YEAR	YEAR ENDING 9/30/15		YEAR ENDING 9/30/16		10/1/16 TO MATURITY INTEREST
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ -0-	\$ 14,831	\$	\$	\$	\$	\$
-0-	27,825					
-0-	434,721					
1,380,000	50,808	85,000	48,105	90,000	45,195	257,729
560,000		185,000	9,308	185,000	7,013	3,553
605,000		10,000	13,176	105,000	14,578	30,257
7,540,000			91,008	150,000	214,136	1,615,818
<u>\$ 10,085,000</u>	<u>\$ 528,185</u>	<u>\$ 280,000</u>	<u>\$ 161,597</u>	<u>\$ 530,000</u>	<u>\$ 280,922</u>	<u>\$ 1,907,357</u>

## CITY OF LITTLEFIELD

SCHEDULE OF CAPITAL LEASES  
FOR YEAR ENDED SEPTEMBER 30, 2014

DATE OF ISSUE	PURPOSE AND LAWFUL AUTHORITY	INTEREST RATE	(TERMS) MATURITY SCHEDULE	FUND PAYABLE FROM	ORIGINAL COST	AMOUNTS OUTSTANDING 10/1/13	RETIRED CURRENT YEAR
02-05-04	UTILITY METERS	4.69%	15 YEARS	W&S	\$ 1,109,322	\$ 550,649	\$ 81,429
04-22-05	N440 RESCUE PUMPER	4.78%	10 YEARS	GENERAL	224,332	53,540	26,190
01-28-10	ELGIN EAGLE SWEEPER	4.75%	5 YEARS	GENERAL	189,402	81,185	39,630
10-25-12	CATERPILLAR SCRAPER	2.86%	5 YEARS	GENERAL	210,200	166,776	39,941
11-14-12	5 - CHEVY TAHOES	2.51%	4 YEARS	GENERAL	207,836	155,504	50,126
11-14-12	3 - CHEVY SILVERADOS	3.55%	6 YEARS	W&S	95,164	79,079	14,721
11-14-12	1 - CHEVY SILVERADO	3.55%	6 YEARS	GENERAL	42,547	35,356	6,582
04-14-13	2 - 2014 REFUSE TRUCKS & DUMPSTERS	1.81%	7 YEARS	GENERAL	968,341	-0-	134,830
09-03-13	4 - CHEVY TAHOES	3.30%	4 YEARS	GENERAL	188,064	-0-	46,651
01-03-14	SEWER JETTER	2.69%	6 YEARS	W&S	97,750	-0-	12,000
					\$ 3,332,958	\$ 1,122,089	\$ 452,100

## REQUIREMENTS

AMOUNTS OUTSTANDING 9/30/14	INTEREST CURRENT YEAR	YEAR ENDING 9/30/15		YEAR ENDING 9/30/16		10/1/16 TO MATURITY INTEREST
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ 469,220	\$ 24,381	\$ 85,312	\$ 20,499	\$ 89,379	\$ 16,431	\$ 22,902
27,350	2,563	27,350	1,403			
41,555	3,941	41,555	2,017			
126,835	4,789	41,088	3,642	42,268	2,462	1,252
105,378	5,241	51,816	3,552	53,562	1,805	
64,358	2,808	15,244	2,285	15,785	1,744	1,790
28,774	1,255	6,815	1,022	7,057	780	800
833,511	13,069	132,732	15,167	135,147	12,752	25,964
141,413	3,717	45,576	4,791	47,120	3,247	1,651
85,750		13,349	2,335	13,713	1,972	4,049
\$ 1,924,144	\$ 61,764	\$ 460,837	\$ 56,713	\$ 404,031	\$ 41,193	\$ 58,408

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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

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

## Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Littlefield's basic financial statements and have issued our report thereon dated March 11, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Littlefield's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Littlefield's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Littlefield's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



WEBB, WEBB, & WRIGHT, CPA's  
March 11, 2015

CITY OF LITTLEFIELD

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?      Yes   X   No

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

Noncompliance material to financial statements noted?      Yes   X   No

B. Financial Statement Findings  
None

CITY OF LITTLEFIELD

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<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, 2014

None