

CITY OF LITTLEFIELD
LITTLEFIELD, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2013

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FINANCIAL SECTION

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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, 2013, 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, 2013, 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.

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 4, 2014 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 AND WRIGHT, CPA's
March 4, 2014

Webb, Webb & Wright

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Littlefield's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2013. 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 modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the City's governmental activities increased from \$2,262,707 to \$2,400,495. 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 \$476,564 at September 30, 2013.

This increase in governmental net position was the net result of the City's revenues exceeding the expenses by \$137,788.

The net position of our business-type activities increased by \$151,974. 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
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	618	928	2,514	2,408	3,132	3,336	-6.1%
Capital assets	2,434	2,057	14,549	15,000	16,983	17,057	-.4%
Total assets	3,052	2,985	17,063	17,408	20,115	20,393	-1.4%
Long-term liabilities	353	135	10,626	11,144	10,979	11,279	-2.7%
Other liabilities	298	587	915	894	1,213	1,481	-18.1%
Total liabilities	651	722	11,541	12,038	12,192	12,760	-4.5%
Net position:							
Invested in capital assets, net of related debt	1,913	1,859	3,287	3,258	5,200	5,117	1.6%
Restricted	11	25	1,063	985	1,074	1,010	6.3%
Unrestricted	477	379	1,172	1,127	1,649	1,506	9.5%
Total net position	2,400	2,263	5,522	5,370	7,922	7,633	3.8%

Table 2

City of Littlefield

Changes in Net Position
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Net program revenues:							
Charges for services	1,710	1,672	2,252	2,195	3,962	3,867	2.5%
Operating grants and contributions		17			-0-	17	-100.0%
Capital grants and contributions					-0-	-0-	0.0%
General revenues:							
Property taxes	1,039	889	115	122	1,154	1,011	14.1%
Other taxes	963	894			963	894	7.7%
Unrestricted investment earnings	2	2	6	5	8	7	14.3%
Other revenues	401	555	110	92	511	647	-21.0%
Gain(Loss) on sale of assets	12				12	-0-	0.0%
Total revenues	4,127	4,029	2,483	2,414	6,610	6,443	2.6%
Expenses:							
General government	1,027	706			1,027	706	45.5%
Police	940	1,046			940	1,046	-10.1%
Fire	218	233			218	233	-6.4%
EMS	635	628			635	628	1.1%
Refuse	909	848			909	848	7.2%
Parks	149	130			149	130	14.6%
Public Services	120	130			120	130	-7.7%
Streets	220	326			220	326	-32.5%
Other	6	6			6	6	0.0%
Interest on long-term debt	15	12			15	12	25.0%
Water and Sewer BCDC			1,484	1,474	1,484	1,474	.7%
			882	873	882	873	1.0%
Total expenses	4,239	4,065	2,366	2,347	6,605	6,412	3.0%
Increase (decrease) in net position before transfers							
Transfers	(112)	(36)	117	67	5	31	-83.9%
Transfers	250	(3)	35	232	285	229	24.5%
Change in net position	138	(39)	152	299	290	260	11.5%
Net position-beginning	2,263	2,302	5,370	5,071	7,633	7,373	3.5%
Net position-ending	2,400	2,263	5,522	5,370	7,922	7,633	3.8%

The City's total revenues increased over \$245,000 this year. The total cost of all programs and services increased over \$169,000 this year.

The City's total revenues increased primarily due to small increases in the property tax rate and water/sewer rates. In addition, sales tax revenue increased over \$157,000. Total expenses also increased primarily due to increases in legislative contractual services, municipal court personnel services and fleet services supplies and materials.

The cost of all governmental and business-type activities this year was \$6,604,588. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,117,086 because \$3,961,666 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 \$969,053, which is significantly higher than last year's total of \$702,202. Included in this year's total change in fund balance is an increase of \$15,164 in the City's General Fund.

The budget for FY 2014 includes an overall decrease in total revenue related to landfill operations. The City began in-house operations of Residential Collection, which terminated pre-payment of landfill space from the previous third party operator. While property taxes and sales taxes are projected to increase, the variance is still an overall decrease. The budget also includes a combined overall decrease in municipal expenditures.

General Fund Budgetary Highlights

The City's General Fund balance of \$372,941 differs significantly from the General Fund's budgetary fund balance of \$263,797. 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 \$963,519 and the actual was \$749,231. The most positive variance was from charges for services and contributions from almost all departments as expenditures reported in under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had \$34,965,811 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 \$491,301, or 1.4% above last year.

This year's major additions included:

Refuse Equipment - Scales, Collection Truck & Cat Scraper	\$ 270,596
Vehicles	379,943
EMS Ambulance	120,000
Water & Sewer Equipment – Valve Excercisor & Generators	56,242

Total	\$ 826,781
	=====

The City has several capital projects planned for the fiscal year 2014 totaling \$415,524. The projects are expected to be funded through general fund revenues and water fund revenue. There is a possibility for further budget amendments for additional capital outlays. No additional long-term debt is expected to be incurred.

Debt

At year-end, the City had \$12,265,960 in bonds, capital leases and a note payable outstanding versus \$12,460,887 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 2014 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, 2013

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and Cash Equivalents	\$ 193,751	\$ 751,620	\$ 945,371	\$ 542,801
Receivables (net of allowance for uncollectibles)	591,916	397,199	989,115	
Internal Balances	(251,239)	251,239	-0-	
Due from Other Governments	44,168		44,168	44,168
Note Receivable		44,741	44,741	
Deferred Expense	28,060	5,951	34,011	
Restricted Assets:				
Cash in Bank	11,366	1,062,939	1,074,305	
Capital Assets (net of accumulated depreciation):				
Land	818,324	507,595	1,325,919	
Buildings & Structures	579,433	13,084,669	13,664,102	20,982
Machinery and Equipment	486,169	462,034	948,203	
Furniture and Fixtures	21,390	2,772	24,162	
Capital Leases	528,481	492,399	1,020,880	
Total Capital Assets	\$ 2,433,797	\$ 14,549,469	\$ 16,983,266	\$ 20,982
TOTAL ASSETS	\$ 3,051,819	\$ 17,063,158	\$ 20,114,977	\$ 607,951
LIABILITIES				
Accounts Payable	\$ 9,516	\$ 17,288	\$ 26,804	\$
Accrued Liabilities	60,310	5,951	66,261	
Due to Others	5	1	6	
Escrow Deposits		1,560	1,560	
Customer Deposits		162,049	162,049	
Deferred Credits		79,166	79,166	
Unearned Revenue		12,722	12,722	
Landfill Closure Liability	60,261		60,261	
Noncurrent Liabilities:				
Due within one year	168,306	636,150	804,456	
Due in more than one year	352,926	10,626,297	10,979,223	
TOTAL LIABILITIES	\$ 651,324	\$ 11,541,184	\$ 12,192,508	\$ -0-
NET POSITION				
Invested in Capital Assets, net of Related Debt	\$ 1,912,565	\$ 3,287,022	\$ 5,199,587	\$ 20,982
Restricted for:				
Technology Improvements	1,215		1,215	
Public Relations	10,151		10,151	
Debt Service		1,062,939	1,062,939	
Unrestricted	476,564	1,172,013	1,648,577	586,969
TOTAL NET POSITION	\$ 2,400,495	\$ 5,521,974	\$ 7,922,469	\$ 607,951

The accompanying notes are an integral part of this statement.
(11)

CITY OF LITTLEFIELD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	\$ 1,027,245	\$ 46,534	\$	\$	\$ (980,711)	\$	\$ (980,711)	\$
Police	939,768				(939,768)		(939,768)	
Fire	217,823	11,400			(206,423)		(206,423)	
EMS	635,069	613,834			(21,235)		(21,235)	
Refuse	908,674	1,003,353			94,679		94,679	
Parks	149,387				(149,387)		(149,387)	
Public Services	119,593	34,647			(84,946)		(84,946)	
Streets	220,567				(220,567)		(220,567)	
Other	5,840				(5,840)		(5,840)	
Interest on Long-Term Debt	14,777				(14,777)		(14,777)	
Total Governmental Activities	\$ 4,238,743	\$ 1,709,768	\$ -0-	\$ -0-	\$ (2,528,975)	\$ -0-	\$ (2,528,975)	\$ -0-
Business - Type Activities:								
Water & Sewer	\$ 1,483,966	\$ 2,251,898	\$	\$	\$	\$ 767,932	\$ 767,932	\$
BCDC	881,879					(881,879)	(881,879)	
Total Business-Type Activities	\$ 2,365,845	\$ 2,251,898	\$ -0-	\$ -0-	\$ -0-	\$ (113,947)	\$ (113,947)	\$ -0-
TOTAL PRIMARY GOVERNMENT	\$ 6,604,588	\$ 3,961,666	\$ -0-	\$ -0-	\$ (2,528,975)	\$ (113,947)	\$ (2,642,922)	\$ -0-
COMPONENT UNIT:								
Economic Development	\$ 63,534	\$	\$	\$	\$	\$	\$	\$ (63,534)
TOTAL COMPONENT UNIT	\$ 63,534	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (63,534)
General Revenues:								
Property taxes					\$ 1,039,225	\$ 114,847	\$ 1,154,072	\$
Sales taxes					600,508		600,508	600,502
Franchise fees					330,783		330,783	
Hotel/Motel Tax					31,723		31,723	
Investment earnings					1,579	5,896	7,475	802
Other					400,940	110,101	511,041	
Gain (Loss) on sale of assets					12,082		12,082	
Transfers					249,924	35,076	285,000	(285,000)
Total general revenues and transfers					\$ 2,666,764	\$ 265,920	\$ 2,932,684	\$ 316,304
Change in net position					\$ 137,788	\$ 151,974	\$ 289,762	\$ 252,770
Net position - beginning					2,262,707	5,370,000	7,632,707	355,181
Net position - ending					\$ 2,400,495	\$ 5,521,974	\$ 7,922,469	\$ 607,951

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

CITY OF LITTLEFIELD
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 189,095	\$ 547,457	\$ 736,552
Accounts Receivable	481,583	4,487	486,070
Delinquent Taxes Receivable	124,525		124,525
Allowance for Uncollectible Taxes	(18,679)		(18,679)
Due From Other Governments	44,168	44,168	88,336
Deferred Expense	28,060		28,060
Restricted Assets:			
Cash in Bank	11,366		11,366
Total Assets	\$ 860,118	\$ 596,112	\$ 1,456,230
<u>LIABILITIES</u>			
Accounts Payable	\$ 9,516	\$	\$ 9,516
Accrued Liabilities	60,310		60,310
Due to Other Funds	251,239		251,239
Due to Others	5		5
Unearned Revenue	105,846		105,846
Landfill Closure Liability	60,261		60,261
Total Liabilities	\$ 487,177	\$ -0-	\$ 487,177
<u>FUND BALANCES</u>			
Restricted Fund Balances For:			
Technology Improvements	\$ 1,215	\$	\$ 1,215
Public Relations	10,151		10,151
Assigned Fund Balances For:			
Retirement of Capital Leases	339,214		339,214
Economic Development		586,969	586,969
Other Purposes		9,143	9,143
Unassigned Fund Balance	22,361		22,361
Total Fund Balances	\$ 372,941	\$ 596,112	\$ 969,053
Total Liabilities and Fund Balances	\$ 860,118	\$ 596,112	\$ 1,456,230

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, 2013

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

Total fund balances - governmental fund balance sheet.	\$ 969,053
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,433,797
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.	105,846
Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds.	(521,232)
Component unit presented separately.	(586,969)
Total net position of governmental activities.	\$ 2,400,495 =====

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, 2013

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
<u>REVENUES</u>			
Taxes	\$ 1,931,996	\$ 600,502	\$ 2,532,498
Charges for Services	1,663,234		1,663,234
Licenses and Permits	12,676		12,676
Fines	33,858		33,858
Grants			-0-
Local Funds		4,877	4,877
Interest Income	1,574	807	2,381
Other Revenue	396,063		396,063
	-----	-----	-----
Total Revenues	\$ 4,039,401	\$ 606,186	\$ 4,645,587
	-----	-----	-----
<u>EXPENDITURES</u>			
Current Operating:			
Legislative	\$ 248,544	\$	\$ 248,544
Administrative	233,637		233,637
Municipal Court	75,261		75,261
Police	894,157		894,157
Fire	165,542		165,542
Refuse	853,030		853,030
Streets	188,147		188,147
Parks	149,387		149,387
Airport	30,068		30,068
Building & Maintenance	207,562		207,562
Fleet Services	191,670		191,670
EMS	571,710		571,710
LEDC	20,516		20,516
Licensing & Enforcement	89,525		89,525
Emergency Management	8,461		8,461
Other		69,374	69,374
Capital Outlay	675,375		675,375
Debt Service:			
Principal	171,263		171,263
Interest	14,777		14,777
	-----	-----	-----
Total Expenditures	\$ 4,788,632	\$ 69,374	\$ 4,858,006
	-----	-----	-----

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

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
Excess (Deficiency) of Revenues Over Expenditures	\$ (749,231)	\$ 536,812	\$ (212,419)

OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Assets	\$ 19,367	\$	\$ 19,367
Proceeds from Capital Leases and I/S Note	494,979		494,979
Operating Transfers In	259,711	2	259,713
Operating Transfers Out	(9,662)	(285,127)	(294,789)

Total Other Financing Sources (Uses)	\$ 764,395	\$ (285,125)	\$ 479,270

Net Change in Fund Balances	\$ 15,164	\$ 251,687	\$ 266,851
Fund Balances - Beginning	357,777	344,425	702,202

Fund Balances - Ending	\$ 372,941	\$ 596,112	\$ 969,053
=====			

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, 2013

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

Net change in fund balances - total governmental funds.	\$ 266,851
Capital outlays are not reported as expenses in the SOA.	675,375
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.	(7,285)
Capital asset depreciation used in governmental activities is not reported in the funds.	(290,909)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	70,243
Some expenditures (e.g. principal debt payment) on fund statements are not expenditures on the SOA.	171,263
Proceeds from capital leases and installment note are not reported as revenue in the SOA.	(494,979)
Component unit presented separately.	(252,770)

Change in net position of governmental activities.	\$ 137,789
	=====

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

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	WATER & SEWER -----	BCDC -----	TOTAL -----
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 751,620	\$	\$ 751,620
Accounts Receivable	384,477		384,477
Delinquent Taxes Receivable		14,967	14,967
Allowance for Uncollectible Taxes		(2,245)	(2,245)
Note Receivable	44,741		44,741
Due From Other Funds	992,357		992,357
Deferred Expense	5,951		5,951
Restricted Assets:			
Cash in Bank	154,257	908,682	1,062,939
	-----	-----	-----
Total Current Assets	\$ 2,333,403	\$ 921,404	\$ 3,254,807
	-----	-----	-----
Capital Assets (Net)			
Land	\$ 325,933	\$ 181,662	\$ 507,595
Building & Structures	4,905,693	8,178,976	13,084,669
Machinery & Equipment	462,034		462,034
Furniture & Fixtures	2,772		2,772
Capital Lease Assets	492,399		492,399
	-----	-----	-----
Total Noncurrent assets	\$ 6,188,831	\$ 8,360,638	\$ 14,549,469
	-----	-----	-----
Total Assets	\$ 8,522,234	\$ 9,282,042	\$ 17,804,276
	=====	=====	=====

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

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	WATER & SEWER -----	BCDC -----	TOTAL -----
LIABILITIES:			
Current Liabilities			
Accounts Payable	\$ 17,288	\$	\$ 17,288
Accrued Liabilities	5,951		5,951
Due to Other Funds		741,118	741,118
Due to Others	1		1
Escrow Deposits	1,560		1,560
Customer Deposits	162,049		162,049
Deferred Credits	79,166		79,166
Unearned Revenue		12,722	12,722
Capital Leases - Current	96,150		96,150
	-----	-----	-----
Total Current Liabilities	\$ 362,165	\$ 753,840	\$ 1,116,005
	-----	-----	-----
Current Liabilities Payable From Restricted Assets			
Bonds Payable - Current	\$ 245,000	\$ 295,000	\$ 540,000
	-----	-----	-----
Total Current Liabilities Payable From Restricted Assets	\$ 245,000	\$ 295,000	\$ 540,000
	-----	-----	-----
Noncurrent Liabilities			
Bonds Payable	\$ 1,859,517	\$ 8,233,202	\$ 10,092,719
Capital Leases Payable	533,578		533,578
	-----	-----	-----
Total Noncurrent Liabilities	\$ 2,393,095	\$ 8,233,202	\$ 10,626,297
	-----	-----	-----
Total Liabilities	\$ 3,000,260	\$ 9,282,042	\$ 12,282,302
	=====	=====	=====
NET POSITION:			
Invested in Capital Assets- Net of Related Debt			
	\$ 3,454,586	\$ (167,564)	\$ 3,287,022
Restricted for Debt Service	154,257	908,682	1,062,939
Unrestricted (Deficit)	1,913,131	(741,118)	1,172,013
	-----	-----	-----
Total Net Position	\$ 5,521,974	\$ -0-	\$ 5,521,974
	=====	=====	=====

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, 2013

	WATER & SEWER -----	BCDC -----	TOTAL -----
Operating Revenues			
Water Sales	\$ 1,671,764	\$	\$ 1,671,764
Charges for Services	580,134		580,134
Taxes		114,847	114,847
Other Revenue	110,101		110,101
Total Operating Revenue	\$ 2,361,999	\$ 114,847	\$ 2,476,846
Operating Expenses			
Personnel Services	\$ 470,662	\$	\$ 470,662
Contractual Services	426,384	72,232	498,616
Supplies and Maintenance	134,950	940	135,890
Depreciation	329,616	271,993	601,609
Total Operating Expenses	\$ 1,361,612	\$ 345,165	\$ 1,706,777
Operating Income (Loss)	\$ 1,000,387	\$ (230,318)	\$ 770,069
Non-Operating Revenues (Expenses)			
Interest - Investments	\$ 4,223	\$ 1,673	\$ 5,896
Bonds and Capital Lease Interest	(117,317)	(502,797)	(620,114)
Amortization - Bond Costs	(5,037)	(33,917)	(38,954)
Total Non-Operating Revenues (Expenses)	\$ (118,131)	\$ (535,041)	\$ (653,172)
Income Before Operating Transfers	\$ 882,256	\$ (765,359)	\$ 116,897
Operating Transfers In	3,052	912,979	916,031
Operating Transfers (Out)	(733,335)	(147,620)	(880,955)
Change in Net Position	\$ 151,973	\$ -0-	\$ 151,973
Net Position - Beginning	5,370,000	-0-	5,370,000
Net Position - Ending	\$ 5,521,974	\$ -0-	\$ 5,521,974

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, 2013

	WATER AND SEWER -----	BCBD -----	TOTAL -----
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 2,326,135	\$	\$ 2,326,135
Cash Payments for Goods and Services	(566,727)	(73,262)	(639,989)
Cash Payments to Employees	(470,662)		(470,662)
Other Operating Revenues		114,847	114,847
	-----	-----	-----
Net Cash Provided (Used) by Operating Activities	\$ 1,288,746	\$ 41,585	\$ 1,330,331
	-----	-----	-----
Cash Flows From Noncapital Financing:			
Due To/From Other Funds	\$ (265,760)	\$ 14,521	\$ (251,239)
Operating Transfers In	3,052	912,979	916,031
Operating Transfers (Out)	(733,335)	(147,620)	(880,955)
	-----	-----	-----
Net Cash Provided (Used) for Noncapital Financing Activities	\$ (996,043)	\$ 779,880	\$ (216,163)
	-----	-----	-----
Cash Flows From Capital and Related Financing Activities:			
Acquisition of Fixed Assets	\$ (151,406)	\$	\$ (151,406)
Proceeds From Capital Leases	95,164		95,164
Capital Lease Payments	(93,808)		(93,808)
Principal Paid on Bonds	(240,000)	(280,000)	(520,000)
Interest Paid on Bonds and Capital Leases	(117,317)	(502,797)	(620,114)
	-----	-----	-----
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (507,367)	\$ (782,797)	\$ (1,290,164)
	-----	-----	-----
Cash Flows From Investing Activities:			
Proceeds from Note Receivable	\$ 2,370	\$	\$ 2,370
Interest on Investments	4,223	1,673	5,896
	-----	-----	-----
Net Cash Provided (Used) From Investing Activities	\$ 6,593	\$ 1,673	\$ 8,266
	-----	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (208,070)	\$ 40,341	\$ (167,729)
Cash and Cash Equivalents - Beginning	1,113,947	868,341	1,982,288
	-----	-----	-----
Cash and Cash Equivalents - Ending	\$ 905,877	\$ 908,682	\$ 1,814,559
	=====	=====	=====

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

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

	WATER AND SEWER -----	BCDC -----	TOTAL -----
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,000,387	\$ (230,318)	\$ 770,069
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	\$ 329,616	\$ 271,993	\$ 601,609
Changes in Assets and Liabilities:			
Accounts Receivable (Increase) Decrease	(24,239)		(24,239)
Deferred Expense (Increase) Decrease	(1,595)		(1,595)
Accounts Payable & Accrued Liabilities Increase (Decrease)	(3,798)	(90)	(3,888)
Escrow & Customer Deposits Increase (Decrease)	2,575		2,575
Deferred Credits Increase (Decrease)	(14,200)		(14,200)
Total Adjustments	\$ 288,359	\$ 271,903	\$ 560,262
Net Cash Provided (Used) by Operating Activities	\$ 1,288,746	\$ 41,585	\$ 1,330,331
	=====	=====	=====

The accompanying notes are an integral part of this statement.
(22)

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

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, 2013

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, 2013

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, 2013

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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

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

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

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

The City has presented the following Major Governmental Fund:

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

The City has presented the following Major Proprietary Funds:

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

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

D. CASH AND CASH EQUIVALENTS

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

E. RECEIVABLE AND PAYABLE BALANCES

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

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.

H. RESTRICTED ASSETS

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

I. CAPITAL ASSETS

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

I. CAPITAL ASSETS (continued)

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

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

J. ENCUMBRANCES

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

K. ACCUMULATED UNPAID VACATION AND SICK PAY

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

L. FUND BALANCES

Fund balances of the governmental funds are classified as follows:

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

L. FUND BALANCES (continued)

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

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

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

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

M. USE OF ESTIMATES

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to October 1, the City Council reviews the operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted when applicable by law.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Transfer of budgeted amounts between line items is authorized within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. During the year, the budget was amended as necessary. There were no significant budget amendments passed during the 2012-13 fiscal year.

NOTE 3. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

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, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$2,562,477 and the bank balance was \$2,778,099. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance and by pledged collateral held by the City's agent bank in the City's name.

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

- a. Name of bank: Prosperity Bank - Littlefield, Texas
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$3,802,450.
- c. Largest cash, savings and time deposits combined balance amounted to \$3,778,474 and occurred during the month of February, 2013.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

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, 2013

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

The City's investments at September 30, 2013 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, 2013

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 \$44,741 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, 2013

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
	-----	-----	-----	-----
<u>Governmental Activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 818,324	\$	\$	\$ 818,324
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 818,324	\$ -0-	\$ -0-	\$ 818,324
	-----	-----	-----	-----
<i>Capital assets being depreciated:</i>				
Buildings and Structures	\$ 6,323,729	\$	\$	\$ 6,323,729
Machinery and Equipment	2,283,989	214,792	268,466	2,230,315
Furniture and Fixtures	162,611			162,611
Capital Leases	413,734	460,583		874,317
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 9,184,063	\$ 675,375	\$ 268,466	\$ 9,590,972
	-----	-----	-----	-----
<i>Less accumulated depreciation for:</i>				
Buildings and Structures	\$ (5,698,368)	\$ (45,928)	\$	\$ (5,744,296)
Machinery and Equipment	(1,853,064)	(152,263)	261,181	(1,744,146)
Furniture and Fixtures	(135,857)	(5,364)		(141,221)
Capital Leases	(258,482)	(87,354)		(345,836)
	-----	-----	-----	-----
Total accumulated depreciation	\$ (7,945,771)	\$ (290,909)	\$ 261,181	\$ (7,975,499)
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 1,238,292	\$ 384,466	\$ 7,285	\$ 1,615,473
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 2,056,616	\$ 384,466	\$ 7,285	\$ 2,433,797
	=====	=====	=====	=====

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 7: CAPITAL ASSETS (continued)

Business-type Activities:

Capital assets not being depreciated:

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

Capital assets being depreciated:

Buildings and Structures	\$ 19,821,608	\$	\$	\$ 19,821,608
Machinery and Equipment	2,812,762	56,242	67,014	2,801,990
Furniture and Fixtures	199,854			199,854
Capital Leases	1,109,322	95,164		1,204,486
Total capital assets being depreciated	\$ 23,943,546	\$ 151,406	\$ 67,014	\$ 24,027,938

Less accumulated depreciation for:

Buildings and Structures	\$ (6,270,212)	\$ (466,727)	\$	\$ (6,736,939)
Machinery and Equipment	(2,358,118)	(48,852)	67,014	(2,339,956)
Furniture and Fixtures	(194,523)	(2,559)		(197,082)
Capital Leases	(628,616)	(83,471)		(712,087)

Total accumulated depreciation	\$ (9,451,469)	\$ (601,609)	\$ 67,014	\$ (9,986,064)
--------------------------------	----------------	--------------	-----------	----------------

Total capital assets being depreciated, net	\$ 14,492,077	\$ (450,203)	\$ -0-	\$ 14,041,874
---	---------------	--------------	--------	---------------

Business-type activities capital assets, net	\$ 14,999,672	\$ (450,203)	\$ -0-	\$ 14,549,469

BCDC Fund:

The carrying amount of impaired capital assets that are idle at year end is \$8,360,638.

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	\$ 41,594
Police	45,611
Fire	52,281
Refuse	55,644
Streets	32,420
EMS	63,359

Total depreciation expense - Governmental activities	\$ 290,909

Business-type activities:

Water and Sewer	\$ 329,616
BCDC	271,993

Total depreciation expense - Business-type activities	\$ 601,609

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 8: UNEARNED REVENUE

Unearned revenue accounted for on the fund financial statements relates to uncollected property taxes.

NOTE 9: MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

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

\$60,261 reported as landfill closure and postclosure care liability at September 30, 2013 represents the cumulative amount reported to date based on the use of 44% of the estimated capacity of the Type IV landfill and the use of 11% of the estimated capacity of the Type I landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$291,676 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. The City expects to close the Type IV landfill in the year 2043 and close the Type I landfill in the year 2113. 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, 2013

NOTE 10: OPERATING/CAPITAL LEASES

The City had no operating leases at September 30, 2013. During the current year, there were five capital lease agreements related to the General Fund and two related to the Water & Sewer Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Interest expense on all capital leases for the current year was \$44,053. Commitments under capitalized lease obligations provide for future minimum lease payments as of September 30, 2013, as follows:

<u>Year Ending September</u>	General Fund	Water and Sewer Fund
2014	\$ 180,260	\$ 123,339
2015	180,260	123,339
2016	107,935	123,339
2017	52,567	123,339
2018	7,864	123,401
2019	-0-	105,811
	-----	-----
Total Minimum Lease Payments	\$ 528,886	\$ 722,568
Less Amount Representing Interest	(36,524)	(92,841)
	-----	-----
Present Value - Minimum Lease Payments	\$ 492,361	\$ 629,728
	=====	=====

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 11: BONDS PAYABLE

On March 15, 1997, the city issued combination tax and revenue certificates of obligation, Series 1997. This bond obligation is accounted for in the water and sewer fund. The original amount of the bond obligation was \$2,565,000, with effective interest rates ranging from 2.80% to 4.25%. The amount of interest paid in FYE 2013 was \$32,903.

A summary of changes in long-term debt for the year ended September 30, 2013, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series 1997	\$ 870,000	\$ -0-	\$ 160,000	\$ 710,000	\$ 165,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2014	\$ 165,000	\$ 26,280	\$ 191,280
2015	175,000	19,266	194,266
2016	180,000	11,855	191,855
2017	190,000	4,038	194,038
Totals	\$ 710,000	\$ 61,439	\$ 771,439

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 11: BONDS PAYABLE (continued)

On December 15, 1999, the City issued combination tax and revenue certificates of obligation, Series 2000. This bond obligation is accounted for in the BCDC fund. The original amount of the bond obligation was \$11,000,000, with an effective interest rate of 7.00%. The amount of interest paid in FYE 2013 was \$58,625.

A summary of changes in long-term debt for the year ended September 30, 2013, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series 2000	\$ 880,000	\$ -0-	\$ 85,000	\$ 795,000	\$ 90,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2014	\$ 90,000	\$ 52,500	\$ 142,500
2015	100,000	45,850	145,850
2016	105,000	38,675	143,675
2017	110,000	31,150	141,150
2018	120,000	23,100	143,100
2019-2020	270,000	19,250	289,250
Totals	\$ 795,000	\$ 210,525	\$ 1,005,525

9-30-13

Bond Principal	\$ 795,000
Less Bond Issuance Cost (Net of Amortization)	(99,844)
Bonds Payable (Net of Bond Issuance Cost)	\$ 695,156

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 11: BONDS PAYABLE (continued)

On May 22, 2001, the City issued combination tax and revenue refunding bonds, Series 2001. This bond obligation is accounted for in the BCDC Fund. The original amount of the bond obligation was \$9,995,000, with effective interest rates ranging from 3.45% to 5.45%. The amount of interest paid in FYE 2013 was \$444,173.

A summary of changes in long-term debt for the year ended September 30, 2013 is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series 2001	\$ 8,345,000	\$ -0-	\$195,000	\$ 8,150,000	\$ 205,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2014	\$ 205,000	\$ 434,721	\$ 639,721
2015	210,000	424,812	634,812
2016	225,000	414,260	639,260
2017	235,000	402,990	637,990
2018	245,000	391,108	636,108
2019-2023	2,060,000	1,669,438	3,729,438
2024-2028	2,885,000	979,667	3,864,667
2029-2030	2,085,000	133,389	2,218,389
Totals	\$ 8,150,000	\$ 4,850,385	\$ 13,000,385

	9-30-13
Bond Principal	\$ 8,150,000
Less Bond Issuance Cost (Net of Amortization)	(316,954)
Bonds Payable (Net of Bond Issuance Cost)	\$ 7,833,046

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 11: BONDS PAYABLE (continued)

On October 20, 2006, the City issued combination tax and revenue certificates of obligation, Series 2006. This bond obligation is accounted for in the water and sewer fund. The original amount of the bond obligation was \$1,910,000, with effective interest rates ranging from 3.00% to 3.80%. The amount of interest paid in FYE 2013 was \$53,388.

A summary of changes in long-term debt for the year ended September 30, 2013, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series 2006	\$1,540,000	\$ -0-	\$ 80,000	\$ 1,460,000	\$ 80,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2014	\$ 80,000	\$ 50,808	\$ 130,808
2015	85,000	48,105	133,105
2016	90,000	45,195	135,195
2017	90,000	42,157	132,157
2018	95,000	38,989	133,989
2019-2023	535,000	140,514	675,514
2024-2027	485,000	36,068	521,068
Totals	\$ 1,460,000	\$ 401,836	\$ 1,861,836

	9-30-13
Bond Principal	\$ 1,460,000
Less Bond Issuance Cost (Net of Amortization)	(65,483)
Bonds Payable (Net of Bond Issuance Cost)	\$ 1,394,517

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 11: BONDS PAYABLE (continued)

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

NOTE 12: 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 2013 was \$1,751.

A summary of changes in long-term debt for the year ended September 30, 2013, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Note Payable	\$ -0-	\$ 34,396	\$ 5,525	\$ 28,871	\$ 5,837

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2014	\$ 5,837	\$ 1,440	\$ 7,277
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	\$ 28,871	\$ 3,767	\$ 32,638

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 13: CHANGES IN OTHER LONG-TERM DEBT

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Capital Leases	\$ 825,887	\$ 555,747	\$ 259,545	\$1,122,089	\$ 258,619
Landfill Liability	296,746	-0-	5,070	291,676	-0-
Totals	\$1,122,633	\$ 555,747	\$ 264,615	\$1,413,765	\$ 258,619

NOTE 14: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from funds at September 30, 2013 consisted of the following:

Due to Fund	Due From Fund	Amount
Water & Sewer Fund	General Fund	\$ 251,239
Water & Sewer Fund	BCDC Fund	741,118
	Total	\$ 992,357

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, 2013 consisted of the following:

Transfers From	Transfers To	Amount
Water & Sewer Fund (Net)	General Fund	\$ 8,912
Water & Sewer Fund	BCDC Fund	721,371
BCDC Fund	General Fund	141,012
Other Governmental Funds	General Fund	100,125
Other Governmental Fund	BCDC Fund	185,000
	Total	\$ 1,156,420

Purpose of interfund balances and transfers was for operations and bookkeeping.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 15: 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 2013, 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 16: SELF-INSURED INSURANCE

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

NOTE 17: 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 18: COMMITMENTS AND CONTINGENCIES

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 18: 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. Various factors have slowed the process, which include: failure to adopt a federal budget, failure to authorize bed space, re-negotiating existing contracts, and the issues of the federal debt limit. The debate in Washington D.C. has trickled down to decisions made that would impact the BCDC and the City of Littlefield. The City has begun negotiations with Bernalillo County on the possibility of detention services of their inmates. Bernalillo County is currently under a court mandate to correct their overcrowding issues. 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 19: LITIGATION

The City was not involved in any significant litigation as of September 30, 2013.

NOTE 20: PENSION BENEFITS PLAN

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 20: PENSION BENEFITS PLAN (continued)

Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually, another type of monetary credit referred to as an Updated Service Credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

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

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 20: PENSION BENEFITS PLAN (continued)

Schedule of Funding Progress:

Actuarial Valuation Date	12-31-10	12-31-11	12-31-12
Actuarial Value of Assets	\$4,731,847	\$5,073,392	\$5,521,242
Actuarial Accrued Liability (AAL)	\$5,432,310	\$5,656,851	\$6,097,275
Unfunded or (Over-funded) Actuarial Accrued Liability (UAAL or OAAL)	\$ 700,463	\$ 583,459	\$ 576,033
Funded Ratio	87.1%	89.7%	90.6%
Annual Covered Payroll (Actuarial)	\$1,840,552	\$1,768,509	\$1,783,681
UAAL or OAAL as a Percentage of Covered Payroll	38.1%	33.0%	32.3%

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

	9-30-11	9-30-12	9-30-13
Annual Required Contribution (ARC)	\$ 188,414	\$ 176,529	\$ 176,804
Interest on NPO	5,730	8,136	9,512
Adjustment to the ARC	(4,732)	(6,871)	(8,357)
Annual Pension Cost	189,412	177,794	177,959
Contributions Made	(151,629)	(156,087)	(163,636)
Increase (Decrease) in NPO	37,783	21,707	14,323
Beginning NPO (Asset)	76,401	114,185	135,892
Ending NPO (Asset)	\$ 114,185	\$ 135,892	\$ 150,215

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 20: PENSION BENEFITS PLAN (continued)

The City of Littlefield is one of 849 municipalities having the benefit plan administered by TMRS. Each of the 849 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2012 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained from TMRS' website at WWW.TMRS.com.

NOTE 21: SUPPLEMENTAL DEATH BENEFITS FUND

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal years ended 2013, 2012 and 2011 were \$4,258, \$5,128 and \$6,504, respectively, which equaled the required contributions each year.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2013

NOTE 21: SUPPLEMENTAL DEATH BENEFITS FUND (continued)

The City of Littlefield is one of 730 municipalities having the benefit plan administered by TMRS. Each of the 730 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2012 TMRS Comprehensive Annual Report, a copy of which may be obtained from TMRS' website at WWW.TMRS.COM.

NOTE 22: HEALTH CARE COVERAGE

During the year ended September 30, 2013, employees of the City were covered by a health 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, 2013, 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.

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, 2013

REVENUES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TAXES:				
Current Taxes	\$1,012,137	\$1,012,137	\$ 905,161	\$ (106,976)
Delinquent Taxes	45,000	45,000	39,034	(5,966)
Penalty and Interest	20,000	20,000	24,787	4,787
City Sales Tax	490,000	490,000	600,508	110,508
Franchise Fees	368,000	368,000	330,783	(37,217)
Hotel/Motel Tax	34,500	34,500	31,723	(2,777)
Total Taxes	\$1,969,637	\$1,969,637	\$1,931,996	\$ (37,641)
CHARGES FOR SERVICES:				
Refuse Collection	\$ 725,000	\$ 725,000	\$ 706,316	\$ (18,684)
Fire Service	10,000	10,000	11,400	1,400
EMS Fees	520,000	520,000	613,834	93,834
Vector Control	28,000	28,000	28,308	308
Landfill Operations	276,750	276,750	297,037	20,287
Other	12,000	12,000	6,339	(5,661)
Total Charges for Services	\$1,571,750	\$1,571,750	\$1,663,234	\$ 91,484
LICENSES AND PERMITS:				
Plumbing	\$ 2,820	\$ 2,820	\$ 1,230	\$ (1,590)
Electrical	2,160	2,160	1,114	(1,046)
Building	7,080	7,080	9,362	2,282
Other	2,920	2,920	970	(1,950)
Total Licenses & Permits	\$ 14,980	\$ 14,980	\$ 12,676	\$ (2,304)
FINES:				
Municipal Court	\$ 54,480	\$ 54,480	\$ 33,858	\$ (20,622)
GRANTS:				
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, 2013

REVENUES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER REVENUE:				
911 Subsidy	\$ 4,065	\$ 4,065	\$ 4,066	\$ 1
Land Rental	25,000	25,000	25,005	5
Penalties	16,600	16,600	17,190	590
Ambulance Subsidies	122,000	122,000	122,155	155
EMS Subsidies	39,000	39,000	38,687	(313)
TCEQ Recovery	29,000	29,000	26,501	(2,499)
Interest Income	2,500	2,500	1,574	(926)
Miscellaneous Revenue	117,020	117,020	162,459	45,439
Total Other Revenue	\$ 355,185	\$ 355,185	\$ 397,637	\$ 42,452
TOTAL REVENUES	\$3,966,032	\$3,966,032	\$4,039,401	\$ 73,369
EXPENDITURES				
LEGISLATIVE:				
Personnel Services	\$ 10,454	\$ 10,454	\$ 10,368	\$ 86
Contractual Services	220,315	230,315	235,802	(5,487)
Supplies and Materials	2,000	2,000	2,374	(374)
Total Legislative	\$ 232,769	\$ 242,769	\$ 248,544	\$ (5,775)
ADMINISTRATIVE:				
Personnel Services	\$ 131,813	\$ 131,813	\$ 136,859	\$ (5,046)
Contractual Services	101,930	94,730	93,902	828
Supplies and Materials	2,650	2,650	2,876	(226)
Total Administrative	\$ 236,393	\$ 229,193	\$ 233,637	\$ (4,444)

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
MUNICIPAL COURT:				
Personnel Services	\$ 63,853	\$ 63,853	\$ 64,584	\$ (731)
Contractual Services	7,870	10,020	9,845	175
Supplies and Materials	1,000	1,000	832	168
Total				
Municipal Court	\$ 72,723	\$ 74,873	\$ 75,261	\$ (388)
POLICE:				
Personnel Services	\$ 809,875	\$ 828,375	\$ 835,308	\$ (6,933)
Contractual Services	58,730	58,730	45,385	13,345
Supplies and Materials	14,430	14,430	13,464	966
Total Police	\$ 883,035	\$ 901,535	\$ 894,157	\$ 7,378
FIRE:				
Personnel Services	\$ 88,772	\$ 91,302	\$ 89,907	\$ 1,395
Contractual Services	19,200	37,237	49,278	(12,041)
Supplies and Materials	4,900	4,900	26,357	(21,457)
Total Fire	\$ 112,872	\$ 133,439	\$ 165,542	\$ (32,103)
REFUSE:				
Personnel Services	\$ 128,293	\$ 128,293	\$ 134,696	\$ (6,403)
Contractual Services	682,200	652,200	652,332	(132)
Supplies and Materials	68,350	68,350	66,002	2,348
Total Refuse	\$ 878,843	\$ 848,843	\$ 853,030	\$ (4,187)

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
STREETS:				
Personnel Services	\$ 144,650	\$ 148,000	\$ 141,168	\$ 6,832
Contractual Services	9,300	21,025	21,017	8
Supplies and Materials	31,650	40,150	25,962	14,188
Total Streets	\$ 185,600	\$ 209,175	\$ 188,147	\$ 21,028
PARKS:				
Personnel Services	\$ 109,706	\$ 109,706	\$ 101,077	\$ 8,629
Contractual Services	12,975	12,975	14,251	(1,276)
Supplies and Materials	28,100	28,100	34,059	(5,959)
Total Parks	\$ 150,781	\$ 150,781	\$ 149,387	\$ 1,394
AIRPORT:				
Personnel Services	\$ 5,813	\$ 5,813	\$ 5,893	\$ (80)
Contractual Services	10,385	24,335	23,436	899
Supplies and Materials	2,100	2,100	739	1,361
Total Airport	\$ 18,298	\$ 32,248	\$ 30,068	\$ 2,180
BUILDING & MAINTENANCE:				
Personnel Services	\$ 12,649	\$ 12,649	\$ 8,986	\$ 3,663
Contractual Services	211,900	176,900	162,775	14,125
Supplies and Materials	26,100	26,100	35,801	(9,701)
Total Building & Maintenance	\$ 250,649	\$ 215,649	\$ 207,562	\$ 8,087

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
FLEET SERVICES:				
Contractual Services	\$ 9,000	\$ 9,000	\$ 3,097	\$ 5,903
Supplies and Materials	228,400	228,400	188,573	39,827
Total Fleet Services	\$ 237,400	\$ 237,400	\$ 191,670	\$ 45,730
EMS:				
Personnel Services	\$ 379,593	\$ 379,593	\$ 375,846	\$ 3,747
Contractual Services	25,300	25,300	23,137	2,163
Supplies and Materials	173,050	173,050	172,727	323
Total EMS	\$ 577,943	\$ 577,943	\$ 571,710	\$ 6,233
LEDC:				
Personnel Services	\$ -0-	\$ 17,224	\$ 16,310	\$ 914
Contractual Services	59,650	47,250	4,197	43,053
Supplies and Materials	10,500	10,500	9	10,491
Total LEDC	\$ 70,150	\$ 74,974	\$ 20,516	\$ 54,458

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
LICENSING & ENFORCEMENT:				
Personnel Services	\$ 70,032	\$ 74,032	\$ 77,205	\$ (3,173)
Contractual Services	11,900	13,190	8,500	4,690
Supplies & Materials	5,500	5,500	3,820	1,680
Total Licensing & Enforcement	\$ 87,432	\$ 92,722	\$ 89,525	\$ 3,197
EMERGENCY MANAGEMENT:				
Personnel Services	\$ 4,221	\$ 4,221	\$ 4,339	\$ (118)
Contractual Services	1,900	4,749	3,813	936
Supplies & Materials	500	500	309	191
Total Emergency Management	\$ 6,621	\$ 9,470	\$ 8,461	\$ 1,009
CAPITAL OUTLAY:				
Capital Outlay	\$ 761,735	\$ 826,210	\$ 675,375	\$ 150,835
Total Capital Outlay	\$ 761,735	\$ 826,210	\$ 675,375	\$ 150,835
DEBT SERVICE:				
Principal	\$ 62,791	\$ 62,791	\$ 171,263	\$ (108,472)
Interest	9,536	9,536	14,777	(5,241)
Total Debt Service	\$ 72,327	\$ 72,327	\$ 186,040	\$ (113,713)
TOTAL EXPENDITURES	\$4,835,571	\$ 4,929,551	\$ 4,788,632	\$ 140,919
Excess (Deficiency) of Revenues Over Expenditures	\$ (869,539)	\$ (963,519)	\$ (749,231)	\$ 214,288

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Assets \$	5,000	\$ 5,000	\$ 19,367	\$ 14,367
Proceeds From Capital Leases & I/S Note	494,979	494,979	494,979	-0-
Operating Transfers In	369,560	369,560	259,711	(109,849)
Operating Transfers Out	-0-	-0-	(9,662)	(9,662)
Total Other Financing Sources (Uses)	\$ 869,539	\$ 869,539	\$ 764,395	\$ (105,144)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures And Other Uses	\$ -0-	\$ (93,980)	\$ 15,164	\$ 109,144
FUND BALANCE - BEGINNING	357,777	357,777	357,777	-0-
FUND BALANCE - ENDING	\$ 357,777	\$ 263,797	\$ 372,941	\$ 109,144

COMBINING FUND FINANCIAL STATEMENTS

CITY OF LITTLEFIELD

COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	ECONOMIC DEVELOPMENT	PDNF	PARKS & RECREATION	OTHER LOCAL SRF'S	TOTAL
<u>ASSETS</u>					
Cash	\$ 542,801	\$ 256	\$ 3,896	\$ 504	\$ 547,457
Accounts Receivable			4,487		4,487
Due From Other Governments	44,168				44,168
<u>TOTAL ASSETS</u>	<u>\$ 586,969</u>	<u>\$ 256</u>	<u>\$ 8,383</u>	<u>\$ 504</u>	<u>\$ 596,112</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$	\$	\$	\$	\$
Due to Others		-0-	-0-		-0-
<u>TOTAL LIABILITIES</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>FUND BALANCES</u>					
Assigned Fund Balances For:					
Economic Development	\$ 586,969	\$ 256	\$ 8,383	\$ 504	\$ 586,969
Other Purposes					9,143
<u>TOTAL LIABILITIES & FUND BALANCES</u>	<u>\$ 586,969</u>	<u>\$ 256</u>	<u>\$ 8,383</u>	<u>\$ 504</u>	<u>\$ 596,112</u>

CITY OF LITTLEFIELD

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	ECONOMIC DEVELOPMENT	PDNF	PARKS & RECREATION	OTHER LOCAL SRF'S	TOTAL
REVENUES					
Taxes	\$ 600,502	\$	\$	\$	\$ 600,502
Grants		115	4,762		-0-
Local Funds		4			4,877
Interest Income	802			1	807
Total Revenues	\$ 601,304	\$ 119	\$ 4,762	\$ 1	\$ 606,186
EXPENDITURES					
Personnel Services	\$	\$	\$	\$	\$ -0-
Contractual Services	52,627			460	53,087
Supplies & Materials	10,907	5,380			16,287
Other					-0-
Capital Outlay					-0-
Total Expenditures	\$ 63,534	\$ 5,380	\$ -0-	\$ 460	\$ 69,374
Excess (Deficiency) of Revenues Over Expenditures	\$ 537,770	\$ (5,261)	\$ 4,762	\$ (459)	\$ 536,812
Other Financing Sources (Uses)	(285,000)			(125)	(285,125)
Operating Transfers In(Out)	334,199	5,517	3,621	1,088	344,425
Fund Balance - Beginning					
Fund Balance - Ending	\$ 586,969	\$ 256	\$ 8,383	\$ 504	\$ 596,112

OTHER SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELDSCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2013

LAST TEN YEARS ENDED SEPTEMBER 30	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-12	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-13
2004 and Prior Years	Various	Various	\$ 10,572	\$	\$ 336	\$ (2,238)	\$ 7,998
2005	.5614	119,677,571	2,184		250	(166)	1,768
2006	.5690	121,248,780	2,845		322	(172)	2,351
2007	.5922	120,112,854	4,412		904	(178)	3,330
2008	.5989	126,138,686	7,065		1,549	(152)	5,364
2009	.5989	137,168,047	11,309		3,069	(105)	8,135
2010	.5989	146,103,832	16,472		5,942	(105)	10,425
2011	.6993	142,531,341	33,741		14,191	(122)	19,428
2012	.6993	142,269,977	47,836		17,108	(564)	30,164
2013 (Year Under Audit)	.7215	147,367,663	-0-	1,063,578	1,012,815	(234)	50,529
Totals			\$ 136,436	\$1,063,578	\$ 1,056,486	\$ (4,036)	\$ 139,492

CITY OF LITTLEFIELD

SCHEDULE OF BONDS
FOR YEAR ENDED SEPTEMBER 30, 2013

DATE OF ISSUE	DESCRIPTION	INTEREST RATE	(TERMS) MATURITY SCHEDULE	FUND PAYABLE FROM	AMOUNTS OUTSTANDING 10/1/12	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	\$ 870,000	\$ -0-	\$ 160,000
12-15-99	CERTIFICATE OF OBLIGATION, SERIES 2000	7.00%	20 YEARS	BCDC	\$ 880,000	\$ -0-	\$ 85,000
05-22-01	REFUNDING BONDS SERIES 2001	3.45% to 5.45%	30 YEARS	BCDC	\$ 8,345,000	\$ -0-	\$ 195,000
10-20-06	CERTIFICATE OF OBLIGATION, SERIES 2006	3.00% to 3.80%	20 YEARS	WATER AND SEWER FUND	\$ 1,540,000	\$ -0-	\$ 80,000
					<u>\$ 11,635,000</u>	<u>\$ -0-</u>	<u>\$ 520,000</u>

REQUIREMENTS

AMOUNTS OUTSTANDING 9/30/13	INTEREST CURRENT YEAR	YEAR ENDING 9/30/14		YEAR ENDING 9/30/15		10/1/15 TO MATURITY INTEREST
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ 710,000	\$ 32,903	\$ 165,000	\$ 26,280	\$ 175,000	\$ 19,266	\$ 15,893
795,000	58,625	90,000	52,500	100,000	45,850	112,175
8,150,000	444,173	205,000	434,721	210,000	424,812	3,990,852
1,460,000	53,388	80,000	50,808	85,000	48,105	302,923
<u>\$ 11,115,000</u>	<u>\$ 589,089</u>	<u>\$ 540,000</u>	<u>\$ 564,309</u>	<u>\$ 570,000</u>	<u>\$ 538,033</u>	<u>\$ 4,421,843</u>

CITY OF LITTLEFIELD

SCHEDULE OF CAPITAL LEASES
FOR YEAR ENDED SEPTEMBER 30, 2013

DATE OF ISSUE	PURPOSE AND LAWFUL AUTHORITY	INTEREST RATE	(TERMS) MATURITY SCHEDULE	FUND PAYABLE FROM	ORIGINAL COST	AMOUNTS OUTSTANDING 10/1/12	RETIRED CURRENT YEAR
02-05-04	UTILITY METERS	4.69%	15 YEARS	W&S	\$ 1,109,322	\$ 628,372	\$ 77,723
04-22-05	N440 RESCUE PUMPER	4.78%	10 YEARS	GENERAL	224,332	78,535	24,995
01-28-10	ELGIN EAGLE SWEEPER	4.75%	5 YEARS	GENERAL	189,402	118,980	37,795
10-25-12	CATERPILLAR SCRAPER	2.86%	5 YEARS	GENERAL	210,200	-0-	43,424
11-14-12	5 - CHEVY TAHOES	2.51%	4 YEARS	GENERAL	207,836	-0-	52,332
11-14-12	3 - CHEVY SILVERADOS	3.55%	6 YEARS	W&S	95,164	-0-	16,085
11-14-12	1 - CHEVY SILVERADO	3.55%	6 YEARS	GENERAL	42,547	-0-	7,191
					<u>\$ 2,078,803</u>	<u>\$ 825,887</u>	<u>\$ 259,545</u>

REQUIREMENTS

AMOUNTS OUTSTANDING 9/30/13	INTEREST CURRENT YEAR	YEAR ENDING 9/30/14		YEAR ENDING 9/30/15		10/1/15 TO MATURITY INTEREST
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ 550,649	\$ 28,087	\$ 81,429	\$ 24,381	\$ 85,312	\$ 20,499	\$ 39,333
53,540	3,758	26,190	2,563	27,350	1,403	-0-
81,185	5,776	39,630	3,941	41,555	2,017	-0-
166,776	1,306	39,941	4,789	41,088	3,642	3,714
155,504	3,036	50,126	5,241	51,816	3,552	1,805
79,079	1,444	14,721	2,809	15,244	2,285	3,534
35,356	646	6,582	1,255	6,815	1,022	1,580
<u>\$ 1,122,089</u>	<u>\$ 44,053</u>	<u>\$ 258,619</u>	<u>\$ 44,979</u>	<u>\$ 269,180</u>	<u>\$ 34,420</u>	<u>\$ 49,966</u>

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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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, 2013, 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 4, 2014.

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 City of Littlefield'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 4, 2014

Webb, Webb & Wright

CITY OF LITTLEFIELD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

C. Federal Award Findings and Questioned Costs
None

CITY OF LITTLEFIELD

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<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, 2013

None