

CITY OF LAMPASAS, TEXAS

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2011

Singleton, Clark & Company, PC
Certified Public Accountants

930 S. Bell Blvd., Suite 105
Cedar Park, Texas 78613
Phone (512) 310-5600 Fax (512) 310-5689

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FOR THE YEAR ENDED SEPTEMBER 30, 2011

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SINGLETON, CLARK
& COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

930 S. Bell Blvd., Suite 105, Cedar Park, Texas 78613
Phone (512) 310-5600 Fax (512) 310-5689

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND
OTHER SUPPLEMENTARY INFORMATION

Independent Auditors' Report

Honorable Mayor and City Council
City of Lampasas, Texas
312 E. Third Street
Lampasas, Texas 76550

We have audited the accompanying financial statements of the governmental activities, the proprietary activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Lampasas, Texas, (the City) as of and for the year ended September 30, 2011 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

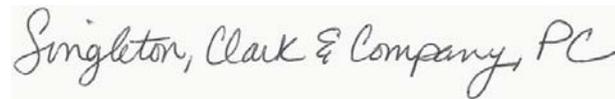
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the proprietary activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Lampasas, Texas, as of September 30, 2011, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis section on pages 3-8 of this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Although the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Lampasas. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC
Cedar Park, Texas

February 20, 2012

CITY OF LAMPASAS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the City of Lampasas presents our discussion and analysis of the financial performance of the City during the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2011, the General Fund of the City of Lampasas experienced a fund balance increase of \$105,934, to end at \$2,446,921.
- Total governmental-type funds (the General Fund plus all Special Revenue Funds, the Debt Service Fund, and the Capital Projects Funds) of the City of Lampasas reported a combined fund balance increase of \$1,583,357, to end at \$6,322,367.
- The total cost of the City of Lampasas's governmental activities was \$8,074,415. This amount is inclusive of depreciation expense recorded on the capital assets of the City.

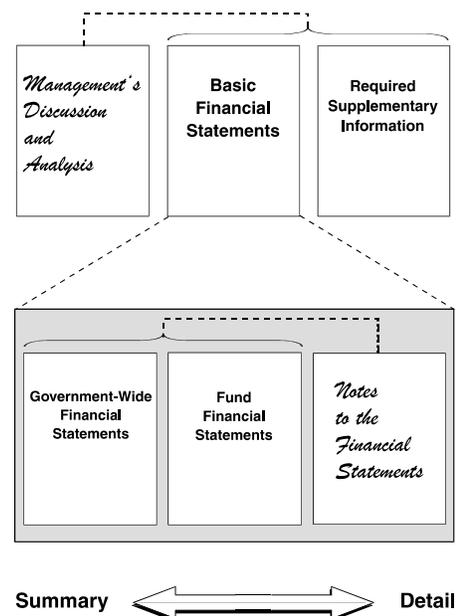
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of statements that present different views of the City of Lampasas:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. Required Components of the City's Annual Financial Report



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City of Lampasas as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City of Lampasas include *governmental activities*, *proprietary activities*, and *discretely presented component units*. *Governmental activities* are activities supported primarily by taxes and user charges. Most of the City of Lampasas's basic services are included here, such as general government services, public safety, street maintenance, and culture and recreation activities. *Proprietary activities* are activities undertaken by the City that are operated much like a private business. The City's proprietary activities include various utility services and the City golf course and airport. Component units are organizations that are closely related to the City but are still legally separate entities.

FINANCIAL ANALYSIS OF THE CITY OF LAMPASAS AS A WHOLE

Our analysis here focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and proprietary (business-type) activities.

Table I
City of Lampasas, Texas
Net Assets - Governmental Activities (in thousands)

	Governmental Activities 2011	Governmental Activities 2010	Change
ASSETS			
Current and other assets	\$ 8,082	\$ 6,167	\$ 1,915
Capital assets	7,871	7,441	430
Total assets	<u>\$ 15,953</u>	<u>\$ 13,608</u>	<u>\$ 2,345</u>
LIABILITIES			
Current liabilities	\$ 1,219	\$ 818	\$ 401
Noncurrent liabilities	7,649	6,003	1,646
Total liabilities	<u>8,868</u>	<u>6,821</u>	<u>2,047</u>
NET ASSETS			
Invested in capital assets, net of related debt	436	1,581	(1,145)
Restricted	5,647	4,154	1,493
Unrestricted	1,001	1,052	(51)
Total net assets	<u>\$ 7,084</u>	<u>\$ 6,787</u>	<u>\$ 297</u>

Table I (continued)
Net Assets - Business-Type Activities (in thousands)

	Business-Type Activities 2011	Business-Type Activities 2010	Change
ASSETS			
Current and other assets	\$ 10,407	\$ 9,274	\$ 1,133
Capital assets	15,322	15,862	(540)
Total assets	<u>\$ 25,729</u>	<u>\$ 25,136</u>	<u>\$ 593</u>
LIABILITIES			
Current liabilities	\$ 1,409	\$ 1,415	\$ (6)
Noncurrent liabilities	4,307	4,744	(437)
Total liabilities	<u>5,716</u>	<u>6,159</u>	<u>(443)</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,840	11,143	(303)
Restricted	5,394	5,797	(403)
Unrestricted	3,549	2,037	1,512
Total net assets	<u>\$ 19,783</u>	<u>\$ 18,977</u>	<u>\$ 806</u>

Table II
City of Lampasas, Texas
Statement of Activities (in thousands)

	Governmental Activities 2011	Governmental Activities 2010	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 2,757	\$ 2,796	\$ (39)
Operating grants & contributions	204	1,330	(1,126)
General revenues:			
Property taxes	1,272	1,226	46
Sales taxes	1,164	1,147	17
Franchise taxes	943	915	28
Other taxes, penalties & interest	25	28	(3)
Grants/contributions not restricted	134	37	97
Investment earnings	14	17	(3)
Miscellaneous revenue	311	101	210
Transfer in (out)	1,548	764	784
Total revenue	<u>8,371</u>	<u>8,361</u>	<u>10</u>
EXPENSES:			
General government	2,751	2,664	87
Public safety	2,079	2,618	(539)
Public works	1,976	1,093	883
Culture and recreation	1,008	966	42
Bond interest and costs	259	262	(3)
Total expenses	<u>8,073</u>	<u>7,603</u>	<u>470</u>
Change in net assets	298	758	(460)
Net assets at 10/1/10 and 10/1/09	6,787	6,123	664
Prior Period Adjustment	-	(94)	94
Net assets at 9/30/11 and 9/30/10	<u>\$ 7,085</u>	<u>\$ 6,787</u>	<u>\$ 298</u>

Table II, (continued)
Statement of Activities - Business-Type Activities (in thousands)

	Business-Type Activities 2011	Business-Type Activities 2010	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 15,627	\$ 14,859	\$ 768
General revenues:			
Investment earnings	22	24	(2)
Miscellaneous revenue	-	82	(82)
Total revenue	<u>15,649</u>	<u>14,965</u>	<u>684</u>
EXPENSES:			
Enterprise fund activities	<u>13,297</u>	<u>13,277</u>	<u>20</u>
Total expenses	<u>13,297</u>	<u>13,277</u>	<u>20</u>
Change in net assets	2,352	1,688	664
Transfer in (out)	(1,548)	(739)	(809)
Net assets at 10/1/10 and 10/1/09	18,978	17,934	1,044
Prior Period Adjustment	-	94	(94)
Net assets at 9/30/11 and 9/30/10	<u><u>\$ 19,782</u></u>	<u><u>\$ 18,977</u></u>	<u><u>\$ 805</u></u>

THE CITY'S GOVERNMENTAL FUNDS

As the City completed Fiscal Year 2010-2011, its governmental funds (as presented on the balance sheet on page 12) reported a combined fund balance of approximately \$6.3 million; which represents an increase of about \$1.6 million over the prior year. The primary reason for this increase was the issuance of the Series 2011 Certificates of Obligation. Included in total governmental funds is the City's General Fund, which is the main operating fund of the City, and represents funds with fewer restrictions on their use. The General Fund reported an ending fund balance of approximately \$2.4 million as of September 30, 2011.

THE CITY'S PROPRIETARY FUNDS

The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the Electric Fund at the end of the year amounted to \$2,174,772. Unrestricted net assets of the Water/Wastewater Fund at the end of the year were \$969,006. Non-major proprietary funds of the City reported combined unrestricted net assets of \$399,474.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2010-2011, the City of Lampasas has invested \$7.87 million in a broad range of capital assets for its governmental activities, including land, buildings, and equipment. (See Table III below) This amount is net of accumulated depreciation and represents an increase of approximately \$.51 million over the prior year. The City's business-type activities had invested \$15.32 million in capital assets, net of accumulated depreciation, including investments in infrastructure for its utility operations.

Table III
City of Lampasas, Texas
Summary of Capital Assets (in thousands)

	Governmental Activities 2011	Governmental Activities 2010	Change
Land	\$ 1,107	\$ 967	\$ 140
Buildings and improvements	8,803	6,080	2,723
Machinery and equipment	3,195	2,618	577
Construction in progress	90	2,392	(2,302)
Totals at historical cost	<u>13,195</u>	<u>12,057</u>	<u>1,138</u>
Less accumulated depreciation	<u>(5,324)</u>	<u>(4,696)</u>	<u>(628)</u>
Capital assets, net of depreciation	<u><u>\$ 7,871</u></u>	<u><u>\$ 7,361</u></u>	<u><u>\$ 510</u></u>
	Business-Type Activities 2011	Business-Type Activities 2010	Change
Land	\$ 607	\$ 566	\$ 41
Infrastructure	19,770	19,136	634
Buildings and improvements	4,158	4,158	-
Machinery and equipment	4,097	3,934	163
Construction in progress	775	1,273	(498)
Totals at historical cost	<u>29,407</u>	<u>29,067</u>	<u>340</u>
Less accumulated depreciation	<u>(14,085)</u>	<u>(13,204)</u>	<u>(881)</u>
Capital assets, net of depreciation	<u><u>\$ 15,322</u></u>	<u><u>\$ 15,863</u></u>	<u><u>\$ (541)</u></u>

Long-Term Debt

At year end, the City's governmental activities reported total outstanding long-term debt of \$7.6 million and the business-type activities reported total outstanding long-term debt of \$4.6 million. A summary of long-term debt activity and ending balances is presented below.

Table IV
City of Lampasas, Texas
Summary of Long-Term Debt (in thousands)

	Governmental Activities 2011	Governmental Activities 2010	Change
General obligation bonds	\$ 7,401	\$ 5,715	\$ 1,686
Capital leases	34	66	(32)
Compensated absences	214	222	(8)
Totals	<u>\$ 7,649</u>	<u>\$ 6,003</u>	<u>\$ 1,646</u>

	Business-Type Activities 2011	Business-Type Activities 2010	Change
Utility revenue bonds	\$ 4,489	\$ 4,722	\$ (233)
Capital leases	10	22	(12)
Compensated absences	55	40	15
Totals	<u>\$ 4,554</u>	<u>\$ 4,784</u>	<u>\$ (230)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budgeted expenditures for the 2011-2012 fiscal year total \$7,654,306 and the City's Council adopted an M & O tax rate of \$.314081 and an I & S tax rate of \$.081137 for a total tax rate of \$.395218 per \$100 valuation.

CONTACTING FINANCIAL MANAGEMENT PERSONNEL OF THE CITY OF LAMPASAS

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Lampasas's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Lampasas's Director of Finance, Carol Boberg, at 512-556-3641. You may also visit the City's website at www.ci.lampasas.tx.us.

GOVERNMENT-WIDE STATEMENTS

CITY OF LAMPASAS, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Lampasas Economic Dev. Corporation
ASSETS				
Cash and Cash Equivalents	\$ 2,983,597	\$ 1,746,079	\$ 4,729,676	\$ 439,275
Investments - Current	4,285,576	7,057,403	11,342,979	-
Receivables - Net of Allowance	658,064	1,113,443	1,771,507	-
Inventories	9,337	468,432	477,769	-
Capitalized Debt Issuance Costs	145,847	21,801	167,648	-
Capital Assets:				
Land	1,107,498	607,099	1,714,597	909,835
Buildings, net	5,795,985	11,303,846	17,099,831	-
Machinery and Equipment, net	877,783	2,300,453	3,178,236	-
Infrastructure, net	-	335,418	335,418	-
Construction in Progress	89,544	774,905	864,449	-
Total Assets	\$ 15,953,231	\$ 25,728,879	\$ 41,682,110	\$ 1,349,110
LIABILITIES				
Accounts Payable	\$ 933,157	\$ 889,711	\$ 1,822,868	\$ 1,369
Accrued Wages Payable	177,132	50,258	227,390	-
Intergovernmental Payable	5,696	28,876	34,572	-
Accrued Interest Payable	37,271	13,427	50,698	22,374
Deferred Revenues	20,111	-	20,111	-
Other Current Liabilities	45,689	427,373	473,062	-
Noncurrent Liabilities				
Due Within One Year	333,825	230,535	564,360	69,000
Due in More Than One Year	7,314,871	4,306,920	11,621,791	636,000
Total Liabilities	8,867,752	5,947,100	14,814,852	728,743
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	435,950	10,839,545	11,275,495	-
Restricted for:				
Debt Service	176,323	234,932	411,255	-
Capital Projects	2,434,762	1,778,943	4,213,705	-
System Improvements	-	510,000	510,000	-
Maintenance & Operations	1,719,360	2,869,664	4,589,024	-
Other Purposes	1,317,665	-	1,317,665	175,283
Unrestricted Net Assets	1,001,419	3,548,695	4,550,114	445,084
Total Net Assets	\$ 7,085,479	\$ 19,781,779	\$ 26,867,258	\$ 620,367

The notes to the financial statements are an integral part of this statement.

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

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 907,128	\$ 1,363,041	\$ 56,139
Public Safety	2,079,486	65,745	22,242
Streets	796,229	193,108	-
Public Works	217,433	3,213	19,247
Utility Billing	162,041	-	-
Building and Planning	488,536	25,354	-
Economic Development	49,556	-	-
Data Processing	236,093	-	-
Cemetery	117,987	23,994	-
Non-Departmental	790,120	-	81,106
Sanitation	962,430	970,018	-
Culture and Recreation	1,008,175	112,790	25,313
Interest Expense	247,294	-	-
Issuance Costs	11,907	-	-
Total Governmental Activities:	8,074,415	2,757,263	204,047
BUSINESS-TYPE ACTIVITIES:			
Electric Fund	8,737,418	10,951,146	-
Water/Wastewater Fund	3,831,742	4,036,586	-
Economic Development Fund	11,960	-	-
Aviation Fund	150,152	155,718	-
Golf Course Fund	565,783	483,870	-
Total Business-Type Activities:	13,297,055	15,627,320	-
Total Primary Government:	\$ 21,371,470	\$ 18,384,583	\$ 204,047
COMPONENT UNIT:			
Economic Development Expenses	\$ 145,868	\$ -	\$ -
Total Component Unit:	\$ 145,868	\$ -	\$ -
General Revenues:			
Taxes:			
Property Taxes:			
Levied for General Purposes			
Levied for Debt Service			
Sales Taxes			
Franchise Taxes			
Penalty and Interest			
Grants and Contributions Not Restricted			
Miscellaneous Revenue			
Investment Earnings			
Gain on Disposal of Capital Assets			
Transfers In (Out)			
Total General Revenues & Transfers			
Change in Net Assets			
Net Assets -- Beginning			
Net Assets -- Ending			

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Lampasas Economic Dev. Corporation
\$ 512,052	\$ -	\$ 512,052	\$ -
(1,991,499)	-	(1,991,499)	-
(603,121)	-	(603,121)	-
(194,973)	-	(194,973)	-
(162,041)	-	(162,041)	-
(463,182)	-	(463,182)	-
(49,556)	-	(49,556)	-
(236,093)	-	(236,093)	-
(93,993)	-	(93,993)	-
(709,014)	-	(709,014)	-
7,588	-	7,588	-
(870,072)	-	(870,072)	-
(247,294)	-	(247,294)	-
(11,907)	-	(11,907)	-
<u>(5,113,105)</u>	<u>-</u>	<u>(5,113,105)</u>	<u>-</u>
-	2,213,728	2,213,728	-
-	204,844	204,844	-
-	(11,960)	(11,960)	-
-	5,566	5,566	-
-	(81,913)	(81,913)	-
<u>-</u>	<u>2,330,265</u>	<u>2,330,265</u>	<u>-</u>
<u>\$ (5,113,105)</u>	<u>\$ 2,330,265</u>	<u>\$ (2,782,840)</u>	<u>\$ -</u>
-	-	-	(145,868)
-	-	-	(145,868)
967,443	-	967,443	-
305,026	-	305,026	-
1,163,562	-	1,163,562	214,547
943,413	-	943,413	-
24,932	-	24,932	-
133,583	-	133,583	-
308,751	-	308,751	6,600
13,961	21,816	35,777	2,999
2,942	-	2,942	-
1,548,074	(1,548,074)	-	-
<u>5,411,687</u>	<u>(1,526,258)</u>	<u>3,885,429</u>	<u>224,146</u>
298,582	804,007	1,102,589	78,278
6,786,897	18,977,778	25,764,675	542,089
<u>\$ 7,085,479</u>	<u>\$ 19,781,785</u>	<u>\$ 26,867,264</u>	<u>\$ 620,367</u>

FUND BASIS STATEMENTS

CITY OF LAMPASAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	2011 C.O. Capital Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 689,760	\$ 1,879,431	\$ 414,407	\$ 2,983,598
Investments - Current	2,288,431	-	1,997,145	4,285,576
Taxes Receivable	57,866	-	19,558	77,424
Allowance for Uncollectible Taxes	(10,026)	-	(2,934)	(12,960)
Receivables (Net)	133,432	34,911	39,398	207,741
Intergovernmental Receivables	-	-	19,247	19,247
Inventories	9,337	-	-	9,337
Total Assets	<u>\$ 3,168,800</u>	<u>\$ 1,914,342</u>	<u>\$ 2,486,821</u>	<u>\$ 7,569,963</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 427,680	\$ 402,984	\$ 102,495	\$ 933,159
Wages and Salaries Payable	174,644	-	2,488	177,132
Intergovernmental Payable	5,696	-	-	5,696
Deferred Revenues	69,298	-	16,624	85,922
Other Current Liabilities	44,561	-	1,127	45,688
Total Liabilities	<u>721,879</u>	<u>402,984</u>	<u>122,734</u>	<u>1,247,597</u>
Fund Balances:				
Nonspendable:				
Inventories	9,337	-	-	9,337
Restricted For:				
Debt Service	-	-	159,699	159,699
Endowments	29,034	-	174,558	203,592
Other Specific Purposes	-	-	1,106,426	1,106,426
Maintenance & Operations	1,743,545	-	-	1,743,545
Capital Projects	-	1,511,358	923,404	2,434,762
Assigned For:				
Park Improvements	3,010	-	-	3,010
Comprehensive Plan	12,584	-	-	12,584
Fire Hall Substation	6,364	-	-	6,364
Unassigned:				
Reported in the General Fund	652,384	-	-	652,384
Total Fund Balances	<u>2,446,921</u>	<u>1,511,358</u>	<u>2,364,087</u>	<u>6,322,366</u>
Total Liabilities & Fund Balances	<u>\$ 3,168,800</u>	<u>\$ 1,914,342</u>	<u>\$ 2,486,821</u>	<u>\$ 7,569,963</u>

The notes to the financial statements are an integral part of this statement.

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

Total Fund Balances - Governmental Funds	\$ 6,322,366
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of recording the beginning of the year value of \$12,057,435 for capital assets and \$4,695,783 for accumulated depreciation to the Statement of Net Assets was an increase in net assets.	7,361,652
Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Assets. The net effect of capitalizing current expenditures for capital outlays during the year was an increase in net assets.	1,154,666
Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Assets is a decrease in net assets.	(645,508)
Long-term debt issued by governmental activities is not a current financial liability and therefore not reported in governmental funds. The net effect of recording the beginning of the year value for all long-term debt outstanding is a decrease in net assets.	(6,002,999)
Long-term debt issued by governmental activities is treated as an inflow of financial resources and not reported as a liability. The net effect of recording the long-term debt issued during the year as a liability on the Statement of Net Assets is a decrease in net assets.	(1,890,189)
Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Assets. The net effect of reducing long-term debt is an increase in net assets.	382,229
Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase in net assets.	65,810
Other miscellaneous differences in accounting treatments between the governmental funds and the Statement of Net Assets or Statement of Activities resulted in an increase (decrease) in net assets.	337,451
Net Assets of Governmental Activities	<u><u>\$ 7,085,478</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF LAMPASAS, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	2011 C.O. Capital Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 960,494	\$ -	\$ 303,899	\$ 1,264,393
General Sales and Use Taxes	1,077,411	-	86,151	1,163,562
Franchise Tax	943,413	-	-	943,413
Penalty and Interest on Taxes	15,692	-	9,240	24,932
Licenses and Permits	24,375	-	-	24,375
Intergovernmental Revenue & Grants	5,309	-	317,121	322,430
Charges for Services	2,677,226	-	37,256	2,714,482
Fines	21,929	-	-	21,929
Special Assessments	192,363	-	-	192,363
Investment Earnings	7,263	768	5,930	13,961
Rents and Royalties	26,456	-	-	26,456
Contributions/Donations Private Sources	9,486	-	5,716	15,202
Other Revenue	86,190	-	217,184	303,374
Total Revenues	<u>6,047,607</u>	<u>768</u>	<u>982,497</u>	<u>7,030,872</u>
EXPENDITURES:				
Current:				
General Government	686,878	443,116	124,849	1,254,843
Public Safety	2,493,109	-	31,554	2,524,663
Streets	916,824	-	-	916,824
Public Works	160,652	-	-	160,652
Utility Billing	150,324	-	-	150,324
Building and Planning	79,366	-	-	79,366
Economic Development	-	-	45,973	45,973
Data Processing	184,743	-	-	184,743
Cemetery	109,455	-	-	109,455
Non-Departmental	543,608	82,330	471,778	1,097,716
Sanitation	892,840	-	-	892,840
Culture and Recreation	979,402	-	13,882	993,284
Debt Service:				
Principal	32,229	-	350,000	382,229
Interest	3,270	-	238,386	241,656
Total Expenditures	<u>7,232,700</u>	<u>525,446</u>	<u>1,276,422</u>	<u>9,034,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,185,093)</u>	<u>(524,678)</u>	<u>(293,925)</u>	<u>(2,003,696)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real & Personal Property	2,942	-	-	2,942
Proceeds from Bond Issuance	-	2,036,036	-	2,036,036
Transfers In	1,355,944	-	389,259	1,745,203
Transfers Out (Use)	(67,859)	-	(129,270)	(197,129)
Total Other Financing Sources (Uses)	<u>1,291,027</u>	<u>2,036,036</u>	<u>259,989</u>	<u>3,587,052</u>
Net Change in Fund Balances	105,934	1,511,358	(33,936)	1,583,356
Fund Balance - Oct 1 (Beginning)	2,340,987	-	2,398,023	4,739,010
Fund Balance - Sept 30 (Ending)	<u>\$ 2,446,921</u>	<u>\$ 1,511,358</u>	<u>\$ 2,364,087</u>	<u>\$ 6,322,366</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LAMPASAS, TEXAS
 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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 1,583,356
Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Assets. The net effect of capitalizing current expenditures for capital outlays during the year was an increase in the change in net assets.	1,154,666
Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Assets is a decrease in the change in net assets.	(645,508)
Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Assets. The net effect of reducing long-term debt is an increase in the change in net assets.	382,229
Long-term debt issued by governmental activities is treated as an inflow of financial resources but an increase in liabilities on the Statement of Net Assets. The net effect of this difference is a decrease in the change in net assets.	(1,969,741)
Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase (decrease) in the change in net assets.	8,075
Other miscellaneous differences in accounting treatments between the governmental funds and the Statement of Net Assets or Statement of Activities resulted in an increase (decrease) in the change in net assets.	(214,496)
Change in Net Assets of Governmental Activities	\$ 298,581

The notes to the Financial Statements are an integral part of this statement

CITY OF LAMPASAS, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amount (GAAP BASIS)	
REVENUES:				
Taxes:				
Property Taxes	\$ 958,750	\$ 958,750	\$ 960,494	\$ 1,744
General Sales and Use Taxes	1,094,400	1,094,400	1,077,411	(16,989)
Franchise Tax	896,300	896,300	943,413	47,113
Penalty and Interest on Taxes	25,850	15,690	15,692	2
Licenses and Permits	23,970	23,970	24,375	405
Intergovernmental Revenue	1,800	5,800	5,309	(491)
Charges for Services	2,446,750	2,474,040	2,677,226	203,186
Fines	401,670	411,820	21,929	(389,891)
Special Assessments	35,000	35,000	192,363	157,363
Investment Earnings	11,400	11,400	7,263	(4,137)
Rents and Royalties	6,500	11,500	26,456	14,956
Contributions & Donations	11,300	10,050	9,486	(564)
Other Revenue	88,510	103,233	86,190	(17,043)
Total Revenues	6,002,200	6,051,953	6,047,607	(4,346)
EXPENDITURES:				
Current:				
General Government	763,220	714,220	686,878	27,342
Public Safety	2,489,581	2,545,964	2,493,109	52,855
Streets	1,056,620	971,620	916,824	54,796
Public Works	163,350	163,350	160,652	2,698
Utility Billing	162,160	162,160	150,324	11,836
Building and Planning	148,350	109,350	79,366	29,984
Data Processing	180,810	189,810	184,743	5,067
Cemetery	116,910	116,910	109,455	7,455
Non-Departmental	523,300	642,410	543,608	98,802
Sanitation	879,000	893,000	892,840	160
Culture and Recreation	987,200	1,011,460	979,402	32,058
Debt Service:				
Principal	32,229	32,229	32,229	-
Interest	3,270	3,270	3,270	-
Total Expenditures	7,506,000	7,555,753	7,232,700	323,053
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,503,800)	(1,503,800)	(1,185,093)	318,707
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	3,000	3,000	2,942	(58)
Transfer In	1,500,800	1,500,800	1,355,944	(144,856)
Transfers Out (Use)	-	-	(67,859)	(67,859)
Total Other Financing Sources (Uses)	1,503,800	1,503,800	1,291,027	(212,773)
Net Change in Fund Balances	-	-	105,934	105,934
Fund Balance-Oct 1 (Beginning)	2,340,987	2,340,987	2,340,987	-
Fund Balance-Sept 30 (Ending)	\$ 2,340,987	\$ 2,340,987	\$ 2,446,921	\$ 105,934

The notes to the Financial Statements are an integral part of this statement.

CITY OF LAMPASAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-Type Activities - Enterprise Funds			
	Electric	Water/ Wastewater	Nonmajor Enterprise	Total
	Fund	Fund	Funds	Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 966,969	\$ 504,566	\$ 274,544	\$ 1,746,079
Investments - Current	3,933,812	3,017,318	106,273	7,057,403
Accts Receivable-Net of Allowance	850,176	244,449	18,818	1,113,443
Inventories	338,896	82,289	47,247	468,432
Total Current Assets	<u>6,089,853</u>	<u>3,848,622</u>	<u>446,882</u>	<u>10,385,357</u>
Noncurrent Assets:				
Capitalized Debt Issuance Costs	-	21,801	-	21,801
Capital Assets:				
Land Purchase & Improvements	56,812	67,965	482,322	607,099
Buildings	553,157	839,241	1,648,172	3,040,570
Machinery and Equipment	2,418,792	1,344,746	205,055	3,968,593
Infrastructure	2,372,821	17,122,490	194,662	19,689,973
Construction in Progress	27,211	747,694	-	774,905
Less Accumulated Depreciation	(3,666,943)	(9,092,476)	-	(12,759,419)
Total Noncurrent Assets	<u>1,761,850</u>	<u>11,051,461</u>	<u>2,530,211</u>	<u>15,343,522</u>
Total Assets	<u>\$ 7,851,703</u>	<u>\$ 14,900,083</u>	<u>\$ 2,977,093</u>	<u>\$ 25,728,879</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 703,580	\$ 166,914	\$ 19,217	\$ 889,711
Wages and Salaries Payable	11,091	13,633	9,176	33,900
Compensated Absences Payable	-	16,358	-	16,358
Customer Deposits Payable	279,483	147,890	-	427,373
Intergovernmental Payable	26,331	-	2,545	28,876
Accrued Interest Payable	-	13,427	-	13,427
Total Current Liabilities	<u>1,020,485</u>	<u>358,222</u>	<u>30,938</u>	<u>1,409,645</u>
Noncurrent Liabilities:				
Current Portion of Long-Term Debt	-	230,535	-	230,535
Long-Term Debt	22,451	4,258,465	26,004	4,306,920
Total Noncurrent Liabilities	<u>22,451</u>	<u>4,489,000</u>	<u>26,004</u>	<u>4,537,455</u>
Total Liabilities	<u>1,042,936</u>	<u>4,847,222</u>	<u>56,942</u>	<u>5,947,100</u>
NET ASSETS				
Investments in Capital Assets, Net of Related Debt	1,761,850	6,557,018	2,520,677	10,839,545
Restricted for:				
Debt Service	-	234,932	-	234,932
Construction & Equipment	194,000	1,584,943	-	1,778,943
System Improvements	510,000	-	-	510,000
Operations & Maintenance	2,168,145	701,519	-	2,869,664
Unrestricted Net Assets	2,174,772	974,449	399,474	3,548,695
Total Net Assets	<u>\$ 6,808,767</u>	<u>\$ 10,052,861</u>	<u>\$ 2,920,151</u>	<u>\$ 19,781,779</u>

The notes to the financial statements are an integral part of this statement.

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

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES				
Charges for Water Service	\$ -	\$ 2,560,543	\$ -	\$ 2,560,543
Charges for Sewerage Service	-	1,428,139	-	1,428,139
Charges for Electricity Service	10,691,744	-	-	10,691,744
Other Charges for Services	39,690	24,920	-	64,610
Culture/Recreation Charges for Services	-	-	385,458	385,458
Rents and Royalties	18,016	-	73,498	91,514
Other Revenue	201,696	22,984	180,632	405,312
Total Operating Revenues	<u>10,951,146</u>	<u>4,036,586</u>	<u>639,588</u>	<u>15,627,320</u>
OPERATING EXPENSES				
Personnel Services-Salaries and Wages	281,515	340,667	226,876	849,058
Personnel Services-Employee Benefits	109,289	126,838	77,876	314,003
Purchased Professional & Tech Services	152,417	110,161	128	262,706
Purchased Property Services	105,602	414,656	104,448	624,706
Other Operating Expenses	1,118,266	1,063,674	11,969	2,193,909
Supplies	6,865,888	941,862	156,634	7,964,384
Depreciation	104,441	627,984	148,938	881,363
Amort. of Premiums/Discounts-Bonds	-	3,115	-	3,115
Total Operating Expenses	<u>8,737,418</u>	<u>3,628,957</u>	<u>726,869</u>	<u>13,093,244</u>
Operating Income (Loss)	<u>2,213,728</u>	<u>407,629</u>	<u>(87,281)</u>	<u>2,534,076</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Earnings	11,046	9,577	1,188	21,811
Interest Expense - Non-Operating	-	(202,785)	(1,026)	(203,811)
Total Non-Operating Rev (Exp)	<u>11,046</u>	<u>(193,208)</u>	<u>162</u>	<u>(182,000)</u>
Income Before Transfers	<u>2,224,774</u>	<u>214,421</u>	<u>(87,119)</u>	<u>2,352,076</u>
Non-Operating Transfer In	27,211	136,154	193,036	356,401
Transfers Out	<u>(1,722,176)</u>	<u>(173,338)</u>	<u>(8,962)</u>	<u>(1,904,476)</u>
Change in Net Assets	529,809	177,237	96,955	804,001
Total Net Assets - Oct 1 (Beginning)	<u>6,278,958</u>	<u>9,875,624</u>	<u>2,823,196</u>	<u>18,977,778</u>
Total Net Assets - Sept 30 (Ending)	<u>\$ 6,808,767</u>	<u>\$ 10,052,861</u>	<u>\$ 2,920,151</u>	<u>\$ 19,781,779</u>

The notes to the financial statements are an integral part of this statement.

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

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 10,887,302	\$ 4,002,698	\$ 629,201	\$ 15,519,201
Cash Payments to Employees for Services	(390,722)	(437,513)	(303,805)	(1,132,040)
Cash Payments for Suppliers	(6,832,292)	(846,822)	(149,749)	(7,828,863)
Cash Payments for Other Op. Expenses	(1,372,962)	(1,588,491)	(127,508)	(3,088,961)
Net Cash Provided by Operating Activities	<u>2,291,326</u>	<u>1,129,872</u>	<u>48,139</u>	<u>3,469,337</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In (Out)	(1,694,965)	(37,184)	184,074	(1,548,075)
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	(68,692)	(383,431)	(14,723)	(466,846)
Interest Expense	-	(202,785)	(1,026)	(203,811)
Payments on Long-Term Debt	-	(233,000)	-	(233,000)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(68,692)</u>	<u>(819,216)</u>	<u>(15,749)</u>	<u>(903,657)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	11,046	9,576	1,188	21,810
Net Increase/Decrease in Cash/Cash Equiv.	538,715	283,048	217,652	1,039,415
Cash/Cash Equivalent at Beginning of Year	4,362,066	3,238,836	163,165	7,764,067
Cash/Cash Equivalent at End of the Year	<u>\$ 4,900,781</u>	<u>\$ 3,521,884</u>	<u>\$ 380,817</u>	<u>\$ 8,803,482</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$ 2,213,728	\$ 407,630	\$ (87,281)	\$ 2,534,077
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	104,441	631,099	148,938	884,478
Effect of Increases/Decrease in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	(63,845)	(33,888)	(10,388)	(108,121)
Decrease (Increase) in Inventories	(581)	10,694	1,385	11,498
Increase (Decrease) in Accounts Payable	34,177	84,346	5,499	124,022
Increase (Decrease) in Payroll Deductions	722	13,633	1,311	15,666
Increase (Decrease) in Other Liabilities	2,684	16,358	(11,326)	7,716
Net Cash Provided by Operating Activities	<u>\$ 2,291,326</u>	<u>\$ 1,129,872</u>	<u>\$ 48,138</u>	<u>\$ 3,469,336</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Lampasas, Texas (the City) was incorporated under the provisions of the State of Texas. The City operates as a Council-Manager government. With few exceptions, all powers of the City are vested in an elective Council, which enacts legislation, adopts budgets, determines policies, and appoints the City Attorney and the Municipal Court Judge. The Council also appoints the City Manager, who executes the laws and administers the government of the City. The City provides the following services to its citizens; public safety, street maintenance, refuse collection, recreation programs, municipal court, community development, public improvements, water, sewer and electrical services, and general administrative services.

For financial reporting purposes, in conformance with generally accepted accounting principles, the City's financial statements include all funds, agencies, boards, commissions and other organizations over which the Council is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the foregoing criteria, the following entity has been included in this report:

Lampasas Economic Development Corporation (LEDC) – Although the LEDC is legally separate from the City, the LEDC is reported as if it were part of the primary government because the City serves in an administrative capacity for the LEDC, and the LEDC provides services almost exclusively for the benefit of the primary government. The LEDC is authorized to act on behalf of the City in order to encourage the promotion and development of community, commercial, industrial and manufacturing enterprises within the area. The LEDC is funded primarily through a 0.25 cent sales tax approved by the voters of the City. LEDC financial statements are presented on the accrual basis of accounting. A copy of the LEDC financial report may be obtained by contacting the City of Lampasas Finance Department. The LEDC is discretely presented as a component unit within the City of Lampasas's financial statements. It is reported in a separate column to emphasize that it is legally separate from the primary government.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City's and LEDC's activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes and user charges, licenses, and grants. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The primary government is reported separately from the legally separate component unit, the EDC, for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers.

The fund statements provide reports on the financial condition and results of operations for three fund categories; governmental funds, proprietary funds, and fiduciary funds, although the City currently has no fiduciary funds. The City considers some governmental funds and proprietary funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's ongoing operations. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for the unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property and sales tax revenues are recognized when both measurable and available. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except earnings and investments) are recorded as revenues when received in cash, because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

CITY OF LAMPASAS, TEXAS
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SEPTEMBER 30, 2011

The Proprietary Fund Types 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. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

Basis of Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts recording cash and other financial resources together with all related liabilities and residual equities or balances and changes therein. They are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The City reports the following major governmental funds:

- General Fund – The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.
- 2011 C.O. Capital Fund – The C.O. Capital Fund is used to account for the proceeds and authorized expenditures of the 2011 Combination Tax & Revenue Certificates of Obligation Bonds.

The City reports the following major enterprise funds:

- Electric Fund – The City accounts for electricity services provided to customers and related costs of operations in the Electric Fund.
- Water/Wastewater Fund – The City accounts for water and wastewater services provided to customers and related costs of operations in the Water/Wastewater Fund.

Additionally, the City reports the following non-major fund types:

Governmental Funds:

- Special Revenue Funds – The City accounts for resources restricted, committed, or assigned for specific purposes by the City or outside grantors in a special revenue fund in order to have more transparent accountability.
- Debt Service Fund - The City accounts for resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds in a debt service fund.

Proprietary Funds:

- Aviation Fund – The City accounts for the activities at its municipal airport in the Aviation Fund.
- Golf Course Fund – The City accounts for the activities at its municipal golf course in the Golf Course Fund.
- Economic Development Fund – In addition to operating the Lampasas Economic Development Corporation, the City also accounts for some economic development activities in an in-house economic development fund.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

E. ACCRUED ABSENCES

The City has recorded the value of earned but unused compensated absences (vacation and comp time) from its governmental fund activities by employees as an accrued liability in the Statement of Net Assets. The annual budgets of the operating funds provide funding for these benefits as they become payable and costs are expensed as the liability is liquidated. There was a balance of \$213,836 in accrued compensated absences at September 30, 2011 related to the City's governmental fund activities. The proprietary fund activities expense and record a related liability for accrued compensated absences in the current year fund basis statements as well as in the Statement of Net Assets. The balance for accrued compensated absences at September 30, 2011 for the City's proprietary fund activities was \$55,279.

F. PROPERTY TAX

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1st of the year following the October 1st levy date. The assessed value of the property tax roll of January 1, 2011, upon which the levy for the 2010-2011 fiscal year was based, was \$318,522,890. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2011, to finance General Fund and Debt Service Fund operations were \$0.303906 and \$.096094, respectively, for a total tax rate of \$.40 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2010-2011 fiscal year was \$1,274,092. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2011, were 98.9% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

G. FIXED ASSETS

Fixed assets, which include land, buildings and improvements, furniture and equipment, and infrastructure, are reported in the government-wide financial statements. Fixed assets are recorded at cost where historical records are available and at estimated original cost where no historical records exist. Buildings and improvements, infrastructure, and furniture and equipment are capitalized if the individual cost for the item is in excess of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the assets lives are not capitalized.

Major capital outlay for fixed assets and improvements are capitalized as projects are constructed. For debt-financed fixed assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Fixed assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated fair market value at the date of contribution.

CITY OF LAMPASAS, TEXAS
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Fixed assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each fixed assets class is as follows:

Building and improvements	25 years
Furniture and fixtures	7-10 years
Computers and equipment	3-5 years
Vehicles	3-5 years
Infrastructure (street, sidewalks, etc.)	10-50 years

H. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET

On or before the first day of June of each year, department and division leaders of the City submit requests for appropriations to the City Manager so that a budget may be prepared. The budget is prepared by fund, department, and activity, and includes information on the past year, current year budget and requested appropriations for the next fiscal year.

Before August 31st, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. Management may not amend the budget without Council approval. Expenditures may not legally exceed budget appropriations at the department level. Budgets are adopted for the General Fund, Debt Service Fund, and the proprietary funds.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2011, the carrying amount of the City's deposits (cash, money market, and interest-bearing savings accounts included in temporary investments) was \$4,729,746 and the bank balance was \$4,778,687.

CITY OF LAMPASAS, TEXAS
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The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies. The City's investments were in a temporary investment pool and certificates of deposit at September 30, 2011. A summary of the investment balances is as follows:

Investments	Book Balance	Bank Balance
TexPool	\$ 7,436,556	\$ 7,436,556
TexSTAR	3,582,959	3,582,959
First State Bank - CD's	323,464	323,464
	\$ 11,342,978	\$ 11,342,978

The City's investments in pools are reported at an amount determined by their fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool is not SEC registered. TexPool regulatory oversight is provided by the Texas State Comptroller's office. TexPool operates under the guidelines of the Texas Public Funds Investment Act. The fair value of the position in these pools is the same as the value of pool shares. As of September 30, 2011, the credit quality rating for both TexPool and TexSTAR was AAAM.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2011 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

CITY OF LAMPASAS, TEXAS
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Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the City's investment pools allow the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAA money market mutual funds registered with the SEC.

B. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2011 consist of the following:

	Property Taxes (net)	Customer Receivables (net)	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 47,840	\$ 133,432	\$ -	\$ 181,272
2011 C.O. Capital Fund	-	34,911	-	34,911
Non-major Governmental Funds	16,624	-	39,398	56,022
Total	<u>\$ 64,464</u>	<u>\$ 168,343</u>	<u>\$ 39,398</u>	<u>\$ 272,205</u>
Proprietary Activities:				
Electric Fund	\$ -	\$ 850,176	\$ -	\$ 850,176
Water/Wastewater Fund	-	244,449	-	244,449
Non-Major Proprietary Funds	-	18,818	-	18,818
Total	<u>\$ -</u>	<u>\$ 1,113,443</u>	<u>\$ -</u>	<u>\$ 1,113,443</u>

Payables at September 30, 2011 consist of the following:

	Accounts Payable	Salaries & Benefits	Sales Tax Payable	Deferred Revenues	Other Current Liabilities	Total
Governmental Activities:						
General Fund	\$ 427,680	\$ 174,644	\$ 5,696	\$ 69,298	\$ 44,561	\$ 721,879
2011 C.O. Capital Fund	402,984	-	-	-	-	402,984
Non-Major Gov. Funds	102,495	2,488	-	16,624	1,127	122,734
Total	<u>\$ 933,159</u>	<u>\$ 177,132</u>	<u>\$ 5,696</u>	<u>\$ 85,922</u>	<u>\$ 45,688</u>	<u>\$ 1,247,597</u>
Proprietary Activities:						
Electric Fund	\$ 703,580	\$ 11,091	\$ 26,331	\$ -	\$ 279,483	\$ 1,020,485
Water/Wastewater Fund	166,914	29,991	-	-	161,317	358,222
Non-Major Prop Funds	19,217	9,176	2,545	-	-	30,938
Total	<u>\$ 889,711</u>	<u>\$ 50,258</u>	<u>\$ 28,876</u>	<u>\$ -</u>	<u>\$ 440,800</u>	<u>\$ 1,409,645</u>

C. INVENTORIES AND PREPAID ITEMS

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

D. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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 LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

E. INTERFUND TRANSFERS

Operating transfers are transactions of cash or other assets between funds that are intended to be permanent, or not repaid, and serve the financing needs of the receiving fund. During the year, several interfund transfers were made. A summary of transfer activity is shown below:

	Transfers In	Transfers Out
Governmental Funds		
General Funds:		
Golf Course Fund	\$ -	\$ 11,036
Electric Fund	1,350,000	-
Animal Shelter Fund	-	56,823
CDBG Disaster Grant Fund	5,307	-
Cemetery Trust & Agency	634	-
Library Grant Fund	3	-
Total General Fund	1,355,944	67,859
Special Revenue Funds:		
Economic Development Fund		
Electric Fund	150,000	-
Water/Wastewater Fund	32,000	-
Total Special Revenue Funds	182,000	-
Debt Service Fund		
Airport Fund	8,962	-
Electric Fund	137,735	-
Water/Wastewater Fund	141,338	-
Total Debt Service Fund	288,035	-
Capital Projects Funds:		
Library Grant Fund		
General Fund	-	3
Cemetery Fund		
General Fund	-	634
2009/2010 CDBG Grant Fund		
Water/Wastewater Fund	-	95,650
CDBG Disaster Relief Fund		
General Fund	56,823	5,307
2006/2007 CDBG Grant Fund		
General Fund	44,401	-
Key Avenue Fund		
Electric Fund	-	27,211
Water/Wastewater Fund	-	465
Total Capital Projects Funds	101,224	129,270
Total Governmental Funds Transfers In/Out	\$ 1,927,203	\$ 197,129

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

	Transfers In	Transfers Out
Proprietary Funds		
Aviation Fund		
Debt Service Fund	\$ -	\$ 8,962
Total Aviation Fund	-	8,962
Golf Course Fund		
General Fund	11,036	-
Total Golf Course Fund	11,036	-
Electric Fund		
General Fund	-	1,350,000
Debt Service	-	137,735
Economic Development Corporation Fund	-	150,000
SECO Grant Fund	-	44,401
Water/Wastewater Fund	27,211	40,040
Total Electric Fund	27,211	1,722,176
Water/Wastewater Fund		
Debt Service Fund	-	141,338
Electric Fund	40,040	-
Key Avenue Fund	465	-
2009/2010 CDBG Grant Fund	95,650	-
Economic Development Corporation Fund	-	32,000
Total Water/Wastewater Fund	136,155	173,338
Total Proprietary Funds Transfers In/Out	\$ 174,402	\$ 1,904,476
Total Funds Transfers In/Out	\$ 2,101,605	\$ 2,101,605

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

F. FIXED ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 967,284	\$ 140,214	\$ -	\$ 1,107,498
Construction in Progress	2,391,894	230,038	(2,532,389)	89,543
Total Capital Assets, not depreciated	<u>3,359,178</u>	<u>370,252</u>	<u>(2,532,389)</u>	<u>1,197,041</u>
Capital Assets, depreciated:				
Buildings and Improvements	6,080,224	2,722,417	-	8,802,641
Machinery and Equipment	2,618,033	594,385	(17,648)	3,194,770
Total Capital Assets, depreciated	<u>8,698,257</u>	<u>3,316,802</u>	<u>(17,648)</u>	<u>11,997,411</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,631,778)	(374,878)	-	(3,006,656)
Machinery and Equipment	(2,064,005)	(270,630)	17,648	(2,316,987)
Total Accumulated Depreciation	<u>(4,695,783)</u>	<u>(645,508)</u>	<u>17,648</u>	<u>(5,323,643)</u>
Total Capital Assets, depreciated, net	<u>4,002,474</u>	<u>2,671,294</u>	<u>-</u>	<u>6,673,768</u>
Total Capital Assets, net	<u>\$ 7,361,652</u>	<u>\$ 3,041,546</u>	<u>\$ (2,532,389)</u>	<u>\$ 7,870,809</u>
Proprietary Activities:				
Capital Assets, not depreciated:				
Land	\$ 565,617	\$ 41,482	\$ -	\$ 607,099
Construction in Progress	1,272,905	123,326	(621,326)	774,905
Total Capital Assets, not depreciated	<u>1,838,522</u>	<u>164,808</u>	<u>(621,326)</u>	<u>1,382,004</u>
Capital Assets, depreciated:				
Utility System	19,135,826	634,267	-	19,770,093
Buildings and Improvements	4,157,559	-	-	4,157,559
Machinery and Equipment	3,934,327	163,091	-	4,097,418
Total Capital Assets, depreciated	<u>27,227,712</u>	<u>797,358</u>	<u>-</u>	<u>28,025,070</u>
Less Accumulated Depreciation for:				
Utility System	(7,832,274)	(633,968)	-	(8,466,242)
Buildings and Improvements	(1,683,316)	(173,790)	-	(1,857,106)
Machinery and Equipment	(3,688,396)	(73,604)	-	(3,762,000)
Total Accumulated Depreciation	<u>(13,203,986)</u>	<u>(881,362)</u>	<u>-</u>	<u>(14,085,348)</u>
Total Capital Assets, depreciated, net	<u>14,023,726</u>	<u>(84,004)</u>	<u>-</u>	<u>13,939,722</u>
Total Capital Assets, net	<u>\$ 15,862,248</u>	<u>\$ 80,804</u>	<u>\$ (621,326)</u>	<u>\$ 15,321,726</u>

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

	Beginning Balance	Additions	Deletions	Ending Balance
Component Unit:				
Capital Assets, not depreciated:				
Land	\$ 909,835	\$ -	\$ -	\$ 909,835
Total Capital Assets, not depreciated	909,835	-	-	909,835
Component Unit Capital Assets, net	\$ 909,835	\$ -	\$ -	\$ 909,835

Depreciation expense was charged to the governmental activities as follows:

Department	Allocated Depreciation
General Government	\$ 97,806
Public Safety	196,779
Streets	71,460
Public Works	12,522
Utility Billing	11,717
Building and Planning	6,186
Economic Development	3,583
Data Processing	14,399
Cemetery	8,531
Non-Departmental	75,514
Sanitation	69,591
Culture and Recreation	77,419
Total	\$ 645,508

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

G. LONG-TERM DEBT

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/01/10	Additions	Deletions	Amounts Outstanding 09/30/11	Due in One Year
GOVERNMENTAL ACTIVITIES							
Bonds Payable:							
Maint. Tax Notes, Series 2006	4.19%	\$ 620,000	\$ 355,000	\$ -	\$ 115,000	\$ 240,000	\$120,000
Certificate of Oblig., Series 2007	4.50%	6,000,000	5,360,000	-	235,000	5,125,000	140,000
Certificate of Oblig., Series 2011	2.0-4.5%	2,010,000	-	2,010,000	-	2,010,000	40,000
Premium on Issuance of Bonds			-	26,036	-	26,036	-
Total Bonds Payable			<u>5,715,000</u>	<u>2,036,036</u>	<u>350,000</u>	<u>7,401,036</u>	<u>300,000</u>
Capital Leases:							
Emergency One - Fire Truck	4.95%	424,780	66,053	-	32,229	33,824	33,824
Total Capital Leases			<u>66,053</u>	<u>-</u>	<u>32,229</u>	<u>33,824</u>	<u>33,824</u>
Total Bonds & Capital Leases Payable			<u>5,781,053</u>	<u>2,036,036</u>	<u>382,229</u>	<u>7,434,860</u>	<u>333,824</u>
Other:							
Compensated Absences	n/a	n/a	221,946	-	8,110	213,836	-
Total Other Payable			<u>221,946</u>	<u>-</u>	<u>8,110</u>	<u>213,836</u>	<u>-</u>
Total Debt - Governmental Activities			<u>\$ 6,002,999</u>	<u>\$ 2,036,036</u>	<u>\$ 390,339</u>	<u>\$ 7,648,696</u>	<u>\$333,824</u>

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2010	Additions	Deletions	Amounts Outstanding 9/30/2011	Due in One Year
PROPRIETARY ACTIVITIES							
UTILITY FUNDS							
Bonds Payable-Water/Wastewater Fund:							
Certificate of Oblig-Series 1981		\$ 350,000	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
Certificate of Oblig-Series 2006	4.30%	1,020,000	915,000	-	85,000	830,000	90,000
Utility Rev. Bonds-Series 1997	4.50%	3,901,000	3,242,000	-	68,000	3,174,000	71,000
Certificate of Oblig-Series 1998	2.55-4%	1,040,000	540,000	-	55,000	485,000	60,000
Total Bonds Payable			<u>4,722,000</u>	<u>-</u>	<u>233,000</u>	<u>4,489,000</u>	<u>221,000</u>
Other-Water/Wastewater/Fund:							
Compensated Absences	n/a	n/a	-	16,358	-	16,358	-
Other - Electric Fund:							
Compensated Absences	n/a	n/a	23,091	-	640	22,451	-
Total Debt - Utility Funds			<u>4,745,091</u>	<u>16,358</u>	<u>233,640</u>	<u>4,527,809</u>	<u>221,000</u>
GOLF COURSE FUND							
Capital Leases:							
Community Bank of Louisiana	5.00%	56,556	21,604	-	12,069	9,535	9,535
Total Capital Leases			<u>21,604</u>	<u>-</u>	<u>12,069</u>	<u>9,535</u>	<u>9,535</u>
Other:							
Compensated Absences	n/a	n/a	16,834	-	364	16,470	-
Total Debt Golf Course Fund			<u>38,438</u>	<u>-</u>	<u>12,433</u>	<u>26,005</u>	<u>9,535</u>
Grand Total - Proprietary Funds			<u>\$4,783,529</u>	<u>\$16,358</u>	<u>\$246,073</u>	<u>\$ 4,553,814</u>	<u>\$230,535</u>

CITY OF LAMPASAS, TEXAS
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SEPTEMBER 30, 2011

Future debt service requirements for governmental activities are as follows:

Year Ended September 30,	Bonds Payable			Capital Leases and Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 300,000	\$ 291,685	\$ 591,685	\$ 33,825	\$ 1,674	\$ 35,499
2013	335,000	283,178	618,178	-	-	-
2014	360,000	270,920	630,920	-	-	-
2015	365,000	257,644	622,644	-	-	-
2016	380,000	244,160	624,160	-	-	-
2017-2021	1,810,000	1,040,140	2,850,140	-	-	-
2022-2026	1,890,000	647,591	2,537,591	-	-	-
2027-2031	1,435,000	294,870	1,729,870	-	-	-
2032-2036	500,000	69,750	569,750	-	-	-
	<u>\$7,375,000</u>	<u>\$3,399,938</u>	<u>\$10,774,938</u>	<u>\$ 33,825</u>	<u>\$ 1,674</u>	<u>\$ 35,499</u>

Future debt service requirements for proprietary activities are as follows:

Year Ended September 30,	Bonds Payable			Notes and Capital Leases Payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 221,000	\$ 193,599	\$ 414,599	\$ 9,535	\$ 287	\$ 9,822
2013	229,000	184,460	413,460	-	-	-
2014	237,000	174,965	411,965	-	-	-
2015	251,000	165,079	416,079	-	-	-
2016	265,000	154,584	419,584	-	-	-
2017-2021	986,000	611,675	1,597,675	-	-	-
2022-2026	606,000	451,665	1,057,665	-	-	-
2027-2031	754,000	299,250	1,053,250	-	-	-
2032-2036	940,000	109,485	1,049,485	-	-	-
	<u>\$4,489,000</u>	<u>\$2,344,762</u>	<u>\$6,833,762</u>	<u>\$ 9,535</u>	<u>\$ 287</u>	<u>\$ 9,822</u>

CITY OF LAMPASAS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

H. TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN DESCRIPTION

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide, Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Plan Year	2009	2010	2011
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount 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, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Funding Policy

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The schedule of funding information is as follows:

1	Actuarial valuation date	12/31/2008	12/31/2009	12/31/2010
2	Actuarial value of assets	6,510,343	6,955,524	10,902,096
3	Actuarial accrued liability (AAL)	9,859,724	10,766,188	14,408,723
4	Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	3,349,381	3,810,664	3,506,627
5	Funded ratio	66.0%	64.6%	75.7%
6	Annual covered payroll (actuarial)	3,446,679	3,654,580	3,745,827
7	UAAL or OAAL as % of covered payroll	97.2%	104.3%	93.6%

The required contributions rates for fiscal year 2011 were determined by the December 31, 2009 actuarial valuation. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Information

		12/31/2008	12/31/2009	12/31/2010
1	Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
2	Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
3	Amortization period	29.0 years - closed period	28.2 years - closed period	27.2 years - closed period
4	Asset valuation method	Amortized cost	10-year Smoothed Market	10-year Smoothed Market
5	Assumptions			
	Investment return	7.5%	7.5%	7.0%
	Projected salary increases	varies by age and service	varies by age and service	varies by age and service
	Inflation	3.0%	3.0%	3.0%
	Cost-of-living adjustments	2.1 (3.0% CPI)	2.1 (3.0% CPI)	2.1 (3.0% CPI)
6	City-specific assumptions			
	Payroll growth assumption	3.0%	3.0%	3.0%
	Withdrawal rates for male/female (low, mid/low, mid, mid/high, or high)	High/Mid-High	High/Mid-High	High/Mid-High

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

I. HEALTH INSURANCE COVERAGE

During the year ended September 30, 2011, employees of the City of Lampasas, were covered by a health insurance plan (the Plan). The City offers 2 plans from Scott & White. The Consumer Choice 30 and the HMO 40 plan. The City pays 100% of the employee's monthly premium for the Consumer Choice 30 plan. If the employee wants to buy up to the HMO 40 plan, the city pays the premium of the Consumer Choice 30 Plan and the employee pay the differences. This year the City paid around 85% of the HMO 40 plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the Scott & White Health Plan, an insurer licensed to do business in the State of Texas. The Plan was authorized by the Texas Insurance Code and was documented by contractual agreement. This agreement includes terms of coverage and premium costs. Financial statements for the Scott & White Plan are filed with the Texas State Board of Insurance in Austin, Texas, and are public records.

J. LITIGATION

The City was not involved in any litigation at year-end that the City's attorney feels would result in a negative outcome or present any material liability to the City as of September 30, 2011.

K. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which it carries commercial insurance. The City uses various commercial carriers to insure against these risks. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

COMBINING SCHEDULES

CITY OF LAMPASAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	Homeland Security Grant	Police Seizures Fund	Municipal Court Tech Fund
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 21,856	\$ 52,672
Investments - Current	-	-	-
Taxes Receivable	-	-	-
Allow for Uncollectible Taxes (Credit)	-	-	-
Receivables (Net)	-	1,190	-
Intergovernmental Receivables	-	-	-
Total Assets	\$ -	\$ 23,046	\$ 52,672
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ 6,996	\$ 44,149
Wages and Salaries Payable	-	-	-
Deferred Revenue	-	-	-
Other Current Liabilities	-	1,127	-
Total Liabilities	-	8,123	44,149
Fund Balances:			
Restricted For:			
Debt Service	-	-	-
Endowments	-	-	-
Other Specific Purposes	-	14,923	8,523
Capital Projects	-	-	-
Total Fund Balances	-	14,923	8,523
Total Liabilities and Fund Balances	\$ -	\$ 23,046	\$ 52,672

The notes to the Financial Statements are an integral part of this statement

Library Board Fund	Library Grant Fund	Hotel/Motel Tax Fund	LCHEC Fund	Animal Shelter Fund	Total Nonmajor Special Revenue Fund
\$ 6,485	\$ -	\$ 82,734	\$ (1,696)	\$ (2,982)	\$ 159,069
23,464	-	965,838	-	-	989,302
-	-	-	-	-	-
-	-	-	-	-	-
-	-	9,121	15,520	13,497	39,328
-	-	-	-	-	-
<u>\$ 29,949</u>	<u>\$ -</u>	<u>\$ 1,057,693</u>	<u>\$ 13,824</u>	<u>\$ 10,515</u>	<u>\$ 1,187,699</u>
\$ -	\$ -	\$ 12,570	\$ 5,916	\$ 8,027	\$ 77,658
-	-	-	-	2,488	2,488
-	-	-	-	-	-
-	-	-	-	-	1,127
<u>-</u>	<u>-</u>	<u>12,570</u>	<u>5,916</u>	<u>10,515</u>	<u>81,273</u>
-	-	-	-	-	-
-	-	-	-	-	-
29,949	-	1,045,123	7,908	-	1,106,426
-	-	-	-	-	-
<u>29,949</u>	<u>-</u>	<u>1,045,123</u>	<u>7,908</u>	<u>-</u>	<u>1,106,426</u>
<u>\$ 29,949</u>	<u>\$ -</u>	<u>\$ 1,057,693</u>	<u>\$ 13,824</u>	<u>\$ 10,515</u>	<u>\$ 1,187,699</u>

CITY OF LAMPASAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	Debt Service Fund	CDBG Grant Fund	SECO Grant Fund
ASSETS			
Cash and Cash Equivalents	\$ 18,986	\$ -	\$ -
Investments - Current	140,643	-	-
Taxes Receivable	19,558	-	-
Allow for Uncollectible Taxes (Credit)	(2,934)	-	-
Receivables (Net)	70	-	-
Intergovernmental Receivables	-	-	19,247
Total Assets	\$ 176,323	\$ -	\$ 19,247
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ 19,247
Wages and Salaries Payable	-	-	-
Deferred Revenue	16,624	-	-
Other Current Liabilities	-	-	-
Total Liabilities	16,624	-	19,247
Fund Balances:			
Restricted For:			
Debt Service	159,699	-	-
Endowments	-	-	-
Other Specific Purposes	-	-	-
Capital Projects	-	-	-
Total Fund Balances	159,699	-	-
Total Liabilities and Fund Balances	\$ 176,323	\$ -	\$ 19,247

The notes to the Financial Statements are an integral part of this statement.

580 Sports Park Fund	Key Avenue Fund	CDBG Disaster Relief Fund	Total Nonmajor Capital Projects Fund	Cemetery Fund	Total Nonmajor Governmental Funds
\$ 2,556	\$ 160,336	\$ -	\$ 162,892	\$ 73,460	\$ 414,407
-	766,102	-	766,102	101,098	1,997,145
-	-	-	-	-	19,558
-	-	-	-	-	(2,934)
-	-	-	-	-	39,398
-	-	-	19,247	-	19,247
<u>\$ 2,556</u>	<u>\$ 926,438</u>	<u>\$ -</u>	<u>\$ 948,241</u>	<u>\$ 174,558</u>	<u>\$ 2,486,821</u>
\$ 2,556	\$ 3,034	\$ -	\$ 24,837	\$ -	\$ 102,495
-	-	-	-	-	2,488
-	-	-	-	-	16,624
-	-	-	-	-	1,127
<u>2,556</u>	<u>3,034</u>	<u>-</u>	<u>24,837</u>	<u>-</u>	<u>122,734</u>
-	-	-	-	-	159,699
-	-	-	-	174,558	174,558
-	-	-	-	-	1,106,426
-	923,404	-	923,404	-	923,404
-	923,404	-	923,404	174,558	2,364,087
<u>\$ 2,556</u>	<u>\$ 926,438</u>	<u>\$ -</u>	<u>\$ 948,241</u>	<u>\$ 174,558</u>	<u>\$ 2,486,821</u>

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Homeland Security Grant	Police Seizures Fund	Municipal Court Tech Fund
REVENUES:			
Taxes:			
Property Taxes	\$ -	\$ -	\$ -
General Sales and Use Taxes	-	-	-
Penalty and Interest on Taxes	-	-	-
Intergovernmental Revenue & Grants	16,933	-	-
Charges for Services	-	17,826	11,010
Investment Earnings	-	120	312
Contributions/Donations Private	-	-	-
Other Revenue	-	-	-
Total Revenues	<u>16,933</u>	<u>17,946</u>	<u>11,322</u>
EXPENDITURES:			
Current:			
General Government	-	-	49,280
Public Safety	16,933	14,621	-
Economic Development	-	-	-
Non-Departmental	-	-	-
Culture and Recreation	-	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Total Expenditures	<u>16,933</u>	<u>14,621</u>	<u>49,280</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>-</u>	<u>3,325</u>	<u>(37,958)</u>
OTHER FINANCING SOURCES (USES):			
Transfer In	-	-	-
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	3,325	(37,958)
Fund Balance - Oct 1 (Beginning)	-	11,598	46,481
Fund Balance - Sept 30 (Ending)	<u>\$ -</u>	<u>\$ 14,923</u>	<u>\$ 8,523</u>

The notes to the Financial Statements are an integral part of this statement.

Library Board Fund	Library Grant Fund	Hotel/Motel Tax Fund	LCHEC Fund	Animal Shelter Fund	Total Nonmajor Special Revenue Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	86,151	-	-	86,151
-	-	4,157	-	-	4,157
-	5,313	-	56,139	-	78,385
3,044	-	-	-	5,376	37,256
227	-	1,618	-	-	2,277
4,565	-	-	-	1,151	5,716
9	-	-	-	65,524	65,533
<u>7,845</u>	<u>5,313</u>	<u>91,926</u>	<u>56,139</u>	<u>72,051</u>	<u>279,475</u>
-	-	-	75,569	-	124,849
-	-	-	-	-	31,554
-	-	45,973	-	-	45,973
-	-	-	-	128,874	128,874
8,572	5,310	-	-	-	13,882
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,572</u>	<u>5,310</u>	<u>45,973</u>	<u>75,569</u>	<u>128,874</u>	<u>345,132</u>
<u>(727)</u>	<u>3</u>	<u>45,953</u>	<u>(19,430)</u>	<u>(56,823)</u>	<u>(65,657)</u>
-	-	-	-	56,823	56,823
-	(3)	-	-	-	(3)
-	(3)	-	-	56,823	56,820
(727)	-	45,953	(19,430)	-	(8,837)
30,676	-	999,170	27,338	-	1,115,263
<u>\$ 29,949</u>	<u>\$ -</u>	<u>\$ 1,045,123</u>	<u>\$ 7,908</u>	<u>\$ -</u>	<u>\$ 1,106,426</u>

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Debt Service Fund	CDBG Grant Fund	SECO Grant Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 303,899	\$ -	\$ -
General Sales and Use Taxes	-	-	-
Penalty and Interest on Taxes	5,083	-	-
Intergovernmental Revenue & Grants	-	81,107	137,629
Charges for Services	-	-	-
Investment Earnings	1,085	-	-
Contributions/Donations Private	-	-	-
Other Revenue	-	-	-
Total Revenues	310,067	81,107	137,629
EXPENDITURES:			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Economic Development	-	-	-
Non-Departmental	-	-	182,030
Culture and Recreation	-	-	-
Debt Service:			
Bond Principal	350,000	-	-
Bond Interest	238,386	-	-
Total Expenditures	588,386	-	182,030
Excess (Deficiency) of Revenues Over (Under) Expenditures	(278,319)	81,107	(44,401)
OTHER FINANCING SOURCES (USES):			
Transfer In	288,035	-	44,401
Transfers Out (Use)	-	(95,650)	-
Total Other Financing Sources (Uses)	288,035	(95,650)	44,401
Net Change in Fund Balances	9,716	(14,543)	-
Fund Balance - Oct 1 (Beginning)	149,983	14,543	-
Fund Balance - Sept 30 (Ending)	\$ 159,699	\$ -	\$ -

The notes to the Financial Statements are an integral part of this statement.

580 Sports Park Fund	Key Avenue Fund	CDBG Disaster Relief Fund	Total Nonmajor Capital Projects Fund	Cemetery Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,899
-	-	-	-	-	86,151
-	-	-	-	-	9,240
20,000	-	-	238,736	-	317,121
-	-	-	-	-	37,256
-	1,934	-	1,934	634	5,930
-	-	-	-	-	5,716
-	151,651	-	151,651	-	217,184
<u>20,000</u>	<u>153,585</u>	<u>-</u>	<u>392,321</u>	<u>634</u>	<u>982,497</u>
-	-	-	-	-	124,849
-	-	-	-	-	31,554
-	-	-	-	-	45,973
160,874	-	-	342,904	-	471,778
-	-	-	-	-	13,882
-	-	-	-	-	350,000
-	-	-	-	-	238,386
<u>160,874</u>	<u>-</u>	<u>-</u>	<u>342,904</u>	<u>-</u>	<u>1,276,422</u>
<u>(140,874)</u>	<u>153,585</u>	<u>-</u>	<u>49,417</u>	<u>634</u>	<u>(293,925)</u>
-	-	-	44,401	-	389,259
-	(27,676)	(5,307)	(128,633)	(634)	(129,270)
-	(27,676)	(5,307)	(84,232)	(634)	259,989
(140,874)	125,909	(5,307)	(34,815)	-	(33,936)
140,874	797,495	5,307	958,219	174,558	2,398,023
<u>\$ -</u>	<u>\$ 923,404</u>	<u>\$ -</u>	<u>\$ 923,404</u>	<u>\$ 174,558</u>	<u>\$ 2,364,087</u>

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2011

	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 183,923	\$ 67,895	\$ 22,726	\$ 274,544
Investments - Current	69,220	36,757	296	106,273
Accounts Receivable-Net of Allow.	-	15,866	2,952	18,818
Inventories	-	11,466	35,781	47,247
Total Current Assets	<u>253,143</u>	<u>131,984</u>	<u>61,755</u>	<u>446,882</u>
Noncurrent Assets:				
Capital Assets:				
Land Purchase & Improvements	-	141,292	341,030	482,322
Buildings, net	-	725,090	923,082	1,648,172
Machinery and Equipment, net	-	-	205,055	205,055
Infrastructure, net	194,662	-	-	194,662
Total Noncurrent Assets	<u>194,662</u>	<u>866,382</u>	<u>1,469,167</u>	<u>2,530,211</u>
Total Assets	<u>\$ 447,805</u>	<u>\$ 998,366</u>	<u>\$ 1,530,922</u>	<u>\$ 2,977,093</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ -	\$ 4,388	\$ 14,829	\$ 19,217
Wages and Salaries Payable	-	-	9,176	9,176
Intergovernmental Payable	-	-	2,545	2,545
Total Current Liabilities	<u>-</u>	<u>4,388</u>	<u>26,550</u>	<u>30,938</u>
NonCurrent Liabilities:				
Long-Term Debt	-	-	26,004	26,004
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>26,004</u>	<u>26,004</u>
Total Liabilities	<u>-</u>	<u>4,388</u>	<u>52,554</u>	<u>56,942</u>
NET ASSETS				
Investment in Capital Assets, Net of Debt	194,662	866,382	1,459,633	2,520,677
Unrestricted Net Assets	253,143	127,596	18,735	399,474
Total Net Assets	<u>\$ 447,805</u>	<u>\$ 993,978</u>	<u>\$ 1,478,368</u>	<u>\$ 2,920,151</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2011

	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Culture/Recreation Charges for Services	\$ -	\$ -	\$ 385,458	\$ 385,458
Rents and Royalties	-	47,728	25,770	73,498
Other Revenue	-	107,990	72,642	180,632
Total Operating Revenue	<u>-</u>	<u>155,718</u>	<u>483,870</u>	<u>639,588</u>
OPERATING EXPENSES:				
Personnel Services-Salaries and Wages	-	-	226,876	226,876
Personnel Services-Employee Benefits	-	-	77,876	77,876
Purchased Professional & Tech Services	-	128	-	128
Purchased Property Services	-	19,382	85,066	104,448
Other Operating Expenses	-	3,341	8,628	11,969
Supplies	-	79,238	77,396	156,634
Depreciation	11,960	48,063	88,915	148,938
Total Operating Expenses	<u>11,960</u>	<u>150,152</u>	<u>564,757</u>	<u>726,869</u>
Operating Income (Loss)	<u>(11,960)</u>	<u>5,566</u>	<u>(80,887)</u>	<u>(87,281)</u>
NON-OPERATING REVENUE (EXPENSE):				
Investment Earnings	724	435	29	1,188
Interest Expense - Non-Operating	-	-	(1,026)	(1,026)
Total Non-operating Revs (Exps)	<u>724</u>	<u>435</u>	<u>(997)</u>	<u>162</u>
Income (Loss) Before Transfers	(11,236)	6,001	(81,884)	(87,119)
Non-Operating Transfer In	182,000	-	11,036	193,036
Transfers Out	-	(8,962)	-	(8,962)
Change in Net Assets	170,764	(2,961)	(70,848)	96,955
Total Net Assets-Oct 1 (Beginning)	<u>277,041</u>	<u>996,939</u>	<u>1,549,216</u>	<u>2,823,196</u>
Total Net Assets-Sept 30 (Ending)	<u>\$ 447,805</u>	<u>\$ 993,978</u>	<u>\$ 1,478,368</u>	<u>\$ 2,920,151</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF CASH AND CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2011

	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ -	\$ 145,219	\$ 483,982	\$ 629,201
Cash Payments to Employees for Services	-	-	(303,805)	(303,805)
Cash Payments for Suppliers	-	(78,306)	(71,443)	(149,749)
Cash Payments for Other Operating Expenses	-	(22,852)	(104,656)	(127,508)
Net Cash Provided by Operating Activities	-	44,061	4,078	48,139
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In (Out)	182,000	(8,962)	11,036	184,074
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	-	(14,723)	-	(14,723)
Interest Expense	-	-	(1,026)	(1,026)
Net Cash Provided by (Used for) Capital & Related Financing Activities	-	(14,723)	(1,026)	(15,749)
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	724	435	29	1,188
Net Increase (Decrease) in Cash & Cash Equivs	182,724	20,811	14,117	217,652
Cash & Cash Equivs at Beginning of the Year:	70,419	83,841	8,905	163,165
Cash & Cash Equivalents at the End of the Year:	\$ 253,143	\$ 104,652	\$ 23,022	\$ 380,817
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss):	\$ (11,960)	\$ 5,566	\$ (80,887)	\$ (87,281)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	11,960	48,063	88,915	148,938
Effect of Increases/Decreases in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	-	(10,500)	112	(10,388)
Decrease (Increase) in Inventories	-	925	460	1,385
Increase (Decrease) in Accounts Payable	-	7	5,493	5,500
Increase (Decrease) in Payroll Deductions	-	-	1,311	1,311
Increase (Decrease) in Other Liabilities	-	-	(11,326)	(11,326)
Net Cash Provided by Operating Activities	\$ -	\$ 44,061	\$ 4,078	\$ 48,139

The notes to the Financial Statements are an integral part of this statement.

STATISTICAL SECTION

CITY OF LAMPASAS, TEXAS
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	2002	2003	2004	2005
General Government	\$ 961,572	\$ 1,183,237	\$ 1,245,723	\$ 1,435,994
Public Safety	2,277,807	1,799,138	1,814,059	1,874,615
Public Works	694,004	1,157,200	1,117,579	956,796
Culture and Recreation	496,696	814,082	691,196	1,107,984
	\$ 4,430,079	\$ 4,953,657	\$ 4,868,557	\$ 5,375,389

2006	2007	2008	2009	2010	2011
\$ 1,734,014	\$ 2,201,456	\$ 2,354,478	\$ 2,828,499	\$ 2,729,427	\$ 2,706,697
1,995,432	1,988,702	2,146,996	2,362,146	2,478,632	2,493,109
1,036,616	944,240	971,993	969,357	1,040,625	1,053,492
662,697	648,762	720,435	812,951	822,359	979,402
<u>\$ 5,428,759</u>	<u>\$ 5,783,160</u>	<u>\$ 6,193,902</u>	<u>\$ 6,972,953</u>	<u>\$ 7,071,043</u>	<u>\$ 7,232,700</u>

CITY OF LAMPASAS, TEXAS
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	2002	2003	2004	2005
Property Taxes	\$ 373,874	\$ 420,995	\$ 488,141	\$ 563,194
General Sales and Use Taxes	723,680	727,783	812,362	883,782
Franchise Tax	1,735,723	1,765,077	1,785,414	1,751,355
Other Taxes	6,587	5,173	5,415	7,926
Licenses and Permits	34,724	50,360	32,635	38,086
Intergovernmental Rev & Grants	-	-	-	-
Charges for Services	573,969	594,813	505,760	430,559
Fines	-	-	10,030	11,470
Special Assessments	-	-	185,041	186,999
Investment Earnings	-	-	55,445	73,952
Rents and Royalties	-	-	31,913	34,932
Contributions & Donations from Private Sources	-	-	12,355	1,647
Other Revenue	801,351	841,036	712,601	728,481
	\$ 4,249,908	\$ 4,405,237	\$ 4,637,112	\$ 4,712,383

	2006	2007	2008	2009	2010	2011
\$	638,933	\$ 699,809	\$ 811,486	\$ 906,432	\$ 928,995	\$ 960,494
	894,726	919,689	1,046,420	1,043,624	1,052,243	1,077,411
	442,189	458,737	842,124	957,880	914,549	943,413
	10,527	9,914	11,571	13,258	18,585	15,692
	32,365	8,803	26,314	29,447	34,457	24,375
	-	4,000	1,000	38,920	32,518	5,309
	1,142,380	1,843,984	1,973,727	2,259,788	2,505,725	2,677,226
	12,311	14,385	13,614	12,015	20,969	21,929
	-	-	191,114	190,307	191,252	192,363
	103,153	120,666	63,969	17,304	7,689	7,263
	43,936	12,683	15,607	19,942	22,867	26,456
	9,600	13,158	15,049	44,395	13,413	9,486
	337,747	295,557	127,204	162,200	98,054	86,190
\$	<u>3,667,867</u>	<u>\$ 4,401,385</u>	<u>\$ 5,139,199</u>	<u>\$ 5,695,512</u>	<u>\$ 5,841,316</u>	<u>\$ 6,047,607</u>

CITY OF LAMPASAS, TEXAS
 FUND BALANCE BY FISCAL YEAR
 LAST FIVE FISCAL YEARS
 (Unaudited)

GENERAL FUND					
FUND BALANCE BY FISCAL YEAR					
(Excluding Inventories & Capital Assets)					
FUND BALANCE COMPONENTS	06/07	07/08	08/09	09/10	10/11
	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds:					
M&O Reserves	\$1,338,598	\$1,425,985	\$1,719,360	\$1,719,360	\$1,743,545
Restricted Fund Balance:					
Endowments	18,290	18,290	18,290	18,290	29,034
Court (Technology)	27,194	32,629	44,492	-	-
Fire Hall	4,662	6,364	6,364	6,364	-
Emergency & Restricted Subtotal	<u>1,388,744</u>	<u>1,483,268</u>	<u>1,788,506</u>	<u>1,744,014</u>	<u>1,772,579</u>
Committed/Assigned Fund Balance:					
Comprehensive Plan	12,584	-	12,584	12,584	12,584
Park Improvements	-	2,363	7,363	7,274	3,010
Capital Expenditures	80,957	93,060	-	-	-
Unassigned Fund Balance:					
General Fund	258,398	507,769	283,119	565,089	652,384
Committed/Assigned & Unassigned Subtotal	<u>351,939</u>	<u>603,192</u>	<u>303,066</u>	<u>584,947</u>	<u>667,978</u>
Fund Balance Totals					
(Cash & Receivables)	1,740,683	2,086,460	2,091,572	2,328,961	2,440,557
Inventory	15,474	18,681	15,077	12,026	-
Total Fund Balance (Audit)	<u>1,756,157</u>	<u>2,105,141</u>	<u>2,106,649</u>	<u>2,340,987</u>	<u>2,440,557</u>
Increase/Decrease	(254,852)	348,984	1,508	234,338	99,570
MAJOR FUNDS					
COMBINED FUND BALANCE POSITIONS					
	06/07	07/08	08/09	09/10	10/11
	Audited	Audited	Audited	Audited	Audited
General Fund	\$1,740,683	\$2,086,460	\$2,091,572	\$2,328,961	\$2,446,921
2011 C.O. Capital Fund	-	-	-	-	1,511,358
Water/Sewer Fund	3,830,176	3,644,094	3,565,723	3,172,485	3,495,843
Electric Fund	4,143,599	4,152,615	4,269,414	4,481,360	5,046,917
Total Major Funds	<u>9,714,458</u>	<u>9,883,169</u>	<u>9,926,709</u>	<u>9,982,806</u>	<u>12,501,039</u>
Less Emergency & Restricted Funds	4,400,098	4,494,566	5,297,054	5,252,562	7,166,118
Discretionary Fund Balance	<u>5,314,360</u>	<u>5,388,603</u>	<u>4,629,655</u>	<u>4,730,244</u>	<u>5,334,921</u>
Total Increase/Decrease	913,346	168,711	43,650	56,097	2,518,233
Discretionary Increase/Decrease	134,666	74,243	(758,948)	100,589	604,677

CITY OF LAMPASAS, TEXAS
NET ASSET POSITIONS BY FISCAL YEAR
LAST FIVE FISCAL YEARS
(Unaudited)

WATER & WASTEWATER FUND					
NET ASSET POSITIONS BY FISCAL YEAR					
(Excluding Inventories & Capital Assets)					
	06/07	07/08	08/09	09/10	10/11
NET ASSET COMPONENTS	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds:					
M&O Reserves	\$ 729,143	\$ 729,143	\$ 798,618	\$ 798,618	\$ 701,519
Restricted for Debt Service:					
Bonds	235,094	235,038	234,932	234,932	234,932
Emergency & Restricted for Debt Service Subtotal	<u>964,237</u>	<u>964,181</u>	<u>1,033,550</u>	<u>1,033,550</u>	<u>936,451</u>
Other Restricted Net Assets for:					
Plant Replacement	500,000	-	-	-	-
Construction & Equipment	1,079,229	1,584,943	1,584,943	1,584,943	1,584,943
Unrestricted Net Assets for:					
Water & Wastewater	1,194,978	1,008,169	870,293	461,009	974,449
Restricted & Unrestricted Subtotal	<u>2,774,207</u>	<u>2,593,112</u>	<u>2,455,236</u>	<u>2,045,952</u>	<u>2,559,392</u>
Net Assets Totals (Cash & Receivables)	3,738,444	3,557,293	3,488,786	3,079,502	3,495,843
Increase/(Decrease)	499,126	(181,151)	(68,507)	(409,284)	416,341

ELECTRIC FUND					
NET ASSET POSITIONS BY FISCAL YEAR					
(Excluding Inventories & Capital Assets)					
	06/07	07/08	08/09	09/10	10/11
Net Asset Components	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds:					
M&O Reserves	\$2,047,117	\$2,047,117	\$2,474,998	\$2,474,998	\$2,168,145
Emergency Funds Subtotal	<u>2,047,117</u>	<u>2,047,117</u>	<u>2,474,998</u>	<u>2,474,998</u>	<u>2,168,145</u>
Restricted Net Assets for:					
System Improvements	510,000	510,000	510,000	510,000	510,000
Equipment	144,000	194,000	194,000	194,000	194,000
Unrestricted Net Assets for:					
Electric Fund	1,286,704	1,246,829	745,092	964,047	2,174,772
Restricted & Unrestricted Subtotal	<u>1,940,704</u>	<u>1,950,829</u>	<u>1,449,092</u>	<u>1,668,047</u>	<u>2,878,772</u>
Net Assets Totals (Cash & Receivables)	3,987,821	3,997,946	3,924,090	4,143,045	5,046,917
Increase/(Decrease)	575,589	10,125	(73,856)	218,955	903,872

CITY OF LAMPASAS, TEXAS
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collection	Delinquent Tax Collections	Total Collections	Total Collections as % of Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as % of Levy
2002	\$ 579,420	\$ 568,407	98.1%	\$ 9,552	\$ 577,959	99.7%	\$ 26,909	4.6%
2003	637,011	622,405	97.7%	13,023	635,428	99.8%	29,694	4.7%
2004	759,968	740,402	97.4%	13,143	753,545	99.2%	35,718	4.7%
2005	820,350	798,015	97.3%	15,232	813,247	99.1%	40,432	4.9%
2006	898,020	880,573	98.1%	17,922	898,495	100.1%	37,528	4.2%
2007	994,930	980,001	98.5%	20,183	1,000,184	100.5%	45,357	4.6%
2008	1,086,776	1,060,748	97.6%	18,982	1,079,730	99.4%	49,920	4.6%
2009	1,234,623	1,180,267	95.6%	16,877	1,197,145	97.0%	64,102	5.2%
2010	1,242,193	1,196,684	96.3%	26,566	1,223,250	98.5%	67,923	5.5%
2011	1,274,092	1,232,818	96.8%	27,640	1,260,458	98.9%	77,424	6.1%

CITY OF LAMPASAS, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Population	Assessed Value	Bonded Debt	Less: Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2002	6,786	\$ 192,760,990	\$ 767,000	\$ 42,312	\$ 724,688	0.38%	\$ 107
2003	6,786	199,240,214	659,000	95,970	563,030	0.28%	83
2004	6,786	207,482,950	545,000	39,149	505,851	0.24%	75
2005	6,786	222,740,750	425,000	39,396	385,604	0.17%	57
2006	7,465	239,926,260	911,000	114,102	796,898	0.33%	107
2007	7,465	266,225,047	6,661,000	174,411	6,486,589	2.44%	869
2008	7,465	288,116,673	6,361,000	148,373	6,212,627	2.16%	832
2009	7,465	316,570,041	6,045,000	148,050	5,896,950	1.86%	790
2010	6,681	318,511,133	5,715,000	149,983	5,565,017	1.75%	833
2011	6,681	318,522,890	7,401,036	159,699	7,241,337	2.27%	1,084

CITY OF LAMPASAS, TEXAS
 BONDED DEBT TO TOTAL GENERAL EXPENDITURES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Principal	Interest	Debt Service	Total General Expenditures	Ratio of Total Debt Service to General Expenditures
2002	\$ 102,000	\$ 41,204	\$ 143,204	\$ 4,434,412	3.23%
2003	108,000	36,503	144,503	4,953,657	2.92%
2004	95,000	31,436	126,436	4,868,561	2.60%
2005	120,000	25,993	145,993	5,375,389	2.72%
2006	201,500	16,895	218,395	5,428,759	4.02%
2007	250,000	103,724	353,724	5,783,160	6.12%
2008	300,000	278,199	578,199	6,193,900	9.33%
2009	316,000	265,331	581,331	6,972,953	8.34%
2010	330,000	252,169	582,169	7,071,043	8.23%
2011	350,000	238,386	588,386	7,232,700	8.14%

CITY OF LAMPASAS, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
AS OF SEPTEMBER 30, 2011
(Unaudited)

Actual assessed value at January 1, 2011 (100% of estimated market value)	\$ 318,522,890
Debt limit - approximate	25,000,000
Total general obligation bonded debt	7,401,036
Less interest and sinking fund	<u>159,699</u>
Debt applicable to debt limit	7,241,337
Legal debt margin	<u><u>\$ 17,758,663</u></u>

CITY OF LAMPASAS, TEXAS
SUMMARY OF WATER USAGE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Number of Customers	Water Pumped or Purchased (in thousands)	Water Sold (in thousands)	Unaccounted for (in thousands)	Percentage Unaccounted
2002	2,980	531,180	516,712	14,468	2.7%
2003	3,019	494,128	452,083	42,045	8.5%
2004	3,041	405,358	403,956	1,402	0.3%
2005	3,062	355,742	347,845	7,897	2.2%
2006	3,065	424,134	427,018	(2,884) *	-0.7%
2007	3,108	404,351	396,378	7,973	2.0%
2008	3,133	409,420	388,615	20,805	5.1%
2009	3,147	417,678	409,017	8,661	2.1%
2010	3,153	391,241	382,018	9,223	2.4%
2011	3,166	481,452	473,456	7,996	1.7%

* Sales exceed pumped amounts due to billing period timing differences and a net usage of water storage amounts.

CITY OF LAMPASAS, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE – ALL UTILITY FUNDS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Gross Revenue	Operating Expenses *	Net Revenue	Debt Service Requirements			Coverage
			Available for Debt Service	Principal	Interest	Total	
2002	\$ 10,544,688	\$ 9,652,754	\$ 891,934	\$ 153,838	\$ 291,248	\$ 445,086	2.00
2003	11,260,290	10,512,030	748,260	153,000	282,130	435,130	1.72
2004	11,936,835	10,764,322	1,172,513	165,000	274,620	439,620	2.67
2005	13,158,668	11,877,182	1,281,486	172,000	266,703	438,703	2.92
2006	13,950,257	12,366,255	1,584,002	296,000	229,495	525,495	3.01
2007	12,904,037	10,044,487	2,859,550	182,000	238,649	420,649	6.80
2008	14,010,261	11,287,331	2,722,930	200,000	230,407	430,407	6.33
2009	14,783,597	12,644,344	2,139,253	216,000	221,421	437,421	4.89
2010	14,266,282	11,641,199	2,625,083	230,000	212,405	442,405	5.93
2011	14,987,732	11,633,950	3,353,782	233,000	202,785	435,785	7.70

* Does not include depreciation expense

OTHER INFORMATION REQUIRED BY GAO



SINGLETON, CLARK
& COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

930 S. Bell Blvd., Suite 105, Cedar Park, Texas 78613
Phone (512) 310-5600 Fax (512) 310-5689

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 and City Council
City of Lampasas, Texas
312 E. Third Street
Lampasas, Texas 76550

We have audited the financial statements of the governmental activities, the proprietary activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of City of Lampasas, Texas (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Council, and the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in dark ink on a light-colored background.

Singleton, Clark & Company, PC
Cedar Park, Texas

February 20, 2012

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of OMB Circular A-133, a single audit was not required this year.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

No findings or questioned costs required to be reported in accordance with *Generally Accepted Government Auditing Standards* for the years ended September 30, 2011 and 2010.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.