

CITY OF LITTLEFIELD
LITTLEFIELD, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2016

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FINANCIAL SECTION

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Stephen H. Webb, CPA
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Littlefield's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Littlefield's basic financial statements. The combining fund financial statements and other supplementary information 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2017, on our consideration of the City of Littlefield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Littlefield's internal control over financial reporting and compliance.

Respectfully submitted,



WEBB, WEBB AND WRIGHT, CPA's
February 2, 2017

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, 2016. Please read it in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

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

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

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds – The City reports most of its basic services in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short- term view of the City’s general operations and the basic services it provides.

We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the City’s governmental activities decreased from \$2,560,977 to \$2,385,851. Unrestricted net position – the part of net position that can be used to finance day- to- day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit of \$264,638 at September 30, 2016.

This decrease in governmental net position was the net result of the City’s expenses exceeding the revenues by \$175,126.

The net position of our business- type activities increased by \$804,093. This increase is significant to the overall operations of the City as it provides significant services to the community. Factors contributing to this increase are shown in Exhibit B- 1.

The City's total revenues decreased over \$94,000 this year. The total cost of all programs and services decreased over \$272,000 this year.

Multiple revenue line items decreased due to a downturn in the economy from American Cotton Grower's closing. Sales Tax, franchise payments, and other revenues all decreased from the previous year as a result. Due to changes in management strategy, as well as estimates on low revenue income, the city implemented several protocols to reduce spending for the year which caused a drop in the cost of programs and services.

The cost of all governmental and business- type activities this year was \$6,148,493. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,973,449 because \$3,406,634 of the costs were paid by those who directly benefited from the programs and \$33,091 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 \$878,492, which is significantly less than last year's total of \$1,068,262. Included in this year's total change in fund balance is an increase of \$37,956 in the City's General Fund.

The City's proprietary funds reported a net position of \$5,769,054 which is significantly higher than last year's total of \$4,964,961.

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

General Fund Budgetary Highlights

The City's General Fund balance of \$64,664 differs significantly from the General Fund's budgetary deficit fund balance of \$405,391. 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 \$442,099 and the actual was \$527,987. Low cash reserves and predicted low revenue income caused the city to implement strict monitoring of spending, as well as cutting some planned expenses for the year. This resulted in multiple departments coming in under budget, causing the large discrepancy between budgeted and actual.

Table 1

City of Littlefield

Net Position

in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	500	564	1,920	1,364	2,420	1,928	25.5%
Capital assets	3,204	3,621	13,288	13,726	16,492	17,347	-4.9%
Total assets	3,704	4,185	15,208	15,090	18,912	19,275	-1.9%
Total deferred outflows of resources	498	261	690	706	1,188	967	22.9%
Long-term liabilities	1,346	1,229	9,068	9,786	10,414	11,015	-5.5%
Other liabilities	469	656	1,061	1,045	1,530	1,701	-10.1%
Total liabilities	1,815	1,885	10,129	10,831	11,944	12,716	-6.1%
Total deferred inflows of resources	1	-	-	-	1	-	100.0%
Net position:							
Net investment in capital assets	2,474	2,578	3,611	3,415	6,085	5,993	1.5%
Restricted	177	123	584	614	761	737	3.3%
Unrestricted (Deficit)	(265)	(140)	1,574	936	1,309	796	64.4%
Total net position	2,386	2,561	5,769	4,965	8,155	7,526	8.4%

Table 2

City of Littlefield

Changes in Net Position

in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Revenues:							
Net program revenues:							
Charges for services	1,507	1,562	1,900	1,904	3,407	3,466	-1.7%
Operating grants and contributions	33				33	-	100.0%
Capital grants and contributions		100			-	100	-100.0%
General revenues:							
Property taxes	1,006	971	120	116	1,126	1,087	3.6%
Other taxes	848	955			848	955	-11.2%
Investment earnings	2	1	2	4	4	5	-20.0%
Other	283	373	411	151	693	524	32.3%
Gain (Loss) on sale of assets	-	29	-		-	29	-100.0%
Total revenues	3,678	3,991	2,432	2,175	6,111	6,166	-0.9%
Expenses:							
General government	1,336	1,227			1,336	1,227	8.9%
Police	1,119	1,173			1,119	1,173	-4.6%
Fire	144	141			144	141	2.1%
EMS	719	699			719	699	2.9%
Refuse	469	517			469	517	-9.3%
Public services	100	146			100	146	-31.5%
Public works	362	400			362	400	-9.5%
Other	25	12			25	12	108.3%
Interest on long-term debt	24	50			24	50	-52.0%
Water and Sewer BCDC			1,277	1,442	1,277	1,442	-11.4%
			573	604	573	604	-5.1%
Total expenses	4,298	4,365	1,850	2,046	6,148	6,411	-4.1%
Increase (decrease) in net position before transfers							
	(620)	(375)	582	129	(38)	(246)	-84.6%
Transfers	445	896	222	(761)	667	135	394.1%
Change in net position	(175)	521	804	(632)	629	(111)	-666.7%
Net position-beginning	2,561	2,040	4,965	5,596	7,526	7,636	-1.4%
Net position-ending	2,386	2,561	5,769	4,965	8,155	7,526	8.4%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the City had \$36,689,204 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 decrease of \$32,028 below last year.

This year's major additions included:

Airport Hangar Roof Repairs	\$	11,800
Police Department Roof Repairs		17,488
Tornado Sirens		47,764
Bill Clayton Facility Parking Lot Repaved		35,000
Bill Clayton Facility Roof Repairs		10,299

Total	\$	122,351
		=====

The City's planned capital expenditures for FY 2017 are as follows: Two mowers for the public works department, modification to the EMS building, two work trucks to be purchased used, and two aerators for the sewer plant. Further capital expenditures are possible with the approval of City Council. No additional debt to fund said capital expenditures is anticipated.

Debt

At year-end, the City had \$10,407,033 in bonds, capital leases and a note payable outstanding versus \$11,353,307 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 consider many factors when setting the fiscal year 2017 budget and tax rates. The City intends to monitor and be proactive in spending habits to insure compliance with the budget while still providing city services to the citizens of Littlefield. The City plans to make sure current infrastructure can be maintained correctly and efficiently within a balanced budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 134,112	\$ 685,800	\$ 819,912	\$ 644,595
Receivables (net of allowance for uncollectibles)	591,043	336,693	927,736	
Internal Balances	(313,716)	313,716	-	
Due from Other Governments	40,316		40,316	
Due from Other Funds			-	40,316
Note Receivable			-	
Restricted Assets:			-	
Cash	48,292	584,039	632,331	
Capital Assets (net of accumulated depreciation):			-	
Land	818,324	507,595	1,325,919	
Buildings & Structures	552,454	12,122,177	12,674,631	
Machinery & Equipment	467,721	371,017	838,738	
Furniture & Fixtures	38,828	-	38,828	
Capital Leases	1,326,703	286,749	1,613,452	
Total Capital Assets	\$ 3,204,030	\$ 13,287,538	\$ 16,491,568	\$ -
TOTAL ASSETS	\$ 3,704,078	\$ 15,207,786	\$ 18,911,864	\$ 684,911
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	\$ -	\$ 566,035	\$ 566,035	\$ -
Deferred Outflow Related to Pensions	\$ 497,625	\$ 124,407	\$ 622,032	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 497,625	\$ 690,442	\$ 1,188,067	\$ -
LIABILITIES				
Accounts Payable	\$ 79,762	\$ 6,069	\$ 85,831	
Accrued Liabilities	51,389	34,915	86,304	
Due to Other Funds		-	-	
Escrow Deposits			-	
Customer Deposits		176,675	176,675	
Unearned Revenue		14,430	14,430	
Landfill Closure Liability	72,059		72,059	
Noncurrent Liabilities:			-	
Due within one year	265,427	829,069	1,094,496	
Due in more than one year	465,060	8,847,477	9,312,537	
Net Pension Liability	881,289	220,322	1,101,611	
TOTAL LIABILITIES	\$ 1,814,985	\$ 10,128,957	\$ 11,943,942	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	\$ 866	\$ 217	\$ 1,083	
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 866	\$ 217	\$ 1,083	\$ -

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	<u>PRIMARY GOVERNMENT</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
NET POSITION				
Net Investment in Capital Assets	\$ 2,473,543	\$ 3,610,991	\$ 6,084,534	\$
Restricted for:			-	
Technology Improvements	5,233		5,233	
Public Relations	43,059		43,059	
Parks & Recreation	128,655		128,655	
Debt Service		584,039	584,039	
Unrestricted (Deficit)	<u>(264,638)</u>	<u>1,574,024</u>	<u>1,309,386</u>	<u>684,911</u>
TOTAL NET POSITION	<u>\$ 2,385,851</u>	<u>\$ 5,769,054</u>	<u>\$ 8,154,906</u>	<u>\$ 684,911</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
FUNCTIONS/PROGRAMS								
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	\$ 1,336,427	\$ 46,752	\$	\$	\$ (1,289,675)	\$	\$ (1,289,675)	\$
Police	1,118,510		1,400		(1,117,110)		(1,117,110)	
Fire	143,650	13,500	8,400		(121,750)		(121,750)	
EMS	719,382	541,641			(177,741)		(177,741)	
Refuse	468,833	795,815			326,782		326,782	
Public Services	99,783	52,219			(47,564)		(47,564)	
Public Works	362,098		23,291		(338,807)		(338,807)	
Other	24,936	57,318			32,382		32,382	
Interest on Long-Term Debt	24,407				(24,407)		(24,407)	
Total Governmental Activities	\$ 4,298,027	\$ 1,507,045	\$ 33,091	\$ -	\$ (2,757,891)	\$ -	\$ (2,757,891)	\$ -
Business - Type Activities:								
Water & Sewer	\$ 1,277,365	\$ 1,899,589	\$	\$	\$	\$ 622,224	\$ 622,224	\$
BCDC	573,101					(573,101)	(573,101)	
Total Business Type Activities	\$ 1,850,466	\$ 1,899,589	\$ -	\$ -	\$ -	\$ 49,123	\$ 49,123	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 6,148,493	\$ 3,406,634	\$ 33,091	\$ -	\$ (2,757,891)	\$ 49,123	\$ (2,708,768)	\$ -
COMPONENT UNIT:								
Economic Development	\$ 117,550	\$	\$	\$	\$	\$	\$	\$ (117,550)
TOTAL COMPONENT UNIT	\$ 117,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (117,550)
General Revenues:								
Property taxes					\$ 1,006,129	\$ 119,716	\$ 1,125,845	\$
Sales taxes					517,507		517,507	517,508
Franchise fees					296,751		296,751	
Hotel/Motel Tax					33,346		33,346	
Investment earnings					1,503	2,242	3,745	2,073
Other					282,911	410,515	693,426	5,301
Transfers					444,617	222,497	667,114	(667,114)
Total general revenues and transfers					\$ 2,582,764	\$ 754,970	\$ 3,337,734	\$ (142,232)
Changes in net position					\$ (175,126)	\$ 804,093	\$ 628,967	\$ (259,782)
Net position - beginning					2,560,977	4,964,961	7,525,938	944,693
Net position - ending					\$ 2,385,851	\$ 5,769,054	\$ 8,154,905	\$ 684,911

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 9,197	\$ 769,510	\$ 778,707
Accounts Receivable	466,867	4,002	470,869
Delinquent Taxes Receivable	141,381		141,381
Allowance for Uncollectible Taxes	(21,207)		(21,207)
Due From Other Governments	40,316	40,316	80,632
Due From Other Funds	-	-	-
Restricted Assets:			
Cash	48,292		48,292
TOTAL ASSETS	<u>\$ 684,847</u>	<u>\$ 813,828</u>	<u>\$ 1,498,675</u>
LIABILITIES			
Accounts Payable	\$ 79,762	\$	\$ 79,762
Accrued Liabilities	34,472		34,472
Due To Other Funds	313,716		313,716
Landfill Closure Liability	72,059		72,059
TOTAL LIABILITIES	<u>\$ 500,009</u>	<u>\$ -</u>	<u>\$ 500,009</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 120,174	\$	\$ 120,174
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 120,174</u>	<u>\$ -</u>	<u>\$ 120,174</u>
FUND BALANCES			
Restricted for:			
Technology Improvements	\$ 5,233	\$	\$ 5,233
Public Relations	43,059		43,059
Parks and Recreation		128,655	128,655
Assigned for:			
Economic Development		684,911	684,911
Other Purposes		262	262
Unassigned	16,373		16,373
TOTAL FUND BALANCES	<u>\$ 64,664</u>	<u>\$ 813,828</u>	<u>\$ 878,492</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 684,847</u>	<u>\$ 813,828</u>	<u>\$ 1,498,675</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2016

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

Total fund balances - governmental funds balance sheet.	\$ 878,492
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	3,204,030
A reclassification is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting, and thereby recognizing unavailable revenue from property taxes as revenue.	120,174
Long-term liability used in governmental activities are not due and payable in the current period and therefore not reported in the funds.	(730,487)
Liabilities for long-term debt interest are not due and payable in the current period and therefore not reported in the funds.	(16,917)
Recognition of the City's net pension liability not reported in the funds.	(881,289)
Deferred outflow related to pensions not reported in the funds.	497,625
Deferred inflow related to pensions not reported in the funds.	(866)
Component unit presented separately.	<u>(684,911)</u>
Total net position of governmental activities.	<u>\$ 2,385,851</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 1,847,189	\$ 517,508	\$ 2,364,697
Charges for Services	1,395,345		1,395,345
Licenses and Permits	7,630		7,630
Fines	46,752		46,752
Grants	33,091	-	33,091
Local Funds		62,619	62,619
Interest Income	1,503	2,073	3,576
Other Revenue	282,841		282,841
TOTAL REVENUES	\$ 3,614,352	\$ 582,200	\$ 4,196,552
EXPENDITURES			
Current Operating:			
Legislative	\$ 116,284	\$	\$ 116,284
Administrative	385,834		385,834
Municipal Court	80,151		80,151
Police	875,434		875,434
Dispatch	166,489		166,489
Fire	120,414		120,414
Refuse	212,750		212,750
Residential Collection	161,615		161,615
Public Works	318,975		318,975
Airport	12,739		12,739
Building & Maintenance	319,712		319,712
EMS	631,977		631,977
Fleet Services	184,078		184,078
LEDC	32,720		32,720
Licensing & Enforcement	87,044		87,044
Emergency Management	22,266		22,266
SRF's		142,486	142,486
Capital Outlays	77,052		77,052
Debt Service:			-
Principal	312,397		312,397
Interest	24,407		24,407
Total Expenditures	\$ 4,142,338	\$ 142,486	\$ 4,284,824
Excess (Deficiency) of			
Revenues over Expenditures	\$ (527,987)	\$ 439,714	\$ (88,273)

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Assets	\$ 121,000	\$ -	\$ 121,000
Proceeds from Capital Leases	-		-
Operating Transfers In	450,326		450,326
Operating Transfers Out	<u>(5,383)</u>	<u>(667,440)</u>	<u>(672,823)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 565,943</u>	<u>\$ (667,440)</u>	<u>\$ (101,497)</u>
Net Change in Fund Balances	\$ 37,956	\$ (227,726)	\$ (189,770)
Fund Balances - Beginning	<u>26,708</u>	<u>1,041,554</u>	<u>1,068,262</u>
Fund Balances - Ending	<u>\$ 64,664</u>	<u>\$ 813,828</u>	<u>\$ 878,492</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Net change in fund balances - total governmental funds.	\$ (189,770)
Capital outlays are not reported as expenses in the SOA.	77,052
Governmental funds only report the sale of assets to the extent proceeds are received from the sale. In the SOA, a gain or loss is reported.	(120,930)
Capital asset depreciation used in governmental activities is not reported in the funds.	(373,149)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	6,544
Proceeds from capital leases and installment note are not reported as revenue in the SOA.	-
Some expenditures (e.g. principal debt payment) on fund statements are not expenses on the SOA.	312,397
(Increase) or decrease in accrued interest payable from beginning of period to end of period.	-
Pension expense relating to GASB #68 is recorded in the SOA but not in the funds.	(147,052)
Component unit presented separately.	<u>259,782</u>
Change in net position of governmental activities.	<u>\$ (175,126)</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Water & Sewer</u>	<u>BCDC</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 685,800	\$ -	\$ 685,800
Accounts Receivable	322,263		322,263
Delinquent Taxes Receivable		16,976	16,976
Allowance for Uncollectible Taxes		(2,546)	(2,546)
Due from Other Funds	1,185,814		1,185,814
Restricted Assets:			
Cash	306,453	277,586	584,039
Total Current Assets	\$ 2,500,329	\$ 292,016	\$ 2,792,345
Capital Assets (Net)			
Land	\$ 325,933	\$ 181,662	\$ 507,595
Building & Structures	4,362,405	7,759,772	12,122,177
Machinery & Equipment	371,017		371,017
Furniture & Fixtures			-
Capital Lease Assets	286,749		286,749
Total Capital Assets	\$ 5,346,104	\$ 7,941,434	\$ 13,287,538
TOTAL ASSETS	\$ 7,846,433	\$ 8,233,450	\$ 16,079,883
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	\$	\$ 566,035	\$ 566,035
Deferred Outflow Related to Pensions	124,407		124,407
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 124,407	\$ 566,035	\$ 690,442
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 5,890	\$ 179	\$ 6,069
Accrued Liabilities	31,810	3,105	34,915
Due to Other Funds		872,097	872,097
Customer Deposits	176,675		176,675
Unearned Revenue		14,430	14,430
Capital Leases - Current	124,069		124,069
Total Current Liabilities	\$ 338,444	\$ 889,811	\$ 1,228,255

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Water & Sewer</u>	<u>BCDC</u>	<u>Total</u>
Current Liabilities Payable From Restricted Assets			
Bonds Payable - Current	\$ 280,000	\$ 425,000	\$ 705,000
Total Current Liabilities Payable			
From Restricted Assets	<u>\$ 280,000</u>	<u>\$ 425,000</u>	<u>\$ 705,000</u>
Noncurrent Liabilities			
Bonds Payable	\$ 1,115,000	\$ 7,470,000	\$ 8,585,000
Capital Leases Payable	262,477		262,477
Net Pension Liability	220,322		220,322
Total Noncurrent Liabilities	<u>\$ 1,597,799</u>	<u>\$ 7,470,000</u>	<u>\$ 9,067,799</u>
TOTAL LIABILITIES	<u>\$ 2,216,243</u>	<u>\$ 8,784,811</u>	<u>\$ 11,001,054</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflow Related to Pensions	\$ 217	\$ -	\$ 217
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ 217</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 3,564,557	\$ 46,434	\$ 3,610,991
Restricted for Debt Service	306,453	277,586	584,039
Unrestricted (Deficit)	1,883,370	(309,346)	1,574,024
TOTAL NET POSITION	<u>\$ 5,754,380</u>	<u>\$ 14,674</u>	<u>\$ 5,769,054</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Water & Sewer</u>	<u>BCDC</u>	<u>Total</u>
Operating Revenues			
Water Sales	\$ 1,325,024	\$ -	\$ 1,325,024
Charges for Services	574,565		574,565
Fee Revenue		323,004	323,004
Taxes		119,716	119,716
Other Revenue	87,469	42	87,511
Total Operating Revenues	<u>\$ 1,987,058</u>	<u>\$ 442,762</u>	<u>\$ 2,429,820</u>
Operating Expenses			
Personnel Services	\$ 453,460	\$ -	\$ 453,460
Contractual Services	364,601	30,398	394,999
Supplies and Maintenance	71,128	12,178	83,306
Depreciation and Amortization	317,181	166,404	483,585
Total Operating Expenses	<u>\$ 1,206,370</u>	<u>\$ 208,980</u>	<u>\$ 1,415,350</u>
Operating Income (Loss)	<u>\$ 780,688</u>	<u>\$ 233,782</u>	<u>\$ 1,014,470</u>
Nonoperating Revenues (Expenses)			
Interest Income	\$ 1,261	\$ 981	\$ 2,242
Bonds and Capital Lease Interest	(70,995)	(224,066)	(295,061)
Bond Amortization		(75,014)	(75,014)
Bond Issuance Costs		(65,041)	(65,041)
Total Nonoperating Revenues (Expenses)	<u>\$ (69,734)</u>	<u>\$ (363,140)</u>	<u>\$ (432,874)</u>
Income (Loss) Before Operating Transfers	\$ 710,953	\$ (129,358)	\$ 581,595
Operating Transfers In	322,497	600,000	922,497
Operating Transfers (Out)	(700,000)		(700,000)
Change in Net Position	\$ 333,450	\$ 470,642	\$ 804,092
Net Position - Beginning	5,420,930	(455,968)	4,964,961
Net Position - Ending	<u>\$ 5,754,380</u>	<u>\$ 14,674</u>	<u>\$ 5,769,054</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Water & Sewer</u>	<u>BCDC</u>	<u>Total</u>
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 1,970,548	\$ -	\$ 1,970,548
Cash Payments for Goods and Services	(425,577)	(42,397)	(467,974)
Cash Payments to Employees	(416,696)		(416,696)
Other Operating Revenues		442,762	442,762
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,128,275</u>	<u>\$ 400,365</u>	<u>\$ 1,528,640</u>
Cash Flows From Noncapital Financing Activities			
Due To/From Other Funds	\$ 302,075	\$ (229,318)	\$ 72,757
Operating Transfers In	322,497	600,000	922,497
Operating Transfers (Out)	(700,000)		(700,000)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (75,428)</u>	<u>\$ 370,682</u>	<u>\$ 295,254</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of Fixed Assets	\$ -	\$ (45,299)	\$ (45,299)
Capital Lease Payments	(118,877)		(118,877)
Current Refunding Proceeds	190,000	7,895,000	8,085,000
Principal Paid on Bonds	(465,000)	(8,135,000)	(8,600,000)
Interest Paid on Bonds and Capital Leases	(72,423)	(363,202)	(435,625)
Bond Issuance Costs		(65,041)	(65,041)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (466,300)</u>	<u>\$ (713,542)</u>	<u>\$ (1,179,842)</u>
Cash Flows From Investing Activities			
Proceeds from Note Receivable	\$ 39,764	\$ -	\$ 39,764
Interest Earnings on Cash and Investments	1,261	981	2,242
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 41,025</u>	<u>\$ 981</u>	<u>\$ 42,006</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 627,572</u>	<u>\$ 58,486</u>	<u>\$ 686,058</u>
Cash and Cash Equivalents - Beginning	364,681	219,100	583,781
Cash and Cash Equivalents - Ending	<u>\$ 992,253</u>	<u>\$ 277,586</u>	<u>\$ 1,269,839</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Water & Sewer</u>	<u>BCDC</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	<u>\$ 780,688</u>	<u>\$ 233,782</u>	<u>\$ 1,014,470</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation & Amortization	\$ 317,181	\$ 166,404	\$ 483,585
Bad Debt Write-Off	6,996		6,996
Pension Expense Relating to GASB #68	36,764		36,764
Changes in Assets and Liabilities:			-
Accounts Receivable (Increase) Decrease	(19,112)		(19,112)
Accounts Payable & Accrued Liabilities			-
Increase (Decrease)	3,631	179	3,810
Escrow & Customer Deposits			-
Increase (Decrease)	<u>2,127</u>		<u>2,127</u>
Total Adjustments	<u>\$ 347,587</u>	<u>\$ 166,583</u>	<u>\$ 514,170</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,128,275</u>	<u>\$ 400,365</u>	<u>\$ 1,528,640</u>

The accompanying notes are an integral part of this statement.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the services provided by the City to residents and businesses within its boundaries. In evaluating the City's reporting entity in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, management has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and/or the nature and significance of the relationship with the City is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

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

B. BASIS OF PRESENTATION

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed assets, including infrastructure.

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

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

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

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.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

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

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

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

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

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

The City has presented the following Major Governmental Fund:

General Fund (GF) The City accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any fund balances are considered resources available for current operations.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

The general fund accounts for all financial resources except those required to be accounted for in another fund.

The City has presented the following Major Proprietary Funds:

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

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

D. CASH AND CASH EQUIVALENTS

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

E. RECEIVABLE AND PAYABLE BALANCES

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

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

F. INTERFUND ACTIVITY

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

G. INVENTORIES AND PREPAID ITEMS

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

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

H. RESTRICTED ASSETS

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

I. CAPITAL ASSETS

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

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. PENSIONS

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

M. FUND BALANCES

Fund balances of the governmental funds are classified as follows:

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

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

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

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

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.

N. USE OF ESTIMATES

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

O. NEW ACCOUNTING STANDARDS ADOPTED

In fiscal year 2016, the City adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*

1. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes.

While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the City's investments was such that their carrying amount was not affected.

2. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

and lists the order of priority for pronouncements to which a government should look for guidance.

3. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the City or any other government which affect the City's tax revenue.

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to October 1, the City Council reviews the operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted when applicable by law.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Transfer of budgeted amounts between line items is authorized within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget was properly amended by the City Council as needed throughout the year. There were no significant budget amendments passed during the 2015-16 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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

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

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") coverage.

Cash Deposits:

At September 30, 2016, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$2,096,838 and the bank balance was \$2,178,192. The City's cash deposits at September 30, 2016 and during the year ended September 30, 2016, were entirely covered by FDIC insurance and by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1)safety of principal and liquidity, (2)portfolio diversification, (3) allowable investments, (4)acceptable risk levels, (5)expected rates of return, (6)maximum allowable stated maturity of portfolio investments, (7)maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8)investment staff quality and capabilities, and (9)bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF LITTLEFIELD

Notes to Financial Statements
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The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Investment Accounting Policy:

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The City's investments at September 30, 2016 are shown below.

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

Total Investments		\$ -0-
		=====

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE 5: PROPERTY TAX

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

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

CITY OF LITTLEFIELD

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NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 818,324	\$	\$	\$ 818,324
Total capital assets not being depreciated	\$ 818,324	\$ -0-	\$ -0-	\$ 818,324
<i>Capital assets being depreciated:</i>				
Buildings and Structures	\$ 6,360,000	\$ 77,052	\$	\$ 6,437,051
Machinery and Equipment	2,807,338		(154,3479)	2,652,960
Furniture and Fixtures	209,736			209,736
Capital Leases	1,834,935			1,834,935
Total capital assets being depreciated	\$ 11,212,009	\$ 77,052	\$ (154,379)	\$ 11,134,682
<i>Less accumulated depreciation for:</i>				
Buildings and Structures	\$ (5,837,074)	\$ (47,523)	\$	\$ (5,884,597)
Machinery and Equipment	(2,083,788)	(134,900)	33,449	(2,185,239)
Furniture and Fixtures	(158,656)	(12,252)		(170,908)
Capital Leases	(329,758)	(178,474)		(508,232)
Total accumulated depreciation	\$ (8,409,276)	\$ (373,149)	\$ 33,449	\$ (8,748,976)
Total capital assets being depreciated, net	\$ 2,802,733	\$ (296,097)	\$ (120,930)	\$ 2,385,706
Governmental activities capital assets, net	\$ 3,621,057	\$ (296,097)	\$ (120,930)	\$ 3,204,030

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

Business-type Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
	-----	-----	-----	-----
<i>Capital assets not being depreciated:</i>				
Land	\$ 507,595	\$	\$	\$ 507,595
Total capital assets not being depreciated	\$ 507,595	\$ -0-	\$ -0-	\$ 507,595
<i>Capital assets being depreciated:</i>				
Buildings and Structures	\$ 19,843,970	\$ 45,299	\$	\$ 19,889,269
Machinery and Equipment	2,837,244			2,837,244
Furniture and Fixtures	199,854			199,854
Capital Leases	1,302,236			1,302,236
Total capital assets being depreciated	\$ 24,183,304	\$ 45,299	\$ -0-	\$ 24,228,603
<i>Less accumulated depreciation for:</i>				
Buildings and Structures	\$ (7,426,703)	\$ (340,389)	\$	\$ (7,767,092)
Machinery and Equipment	(2,426,347)	(39,880)		(2,466,227)
Furniture and Fixtures	(199,299)	(554)		(199,854)
Capital Leases	(912,725)	(102,762)		(1,015,487)
Total accumulated depreciation	\$ (10,965,074)	\$ (483,585)	\$ -0-	\$ (11,448,660)
Total capital assets being depreciated, net	\$ 13,218,230	\$ (438,286)	\$ -0-	\$ 12,779,943
Business-type activities capital assets, net	\$ 13,725,825	\$ (438,286)	\$ -0-	\$ 13,287,538
	=====	=====	=====	=====

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

<i>Governmental activities:</i>	
Administrative	\$ 48,330
Police	76,587
Fire	23,236
Refuse	94,468
Public Works	43,123
EMS	87,405
Total depreciation expense - Governmental activities	\$ 373,149
<i>Business-type activities:</i>	
Water and Sewer	\$ 317,181
BCDC	166,404
Total depreciation expense - Business-type activities	\$ 483,585
	=====

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

NOTE 7: 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.

\$72,059 reported as landfill closure and postclosure care liability at September 30, 2016 represents the cumulative amount reported to date based on the use of 48% of the estimated capacity of the Type IV landfill and the use of 14% of the estimated capacity of the Type I landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$279,878 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. The City expects to close the Type IV landfill in the year 2084 and close the Type I landfill in the year 2112. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

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

NOTE 8: OPERATING/CAPITAL LEASES

The City had no operating leases at September 30, 2016. During the current year, there were six capital lease agreements related to the General Fund and three related to the Water & Sewer Fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Interest paid on all capital leases for the current year was \$44,553. Commitments under

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

capitalized lease obligations provide for future minimum lease payments as of September 30, 2016, as follows:

Year Ending September 30	General Fund	Water and Sewer Fund
	-----	-----
2017	\$ 281,438	\$ 139,023
2018	186,367	139,085
2019	147,899	121,495
2020	147,899	15,684
	-----	-----
Total Minimum Lease Payments	\$ 763,603	\$ 415,287
Less Amount Representing Interest	(33,116)	(28,741)
	-----	-----
Present Value - Minimum Lease Payments	\$ 730,487	\$ 386,546
	=====	=====

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

NOTE 9: BONDS PAYABLE

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 2016 was \$45,195.

A summary of changes in long-term debt for the year ended September 30, 2016, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
	-----	-----	-----	-----	-----
Series 2006	\$1,295,000	\$ -0-	\$ 90,000	\$ 1,205,000	\$ 90,000
	=====	=====	=====	=====	=====

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
	-----	-----	-----
2017	\$ 90,000	\$ 42,158	\$ 132,158
2018	95,000	38,989	133,989
2019	100,000	35,600	135,600
2020	105,000	31,986	136,986
2021	105,000	28,259	133,259
2022-2026	600,000	78,647	678,647
2027	110,000	2,090	112,090
	-----	-----	-----
Totals	\$ 1,205,000	\$ 257,729	\$ 1,462,729
	=====	=====	=====

During the current fiscal year, the City issued \$190,000 of General Obligation Taxable Refunding Bonds, Series 2016 to refund \$190,000 of

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

the City's outstanding Refunding Bonds, Series 2014 in order to convert tax exempt refunding bonds over to taxable refunding bonds. Both bond obligations are accounted for in the water and sewer fund. The current refunding bonds, with an effective interest rate of 3.48%, mature on February 15, 2017. The amount of interest paid in FYE 2016 was \$7,081.

A summary of changes in long-term debt for the year ended September 30, 2016, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Series 2014	\$ 375,000	\$ -0-	\$ 375,000	\$ -0-	\$ -0-
Series 2016	-0-	190,000	-0-	190,000	190,000
Totals	\$ 375,000	\$190,000	\$ 375,000	\$ 190,000	\$ 190,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2017	\$ 190,000	\$ 3,553	\$ 193,553
Totals	\$ 190,000	\$ 3,553	\$ 193,553

During the current fiscal year, the City issued \$7,895,000 of General Obligation Taxable Refunding Bonds, Series 2016 to refund \$7,880,000 of the City's outstanding Refunding Bonds, Series 2014 and 2014A in order to convert tax exempt refunding bonds over to taxable refunding bonds. These bond obligations are accounted for in the BCDC Fund. The current refunding bonds, with an effective interest rate of 3.48%, mature on February 15, 2029. The amount of interest paid in FYE 2016 was \$363,202.

A summary of changes in long-term debt for the year ended September 30, 2016, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Series 2014	\$ 595,000	\$ -0-	\$ 595,000	\$ -0-	\$ -0-
Series 2014A	7,540,000	-0-	7,540,000	-0-	-0-
Series 2016	-0-	7,895,000	-0-	7,895,000	425,000
Totals	\$ 8,135,000	\$7,895,000	\$8,135,000	\$7,895,000	\$ 425,000

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
-----	-----	-----	-----
2017	\$ 425,000	\$ 109,772	\$ 534,772
2018	510,000	259,956	769,956
2019	530,000	242,208	772,208
2020	545,000	223,764	768,764
2021	570,000	204,798	774,798
2022-2026	3,155,000	712,530	3,867,530
2027-2029	2,160,000	152,076	2,312,076
Totals	\$ 7,895,000	\$ 1,905,104	\$ 9,800,104
	=====	=====	=====

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 10: CHANGES IN OTHER LONG-TERM DEBT

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
-----	-----	-----	-----	-----	-----
Capital Leases	\$1,548,307	\$ -0-	\$ 431,273	\$1,117,033	\$ 389,496
Landfill Liability	283,598	-0-	3,720	279,878	-0-
Totals	\$1,831,905	\$ -0-	\$ 434,993	\$1,396,911	\$ 389,496
	=====	=====	=====	=====	=====

NOTE 11: INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from funds at September 30, 2016 consisted of the following:

Due To Fund	Due From Fund	Amount
-----	-----	-----
Water & Sewer Fund	General Fund	\$ 313,716
Water & Sewer Fund	BCDC Fund	872,098
	Total	\$ 1,185,814
		=====

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

CITY OF LITTLEFIELD

Notes to Financial Statements
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is subject to the net cash provided by operating activities of the Bill Clayton Detention Center.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2016 consisted of the following:

Transfers From -----	Transfers To -----	Amount -----
General Fund	Water & Sewer Fund	\$ 5,383
Water & Sewer Fund	General Fund	450,000
Water & Sewer Fund	BCDC Fund	250,000
Other Governmental Fund	General Fund	326
Other Governmental Fund	Water & Sewer Fund	317,114
Other Governmental Fund	BCDC Fund	350,000
	Total	----- \$1,372,823 -----

The reason for interfund transfers was to supplement other fund sources and for bookkeeping purposes.

NOTE 12: 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 2016, 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 13: SELF-INSURED INSURANCE

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

NOTE 14: 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, 2016

NOTE 15: COMMITMENTS AND CONTINGENCIES

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

NOTE 16: LITIGATION

The City was not involved in any significant litigation as of September 30, 2016.

NOTE 17: PENSION BENEFITS PLAN

A. PLAN DESCRIPTION

The City of Littlefield participates as one of 866 Plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. BENEFITS PROVIDED

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

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

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

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

Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the city can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as an Updated Service Credit. This monetary credit is determined by hypothetically re-computing the member's account balance by assuming that the current member deposit rate has always been in effect. The computation also assumes that the member's salary has always been the member's average salary-using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year and increased by the city match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted. Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years.

Employees covered by benefit terms.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	42
Active employees	54

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CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

C. CONTRIBUTIONS

The contribution rate for the employees is 5% of employee gross earnings, and the city matching ratio is currently 2 to 1, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for the city is determined annually by the actuary, using the Entry Age Normal(EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The city's contributions to TMRS for the 2016 FY were \$187,758, and were equal to the required contributions.

D. NET PENSION LIABILITY

The city's Net Position Liability(NPL) was measured as of December 31, 2015, and the Total Pension Liability(TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity

CITY OF LITTLEFIELD

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September 30, 2016

purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal(EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Net Fiduciary Net Position (b)	Increase (Decrease) Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$7,241,192	\$6,618,575	\$622,617
Changes for the year:			
Service cost	230,612		230,612
Interest	503,147		503,147
Change of benefit terms			
Difference between expected and actual experience	58,267		58,267
Changes of assumptions	(1,534)		
Contributions - employer		203,056	(203,056)
Contributions - employee		104,919	(104,919)
Net investment income		9,765	(9,765)
Benefit payments, including refunds of employee contributions	(337,368)	(337,368)	
Administrative expense		(5,949)	5,949
Other changes		(294)	294
Net changes	\$453,124	\$(25,870)	\$478,894
Balance at 12/31/2015	\$7,694,316	\$6,592,705	\$1,101,611

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 2,226,449	\$ 1,101,611	\$ 186,429

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRs financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2016, the city recognized pension expense of \$323,608. The calculation was based on the measurement date of December 31, 2015.

At December 31, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$77,799	\$0
Changes in actuarial assumptions	\$0	\$1,083
Difference between projected and actual investment earnings	\$411,252	\$0
Contributions subsequent to the measurement date	\$132,981	
TOTAL	\$622,032	\$1,083

\$132,981 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30

2017	\$ 151,825
2018	131,914
2019	113,522
2020	90,707

	\$ 487,968

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

NOTE 18: SUPPLEMENTAL DEATH BENEFITS FUND

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

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

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

The city's contributions to the TMRS SDBF for the fiscal years ended 2016, 2015 and 2014 were \$4,691, \$5,440 and \$4,675, respectively, which equaled the required contributions each year.

The City of Littlefield is one of 740 municipalities having the benefit plan operated by TMRS. Each of the 740 municipalities have an annual, individual actuarial valuation performed. A summary of actuarial assumptions and definitions can be found in the 2015 TMRS Comprehensive Annual Report, a copy of which may be obtained from TMRS'website at WWW.TMRS.com.

NOTE 19: HEALTHCARE COVERAGE

During the year ended September 30, 2016, employees of the City were covered by a healthcare insurance plan. The City pays up to \$425 in premiums per month per employee and 0% of the cost of premiums for dependents. This plan, provided through the Texas Municipal League Intergovernmental Employee Benefits Pool, is renewable October 1, 2016, and the terms of coverage and contribution costs are included in the contractual provisions.

CITY OF LITTLEFIELD

Notes to Financial Statements
September 30, 2016

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Current Taxes	\$ 1,073,691	\$ 1,073,691	\$ 939,288	\$ (134,403)
Delinquent Taxes	45,000	45,000	34,979	(10,021)
Penalty and Interest	20,000	20,000	25,318	5,318
City Sales Tax	600,000	600,000	517,507	(82,493)
Franchise Fees	410,000	410,000	296,751	(113,249)
Hotel/Motel Taxes	34,500	34,500	33,346	(1,154)
Total Taxes	\$ 2,183,191	\$ 2,183,191	\$ 1,847,189	\$ (336,002)
Charges for Services:				
Refuse Collection	\$ 790,000	\$ 790,000	\$ 744,962	\$ (45,038)
Fire Service	10,000	10,000	13,500	3,500
EMS Fees	585,000	585,000	541,641	(43,359)
Vector Control	43,200	43,200	41,372	(1,828)
Landfill Operations	55,000	55,000	50,653	(4,347)
Other	13,200	13,200	3,218	(9,982)
Total Charges for Services	\$ 1,496,400	\$ 1,496,400	\$ 1,395,345	\$ (101,055)
Licenses and Permits:				
Plumbing	\$ 2,256	\$ 2,256	\$ 1,218	\$ (1,038)
Electrical	1,728	1,728	1,507	(221)
Building	7,000	7,000	4,528	(2,472)
Other	1,380	1,380	377	(1,003)
Total Licenses and Permits	\$ 12,364	\$ 12,364	\$ 7,630	\$ (4,734)
Fines:				
Municipal Court	\$ 69,500	\$ 69,500	\$ 46,752	\$ (22,748)
Grants:				
Federal/State	\$ -	\$ 8,400	\$ 33,091	\$ 24,691
Other Revenue:				
Land Rental	\$ 27,500	\$ 27,500	\$ 25,005	\$ (2,495)
Penalties	18,000	18,000	18,293	293
Ambulance Subsidies	-	-	-	-
EMS Subsidies	50,600	50,600	46,088	(4,513)
Interest Income	7,500	7,500	1,503	(5,997)
Miscellaneous Revenue	145,300	145,300	193,456	48,156
Total Other Revenue	\$ 248,900	\$ 248,900	\$ 284,344	\$ 35,444
Total Revenues	\$ 4,010,355	\$ 4,018,755	\$ 3,614,352	\$ (404,403)

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Legislative:				
Personnel Services	\$ 10,454	\$ 10,334	\$ 10,335	\$ (1)
Contractual Services	89,335	89,335	105,467	(16,132)
Supplies and Materials	1,500	1,500	483	1,018
Total Legislative	\$ 101,289	\$ 101,169	\$ 116,284	\$ (15,115)
Administrative:				
Personnel Services	\$ 193,220	\$ 246,810	\$ 235,874	\$ 10,936
Contractual Services	90,350	141,350	147,112	(5,762)
Supplies and Materials	2,500	2,500	2,848	(348)
Total Administrative	\$ 286,070	\$ 390,660	\$ 385,834	\$ 4,826
Municipal Court:				
Personnel Services	\$ 75,004	\$ 74,354	\$ 71,414	\$ 2,940
Contractual Services	8,500	8,500	6,076	2,424
Supplies and Materials	1,000	1,000	2,660	(1,660)
Total Municipal Court	\$ 84,504	\$ 83,854	\$ 80,151	\$ 3,703
Police:				
Personnel Services	\$ 856,424	\$ 837,964	\$ 834,666	\$ 3,298
Contractual Services	41,895	41,895	25,526	16,369
Supplies and Materials	16,650	16,650	15,243	1,407
Total Police	\$ 914,969	\$ 896,509	\$ 875,434	\$ 21,075
Dispatch:				
Personnel Services	\$ 182,179	\$ 179,679	\$ 163,854	\$ 15,825
Contractual Services	4,100	4,100	1,796	2,304
Supplies and Materials	2,100	2,100	839	1,261
Total Dispatch	\$ 188,379	\$ 185,879	\$ 166,489	\$ 19,390
Fire:				
Personnel Services	\$ 95,703	\$ 89,993	\$ 90,051	\$ (58)
Contractual Services	24,850	24,850	17,465	7,385
Supplies and Materials	4,100	3,106	12,897	(9,791)
Total Fire	\$ 124,653	\$ 117,949	\$ 120,414	\$ (2,465)
Refuse:				
Personnel Services	\$ 173,354	\$ 167,882	\$ 168,115	\$ (233)
Contractual Services	39,800	30,400	8,647	21,753
Supplies and Materials	76,500	66,500	35,988	30,512
Total Refuse	\$ 289,654	\$ 264,782	\$ 212,750	\$ 52,032

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Residential Collection:				
Personnel Services	\$ 108,890	\$ 111,984	\$ 111,258	\$ 726
Contractual Services	18,400	14,550	7,853	6,697
Supplies and Materials	84,404	62,375	42,504	19,871
Total Residential Collection	\$ 211,694	\$ 188,909	\$ 161,615	\$ 27,294
Public Works:				
Personnel Services	\$ 275,468	\$ 265,868	\$ 239,111	\$ 26,757
Contractual Services	30,600	16,600	5,068	11,532
Supplies and Materials	114,360	68,360	74,797	(6,437)
Total Public Works	\$ 420,428	\$ 350,828	\$ 318,975	\$ 31,853
Airport:				
Personnel Services	\$ 5,813	\$ 5,813	\$ 5,813	\$ (0)
Contractual Services	3,950	3,950	1,814	2,136
Supplies and Materials	2,200	2,200	5,112	(2,912)
Total Airport	\$ 11,963	\$ 11,963	\$ 12,739	\$ (776)
Building & Maintenance:				
Personnel Services	\$ 12,649	\$ 12,649	\$ 11,801	\$ 848
Contractual Services	259,885	259,885	212,027	47,858
Supplies and Materials	46,500	90,500	95,884	(5,384)
Total Building & Maintenance	\$ 319,034	\$ 363,034	\$ 319,712	\$ 43,322
EMS:				
Personnel Services	\$ 487,455	\$ 480,455	\$ 451,994	\$ 28,461
Contractual Services	28,770	28,770	16,447	12,323
Supplies and Materials	163,650	163,650	163,537	113
Total EMS:	\$ 679,875	\$ 672,875	\$ 631,977	\$ 40,898
Fleet Services:				
Personnel Services	\$ 36,514	\$ 35,614	\$ 33,775	\$ 1,839
Contractual Services	-	-	-	-
Supplies and Materials	163,000	163,000	150,303	12,697
Total Fleet Services	\$ 199,514	\$ 198,614	\$ 184,078	\$ 14,536
LEDC:				
Personnel Services	\$ 28,527	\$ 28,527	\$ 29,103	\$ (576)
Contractual Services	57,200	57,200	3,618	53,582
Supplies and Materials	9,500	9,500	-	9,500
Total LEDC:	\$ 95,227	\$ 95,227	\$ 32,720	\$ 62,507

CITY OF LITTLEFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Licensing & Enforcement:				
Personnel Services	\$ 81,752	\$ 81,102	\$ 79,144	\$ 1,958
Contractual Services	45,900	10,900	4,562	6,338
Supplies and Materials	5,400	5,400	3,338	2,062
Total Licensing & Enforcement	\$ 133,052	\$ 97,402	\$ 87,044	\$ 10,358
Emergency Management:				
Personnel Services	\$ 8,422	\$ 8,422	\$ 7,794	\$ 628
Contractual Services	13,780	13,780	13,978	(198)
Supplies and Materials	1,300	1,300	494	806
Total Emergency Management	\$ 23,502	\$ 23,502	\$ 22,266	\$ 1,236
Swimming Pool:				
Personnel Services	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	-	-	-
Supplies and Materials	-	-	-	-
Total Swimming Pool:	\$ -	\$ -	\$ -	\$ -
Capital Outlays:				
Capital Outlays	\$ 71,500	\$ 80,894	\$ 77,052	\$ 3,843
Total Capital Outlays	\$ 71,500	\$ 80,894	\$ 77,052	\$ 3,843
Debt Service:				
Principal	\$ 312,397	\$ 312,397	\$ 312,397	\$ -
Interest	24,407	24,407	24,407	(0)
Total Debt Service	\$ 336,804	\$ 336,804	\$ 336,804	\$ (0)
Total Expenditures	\$ 4,492,111	\$ 4,460,854	\$ 4,142,338	\$ 318,516
Excess (Deficiency) of Revenues Over Expenditures	\$ (481,756)	\$ (442,099)	\$ (527,987)	\$ (85,888)
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	\$ 10,000	\$ 10,000	\$ 121,000	\$ 111,000
Proceeds From Capital Leases	-	-	-	-
Operating Transfers In	-	-	450,326	450,326
Operating Transfers (Out)	-	-	(5,383)	(5,383)
Total Other Financing Sources (Uses)	\$ 10,000	\$ 10,000	\$ 565,943	\$ 555,943
Net Change in Fund Balances	\$ (471,756)	\$ (432,099)	\$ 37,956	\$ 470,055
Fund Balances - Beginning	26,708	26,708	26,708	-
Fund Balances - Ending	\$ (445,048)	\$ (405,391)	\$ 64,664	\$ 470,055

SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS
 YEAR ENDED DECEMBER 31
 LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service Cost	\$ 184,328	\$ 230,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest (on the Total Pension Liability)	472,991	503,147	-	-	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	93,249	58,267	-	-	-	-	-	-	-	-
Change of assumptions	-	(1,534)	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(348,455)	(337,368)	-	-	-	-	-	-	-	-
Net change in total pension liability	402,113	453,124	-	-	-	-	-	-	-	-
Total pension liability - beginning	6,839,079	7,241,192	-	-	-	-	-	-	-	-
Total pension liability - ending (a)	\$ 7,241,192	\$ 7,694,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary Net Position										
Contributions - Employer	\$ 199,809	\$ 203,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	102,161	104,919	-	-	-	-	-	-	-	-
Net Investment Income	360,871	9,765	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(348,455)	(337,368)	-	-	-	-	-	-	-	-
Administrative Expense	(3,768)	(5,949)	-	-	-	-	-	-	-	-
Other	(310)	(294)	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	310,308	(25,870)	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	6,308,267	6,618,575	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	\$ 6,618,575	\$ 6,592,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability - Ending (a) - (b)	\$ 622,617	\$ 1,101,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a % of Total Pension Liability	91.40%	85.68%	0.00%							
Covered Employee Payroll	\$ 2,043,228	\$ 2,098,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a % of Covered Employee Payroll	30.47%	52.50%	0.00%							
Notes to Schedule:	N/A									

SCHEDULE OF CONTRIBUTIONS
 YEAR ENDED DECEMBER 31
 LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution Contributions in relation to the actuarially determined contribution	\$ 151,814	\$ 132,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess) Covered employee payroll Contributions as a percentage of covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 1,530,730	\$ 1,461,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	9.92%	9.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%

Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

CITY OF LITTLEFIELD

Notes to Required Supplementary Information
For the Year Ended September 30, 2016

BUDGET

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to October 1, the City Council prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the City Council.

Such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure department level. Budgeted amounts are as amended by the City Council. All budget appropriations lapse at year end.

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

DEFINED BENEFIT PENSION PLAN

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING FUND FINANCIAL STATEMENTS

CITY OF LITTLEFIELD
 COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2016

	<u>ECONOMIC DEVELOPMENT</u>	<u>PDNF</u>	<u>PARKS & RECREATION</u>	<u>TOTAL</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 644,595	\$ 262	\$ 124,653	\$ 769,510
Accounts Receivable			4,002	4,002
Due From Other Governments	40,316			40,316
Due From Other Funds				-
Total Assets	<u>\$ 684,911</u>	<u>\$ 262</u>	<u>\$ 128,655</u>	<u>\$ 813,828</u>
<u>Liabilities</u>				
Due To Other Funds	\$ -	\$ -	\$ -	\$ -
Due To Others				-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Fund Balances</u>				
Restricted for:				
Parks & Recreation	\$	\$	\$ 128,655	\$ 128,655
Assigned for:				
Economic Development	684,911			684,911
Other Purposes		262		262
Total Fund Balances	<u>\$ 684,911</u>	<u>\$ 262</u>	<u>\$ 128,655</u>	<u>\$ 813,828</u>
Total Liabilities and Fund Balances	<u>\$ 684,911</u>	<u>\$ 262</u>	<u>\$ 128,655</u>	<u>\$ 813,828</u>

CITY OF LITTLEFIELD
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	ECONOMIC DEVELOPMENT	PDFNF	PARKS & RECREATION	OTHER LOCAL SRF'S	TOTAL
Revenues					
Taxes	\$ 517,508	\$ -	\$ -	\$ -	\$ 517,508
Grants					-
Local Funds	5,301		57,318		62,619
Interest Income	2,073				2,073
Total Revenues	\$ 524,882	\$ -	\$ 57,318	\$ -	\$ 582,200
Expenditures					
Personnel Services	\$ 28,724	\$ -	\$ -	\$ -	\$ 28,724
Contractual Services	55,867				55,867
Supplies & Materials	2,917				2,917
Other	30,042		24,936		54,978
Total Expenditures	\$ 117,550	\$ -	\$ 24,936	\$ -	\$ 142,486
Excess (Deficiency) of Revenue over Expenditures	\$ 407,332	\$ -	\$ 32,382	\$ -	\$ 439,714
Other Financing Sources (Uses)					
Proceeds From Sale of Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In (Out)	(667,114)			(326)	(667,440)
Total Other Financing Sources (Uses)	\$ (667,114)	\$ -	\$ -	\$ (326)	\$ (667,440)
Net Change in Fund Balances	\$ (259,782)	\$ -	\$ 32,382	\$ (326)	\$ (227,726)
Fund Balances - Beginning	944,693	262	96,273	326	1,041,554
Fund Balances - Ending	\$ 684,911	\$ 262	\$ 128,655	\$ -	\$ 813,828

OTHER SUPPLEMENTARY INFORMATION

CITY OF LITTLEFIELD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2016

<u>LAST TEN YEARS ENDED SEPTEMBER 30,</u>	<u>TAX RATES</u>	<u>ASSESSED OR APPRAISED VALUATION</u>	<u>BEGINNING BALANCE 10-1-15</u>	<u>CURRENT YEAR'S LEVY</u>	<u>TOTAL COLLECTIONS</u>	<u>ENTIRE YEAR'S ADJUSTMENTS</u>	<u>ENDING BALANCE 9-30-16</u>
2007 & Prior Years	Various	Various	\$ 11,276	\$ -	\$ 344	\$ (619)	\$ 10,313
2008	0.5989	126,138,686	4,121		228	(317)	3,576
2009	0.5989	137,168,047	5,612		194	(462)	4,956
2010	0.5989	146,103,832	6,183		325	(601)	5,257
2011	0.6993	142,531,341	10,080		1,403	(703)	7,974
2012	0.6993	142,269,977	12,609		2,203	(609)	9,797
2013	0.7215	147,367,663	19,348		4,266	(894)	14,188
2014	0.7215	148,365,656	31,095		7,624	(987)	22,484
2015	0.7349	145,627,308	49,509		18,206	(2,945)	28,358
2016 (Year Under Audit)	0.7349	149,819,385	-	1,101,023	1,049,569	-	51,454
TOTALS			\$ 149,833	\$ 1,101,023	\$ 1,084,362	\$ (8,137)	\$ 158,357

CITY OF LITTLEFIELD
SCHEDULE OF BONDS
SEPTEMBER 30, 2016

<u>Date of Issue</u>	<u>Description</u>	<u>Interest Rate</u>	<u>(TERMS) MATURTIY SCHEDULE</u>	<u>FUND PAYABLE FROM</u>	<u>AMOUNTS OUTSTANDING 10/1/15</u>	<u>ISSUED CURRENT YEAR</u>	<u>RETIRED CURRENT YEAR</u>
10/20/06	CERTIFICATE OF OBLIGATION, SERIES 2006	3.00% TO 3.80%	20 YEARS	WATER AND SEWER FUND	\$ 1,295,000	\$ -	\$ 90,000
4/4/14	REFUNDING BONDS SERIES 2014	1.87%	6 YEARS	WATER AND SEWER FUND	375,000		375,000
4/4/14	REFUNDING BONDS SERIES 2014	2.45%	6 YEARS	BCDC	595,000		595,000
9/9/14	REFUNDING BONDS SERIES 2014A	2.84%	14 YEARS	BCDC	7,540,000		7,540,000
9/20/16	REFUNDING BOND SERIES 2016	3.48%	13 YEARS	BCDC	-	7,895,000	-
9/20/16	REFUNDING BOND SERIES 2016	3.48%	13 YEARS	WATER AND SEWER FUND	-	190,000	-
					<u>\$ 9,805,000</u>	<u>\$ 8,085,000</u>	<u>\$ 8,600,000</u>

<u>AMOUNTS OUTSTANDING 9/30/16</u>	<u>INTEREST CURRENT YEAR</u>	<u>REQUIREMENTS</u>				<u>10/1/18 TO MATURITY INTEREST</u>
		<u>YEAR ENDING 09/30/17</u>		<u>YEAR ENDING 09/30/18</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
\$ 1,205,000	\$ 45,195	\$ 90,000	\$ 42,158	\$ 95,000	\$ 38,989	\$ 176,582
-	7,081	-	-	-	-	-
-	24,070	-	-	-	-	-
-	339,132	-	-	-	-	-
7,895,000	-	425,000	109,772	510,000	259,956	1,535,376
190,000	-	190,000	3,553	-	-	-
<u>\$ 9,290,000</u>	<u>\$ 415,478</u>	<u>\$ 705,000</u>	<u>\$ 155,483</u>	<u>\$ 605,000</u>	<u>\$ 298,945</u>	<u>\$ 1,711,958</u>

CITY OF LITTLEFIELD
SCHEDULE OF CAPITAL LEASES
SEPTEMBER 30, 2016

Date of Issue	PURPOSE AND LAWFUL AUTHORITY	INTEREST RATE	(TERMS) MATURTIY SCHEDULE	FUND PAYABLE FROM	ORIGINAL COST	AMOUNT OUTSTANDING 10/01/15	RETIRED CURRENT YEAR
2/5/04	UTILITY METERS	4.69%	15 YEARS	W&S	\$ 1,109,322	\$ 383,908	\$ 89,379
10/25/12	CATERPILLAR SCRAPER	2.86%	5 YEARS	GENERAL	210,200	85,747	42,268
11/14/12	5 - CHEVY TAHOES	2.51%	4 YEARS	GENERAL	207,836	53,562	53,562
11/14/12	3 - CHEVY SILVERADOS	3.55%	6 YEARS	W&S	95,164	49,114	15,785
11/14/12	1 - CHEVY SILVERADO	3.55%	6 YEARS	GENERAL	42,547	21,959	7,057
4/14/2013	2 - 2014 REFUSE TRUCKS & DUMPSTERS	1.81%	7 YEARS	GENERAL	988,341	700,779	135,147
9/3/13	4 - CHEVY TAHOES	3.30%	4 YEARS	GENERAL	188,064	95,837	47,120
1/3/14	SEWER JETTER	2.69%	6 YEARS	W&S	97,750	72,401	13,713
4/30/15	2015 DODGE 4500 AMBULANCE	3.95%	3 YEARS	GENERAL	217,947	85,000	27,242
					\$ 3,137,171	\$ 1,548,307	\$ 431,273

AMOUNTS OUTSTANDING 9/30/16	INTEREST CURRENT YEAR	REQUIREMENTS				10/1/18 TO MATURITY INTEREST
		YEAR ENDING 09/30/17		YEAR ENDING 09/30/18		
		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
\$ 294,529	\$ 16,431	\$ 93,641	\$ 12,169	\$ 98,105	\$ 7,705	\$ 3,027
43,478	2,462	43,478	1,252	-	-	-
-	1,805	-	-	-	-	-
33,329	1,744	16,342	1,187	16,987	603	-
14,902	780	7,307	531	7,595	270	-
565,632	12,752	137,606	10,293	140,110	7,789	7,882
48,717	3,247	48,717	1,651	-	-	-
58,888	1,972	14,086	1,598	14,470	1,215	1,237
57,758	3,360	28,319	2,284	29,439	1,164	-
\$ 1,117,033	\$ 44,553	\$ 389,496	\$ 30,965	\$ 306,706	\$ 18,746	\$ 12,146

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Littlefield, Texas 79339
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Stephen H. Webb, CPA
Richard B. Wright, CPA

Independent Auditor's Report

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Littlefield, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Littlefield's basic financial statements, and have issued our report thereon dated February 2, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



WEBB, WEBB, & WRIGHT, CPA's
February 2, 2017

CITY OF LITTLEFIELD

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

None

CITY OF LITTLEFIELD

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<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, 2016

None