

**CITY OF LITTLEFIELD
LITTLEFIELD, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011**

Webb, Webb, and Wright
Certified Public Accountants

823 I.F.D Drive
Littlefield, Texas 79339
(806) 385-5181

CITY OF LITTLEFIELD
LITTLEFIELD, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011

CITY OF LITTLEFIELD
TABLE OF CONTENTS
SEPTEMBER 30, 2011

	Page	Exhibit
	-----	-----
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report on Financial Statements	1-2	
Management's Discussion and Analysis (Required Supplementary Information)	3-9	
<u>BASIC FINANCIAL STATEMENTS</u>		
Government-wide Financial Statements:	10	A-1
Statement of Net Assets	11	B-1
Statement of Activities		
Fund Financial Statements:	12	C-1
Balance Sheet - Governmental Funds		
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14-15	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	16	C-4
Statement of Net Assets - Proprietary Fund	17-18	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	19	D-2
Statement of Cash Flows - Proprietary Fund	20-21	D-3
Notes to the Financial Statements	22-49	
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	50-56	E-1
<u>COMBINING FINANCIAL STATEMENTS</u>		
Combining Balance Sheet - All Special Revenue Funds	57	F-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - All Special Revenue Funds	58	F-2

CITY OF LITTLEFIELD
 TABLE OF CONTENTS
 SEPTEMBER 30, 2011

	Page	Exhibit
	-----	-----
<u>OTHER SUPPLEMENTARY INFORMATION</u>		
Schedule of Delinquent Taxes Receivable	59	G-1
Schedule of Bonds	60	G-2
Schedule of Capital Leases	61	G-3
<u>OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION</u>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62-63	
Schedule of Findings and Questioned Costs	64	
Summary Schedule of Prior Audit Findings	65	
Corrective Action Plan	66	

FINANCIAL SECTION

Webb, Webb, and Wright
Certified Public Accountants

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

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

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

February 6, 2012

Independent Auditor's Report on Financial Statements

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Littlefield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,

WEBB, WEBB AND WRIGHT, CPA's

Webb, Webb & Wright

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Littlefield's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

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

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

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the City's governmental activities increased from \$2,264,671 to \$2,302,262. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$294,186 at September 30, 2011.

This increase in governmental net assets was the net result of the City's revenues exceeding the expenses by \$37,591.

The net assets of our business-type activities increased by \$269,892. This increase is significant to the overall operations of the City, and it provides significant services to the community.

Table 1
City of Littlefield

Net Assets
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	816	600	2,085	1,742	2,901	2,342	23.9%
Capital assets	2,261	2,526	15,556	16,110	17,817	18,636	-4.4%
Total assets	3,077	3,126	17,641	17,852	20,718	20,978	-1.2%
Long-term liabilities	257	257	12,267	12,228	12,524	12,485	.3%
Other liabilities	518	604	303	823	821	1,427	-42.5%
Total liabilities	775	861	12,570	13,051	13,345	13,912	-4.1%
Net assets:							
Invested in capital assets, net of related debt	2,004	2,194	3,288	3,346	5,292	5,540	-4.5%
Restricted	4	21	1,041	222	1,045	243	330.0%
Unrestricted	294	50	742	1,233	1,036	1,283	-19.3%
Total net assets	2,302	2,265	5,071	4,801	7,373	7,066	4.3%

Table 2

City of Littlefield

Changes in Net Assets
in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Net program revenues:							
Charges for services	1,694	1,712	2,159	1,867	3,853	3,579	7.7%
Operating grants and contributions	7	261			7	261	-97.3%
Capital grants and contributions	40	38			40	38	5.3%
General revenues:							
Property taxes	889	886	117		1,006	886	13.5%
Other taxes	901	876			901	876	2.9%
Unrestricted investments earnings	3	3	6	12	9	15	-40.0%
Other revenues	221	249	100	84	321	333	-3.6%
Total revenues	3,755	4,025	2,382	1,963	6,137	5,988	2.5%
Expenses:							
General government	460	553			460	553	-16.8%
Police	1,095	1,053			1,095	1,053	4.0%
Fire	267	335			267	335	-20.3%
EMS	619	611			619	611	1.3%
Refuse	867	896			867	896	-3.2%
Parks & Recreation	127	135			127	135	-5.9%
Public Services	117	170			117	170	-31.2%
Streets	398	484			398	484	-17.8%
Other	5	268			5	268	-98.1%
Interest on Long-term debt	16	11			16	11	45.5%
Water and Sewer			1,415	1,301	1,415	1,301	8.8%
BCDC			927	917	927	917	1.1%
Total expenses	3,971	4,516	2,342	2,218	6,313	6,734	-6.3%
Increase(decrease) in net assets before contributions and transfers	(216)	(491)	40	(255)	(176)	(746)	-76.4%
Capital contributions	(40)		40		-0-	-0-	0.0%
Transfers	293	370	190	(370)	483	-0-	0.0%
Change in net assets	37	(121)	270	(625)	307	(746)	-141.2%
Net assets-beginning	2,265	2,386	4,801	5,426	7,066	7,812	-9.5%
Net assets-ending	2,302	2,265	5,071	4,801	7,373	7,066	4.3%

The City's total revenues increased over \$262,000 this year. The total cost of all programs and services decreased over \$434,000 this year.

The City's revenues, excluding the BCDC and grants, remained at near the same level as the prior year. Expenditures for almost all departments were under budget for the fiscal year 2011.

The cost of all governmental and business-type activities this year was \$6,312,471. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,906,602 because \$3,852,939 of the costs were paid by those who directly benefited from the programs and \$47,253 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 \$382,395, which is slightly above last year's total of \$368,151. Included in this year's total change in fund balance is an increase of \$222,259 in the City's General Fund.

The budget for FY 2012 includes increased revenues including small increases in the property tax rate and water/sewer rates. It also contains decreases in operating budgets for almost every department. These changes were made to assist the City in meeting the bond obligations from the BCDC.

General Fund Budgetary Highlights

The City's General Fund balance of \$239,230 differs significantly from the General Fund's budgetary fund balance of \$(13,884). 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 \$287,290 and the actual excess was \$70,972. The most positive variance was contributions from almost all departments as expenditures reported in under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had \$34,379,762 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 \$69,150, or .2% above last year.

This year's major additions included:

VFD Equipment	\$ 45,659
Lift Station Fence	6,946
Vehicles	11,000
Office Equipment	5,545

Total	\$ 69,150
	=====

The City has several capital projects planned for the fiscal year 2012 totaling \$93,300. There is a possibility for further budget amendments for additional capital outlays. No additional debt is expected to be incurred.

Debt

At year-end, the City had \$13,084,974 in bonds and capital leases outstanding versus \$13,695,936 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 2012 budget and tax rates. The City intends to limit spending and control the number of personnel and associated costs to minimize the raising of tax rates or user fees. Again, occupancy of the BCDC may have an effect on 2012 tax rates and user fees.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF LITTLEFIELD
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and Cash Equivalents	\$ 207,908	\$ 650,155	\$ 858,063	\$ 87,542
Receivables (net of allowance for uncollectibles)	591,864	342,319	934,183	39,674
Note receivable		49,343	49,343	
Deferred Expense	12,091	2,730	14,821	
Restricted assets:				
Cash in Bank	4,359	1,040,863	1,045,222	
Capital assets (net of accumulated depreciation):				
Land	818,324	507,595	1,325,919	
Buildings & Structures	638,297	14,018,123	14,656,420	20,982
Machinery and Equipment	581,823	466,146	1,047,969	
Furniture and Fixtures	20,454	9,340	29,794	
Capital Leases	202,234	554,661	756,895	
Total Capital Assets	\$ 2,261,132	\$ 15,555,865	\$ 17,816,997	\$ 20,982
TOTAL ASSETS	\$ 3,077,354	\$ 17,641,275	\$ 20,718,629	\$ 148,198
LIABILITIES				
Accounts payable	\$ 116,840	\$ 20,548	\$ 137,388	\$
Accrued liabilities	49,035	2,730	51,765	
Due to Others	17,532	1	17,533	
Escrow Deposits		2,244	2,244	
Customer Deposits		152,929	152,929	
Deferred revenue	290,550	124,087	414,637	
Landfill Closure Liability	43,720		43,720	
Noncurrent liabilities:				
Due within one year	59,900	564,186	624,086	
Due in more than one year	197,515	11,703,184	11,900,699	
TOTAL LIABILITIES	\$ 775,092	\$ 12,569,909	\$ 13,345,001	\$ -0-
NET ASSETS				
Invested in capital assets, net of related debt	\$ 2,003,717	\$ 3,288,495	\$ 5,292,212	\$ 20,982
Restricted for:				
Technology Improvements	4,359		4,359	
Debt Service		1,040,863	1,040,863	
Unrestricted	294,186	742,008	1,036,194	127,216
TOTAL NET ASSETS	\$ 2,302,262	\$ 5,071,366	\$ 7,373,628	\$ 148,198

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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	\$ 460,140	\$ 52,280	\$	\$	\$ (407,860)	\$	\$ (407,860)	\$
Police	1,095,148				(1,095,148)		(1,095,148)	
Fire	266,534	11,900			(254,634)		(254,634)	
EMS	619,228	586,688			(32,540)		(32,540)	
Refuse	867,044	1,002,454			135,410		135,410	
Parks & Recreation	127,236				(127,236)		(127,236)	
Public Services	116,720	40,565			(76,155)		(76,155)	
Streets	397,545				(397,545)		(397,545)	
Other	4,545		7,580	39,673	42,708		42,708	
Interest on Long-Term Debt	16,196				(16,196)		(16,196)	
Total Governmental Activities	\$ 3,970,336	\$ 1,693,887	\$ 7,580	\$ 39,673	\$ (2,229,196)	\$ -0-	\$ (2,229,196)	\$ -0-
Business – Type Activities:								
Water & Sewer	\$ 1,414,868	\$ 2,159,052	\$	\$	\$	\$ 744,184	\$ 744,184	\$
BCDC	927,267					(927,267)	(927,267)	
Total Business-Type Activities	\$ 2,342,135	\$ 2,159,052	\$ -0-	\$ -0-	\$ -0-	\$ (183,083)	\$ (183,083)	\$ -0-
TOTAL PRIMARY GOVERNMENT	\$ 6,312,471	\$ 3,852,939	\$ 7,580	\$ 39,673	\$ (2,229,196)	\$ (183,083)	\$ (2,412,279)	\$ -0-
COMPONENT UNIT:								
Economic Development	\$ 66,574	\$	\$	\$	\$	\$	\$	\$ (66,574)
TOTAL COMPONENT UNIT	\$ 66,574	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (66,574)
General Revenues:								
Property taxes					\$ 889,216	\$ 116,457	\$ 1,005,673	\$
Sales taxes					541,108		541,108	338,503
Franchise fees					329,697		329,697	
Hotel/Motel Tax					30,124		30,124	
Investment earnings					2,679	6,163	8,842	402
Other					220,908	100,410	321,318	
Capital contributions					(39,673)	39,673	-0-	
Transfers					292,728	190,272	483,000	(483,000)
Total general revenues, contributions and transfers					\$ 2,266,787	\$ 452,975	\$ 2,719,762	\$ (144,095)
Change in net assets					\$ 37,591	\$ 269,892	\$ 307,483	\$ (210,669)
Net assets – beginning					2,264,671	4,801,474	7,066,145	358,867
Net assets – ending					\$ 2,302,262	\$ 5,071,366	\$ 7,373,628	\$ 148,198

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 191,954	\$ 103,496	\$ 295,450
Accounts Receivable	450,724		450,724
Delinquent Taxes Receivable	119,372		119,372
Allowance for Uncollectible Taxes	(17,906)		(17,906)
Due From Other Governments	39,674	39,674	79,348
Deferred Expense	12,091		12,091
Restricted Assets:			
Cash in Bank	4,359		4,359
 Total Assets	 \$ 800,268	 \$ 143,170	 \$ 943,438
<u>LIABILITIES</u>			
Accounts Payable	\$ 116,840	\$	\$ 116,840
Accrued Liabilities	49,035		49,035
Due to Others	17,527	5	17,532
Deferred Revenue	333,916		333,916
Landfill Closure Liability	43,720		43,720
 Total Liabilities	 \$ 561,038	 \$ 5	 \$ 561,043
<u>FUND BALANCES</u>			
Restricted Fund Balances For:			
Technology Improvements	\$ 4,359	\$	\$ 4,359
Grant Programs		3,719	3,719
Assigned Fund Balances For:			
Retirement of Capital Leases	234,871		234,871
Economic Development		127,216	127,216
Other Purposes		12,230	12,230
 Total Fund Balances	 \$ 239,230	 \$ 143,165	 \$ 382,395
 Total Liabilities and Fund Balances	 \$ 800,268	 \$ 143,170	 \$ 943,438

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

CITY OF LITTLEFIELD
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

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

Total fund balances - governmental fund balance sheet	\$ 382,395
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,261,132
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	43,366
Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds.	(257,415)
Component unit presented separately	(127,216)

Total net assets of governmental activities - statement of net assets	\$ 2,302,262 =====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
<u>REVENUES</u>			
Taxes	\$ 1,787,589	\$ 338,503	\$ 2,126,092
Charges for Services	1,641,607		1,641,607
License and Permits	11,234		11,234
Fines	41,046		41,046
Grants		47,253	47,253
Local Funds		77	77
Interest Income	2,634	447	3,081
Other Revenue	220,831		220,831
	-----	-----	-----
Total Revenues	\$ 3,704,941	\$ 386,280	\$ 4,091,221
	-----	-----	-----
<u>EXPENDITURES</u>			
Current Operating:			
Legislative	\$ 122,093	\$	\$ 122,093
Administrative	198,725		198,725
Legal-Municipal Court	50,076		50,076
Police	1,056,311		1,056,311
Fire	197,161		197,161
Refuse	829,449		829,449
Street	356,518		356,518
Parks and Recreation	127,236		127,236
Airport	28,529		28,529
Building Maintenance	52,543		52,543
Animal Control	45,227		45,227
Code Enforcement	38,384		38,384
EMS	562,801		562,801
Swimming Pool	4,580		4,580
Technology & Development	3,932		3,932
Contractual Services		14,766	14,766
Supplies and Materials		1,353	1,353
Other (Incentive)		55,000	55,000
Capital Outlay	11,000		11,000
Debt Service:			
Principal	75,152		75,152
Interest	16,196		16,196
	-----	-----	-----
Total Expenditures	\$ 3,775,913	\$ 71,119	\$ 3,847,032
	-----	-----	-----

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	GENERAL FUND -----	OTHER GOVERNMENTAL FUNDS -----	TOTAL GOVERNMENTAL FUNDS -----
Excess (Deficiency) of Revenues Over Expenditures	\$ (70,972)	\$ 315,161	\$ 244,189
OTHER FINANCING SOURCES (USES)			
Capital Contribution to Other Funds	\$	\$ (39,673)	\$ (39,673)
Operating Transfers In	298,323		298,323
Operating Transfers Out	(5,092)	(483,503)	(488,595)
Total Other Financing Sources (Uses)	\$ 293,231	\$ (523,176)	\$ (229,945)
Net Change in Fund Balances	\$ 222,259	\$ (208,015)	\$ 14,244
Fund Balances - Beginning	16,971	351,180	368,151
Fund Balances - Ending	\$ 239,230	\$ 143,165	\$ 382,395
	=====	=====	=====

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Net change in fund balances - total governmental funds.	\$ 14,244
Capital outlays are not reported as expenses in the SOA.	11,000
Capital asset depreciation used in governmental activities is not reported in the funds.	(276,030)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	2,556
Some expenditures (e.g. principal debt payment) on fund statements are not expenditures on the SOA.	75,152
Component unit presented separately	210,669

Change in net assets of governmental activities.	\$ 37,591
	=====

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

CITY OF LITTLEFIELD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	WATER & SEWER -----	BCDC -----	TOTAL -----
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 650,155	\$	\$ 650,155
Accounts Receivable	328,036		328,036
Delinquent Taxes Receivable		16,804	16,804
Allowance for Uncollectible Taxes		(2,521)	(2,521)
Note Receivable	49,343		49,343
Due From Other Funds	792,297		792,297
Deferred Expense	2,730		2,730
Restricted Assets:			
Cash in Bank	146,900	893,963	1,040,863
Total Current Assets	\$ 1,969,461	\$ 908,246	\$ 2,877,707
Capital Assets (Net)			
Land	\$ 325,933	\$ 181,662	\$ 507,595
Building & Structures	5,295,162	8,722,961	14,018,123
Machinery & Equipment	466,146		466,146
Furniture & Fixtures	9,340		9,340
Capital Lease Assets	554,661		554,661
Total Noncurrent assets	\$ 6,651,242	\$ 8,904,623	\$ 15,555,865
Total Assets	\$ 8,620,703	\$ 9,812,869	\$ 18,433,572
	=====	=====	=====

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

CITY OF LITTLEFIELD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	WATER & SEWER -----	BCDC -----	TOTAL -----
LIABILITIES:			
Current Liabilities			
Accounts Payable	\$ 19,628	\$ 920	\$ 20,548
Accrued Liabilities	2,730		2,730
Due to Other Funds		792,297	792,297
Due to Others	1		1
Escrow Deposits	2,244		2,244
Customer Deposits	152,929		152,929
Deferred Credits	109,803	14,284	124,087
Capital Leases - Current	74,186		74,186
Total Current Liabilities	\$ 361,521	\$ 807,501	\$ 1,169,022
Current Liabilities Payable From Restricted Assets			
Bonds Payable - Current	\$ 225,000	\$ 265,000	\$ 490,000
Total Current Liabilities Payable From Restricted Assets	\$ 225,000	\$ 265,000	\$ 490,000
Noncurrent Liabilities			
Bonds Payable	\$ 2,334,443	\$ 8,740,368	\$ 11,074,811
Capital Leases Payable	628,373		628,373
Total Noncurrent Liabilities	\$ 2,962,816	\$ 8,740,368	\$ 11,703,184
Total Liabilities	\$ 3,549,337	\$ 9,812,869	\$ 13,362,206
NET ASSETS:			
Invested in Capital Assets-			
Net of Related Debt	\$ 3,389,240	\$ (100,745)	\$ 3,288,495
Restricted for Debt Service	146,900	893,963	1,040,863
Unrestricted (Deficit)	1,535,226	(793,218)	742,008
Total Net Assets	\$ 5,071,366	\$ -0-	\$ 5,071,366

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

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	WATER & SEWER -----	BCDC -----	TOTAL -----
Operating Revenues			
Water Sales	\$ 1,579,961	\$	\$ 1,579,961
Charges for Service	579,091		579,091
Taxes		116,457	116,457
Other Revenue	100,410		100,410
	-----	-----	-----
Total Operating Revenue	\$ 2,259,462	\$ 116,457	\$ 2,375,919
	-----	-----	-----
Operating Expenses			
Personnel Services	\$ 424,343	\$	\$ 424,343
Contractual Services	374,903	86,253	461,156
Supplies and Maintenance	132,006	3,825	135,831
Depreciation	340,457	272,244	612,701
	-----	-----	-----
Total Operating Expenses	\$ 1,271,709	\$ 362,322	\$ 1,634,031
	-----	-----	-----
Operating Income (Loss)	\$ 987,753	\$ (245,865)	\$ 741,888
	-----	-----	-----
Non-Operating Revenues (Expenses)			
Interest - Investments	\$ 3,105	\$ 3,058	\$ 6,163
Bonds and Capital Lease Interest	(138,122)	(531,028)	(669,150)
Amortization - Bond Costs	(5,037)	(33,917)	(38,954)
	-----	-----	-----
Total Non-Operating Revenues (Expenses)	\$ (140,054)	\$ (561,887)	\$ (701,941)
	-----	-----	-----
Income Before Contributions and Operating Transfers	\$ 847,699	\$ (807,752)	\$ 39,947
Capital Contribution From Other Funds	39,673		39,673
Operating Transfers In	1,168	803,393	804,561
Operating Transfers (Out)	(614,289)		(614,289)
	-----	-----	-----
Change in Net Assets	\$ 274,251	\$ (4,359)	\$ 269,892
Net Assets - Beginning	4,797,115	4,359	4,801,474
	-----	-----	-----
Net Assets - Ending	\$ 5,071,366	\$ -0-	\$ 5,071,366
	=====	=====	=====

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

CITY OF LITTLEFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	WATER AND SEWER	BCBD	TOTAL
	-----	-----	-----
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 2,229,433	\$	\$ 2,229,433
Cash Payments for Goods and Services	(504,639)	(89,158)	(593,797)
Cash Payments to Employees	(424,343)		(424,343)
Other Operating Revenues		116,457	116,457
	-----	-----	-----
Net Cash Provided (Used) by Operating Activities	\$ 1,300,451	\$ 27,299	\$ 1,327,750
	-----	-----	-----
Cash Flows From Noncapital Financing			
Due to and From Other Funds	(321,225)	321,225	-0-
Operating Transfers In	\$ 1,168	\$ 803,393	\$ 804,561
Operating Transfers (Out)	(614,289)		(614,289)
	-----	-----	-----
Net Cash Provided (Used) for Noncapital Financing Activities	\$ (934,346)	\$ 1,124,618	\$ 190,272
	-----	-----	-----
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Note Receivable	\$ 2,103	\$	\$ 2,103
Acquisition of Fixed Assets	(58,150)		(58,150)
Capital Lease Payment	(70,810)		(70,810)
Principal Paid on Bonds	(215,000)	(250,000)	(465,000)
Interest Paid on Bonds and Capital Lease	(138,122)	(531,028)	(669,150)
Capital Contribution	39,673		39,673
	-----	-----	-----
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (440,306)	\$ (781,028)	\$ (1,221,334)
	-----	-----	-----
Cash Flows From Investing Activities:			
Interest on Investments	\$ 3,105	\$ 3,058	\$ 6,163
	-----	-----	-----
Net Cash Provided (Used) From Investing Activities	\$ 3,105	\$ 3,058	\$ 6,163
	-----	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (71,096)	\$ 373,947	\$ 302,851
Cash and Cash Equivalents - Beginning	868,151	520,016	1,388,167
	-----	-----	-----
Cash and Cash Equivalents - Ending	\$ 797,055	\$ 893,963	\$ 1,691,018
	=====	=====	=====

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

CITY OF LITTLEFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	WATER AND SEWER -----	BCDC -----	TOTAL -----
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 987,753	\$ (245,865)	\$ 741,888
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	\$ 340,457	\$ 272,244	\$ 612,701
Changes in Assets and Liabilities:			
Accounts Receivable (Increase) Decrease	(27,069)		(27,069)
Deferred Expense (Increase) Decrease	(1,262)		(1,262)
Accounts Payable & Accrued Liabilities Increase (Decrease)	3,532	920	4,452
Escrow & Customer Deposits Increase (Decrease)	1,223		1,223
Deferred Credits Increase (Decrease)	(4,183)		(4,183)
Total Adjustments	\$ 312,698	\$ 273,164	\$ 585,862
Net Cash Provided (Used) by Operating Activities	\$ 1,300,451	\$ 27,299	\$ 1,327,750

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

B. BASIS OF PRESENTATION

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

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.

Statement No. 34 also requires supplementary information Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are 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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (continued)

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.

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.

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, 2011

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, 2011

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, 2011

F. INTERFUND ACTIVITY

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

G. INVENTORIES AND PREPAID ITEMS

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

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

H. RESTRICTED ASSETS

Restricted cash assets in the General Fund are to be used for technology improvements. 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, 2011

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, 2011

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, 2011

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 2010-11 fiscal year.

NOTE 3. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

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") insurance.

Cash Deposits:

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$1,990,827 and the bank balance was \$2,028,794. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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

- a. Name of bank: Security State Bank - Littlefield, Texas
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$2,569,248.
- c. Largest cash, savings and time deposits combined account balance amounted to \$2,709,132 and occurred during the month of February, 2011.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$273,101.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

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, 2011

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

The City's investments at September 30, 2011 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, 2011

NOTE 4: DEPOSITS AND INVESTMENTS (continued)

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE 5: PROPERTY TAX

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

Allowances for uncollectible tax receivables within the General Fund is based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NOTE 6: NOTE RECEIVABLE

Note receivable balance of \$49,343 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, 2011

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
	-----	-----	-----	-----
<u>Governmental Activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 818,324	\$	\$	\$ 818,324
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 818,324	\$ -0-	\$ -0-	\$ 818,324
	-----	-----	-----	-----
<i>Capital assets being depreciated:</i>				
Buildings and Structures	\$ 6,293,737	\$	\$	\$ 6,293,737
Machinery and Equipment	2,261,189	11,000		2,272,189
Furniture and Fixtures	151,258			151,258
Capital Leases	413,734			413,734
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 9,119,918	\$ 11,000	\$ -0-	\$ 9,130,918
	-----	-----	-----	-----
<i>Less accumulated depreciation for:</i>				
Buildings and Structures	\$ (5,615,192)	\$ (40,248)	\$	\$ (5,655,440)
Machinery and Equipment	(1,505,862)	(184,504)		(1,690,366)
Furniture and Fixtures	(126,508)	(4,296)		(130,804)
Capital Leases	(164,518)	(46,982)		(211,500)
	-----	-----	-----	-----
Total accumulated depreciation	\$ (7,412,080)	\$ (276,030)	\$ -0-	\$ (7,688,110)
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 1,707,838	\$ (265,030)	\$ -0-	\$ 1,442,808
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 2,526,162	\$ (265,030)	\$ -0-	\$ 2,261,132
	=====	=====	=====	=====

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

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	2,718,554	52,605	\$	2,771,159
Furniture and Fixtures	194,309	5,545		199,854
Capital Leases	1,109,322			1,109,322
Total capital assets being depreciated	\$ 23,843,793	\$ 58,150	\$ -0-	\$ 23,901,943

Less accumulated depreciation for:

Buildings and Structures	\$ (5,336,758)	\$ (466,727)	\$	\$ (5,803,485)
Machinery and Equipment	(2,236,700)	(68,313)		(2,305,013)
Furniture and Fixtures	(186,808)	(3,706)		(190,514)
Capital Leases	(480,706)	(73,955)		(554,661)

Total accumulated depreciation	\$ (8,240,972)	\$ (612,701)	\$ -0-	\$ (8,853,673)
Total capital assets being depreciated, net	\$ 15,602,821	\$ (554,551)	\$ -0-	\$ 15,048,270

Business-type activities capital assets, net	\$ 16,110,416	\$ (554,551)	\$ -0-	\$ 15,555,865
--	---------------	--------------	--------	---------------

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	\$ 32,771
Police	38,837
Fire	69,373
Refuse	37,595
Street	41,027
EMS	56,427

Total depreciation expense - Governmental activities	\$ 276,030
--	------------

Business-type activities:

Water and Sewer	\$ 340,457
BCDC	272,244

Total depreciation expense - Business-type activities	\$ 612,701
---	------------

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 8: DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

Revenue Description	Fund	Deferred Amount
Net Tax Revenue	General	\$ 101,466
Landfill Operations	General	232,450
Net Tax Revenue	Proprietary-BCDC	14,284
Total Deferred Revenue		\$ 348,200

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.

\$43,720 reported as landfill closure and postclosure care liability at September 30, 2011 represents the cumulative amount reported to date based on the use of 39% of the estimated capacity of the Type IV landfill and the use of 9% of the estimated capacity of the Type I landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$251,989 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. The City expects to close the Type IV landfill in the year 2029 and close the Type I landfill in the year 2080. 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 American State 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, 2011

NOTE 10: OPERATING/CAPITAL LEASES

The City had no operating leases at September 30, 2011. During the current year, there were four capital lease agreements related to the General Fund and one related to the Water & Sewer Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Interest expense on all capital leases for the current year was \$51,196. Commitments under capitalized lease obligations provide for future minimum lease payments as of September 30, 2011, as follows:

<u>Year Ending September</u>	General Fund	Water and Sewer Fund
	-----	-----
2012	\$ 72,324	\$ 105,810
2013	72,324	105,810
2014	72,324	105,810
2015	72,233	105,810
2016	-0-	105,810
2017-2021	-0-	317,432
	-----	-----
Total Minimum Lease Payments	\$ 289,205	\$ 846,482
Less Amount Representing Interest	(31,790)	(143,923)
	-----	-----
Present Value - Minimum Lease Payments	\$ 257,415	\$ 702,559
	=====	=====

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

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 2011 was \$45,006.

A summary of changes in long-term debt for the year ended September 30, 2011, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series 1997	\$ 1,165,000	\$ -0-	\$ 145,000	\$ 1,020,000	\$ 150,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2012	\$ 150,000	\$ 39,142	\$ 189,142
2013	160,000	32,903	192,903
2014	165,000	26,280	191,280
2015	175,000	19,266	194,266
2016	180,000	11,855	191,855
2017-2021	190,000	4,038	194,038
Totals	\$1,020,000	\$ 133,484	\$ 1,153,484

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

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 2011 was \$69,825.

A summary of changes in long-term debt for the year ended September 30, 2011, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series					
2000	\$ 1,035,000	\$ -0-	\$ 75,000	\$ 960,000	\$ 80,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2012	\$ 80,000	\$ 64,400	\$ 144,400
2013	85,000	58,625	143,625
2014	90,000	52,500	142,500
2015	100,000	45,850	145,850
2016	105,000	38,675	143,675
2017-2020	500,000	73,500	573,500
Totals	\$ 960,000	\$ 333,550	\$ 1,293,550

	9-30-11
Bond Principal	\$ 960,000
Less Bond Issuance Cost (Net of Amortization)	(131,794)
Bonds Payable (Net of Bond Issuance Cost)	\$ 828,206

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

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 2011 was \$461,203.

A summary of changes in long-term debt for the year ended September 30, 2011 is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series					
2001	\$ 8,705,000	\$ -0-	\$175,000	\$ 8,530,000	\$ 185,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2012	\$ 185,000	\$ 453,010	\$ 638,010
2013	195,000	444,173	639,173
2014	205,000	434,721	639,721
2015	210,000	424,812	634,812
2016	225,000	414,260	639,260
2017-2021	1,590,000	1,867,095	3,457,095
2022-2026	2,585,000	1,279,900	3,864,900
2027-2030	3,335,000	429,596	3,764,596
Totals	\$ 8,530,000	\$ 5,747,567	\$ 14,277,567

	9-30-11
Bond Principal	\$ 8,530,000
Less Bond Issuance Cost (Net of Amortization)	(352,838)
Bonds Payable (Net of Bond Issuance Cost)	\$ 8,177,162

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

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 2011 was \$58,115.

A summary of changes in long-term debt for the year ended September 30, 2011, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bond Series 2006	\$1,685,000	\$ -0-	\$ 70,000	\$ 1,615,000	\$ 75,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2012	\$ 75,000	\$ 55,849	\$ 130,849
2013	80,000	53,388	133,388
2014	80,000	50,808	130,808
2015	85,000	48,105	133,105
2016	90,000	45,195	135,195
2017-2021	495,000	176,991	671,991
2022-2026	600,000	78,647	678,647
2027	110,000	2,090	112,090
Totals	\$ 1,615,000	\$ 511,073	\$ 2,126,073

	9-30-11
Bond Principal	\$ 1,615,000
Less Bond Issuance Cost (Net of Amortization)	(75,557)
Bonds Payable (Net of Bond Issuance Cost)	\$ 1,539,443

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 11: BONDS PAYABLE (continued)

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

NOTE 12: CHANGES IN OTHER LONG-TERM DEBT

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Capital Leases	\$1,105,936	\$ -0-	\$ 145,962	\$ 959,974	\$ 134,086
Landfill Liability	254,389	-0-	2,400	251,989	-0-
Totals	\$1,360,325	\$ -0-	\$ 148,362	\$1,211,963	\$ 134,086

NOTE 13: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from funds at September 30, 2011 consisted of the following:

Due to Fund	Due From Fund	Amount
Water & Sewer Fund	BCDC Fund	\$ 792,297
	Total	\$ 792,297

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 13: INTERFUND BALANCES AND ACTIVITIES (continued)

2. Transfers To and From Other Funds

Net transfers to and from other funds at September 30, 2011 consisted of the following:

Transfers From	Transfers To	Amount	Reason
Water & Sewer Fund	General Fund	\$ 296,652	For Operations
Water & Sewer Fund	BCDC Fund	316,469	For Operations
General Fund	BCDC Fund	3,924	For Operations
Other Governmental Fund	BCDC Fund	483,000	For Operations
Other Governmental Fund	General Fund	503	Close Out Account
	Total	\$ 1,100,548	

NOTE 14: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 15: SELF-INSURED INSURANCE

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

NOTE 16: SUBSEQUENT EVENTS

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 17: COMMITMENTS AND CONTINGENCIES

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

The Bill Clayton Detention Center has not housed any prisoners since January 2009. The City Council entered into a contract with Coldwell Bankers Commercial Realtors to list the property for sale. Along with this agreement, they entered into contract with Williams & Williams Worldwide Auction to receive auction bids on the property. Opening bids received were to begin at five million dollars(\$5,000,000). Auction was held at the Detention Center, on July 28, 2011, and the City of Littlefield received and accepted a bid in the amount of six million dollars(\$6,000,000). The bidder immediately defaulted on the bid. A subsequent auction was then scheduled to be held on October 11, 2011 in Tulsa, OK. The City of Littlefield has met the debt obligation of the Bill Clayton Detention Center and is current on this obligation.

NOTE 18: LITIGATION

The City was not involved in any significant litigation as of September 30, 2011.

NOTE 19: PENSION BENEFITS PLAN

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 19: PENSION BENEFITS PLAN (continued)

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

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

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

The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 19: PENSION BENEFITS PLAN (continued)

Schedule of Funding Progress:

Actuarial Valuation Date	12-31-08	12-31-09	12-31-10
	-----	-----	-----
Actuarial Value of Assets	\$3,029,605	\$3,382,342	\$4,731,847
Actuarial Accrued Liability (AAL)	\$3,969,211	\$4,403,510	\$5,432,310
Unfunded or (Over-funded) Actuarial Accrued Liability (UAAL or OAAL)	\$ 939,606	\$1,021,168	\$ 700,463
Funded Ratio	76.3%	76.8%	87.1%
Annual Covered Payroll (Actuarial)	\$1,848,802	\$1,856,121	\$1,840,552
UAAL or OAAL as a Percentage of Covered Payroll	50.8%	55.0%	38.1%

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

	9-30-09	9-30-10	9-30-11
	-----	-----	-----
Annual Required Contribution (ARC)	\$ 156,682	\$ 183,127	\$ 188,414
Interest on NPO	N/A	2,371	5,730
Adjustment to the ARC	N/A	(1,963)	(4,732)
Annual Pension Cost	156,682	183,535	189,412
Contributions Made	(124,528)	(139,288)	(151,629)
Increase (Decrease) in NPO	32,154	44,247	37,783
Beginning NPO (Asset)	-0-	32,154	76,401
Ending NPO (Asset)	\$ 32,154	\$ 76,401	\$ 114,185

The City of Littlefield is one of 842 municipalities having the benefit plan administered by TMRS. Each of the 842 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2010 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX, 78714-9153.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 20: SUPPLEMENTAL DEATH BENEFITS FUND

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

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

The City contributes monthly to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is 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 2011, 2010 and 2009 were \$6,504, \$6,330 and \$7,341, respectively, which equaled the required contributions each year.

The City of Littlefield is one of 722 municipalities having the benefit plan administered by TMRS. Each of the 722 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2010 TMRS Comprehensive Annual Report, a copy of which may be obtained by writing to TMRS, P.O.Box 149153, Austin, TX, 78714-9153.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2011

NOTE 21: HEALTH CARE COVERAGE

During the year ended September 30, 2011, employees of the City were covered by a health insurance plan. The City pays 100% of the cost of premiums for the employees and 0% of the cost of premiums for the dependents. This plan, provided through Texas Municipal League Intergovernmental Risk Pool, is renewable October 1, 2011, and terms of coverage and contribution costs are included in the contractual provisions.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

REVENUES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TAXES:				
Current Taxes	\$ 929,440	\$ 929,440	\$ 826,664	\$ (102,776)
Delinquent Taxes	45,000	45,000	38,760	(6,240)
Penalty and Interest	22,500	22,500	21,236	(1,264)
City Sales Tax	488,750	488,750	541,108	52,358
Franchise Fees	299,500	299,500	329,697	30,197
Hotel/Motel Tax	30,000	30,000	30,124	124
Total Taxes	\$1,815,190	\$1,815,190	\$1,787,589	\$ (27,601)
CHARGES FOR SERVICES:				
Refuse Collection	\$ 725,000	\$ 725,000	\$ 705,216	\$ (19,784)
Fire Service	20,000	20,000	11,900	(8,100)
EMS Fees	600,000	600,000	586,688	(13,312)
Vector Control	29,000	29,000	28,574	(426)
Landfill Operations	276,750	276,750	297,238	20,488
Other	18,500	18,500	11,991	(6,509)
Total Charges for Services	\$1,669,250	\$1,669,250	\$1,641,607	\$ (27,643)
LICENSE AND PERMITS:				
Plumbing	\$ 2,000	\$ 2,000	\$ 2,599	\$ 599
Electrical	1,000	1,000	1,980	980
Building	3,600	3,600	5,739	2,139
Other	2,650	2,650	916	(1,734)
Total License & Permits	\$ 9,250	\$ 9,250	\$ 11,234	\$ 1,984
FINES:				
Municipal Court	\$ 43,000	\$ 43,000	\$ 41,046	\$ (1,954)
GRANTS:				
Federal/State	\$ 13,350	\$ 13,350	\$ -0-	\$ (13,350)

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

REVENUES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER REVENUE:				
911 Subsidy	\$ 16,200	\$ 16,200	\$ 16,262	\$ 62
Land Rental	25,000	25,000	26,805	1,805
Penalties	16,000	16,000	16,665	665
Ambulance Subsidies	13,650	13,650	13,658	8
EMS Subsidies	41,850	41,850	41,850	-0-
Swimming Pool	24,000	24,000	-0-	(24,000)
TCEQ Recovery	30,000	30,000	28,884	(1,116)
Interest	4,000	4,000	2,634	(1,366)
Miscellaneous Revenues	72,300	72,300	76,707	4,407
Total Other Revenue	\$ 243,000	\$ 243,000	\$ 223,465	\$ (19,535)
TOTAL REVENUES	\$3,793,040	\$3,793,040	\$3,704,941	\$ (88,099)
EXPENDITURES				
LEGISLATIVE:				
Personnel Services	\$ 4,605	\$ 4,605	\$ 4,925	\$ (320)
Contractual Services	120,230	120,230	116,223	4,007
Supplies and Materials	2,000	2,000	945	1,055
Total Legislative	\$ 126,835	\$ 126,835	\$ 122,093	\$ 4,742
ADMINISTRATIVE:				
Personnel Services	\$ 128,660	\$ 128,660	\$ 133,018	\$ (4,358)
Contractual Services	66,970	66,970	63,907	3,063
Supplies and Materials	2,650	2,650	1,800	850
Total Administrative	\$ 198,280	\$ 198,280	\$ 198,725	\$ (445)

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
LEGAL-MUNICIPAL COURT:				
Personnel Services	\$ 40,715	\$ 40,715	\$ 40,267	\$ 448
Contractual Services	6,700	6,700	8,927	(2,227)
Supplies and Materials	800	800	882	(82)
Total Legal- Municipal Court	\$ 48,215	\$ 48,215	\$ 50,076	\$ (1,861)
POLICE:				
Personnel Services	\$ 883,460	\$ 893,460	\$ 923,047	\$ (29,587)
Contractual Services	68,985	77,985	56,603	21,382
Supplies and Materials	67,800	67,800	76,661	(8,861)
Total Police	\$1,020,245	\$1,039,245	\$1,056,311	\$ (17,066)
FIRE:				
Personnel Services	\$ 127,355	\$ 127,355	\$ 110,429	\$ 16,926
Contractual Services	73,800	73,800	60,861	12,939
Supplies and Materials	13,300	13,300	25,871	(12,571)
Total Fire	\$ 214,455	\$ 214,455	\$ 197,161	\$ 17,294
REFUSE:				
Personnel Services	\$ 120,675	\$ 120,675	\$ 121,179	\$ (504)
Contractual Services	685,180	685,180	661,897	23,283
Supplies and Materials	53,950	53,950	46,373	7,577
Total Refuse	\$ 859,805	\$ 859,805	\$ 829,449	\$ 30,356

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
STREET:				
Personnel Services	\$ 133,190	\$ 133,190	\$ 139,880	\$ (6,690)
Contractual Services	179,050	179,050	171,292	7,758
Supplies and Materials	49,850	49,850	45,346	4,504
Total Street	\$ 362,090	\$ 362,090	\$ 356,518	\$ 5,572
PARKS AND RECREATION:				
Personnel Services	\$ 101,095	\$ 101,095	\$ 89,179	\$ 11,916
Contractual Services	21,165	21,165	22,019	(854)
Supplies and Materials	33,700	33,700	16,038	17,662
Total Parks & Recreation	\$ 155,960	\$ 155,960	\$ 127,236	\$ 28,724
AIRPORT:				
Contractual Services	\$ 27,035	\$ 27,035	\$ 26,311	\$ 724
Supplies and Materials	1,900	1,900	2,218	(318)
Total Airport	\$ 28,935	\$ 28,935	\$ 28,529	\$ 406
BUILDING & MAINTENANCE:				
Contractual Services	\$ 52,450	\$ 52,450	\$ 43,670	\$ 8,780
Supplies and Materials	8,950	8,950	8,873	77
Total Building and Maintenance	\$ 61,400	\$ 61,400	\$ 52,543	\$ 8,857

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
ANIMAL CONTROL:				
Personnel Services	\$ 37,070	\$ 37,070	\$ 34,163	\$ 2,907
Contractual Services	6,665	6,665	3,922	2,743
Supplies and Materials	10,275	10,275	7,142	3,133
Total Animal Control	\$ 54,010	\$ 54,010	\$ 45,227	\$ 8,783
CODE ENFORCEMENT:				
Personnel Services	\$ 35,970	\$ 35,970	\$ 29,248	\$ 6,722
Contractual Services	17,930	17,930	6,430	11,500
Supplies and Materials	4,050	4,050	2,706	1,344
Total Code Enforcement	\$ 57,950	\$ 57,950	\$ 38,384	\$ 19,566
EMS:				
Personnel Services	\$ 340,570	\$ 340,570	\$ 333,075	\$ 7,495
Contractual Services	48,835	48,835	34,008	14,827
Supplies and Materials	246,800	246,800	195,718	51,082
Total EMS	\$ 636,205	\$ 636,205	\$ 562,801	\$ 73,404
SWIMMING POOL:				
Personnel Services	\$ 21,930	\$ 21,930	\$ 78	\$ 21,852
Contractual Services	14,125	14,125	4,484	9,641
Supplies and Materials	9,200	9,200	18	9,182
Total Swimming Pool	\$ 45,255	\$ 45,255	\$ 4,580	\$ 40,675

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXPENDITURES	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
TECHNOLOGY AND DEVELOPMENT:				
Personnel Services	\$ -0-	\$ -0-	\$ 2,330	\$ (2,330)
Contractual Services	-0-	-0-	1,219	(1,219)
Supplies and Materials	-0-	-0-	383	(383)
Total Technology and Development	\$ -0-	\$ -0-	\$ 3,932	\$ (3,932)
CAPITAL OUTLAY:				
Capital Outlay	\$ 88,480	\$ 100,335	\$ 11,000	\$ 89,335
Total Capital Outlay	\$ 88,480	\$ 100,335	\$ 11,000	\$ 89,335
DEBT SERVICE:				
Principal	\$ 75,152	\$ 75,152	\$ 75,152	\$ -0-
Interest	16,203	16,203	16,196	7
Total Debt Service	\$ 91,355	\$ 91,355	\$ 91,348	\$ 7
TOTAL EXPENDITURES	\$4,049,475	\$ 4,080,330	\$ 3,775,913	\$ 304,417
Excess (Deficiency) of Revenues Over Expenditures	\$ (256,435)	\$ (287,290)	\$ (70,972)	\$ 216,318

CITY OF LITTLEFIELD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Assets	\$ 10,000	\$ 10,000	\$ -0-	\$ (10,000)
Operating Transfers In	361,135	361,135	298,323	(62,812)
Operating Transfers Out	(114,700)	(114,700)	(5,092)	109,608
Total Other Financing Sources (Uses)	\$ 256,435	\$ 256,435	\$ 293,231	\$ 36,796
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures And Other Uses	\$ -0-	\$ (30,855)	\$ 222,259	\$ 253,114
FUND BALANCE - BEGINNING	16,971	16,971	16,971	-0-
FUND BALANCE - ENDING	\$ 16,971	\$ (13,884)	\$ 239,230	\$ 253,114

COMBINING FINANCIAL STATEMENTS

CITY OF LITTLEFIELD
 COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	ECONOMIC DEVELOPMENT -----	TDHCA GRANT -----	OTHER FEDERAL & STATE GRANTS -----	OTHER LOCAL SRF's -----	TOTAL -----
<u>ASSETS</u>					
Cash	\$ 87,542	\$	\$ 3,724	\$ 12,230	\$ 103,496
Accounts Receivable Due From Other Governments	39,674				39,674
	-----	-----	-----	-----	-----
TOTAL ASSETS	\$ 127,216	\$ -0-	\$ 3,724	\$ 12,230	\$ 143,170
	=====	=====	=====	=====	=====
<u>LIABILITIES</u>					
Due to Other Funds	\$	\$	\$	\$	\$ -0-
Due to Others		1	4		5
	-----	-----	-----	-----	-----
TOTAL LIABILITIES	\$ -0-	\$ 1	\$ 4	\$ -0-	\$ 5
	-----	-----	-----	-----	-----
<u>FUND EQUITY</u>					
Reserved Fund Balance (Deficit)	\$ 127,216	\$ (1)	\$ 3,720	\$ 12,230	\$ 143,165
	-----	-----	-----	-----	-----
TOTAL LIABILITIES & FUND EQUITY	\$ 127,216	\$ -0-	\$ 3,724	\$ 12,230	\$ 143,170
	=====	=====	=====	=====	=====

CITY OF LITTLEFIELD

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	ECONOMIC DEVELOPMENT	TDHCA GRANT	OTHER FEDERAL & STATE GRANTS	OTHER LOCAL SRF's	TOTAL
	-----	-----	-----	-----	-----
REVENUE					
Taxes	\$ 338,503	\$	\$	\$	\$ 338,503
Grants			47,253		47,253
Local Funds				77	77
Interest	402	2	13	30	447
	-----	-----	-----	-----	-----
Total Revenue	\$ 338,905	\$ 2	\$ 47,266	\$ 107	\$ 386,280
	-----	-----	-----	-----	-----
EXPENDITURES					
Administrative	\$	\$	\$	\$	\$ -0-
Contractual					
Services	10,883		3,883		14,766
Supplies & Materials	691			662	1,353
Other (Incentive)	55,000				55,000
Capital Outlay					-0-
	-----	-----	-----	-----	-----
Total Expenditures	\$ 66,574	\$ -0-	\$ 3,883	\$ 662	\$ 71,119
	-----	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ 272,331	\$ 2	\$ 43,383	\$ (555)	\$ 315,161
Capital Contribution to Other Funds			(39,673)		(39,673)
Transfers In (Out)	(483,000)	(503)			(483,503)
Fund Balance - Beginning	337,885	500	10	12,785	351,180
	-----	-----	-----	-----	-----
Fund Balance - Ending	\$ 127,216	\$ (1)	\$ 3,720	\$ 12,230	\$ 143,165
	=====	=====	=====	=====	=====

OTHER SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELDSCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2011

LAST TEN EARS ENDED SEPTEMBER 30	TAX RATES	ASSESSED OR APPRAISED VALUATION	BEGINNING BALANCE 10-1-10	CURRENT YEAR'S LEVY	TOTAL COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 9-30-11
2002 and Prior Years	Var.	Various	\$ 9,284	\$	\$ 354	\$ (1,284)	\$ 7,646
2003	.5434	113,533,330	2,147		166	(171)	1,810
2004	.5601	116,842,212	2,451		262	(176)	2,013
2005	.5614	119,677,571	3,276		393	(176)	2,707
2006	.5690	121,248,780	4,856		871	(188)	3,797
2007	.5922	120,112,854	7,757		1,614	(189)	5,954
2008	.5989	126,138,686	14,815		4,718	(154)	9,943
2009	.5989	137,168,047	27,075		10,210	(140)	16,725
2010	.5989	146,103,832	48,012		20,470	(162)	27,380
2011 (Year Under Audit)	.6993	142,531,341	-0-	997,428	939,791	564	58,201
Totals			\$ 119,673	\$ 997,428	\$ 978,849	\$ (2,076)	\$ 136,176

CITY OF LITTLEFIELD
 SCHEDULE OF BONDS
 FOR YEAR ENDED SEPTEMBER 30, 2011

DATE OF ISSUE	DESCRIPTION	INTEREST RATE	(TERMS) MATURITY SCHEDULE	FUND PAYABLE FROM	AMOUNTS OUTSTANDING 10/1/10	ISSUED CURRENT YEAR	RETIRED CURRENT YEAR
03-15-97	CERTIFICATE OF OBLIGATION, SERIES 1997	2.80% to 4.25%	20 YEARS	WATER AND SEWER FUND	\$ 1,165,000	\$ -0-	\$ 145,000
12-15-99	CERTIFICATE OF OBLIGATION, SERIES 2000	7.00%	20 YEARS	BCDC	\$ 1,035,000	\$ -0-	\$ 75,000
05-22-01	REFUNDING BONDS SERIES 2001	3.45% to 5.45%	30 YEARS	BCDC	\$ 8,705,000	\$ -0-	\$ 175,000
10-20-06	CERTIFICATE OF OBLIGATION, SERIES 2006	3.00% to 3.80%	20 YEARS	WATER AND SEWER FUND	\$ 1,685,000	\$ -0-	\$ 70,000
					<u>\$ 12,590,000</u>	<u>\$ -0-</u>	<u>\$ 465,000</u>

REQUIREMENTS

AMOUNTS OUTSTANDING 9/30/11	INTEREST CURRENT YEAR	YEAR ENDING 9/30/12		YEAR ENDING 9/30/13		10/1/13 TO MATURITY INTEREST
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ 1,020,000	\$ 45,006	\$ 150,000	\$ 39,142	\$ 160,000	\$ 32,903	\$ 61,439
960,000	69,825	80,000	64,400	85,000	58,625	210,525
8,530,000	461,203	185,000	453,010	195,000	444,173	4,850,384
1,615,000	58,115	75,000	55,849	80,000	53,388	401,836
<u>\$ 12,125,000</u>	<u>\$ 634,149</u>	<u>\$ 490,000</u>	<u>\$ 612,401</u>	<u>\$ 520,000</u>	<u>\$ 589,089</u>	<u>\$ 5,524,184</u>

CITY OF LITTLEFIELD

SCHEDULE OF CAPITAL LEASES
FOR YEAR ENDED SEPTEMBER 30, 2011

DATE OF ISSUE	PURPOSE AND LAWFUL AUTHORITY	INTEREST RATE	(TERMS) MATURITY SCHEDULE	FUND PAYABLE FROM	AMOUNTS OUTSTANDING 10/1/10	ORIGINAL COST	RETIRED CURRENT YEAR
04-19-07	CAT WHEEL LOADER	5.50%	4 YEARS	GENERAL	18,008	85,182	18,008
02-05-04	UTILITY METERS	4.69%	15 YEARS	W&S	773,369	1,109,322	70,810
04-22-05	N440 RESCUE PUMPER	4.78%	10 YEARS	GENERAL	125,157	224,332	22,767
01-28-10	ELGIN EAGLE SWEEPER	4.75%	5 YEARS	GENERAL	189,402	189,402	34,377
					<u>\$ 1,105,936</u>	<u>\$ 1,608,238</u>	<u>\$ 145,962</u>

REQUIREMENTS

AMOUNTS OUTSTANDING 9/30/11	INTEREST CURRENT YEAR	YEAR ENDING 9/30/12		YEAR ENDING 9/30/13		10/1/13 TO MATURITY INTEREST
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ -0-	\$ 1,015	j\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
702,559	35,000	74,186	31,624	77,723	28,087	84,213
102,390	5,986	23,855	4,898	24,995	3,758	3,874
155,025	9,195	36,045	7,526	37,795	5,776	5,958
<u>\$ 959,974</u>	<u>\$ 51,196</u>	<u>\$ 134,086</u>	<u>\$ 44,048</u>	<u>\$ 140,513</u>	<u>\$ 37,621</u>	<u>\$ 94,045</u>

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

Webb, Webb, and Wright
Certified Public Accountants

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

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

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

February 6, 2012

Independent Auditor's Report

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield as of and for the year ended September 30, 2011, which collectively comprise the City of Littlefield's basic financial statements and have issued our report thereon dated February 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Littlefield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Littlefield's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Littlefield's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the City of Littlefield's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Respectfully submitted,

WEBB, WEBB, & WRIGHT, CPA's

Webb, Webb + Wright

CITY OF LITTLEFIELD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

CITY OF LITTLEFIELD

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<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, 2011

None