

CITY OF LAMPASAS, TEXAS

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2012**

CITY OF LAMPASAS, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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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

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, 2012 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.

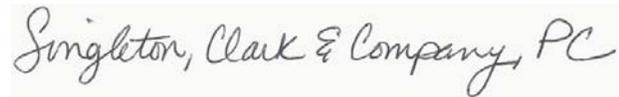
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the proprietary activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Lampasas, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the 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 15, 2013, 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
Austin, Texas

February 15, 2013

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, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2012, the General Fund of the City of Lampasas experienced a fund balance increase of \$21,914, to end at \$2,468,835.
- 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 decrease of \$151,648, to end at \$6,170,719.
- The total cost of the City of Lampasas's governmental activities was \$8,090,009. This amount is inclusive of depreciation expense recorded on the capital assets of the City.

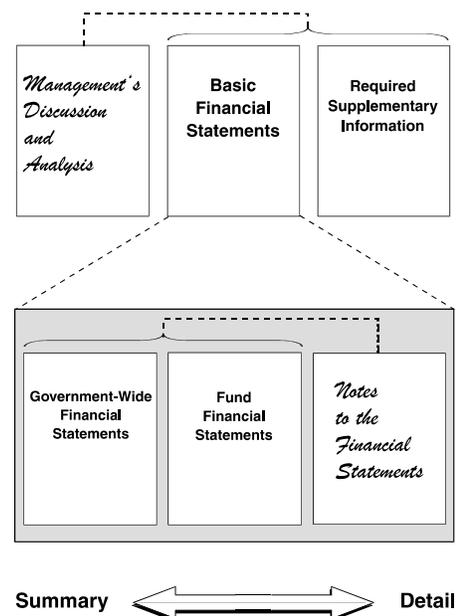
OVERVIEW OF THE FINANCIAL STATEMENTS

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, is 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 legally separate entities from the City, but are closely enough related to be required to be reported within the City's financial statements.

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 2012	Governmental Activities 2011	Change
ASSETS			
Current and other assets	\$ 7,760	\$ 8,082	\$ (322)
Capital assets	7,872	7,871	1
Total assets	<u>\$ 15,632</u>	<u>\$ 15,953</u>	<u>\$ (321)</u>
LIABILITIES			
Current liabilities	\$ 772	\$ 1,220	\$ (448)
Noncurrent liabilities	7,323	7,649	(326)
Total liabilities	<u>8,095</u>	<u>8,869</u>	<u>(774)</u>
NET ASSETS			
Invested in capital assets, net of related debt	771	436	335
Restricted	5,533	5,647	(114)
Unrestricted	1,233	1,001	232
Total net assets	<u>\$ 7,537</u>	<u>\$ 7,084</u>	<u>\$ 453</u>

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

	Business-Type Activities 2012	Business-Type Activities 2011	Change
ASSETS			
Current and other assets	\$ 10,965	\$ 10,407	\$ 558
Capital assets	14,922	15,322	(400)
Total assets	<u>\$ 25,887</u>	<u>\$ 25,729</u>	<u>\$ 158</u>
LIABILITIES			
Current liabilities	\$ 1,374	\$ 1,410	\$ (36)
Noncurrent liabilities	4,402	4,537	(135)
Total liabilities	<u>5,776</u>	<u>5,947</u>	<u>(171)</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,573	10,840	(267)
Restricted	5,157	5,393	(236)
Unrestricted	4,381	3,549	832
Total net assets	<u>\$ 20,111</u>	<u>\$ 19,782</u>	<u>\$ 329</u>

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

	Governmental Activities 2012	Governmental Activities 2011	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 3,222	\$ 2,757	\$ 465
Operating grants & contributions	84	204	(120)
General revenues:			
Property taxes	1,346	1,272	74
Sales taxes	1,193	1,164	29
Franchise taxes	905	943	(38)
Other taxes, penalties & interest	22	25	(3)
Grants/contributions not restricted	19	134	(115)
Investment earnings	17	14	3
Miscellaneous revenue	239	311	(72)
Transfer in (out)	1,495	1,548	(53)
Total revenue	<u>8,541</u>	<u>8,371</u>	<u>170</u>
EXPENSES:			
General government	1,976	2,751	(775)
Public safety	2,801	2,079	722
Public works	1,925	1,976	(51)
Culture and recreation	1,085	1,008	77
Bond interest and costs	302	259	43
Total expenses	<u>8,089</u>	<u>8,073</u>	<u>16</u>
Change in net assets	452	298	154
Net assets at 10/1/11 and 10/1/10	7,085	6,787	298
Net assets at 9/30/12 and 9/30/11	<u>\$ 7,537</u>	<u>\$ 7,085</u>	<u>\$ 452</u>

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

	Business-Type Activities 2012	Business-Type Activities 2011	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 15,060	\$ 15,627	\$ (567)
General revenues:			
Investment earnings	33	22	11
Miscellaneous revenue	11	-	11
Total revenue	<u>15,104</u>	<u>15,649</u>	<u>(545)</u>
EXPENSES:			
Enterprise fund activities	13,280	13,297	(17)
Total expenses	<u>13,280</u>	<u>13,297</u>	<u>(17)</u>
Change in net assets	1,824	2,352	(528)
Transfer in (out)	(1,495)	(1,548)	53
Net assets at 10/1/11 and 10/1/10	19,782	18,978	804
Net assets at 9/30/12 and 9/30/11	<u>\$ 20,111</u>	<u>\$ 19,782</u>	<u>\$ 329</u>

THE CITY'S GOVERNMENTAL FUNDS

As the City completed Fiscal Year 2011-2012, its governmental funds (as presented on the balance sheet on page 12) reported a combined fund balance of approximately \$6.17 million; which represents a decrease of about \$152,000 over the prior year. The primary reason for this decrease was the use of funds for capital expenditures in the 2011 C.O. Capital Fund. 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 \$2.47 million as of September 30, 2012.

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 \$2,281,262. Unrestricted net assets of the Water/Wastewater Fund at the end of the year were \$1,704,955. Non-major proprietary funds of the City reported combined unrestricted net assets of \$416,640.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2011-2012, the City of Lampasas had 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 a small increase over the prior year. The City's business-type activities had invested \$14.92 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 2012	Governmental Activities 2011	Change
Land	\$ 1,106	\$ 1,107	\$ (1)
Buildings and improvements	9,245	8,803	442
Machinery and equipment	3,330	3,195	135
Construction in progress	154	90	64
Totals at historical cost	<u>13,835</u>	<u>13,195</u>	<u>640</u>
Less accumulated depreciation	<u>(5,963)</u>	<u>(5,324)</u>	<u>(639)</u>
Capital assets, net of depreciation	<u><u>\$ 7,872</u></u>	<u><u>\$ 7,871</u></u>	<u><u>\$ 1</u></u>
	Business-Type Activities 2012	Business-Type Activities 2011	Change
Land	\$ 607	\$ 607	\$ -
Infrastructure	20,682	19,770	912
Buildings and improvements	4,158	4,158	-
Machinery and equipment	4,297	4,097	200
Construction in progress	208	775	(567)
Totals at historical cost	<u>29,952</u>	<u>29,407</u>	<u>545</u>
Less accumulated depreciation	<u>(15,031)</u>	<u>(14,085)</u>	<u>(946)</u>
Capital assets, net of depreciation	<u><u>\$ 14,921</u></u>	<u><u>\$ 15,322</u></u>	<u><u>\$ (401)</u></u>

Long-Term Debt

At year end, the City's governmental activities reported total outstanding long-term debt of \$7.32 million and the business-type activities reported total outstanding long-term debt of \$4.4 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 2012	Governmental Activities 2011	Change
General obligation bonds	\$ 7,100	\$ 7,401	\$ (301)
Capital leases	-	34	(34)
Compensated absences	223	214	9
Totals	<u>\$ 7,323</u>	<u>\$ 7,649</u>	<u>\$ (326)</u>

	Business-Type Activities 2012	Business-Type Activities 2011	Change
Utility revenue bonds	\$ 4,348	\$ 4,489	\$ (141)
Capital leases	-	10	(10)
Compensated absences	54	55	(1)
Totals	<u>\$ 4,402</u>	<u>\$ 4,554</u>	<u>\$ (152)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budgeted expenditures for the 2012-2013 fiscal year total \$7,828,829 and the City Council adopted an M & O tax rate of \$.306038 and an I & S tax rate of \$.089180 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Lampasas Economic Dev. Corporation
ASSETS				
Cash and Cash Equivalents	\$ 2,393,180	\$ 2,257,846	\$ 4,651,026	\$ 448,975
Investments - Current	4,266,961	7,065,094	11,332,055	-
Receivables - Net of Allowance	948,460	1,082,916	2,031,376	-
Inventories	15,491	469,562	485,053	-
Capitalized Debt Issuance Costs	135,950	89,520	225,470	-
Capital Assets:				
Land	1,105,698	607,099	1,712,797	909,835
Buildings, net	5,825,186	2,128,461	7,953,647	16,177
Infrastructure, net	-	11,552,861	11,552,861	-
Machinery and Equipment, net	786,430	424,529	1,210,959	-
Construction in Progress	154,242	208,368	362,610	-
Total Assets	\$ 15,631,598	\$ 25,886,256	\$ 41,517,854	\$ 1,374,987
LIABILITIES				
Accounts Payable	\$ 465,442	\$ 855,480	\$ 1,320,922	\$ 560
Accrued Wages Payable	201,913	35,368	237,281	-
Intergovernmental Payable	6,112	28,487	34,599	-
Accrued Interest Payable	36,826	17,355	54,181	11,060
Deferred Revenues	20,112	-	20,112	-
Other Current Liabilities	42,091	436,904	478,995	-
Noncurrent Liabilities				
Due Within One Year	335,000	255,000	590,000	80,000
Due in More Than One Year	6,987,579	4,147,276	11,134,855	550,000
Total Liabilities	8,095,075	5,775,870	13,870,945	641,620
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	771,128	10,572,965	11,344,093	279,835
Restricted for:				
Debt Service	179,012	670,000	849,012	-
Capital Projects	2,247,640	1,108,943	3,356,583	-
System Improvements	-	510,000	510,000	-
Maintenance & Operations	1,783,405	2,867,877	4,651,282	-
Other Purposes	1,322,823	-	1,322,823	175,283
Unrestricted Net Assets	1,232,515	4,380,601	5,613,116	278,249
Total Net Assets	\$ 7,536,523	\$ 20,110,386	\$ 27,646,909	\$ 733,367

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, 2012

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 829,408	\$ 1,816,871	\$ 30,010
Public Safety	2,801,991	90,043	34,347
Streets	618,732	193,100	-
Public Works	336,059	3,293	19,690
Utility Billing	158,726	-	-
Building and Planning	85,851	22,184	-
Economic Development	53,398	-	-
Data Processing	215,275	-	-
Cemetery	114,582	20,269	-
Non-Departmental	518,990	-	-
Sanitation	970,308	974,638	-
Culture and Recreation	1,084,794	101,881	-
Debt Service - Interest and Fees	301,895	-	-
Total Governmental Activities:	8,090,009	3,222,279	84,047
BUSINESS-TYPE ACTIVITIES:			
Electric Fund	8,906,129	10,560,173	-
Water/Wastewater Fund	3,617,208	3,869,999	-
Economic Development Fund	2,500	-	-
Aviation Fund	133,488	122,988	-
Golf Course Fund	620,704	506,128	-
Total Business-Type Activities:	13,280,029	15,059,288	-
Total Primary Government:	\$ 21,370,038	\$ 18,281,567	\$ 84,047
COMPONENT UNIT:			
Economic Development Expenses	117,455	-	-
Total Component Unit:	\$ 117,455	\$ -	\$ -
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			
Loss 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
\$ 1,017,473	\$ -	\$ 1,017,473	\$ -
(2,677,601)	-	(2,677,601)	-
(425,632)	-	(425,632)	-
(313,076)	-	(313,076)	-
(158,726)	-	(158,726)	-
(63,667)	-	(63,667)	-
(53,398)	-	(53,398)	-
(215,275)	-	(215,275)	-
(94,313)	-	(94,313)	-
(518,990)	-	(518,990)	-
4,330	-	4,330	-
(982,913)	-	(982,913)	-
(301,895)	-	(301,895)	-
<u>(4,783,683)</u>	<u>-</u>	<u>(4,783,683)</u>	<u>-</u>
-	1,654,044	1,654,044	-
-	252,791	252,791	-
-	(2,500)	(2,500)	-
-	(10,500)	(10,500)	-
-	(114,576)	(114,576)	-
<u>-</u>	<u>1,779,259</u>	<u>1,779,259</u>	<u>-</u>
<u>(4,783,683)</u>	<u>1,779,259</u>	<u>(3,004,424)</u>	<u>-</u>
-	-	-	(117,455)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(117,455)</u>
1,069,595	-	1,069,595	-
275,754	-	275,754	-
1,192,491	-	1,192,491	221,164
905,082	-	905,082	-
21,452	-	21,452	-
18,478	-	18,478	-
255,914	11,343	267,257	6,810
17,380	32,838	50,218	2,481
(16,252)	-	(16,252)	-
1,494,833	(1,494,833)	-	-
<u>5,234,727</u>	<u>(1,450,652)</u>	<u>3,784,075</u>	<u>230,455</u>
451,044	328,607	779,651	113,000
7,085,479	19,781,779	26,867,258	620,367
<u>\$ 7,536,523</u>	<u>\$ 20,110,386</u>	<u>\$ 27,646,909</u>	<u>\$ 733,367</u>

FUND BASIS STATEMENTS

CITY OF LAMPASAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 575,712	\$ 1,817,468	\$ 2,393,180
Investments - Current	2,291,033	1,975,927	4,266,960
Taxes Receivable	55,531	17,161	72,692
Allowance for Uncollectible Taxes	(9,676)	(2,574)	(12,250)
Receivables (Net)	165,807	66,295	232,102
Inventories	15,491	-	15,491
Total Assets	<u>\$ 3,093,898</u>	<u>\$ 3,874,277</u>	<u>\$ 6,968,175</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 310,265	\$ 155,176	\$ 465,441
Wages and Salaries Payable	199,282	2,631	201,913
Intergovernmental Payable	6,112	-	6,112
Deferred Revenues	67,313	14,586	81,899
Other Current Liabilities	42,091	-	42,091
Total Liabilities	<u>625,063</u>	<u>172,393</u>	<u>797,456</u>
Fund Balances:			
Nonspendable:			
Inventories	15,491	-	15,491
Restricted For:			
Debt Service	-	164,426	164,426
Endowments	33,005	174,558	207,563
Other Specific Purposes	-	1,115,260	1,115,260
Maintenance & Operations	1,783,405	-	1,783,405
Capital Projects	-	2,247,640	2,247,640
Assigned For:			
Park Improvements	4,010	-	4,010
Comprehensive Plan	12,584	-	12,584
Unassigned:			
Reported in the General Fund	620,340	-	620,340
Total Fund Balances	<u>2,468,835</u>	<u>3,701,884</u>	<u>6,170,719</u>
Total Liabilities & Fund Balances	<u>\$ 3,093,898</u>	<u>\$ 3,874,277</u>	<u>\$ 6,968,175</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, 2012

Total Fund Balances - Governmental Funds	\$ 6,170,719
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 \$13,194,452 for capital assets and \$5,323,643 for accumulated depreciation to the Statement of Net Assets was an increase in net assets.	7,870,809
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.	708,489
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.	(680,433)
Since capital assets are not reported in governmental funds, disposals of capital assets are also not reported. The net effect of recording the disposal of capital assets to the Statement of Net Assets is a decrease in net assets.	(27,309)
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.	(7,648,696)
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.	135,950
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.	333,824
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.	61,787
Uncollected municipal court fines are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year issued. The net effect of this difference in municipal court fines revenue recognition is an increase in net assets.	655,917
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.	(44,534)
Net Assets of Governmental Activities	\$ 7,536,523

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, 2012

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ 1,072,048	\$ 277,325	\$ 1,349,373
General Sales and Use Taxes	1,110,080	82,411	1,192,491
Franchise Tax	905,082	-	905,082
Penalty and Interest on Taxes	16,713	4,740	21,453
Licenses and Permits	28,008	-	28,008
Intergovernmental Revenue & Grants	30,353	53,694	84,047
Charges for Services	2,216,744	55,309	2,272,053
Fines	419,173	-	419,173
Special Assessments	192,380	-	192,380
Investment Earnings	6,097	11,284	17,381
Rents and Royalties	23,234	-	23,234
Contributions/Donations Private Sources	11,344	7,134	18,478
Other Revenue	56,003	198,038	254,041
Total Revenues	6,087,259	689,935	6,777,194
EXPENDITURES:			
Current:			
General Government	678,649	258,477	937,126
Public Safety	2,594,341	43,136	2,637,477
Streets	900,441	-	900,441
Public Works	160,975	-	160,975
Utility Billing	146,162	-	146,162
Building and Planning	79,055	-	79,055
Economic Development	-	57,219	57,219
Data Processing	198,235	-	198,235
Cemetery	120,508	147,543	268,051
Non-Departmental	410,949	145,763	556,712
Sanitation	893,502	-	893,502
Culture and Recreation	935,532	32,523	968,055
Debt Service:			
Principal	33,825	300,000	333,825
Interest	1,674	291,685	293,359
Other Bond Costs	-	125	125
Total Expenditures	7,153,848	1,276,471	8,430,319
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,066,589)	(586,536)	(1,653,125)
OTHER FINANCING SOURCES (USES):			
Sale of Real & Personal Property	6,645	-	6,645
Transfers In	1,200,482	779,469	1,979,951
Transfers Out (Use)	(118,624)	(366,494)	(485,118)
Total Other Financing Sources (Uses)	1,088,503	412,975	1,501,478
Net Change in Fund Balances	21,914	(173,561)	(151,647)
Fund Balance - Oct 1 (Beginning)	2,446,921	3,875,445	6,322,366
Fund Balance - Sept 30 (Ending)	\$ 2,468,835	\$ 3,701,884	\$ 6,170,719

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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ (151,647)
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.	708,489
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.	(680,433)
Since capital assets are not reported in governmental funds, disposals of capital assets are also not reported. The net effect of recording the disposal of capital assets to the Statement of Net Assets is a decrease in net assets.	(27,309)
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.	333,824
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.	(9,897)
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.	(4,024)
Uncollected municipal court fines are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year issued. The net effect of this difference in municipal court fines revenue recognition is an increase in net assets.	289,306
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.	(7,265)
Change in Net Assets of Governmental Activities	\$ 451,044

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, 2012

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amount (GAAP BASIS)	
REVENUES:				
Taxes:				
Property Taxes	\$ 1,068,456	\$ 1,068,456	\$ 1,072,048	\$ 3,592
General Sales and Use Taxes	1,129,008	1,129,008	1,110,080	(18,928)
Franchise Tax	912,097	912,097	905,082	(7,015)
Penalty and Interest on Taxes	15,000	15,000	16,713	1,713
Licenses and Permits	24,250	24,250	28,008	3,758
Intergovernmental Revenue	1,630	26,605	30,353	3,748
Charges for Services	2,262,675	2,262,675	2,216,744	(45,931)
Fines	440,700	440,700	419,173	(21,527)
Special Assessments	200,000	200,000	192,380	(7,620)
Investment Earnings	7,000	7,000	6,097	(903)
Rents and Royalties	23,810	23,810	23,234	(576)
Contributions & Donations	9,000	9,000	11,344	2,344
Other Revenue	52,960	52,960	56,003	3,043
Total Revenues	<u>6,146,586</u>	<u>6,171,561</u>	<u>6,087,259</u>	<u>(84,302)</u>
EXPENDITURES:				
Current:				
General Government	766,255	768,079	678,649	89,430
Public Safety	2,558,596	2,606,323	2,594,341	11,982
Streets	1,008,423	995,093	900,441	94,652
Public Works	167,519	167,519	160,975	6,544
Utility Billing	158,783	158,783	146,162	12,621
Building and Planning	82,291	82,291	79,055	3,236
Data Processing	212,072	212,072	198,235	13,837
Cemetery	132,567	132,567	120,508	12,059
Non-Departmental	466,178	451,980	410,949	41,031
Sanitation	905,000	905,000	893,502	11,498
Culture and Recreation	1,030,106	1,047,479	935,532	111,947
Debt Service:				
Principal	33,825	33,825	33,825	-
Interest	1,675	1,675	1,674	1
Total Expenditures	<u>7,523,290</u>	<u>7,562,686</u>	<u>7,153,848</u>	<u>408,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,376,704)</u>	<u>(1,391,125)</u>	<u>(1,066,589)</u>	<u>324,536</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	7,000	7,000	6,645	(355)
Insurance Recovery	-	15,930	-	(15,930)
Transfer In	1,500,720	1,500,720	1,200,482	(300,238)
Transfers Out (Use)	(131,016)	(132,525)	(118,624)	13,901
Total Other Financing Sources (Uses)	<u>1,376,704</u>	<u>1,391,125</u>	<u>1,088,503</u>	<u>(302,622)</u>
Net Change in Fund Balances	-	-	21,914	21,914
Fund Balance-Oct 1 (Beginning)	2,446,921	2,446,921	2,446,921	-
Fund Balance-Sept 30 (Ending)	<u>\$ 2,446,921</u>	<u>\$ 2,446,921</u>	<u>\$ 2,468,835</u>	<u>\$ 21,914</u>

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, 2012

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 925,319	\$ 1,004,924	\$ 327,603	\$ 2,257,846
Investments - Current	3,938,292	3,020,410	106,392	7,065,094
Accts Receivable-Net of Allowance	842,043	220,836	20,037	1,082,916
Inventories	339,049	82,718	47,795	469,562
Total Current Assets	<u>6,044,703</u>	<u>4,328,888</u>	<u>501,827</u>	<u>10,875,418</u>
Noncurrent Assets:				
Capitalized Debt Issuance Costs	-	89,520	-	89,520
Capital Assets:				
Land Purchase & Improvements	56,812	67,965	482,322	607,099
Buildings	553,157	839,241	1,601,348	2,993,746
Machinery and Equipment	2,603,875	1,447,029	138,439	4,189,343
Infrastructure	2,407,424	18,232,473	-	20,639,897
Construction in Progress	2,428	205,950	-	208,378
Less Accumulated Depreciation	(3,826,073)	(9,891,072)	-	(13,717,145)
Total Noncurrent Assets	<u>1,797,623</u>	<u>10,991,106</u>	<u>2,222,109</u>	<u>15,010,838</u>
Total Assets	<u>\$ 7,842,326</u>	<u>\$ 15,319,994</u>	<u>\$ 2,723,936</u>	<u>\$ 25,886,256</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 610,415	\$ 193,639	\$ 51,426	\$ 855,480
Wages and Salaries Payable	11,934	13,858	9,576	35,368
Customer Deposits Payable	284,819	152,085	-	436,904
Intergovernmental Payable	23,594	-	4,893	28,487
Accrued Interest Payable	-	17,355	-	17,355
Total Current Liabilities	<u>930,762</u>	<u>376,937</u>	<u>65,895</u>	<u>1,373,594</u>
Noncurrent Liabilities:				
Due Within One Year	-	255,000	-	255,000
Due in More Than One Year	22,256	4,105,728	19,292	4,147,276
Total Noncurrent Liabilities	<u>22,256</u>	<u>4,360,728</u>	<u>19,292</u>	<u>4,402,276</u>
Total Liabilities	<u>953,018</u>	<u>4,737,665</u>	<u>85,187</u>	<u>5,775,870</u>
NET ASSETS				
Investments in Capital Assets, Net of Related Debt	1,797,623	6,553,233	2,222,109	10,572,965
Restricted for:				
Debt Service	-	670,000	-	670,000
Construction & Equipment	194,000	914,943	-	1,108,943
System Improvements	510,000	-	-	510,000
Operations & Maintenance	2,128,679	739,198	-	2,867,877
Unrestricted Net Assets	2,259,006	1,704,955	416,640	4,380,601
Total Net Assets	<u>\$ 6,889,308</u>	<u>\$ 10,582,329</u>	<u>\$ 2,638,749</u>	<u>\$ 20,110,386</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, 2012

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES				
Charges for Water Service	\$ -	\$ 2,398,223	\$ -	\$ 2,398,223
Charges for Sewerage Service	-	1,440,157	-	1,440,157
Charges for Electricity Service	10,292,075	-	-	10,292,075
Other Charges for Services	44,370	16,820	-	61,190
Culture/Recreation Charges for Services	-	-	394,841	394,841
Rents and Royalties	18,019	-	76,235	94,254
Other Revenue	205,709	14,799	158,040	378,548
Total Operating Revenues	<u>10,560,173</u>	<u>3,869,999</u>	<u>629,116</u>	<u>15,059,288</u>
OPERATING EXPENSES				
Personnel Services-Salaries and Wages	317,373	299,233	238,014	854,620
Personnel Services-Employee Benefits	132,749	122,030	85,858	340,637
Purchased Professional & Tech Services	140,069	73,711	3,974	217,754
Purchased Property Services	133,039	282,138	118,939	534,116
Other Operating Expenses	1,095,276	1,018,737	11,657	2,125,670
Supplies	6,946,222	852,952	159,586	7,958,760
Depreciation	141,401	665,971	138,384	945,756
Bond Issuance Costs	-	105,752	-	105,752
Amort. of Premiums/Discounts-Bonds	-	4,230	-	4,230
Total Operating Expenses	<u>8,906,129</u>	<u>3,424,754</u>	<u>756,412</u>	<u>13,087,295</u>
Operating Income (Loss)	<u>1,654,044</u>	<u>445,245</u>	<u>(127,296)</u>	<u>1,971,993</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Earnings	10,671	20,623	1,544	32,838
Insurance Proceeds	-	11,343	-	11,343
Interest Expense - Non-Operating	-	(192,454)	(280)	(192,734)
Total Non-Operating Rev (Exp)	<u>10,671</u>	<u>(160,488)</u>	<u>1,264</u>	<u>(148,553)</u>
Income Before Transfers	<u>1,664,715</u>	<u>284,757</u>	<u>(126,032)</u>	<u>1,823,440</u>
Non-Operating Transfer In	147,137	413,537	63,045	623,719
Transfers Out	<u>(1,731,311)</u>	<u>(168,826)</u>	<u>(218,415)</u>	<u>(2,118,552)</u>
Change in Net Assets	80,541	529,468	(281,402)	328,607
Total Net Assets - Oct 1 (Beginning)	<u>6,808,767</u>	<u>10,052,861</u>	<u>2,920,151</u>	<u>19,781,779</u>
Total Net Assets - Sept 30 (Ending)	<u><u>\$ 6,889,308</u></u>	<u><u>\$ 10,582,329</u></u>	<u><u>\$ 2,638,749</u></u>	<u><u>\$ 20,110,386</u></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, 2012

	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	\$ 10,568,307	\$ 3,893,612	\$ 627,897	\$ 15,089,816
Cash Payments to Employees for Services	(449,474)	(425,021)	(320,650)	(1,195,145)
Cash Payments for Suppliers	(7,034,205)	(822,459)	(127,926)	(7,984,590)
Cash Payments for Other Op. Expenses	(1,371,121)	(1,370,658)	(132,222)	(2,874,001)
Net Cash Provided by Operating Activities	<u>1,713,507</u>	<u>1,275,474</u>	<u>47,099</u>	<u>3,036,080</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In (Out)	(1,584,174)	75,885	39,292	(1,468,997)
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	(177,174)	(479,055)	(24,944)	(681,173)
Interest Expense	-	(192,454)	(280)	(192,734)
Capitalized Bond Issuance Costs	-	(67,719)	-	(67,719)
Insurance Proceeds	-	11,343	-	11,343
Payments on Long-Term Debt	-	(140,647)	(9,534)	(150,181)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(177,174)</u>	<u>(868,532)</u>	<u>(34,758)</u>	<u>(1,080,464)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	6,191	17,531	1,426	25,148
Net Increase/Decrease in Cash/Cash Equiv. Cash/Cash Equivalent at Beginning of Year	(41,650)	500,358	53,059	511,767
Cash/Cash Equivalent at End of the Year	966,969	504,566	274,544	1,746,079
Cash/Cash Equivalent at End of the Year	<u>\$ 925,319</u>	<u>\$ 1,004,924</u>	<u>\$ 327,603</u>	<u>\$ 2,257,846</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$ 1,654,044	\$ 445,245	\$ (127,296)	\$ 1,971,993
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	141,401	775,953	138,384	1,055,738
Effect of Increases/Decrease in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	8,133	23,613	(1,219)	30,527
Decrease (Increase) in Inventories	(153)	(429)	(548)	(1,130)
Decrease (Increase) in Prepaid Expenses	-	-	-	-
Increase (Decrease) in Accounts Payable	(87,830)	30,922	32,208	(24,700)
Increase (Decrease) in Payroll Deductions	843	225	400	1,468
Increase (Decrease) in Accrued Interest	-	3,928	-	3,928
Increase (Decrease) in Other Liabilities	(2,931)	(3,983)	5,170	(1,744)
Net Cash Provided by Operating Activities	<u>\$ 1,713,507</u>	<u>\$ 1,275,474</u>	<u>\$ 47,099</u>	<u>\$ 3,036,080</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, 2012

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, 2012

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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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.

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.
- Capital Projects Fund – The proceeds from long term debt financing and revenues and expenditures related to the authorized capital asset acquisitions are accounted for in capital projects funds.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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 \$222,584 in accrued compensated absences at September 30, 2012 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, 2012 for the City's proprietary fund activities was \$53,923.

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, 2012, upon which the levy for the 2011-2012 fiscal year was based, was \$340,983,388. 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, 2012, to finance General Fund and Debt Service Fund operations were \$0.314081 and \$.081137, respectively, for a total tax rate of \$.395218 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2011-2012 fiscal year was \$1,347,628. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2012, were 99.9% 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	10-40 years
Furniture and fixtures	5-20 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, 2012, the carrying amount of the City's deposits (cash, money market, and interest-bearing savings accounts included in temporary investments) was \$4,650,992 and the bank balance was \$4,700,053.

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, 2012. A summary of the investment balances is as follows:

Investments	Book Balance	Bank Balance
TexPool	\$ 7,445,013	\$ 7,445,013
TexSTAR	3,587,043	3,587,043
First State Bank - Certificates of Deposit	300,000	300,000
	\$ 11,332,056	\$ 11,332,056

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, 2012, the credit quality rating for both TexPool and TexSTAR was AAA.

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, 2012 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, 2012 consist of the following:

	Property Taxes (net)	Customer Receivables (net)	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 45,855	\$ 165,807	\$ -	\$ 211,662
Non-major Governmental Funds	14,587	-	66,295	80,882
Total	<u>\$ 60,442</u>	<u>\$ 165,807</u>	<u>\$ 66,295</u>	<u>\$ 292,544</u>
Proprietary Activities:				
Electric Fund	\$ -	\$ 842,043	\$ -	\$ 842,043
Water/Wastewater Fund	-	220,836	-	220,836
Non-Major Proprietary Funds	-	20,037	-	20,037
Total	<u>\$ -</u>	<u>\$ 1,082,916</u>	<u>\$ -</u>	<u>\$ 1,082,916</u>

Payables at September 30, 2012 consist of the following:

	Accounts Payable	Salaries & Benefits	Sales Tax Payable	Deferred Revenues	Other Current Liabilities	Total
Governmental Activities:						
General Fund	\$ 310,265	\$ 199,282	\$ 6,112	\$ 67,313	\$ 42,091	\$ 625,063
Non-Major Gov. Funds	155,176	2,631	-	14,586	-	172,393
Total	<u>\$ 465,441</u>	<u>\$ 201,913</u>	<u>\$ 6,112</u>	<u>\$ 81,899</u>	<u>\$ 42,091</u>	<u>\$ 797,456</u>
Proprietary Activities:						
Electric Fund	\$ 610,415	\$ 11,934	\$ 23,594	\$ -	\$ 284,819	\$ 930,762
Water/Wastewater Fund	193,639	13,858	-	-	169,440	376,937
Non-Major Prop. Funds	51,426	9,576	4,893	-	-	65,895
Total	<u>\$ 855,480</u>	<u>\$ 35,368</u>	<u>\$ 28,487</u>	<u>\$ -</u>	<u>\$ 454,259</u>	<u>\$ 1,373,594</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.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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.

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 on the following page:

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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	Transfers In	Transfers Out
Governmental Funds		
General Fund		
Golf Course Fund	\$ -	\$ 63,045
Electric Fund	1,200,000	-
Animal Shelter Fund	-	54,070
Cemetary Trust & Agency	482	-
C.O. Capital Fund	-	1,509
Total General Fund	1,200,482	118,624
Special Revenue Funds:		
Cemetary Fund		
General Fund	-	482
Total Special Revenue Funds	-	482
Debt Service Fund		
Airport Fund	13,753	-
Electric Fund	131,311	-
Water/Wastewater Fund	168,826	-
Total Debt Service Fund	313,890	-
Capital Projects Funds:		
Airport Hangar Project		
Airport Fund	10,000	-
Electric Fund	50,000	-
CDBG Disaster Relief Fund		
General Fund	54,070	-
C.O. Capital Fund		
Electric Fund	350,000	112,710
General Fund	1,509	129,841
Key Avenue Fund		
Electric Fund	-	9,820
Water/Wastewater Fund	-	113,641
Total Capital Projects Funds	465,579	366,012
Total Governmental Funds Transfers In/Out	\$ 1,979,951	\$ 485,118

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

	Transfers In	Transfers Out
Proprietary Funds		
Electric Fund		
General Fund	\$ -	\$ 1,200,000
Debt Service	-	131,311
Economic Development Corporation Fund	24,608	-
C.O. Capital Fund	112,710	350,000
Airport Hangar Fund	-	50,000
Water/Wastewater Fund	9,820	-
Total Electric Fund	147,138	1,731,311
Water/Wastewater Fund		
Debt Service Fund	-	168,826
Economic Development Corporation Fund	170,054	-
C.O. Capital Fund	129,841	-
Key Avenue Fund	113,641	-
Total Water/Wastewater Fund	413,536	168,826
Aviation Fund		
Airport Hangar Fund	-	10,000
Debt Service Fund	-	13,753
Total Aviation Fund	-	23,753
Golf Course Fund		
General Fund	63,045	-
Total Golf Course Fund	63,045	-
Economic Development Corporation Fund		
Electric Fund	-	24,608
Water/Wastewater Fund	-	170,054
Total Economic Development Corporation Fund	-	194,662
 Total Proprietary Funds Transfers In/Out	 \$ 623,719	 \$ 2,118,552
Total Funds Transfers In/Out	\$ 2,603,670	\$ 2,603,670

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

F. FIXED ASSETS

Capital asset activity for the City of Lampasas for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 1,107,498	\$ -	\$ (1,800)	\$ 1,105,698
Construction in Progress	89,543	153,347	(88,648)	154,242
Total Capital Assets, not depreciated	<u>1,197,041</u>	<u>153,347</u>	<u>(90,448)</u>	<u>1,259,940</u>
Capital Assets, depreciated:				
Buildings and Improvements	8,802,641	442,267	-	9,244,908
Machinery and Equipment	3,194,770	201,523	(66,307)	3,329,986
Total Capital Assets, depreciated	<u>11,997,411</u>	<u>643,790</u>	<u>(66,307)</u>	<u>12,574,894</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,006,656)	(413,066)	-	(3,419,722)
Machinery and Equipment	(2,316,987)	(267,367)	40,798	(2,543,556)
Total Accumulated Depreciation	<u>(5,323,643)</u>	<u>(680,433)</u>	<u>40,798</u>	<u>(5,963,278)</u>
Total Capital Assets, depreciated, net	<u>6,673,768</u>	<u>(36,643)</u>	<u>(25,509)</u>	<u>6,611,616</u>
Total Capital Assets, net	<u>\$ 7,870,809</u>	<u>\$ 116,704</u>	<u>\$ (115,957)</u>	<u>\$ 7,871,556</u>
Proprietary Activities:				
Capital Assets, not depreciated:				
Land	\$ 607,099	\$ -	\$ -	\$ 607,099
Construction in Progress	774,905	215,768	(782,305)	208,368
Total Capital Assets, not depreciated	<u>1,382,004</u>	<u>215,768</u>	<u>(782,305)</u>	<u>815,467</u>
Capital Assets, depreciated:				
Utility System	19,770,093	912,140	-	20,682,233
Buildings and Improvements	4,157,559	-	-	4,157,559
Machinery and Equipment	4,097,418	199,742	-	4,297,160
Total Capital Assets, depreciated	<u>28,025,070</u>	<u>1,111,882</u>	<u>-</u>	<u>29,136,952</u>
Less Accumulated Depreciation for:				
Utility System	(8,466,242)	(663,130)	-	(9,129,372)
Buildings and Improvements	(1,857,106)	(171,992)	-	(2,029,098)
Machinery and Equipment	(3,762,000)	(110,631)	-	(3,872,631)
Total Accumulated Depreciation	<u>(14,085,348)</u>	<u>(945,753)</u>	<u>-</u>	<u>(15,031,101)</u>
Total Capital Assets, depreciated, net	<u>13,939,722</u>	<u>166,129</u>	<u>-</u>	<u>14,105,851</u>
Total Capital Assets, net	<u>\$ 15,321,726</u>	<u>\$ 381,897</u>	<u>\$ (782,305)</u>	<u>\$ 14,921,318</u>

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

	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
Capital Assets, being depreciated:				
Buildings and Improvements	-	17,975	-	17,975
Total Capital Assets, depreciated	-	17,975	-	17,975
Less Accumulated Depreciation for:				
Buildings and Improvements	-	(1,798)	-	(1,798)
	-	(1,798)	-	(1,798)
Total Capital Assets, depreciated, net	-	16,177	-	16,177
Component Unit Capital Assets, net	\$ 909,835	\$ 16,177	\$ -	\$ 926,012

Depreciation expense was charged to the governmental activities as follows:

Department	Allocated Depreciation
General Government	\$ 80,555
Public Safety	226,718
Streets	77,401
Public Works	26,520
Utility Billing	12,564
Building and Planning	6,796
Economic Development	4,919
Data Processing	17,040
Cemetery	10,358
Non-Departmental	57,543
Sanitation	76,805
Culture and Recreation	83,214
Total	\$ 680,433

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

G. LONG-TERM DEBT

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/01/11	Additions	Deletions	Amounts Outstanding 09/30/12	Due in One Year
GOVERNMENTAL ACTIVITIES							
Bonds Payable:							
Maint. Tax Notes, Series 2006	4.19%	\$ 620,000	\$ 240,000	\$ -	\$ 120,000	\$ 120,000	\$ 120,000
Certificate of Oblig., Series 2007	4.17%	6,000,000	5,125,000	-	140,000	4,985,000	135,000
Certificate of Oblig., Series 2011	3.0-4.5%	2,010,000	2,010,000	-	40,000	1,970,000	80,000
Premium on Issuance of Bonds			26,036	-	1,041	24,995	-
Total Bonds Payable			<u>7,401,036</u>	<u>-</u>	<u>301,041</u>	<u>7,099,995</u>	<u>335,000</u>
Capital Leases:							
Emergency One - Fire Truck	4.95%	424,780	33,824	-	33,824	-	-
Total Capital Leases			<u>33,824</u>	<u>-</u>	<u>33,824</u>	<u>-</u>	<u>-</u>
Total Bonds & Capital Leases Payable			<u>7,434,860</u>	<u>-</u>	<u>334,865</u>	<u>7,099,995</u>	<u>335,000</u>
Other:							
Compensated Absences	n/a	n/a	213,836	8,748	-	222,584	-
Total Other Payable			<u>213,836</u>	<u>8,748</u>	<u>-</u>	<u>222,584</u>	<u>-</u>
Total Debt - Governmental Activities			<u>\$ 7,648,696</u>	<u>\$ 8,748</u>	<u>\$ 334,865</u>	<u>\$ 7,322,579</u>	<u>\$ 335,000</u>

CITY OF LAMPASAS, TEXAS
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Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/01/11	Additions	Deletions	Amounts Outstanding 09/30/12	Due in One Year
PROPRIETARY ACTIVITIES							
UTILITY FUNDS							
Bonds Payable-Water/Wastewater Fund:							
Certificate of Oblig-Series 2006	4.30%	\$ 1,020,000	\$ 830,000	\$ -	\$ 90,000	\$ 740,000	\$ 90,000
Utility Rev. Bonds-Series 1997	4.50%	3,901,000	3,174,000	-	3,174,000	-	-
Certificate of Oblig-Series 1998	2.55-4%	1,040,000	485,000	-	485,000	-	-
Certificate of Oblig-Series 2012	2.0-4.0%	3,525,000	-	3,525,000	-	3,525,000	165,000
Premium on Certificate of Oblig - Series 2012			-	86,826	3,473	83,353	-
Total Bonds Payable			<u>4,489,000</u>	<u>3,611,826</u>	<u>3,752,473</u>	<u>4,348,353</u>	<u>255,000</u>
Other-Water/Wastewater/Fund:							
Compensated Absences	n/a	n/a	16,358	-	3,983	12,375	-
Other - Electric Fund:							
Compensated Absences	n/a	n/a	22,451	-	195	22,256	-
Total Debt - Utility Funds			<u>4,527,809</u>	<u>3,611,826</u>	<u>3,756,651</u>	<u>4,382,984</u>	<u>255,000</u>
GOLF COURSE FUND							
Capital Leases:							
Community Bank of Louisiana	5.00%	56,556	9,535	-	9,535	-	-
Total Capital Leases			<u>9,535</u>	<u>-</u>	<u>9,535</u>	<u>-</u>	<u>-</u>
Other:							
Compensated Absences	n/a	n/a	16,470	2,822	-	19,292	-
Total Debt Golf Course Fund			<u>26,005</u>	<u>2,822</u>	<u>9,535</u>	<u>19,292</u>	<u>-</u>
Grand Total - Proprietary Funds			<u>\$ 4,553,814</u>	<u>\$ 3,614,648</u>	<u>\$ 3,766,186</u>	<u>\$ 4,402,276</u>	<u>\$ 255,000</u>

CITY OF LAMPASAS, TEXAS
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Future debt service requirements for governmental activities are as follows:

Year Ended September 30,	Bonds Payable		
	Principal	Interest	Total
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	245,000	230,050	475,050
2018-2022	1,915,000	969,190	2,884,190
2023-2027	1,800,000	569,964	2,369,964
2028-2032	1,265,000	235,897	1,500,897
2033-2036	410,000	47,250	457,250
	<u>\$7,075,000</u>	<u>\$3,108,253</u>	<u>\$10,183,253</u>

Future debt service requirements for proprietary activities are as follows:

Year Ended September 30,	Bonds Payable		
	Principal	Interest	Total
2013	\$ 255,000	\$ 134,172	\$ 389,172
2014	260,000	127,245	387,245
2015	275,000	120,017	395,017
2016	285,000	112,486	397,486
2017	290,000	104,504	394,504
2018-2022	860,000	422,131	1,282,131
2023-2027	620,000	324,950	944,950
2028-2032	725,000	212,825	937,825
2033-2036	695,000	56,900	751,900
	<u>\$4,265,000</u>	<u>\$1,615,230</u>	<u>\$5,880,230</u>

CITY OF LAMPASAS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

H. TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN DESCRIPTION

Plan Description

The City provides pension benefits for all of its eligible 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 from 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	2011	2012
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribute 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.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

The required contribution rates for fiscal year 2012 were determined as a part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	12/31/2009	12/31/2010	12/31/2011
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	28.2 years - closed period	27.2 years - closed period	26.3 years - closed period
4 Asset valuation method	10-year Smoothed Market	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

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$ 12,059,158	\$ 15,375,880	78.4%	\$ 3,316,722	\$ 4,023,044	82.4%

Actuarial valuations involved estimates of the value of the reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. HEALTH INSURANCE COVERAGE

During the year ended September 30, 2012, 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, 2012.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMPASAS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SEPTEMBER 30, 2012

Required Supplementary Information

Texas Municipal Retirement System

Schedule of Funding Progress:

(unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3) (1) / (2)	(4) (2) - (1)	(5)	(6) (4) / (5)
12/31/2009	\$ 6,955,524	\$ 10,766,188	64.6%	\$ 3,810,664	\$ 3,654,580	104.3%
12/31/2010	10,902,096	14,408,723	75.7	3,506,627	3,745,827	93.6
12/31/2011	12,059,158	15,375,880	78.4	3,316,722	4,023,044	82.4

COMBINING SCHEDULES

CITY OF LAMPASAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	Homeland Security Grant	Police Seizures Fund	Municipal Court Tech Fund
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 23,042	\$ 12,051
Investments - Current	-	-	-
Taxes Receivable	-	-	-
Allowance for Uncollectible Taxes (Credit)	-	-	-
Receivables (Net)	-	6,843	-
Total Assets	<u>\$ -</u>	<u>\$ 29,885</u>	<u>\$ 12,051</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ 12,484	\$ 341
Wages and Salaries Payable	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	<u>-</u>	<u>12,484</u>	<u>341</u>
Fund Balances:			
Restricted For:			
Debt Service	-	-	-
Endowments	-	-	-
Other Specific Purposes	-	17,401	11,710
Capital Projects	-	-	-
Total Fund Balances	<u>-</u>	<u>17,401</u>	<u>11,710</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 29,885</u>	<u>\$ 12,051</u>

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

Library Board Fund	Court Security Fund	Hotel/Motel Tax Fund	LCHEC Fund	Animal Shelter Fund	Total Nonmajor Special Revenue Fund
\$ 4,857	\$ 627	\$ 113,636	\$ -	\$ 5,099	\$ 159,312
-	-	966,937	-	-	966,937
-	-	-	-	-	-
-	-	-	-	-	-
-	-	10,092	-	1,042	17,977
<u>\$ 4,857</u>	<u>\$ 627</u>	<u>\$ 1,090,665</u>	<u>\$ -</u>	<u>\$ 6,141</u>	<u>\$ 1,144,226</u>
\$ -	\$ -	\$ 10,000	\$ -	\$ 3,510	\$ 26,335
-	-	-	-	2,631	2,631
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>6,141</u>	<u>28,966</u>
-	-	-	-	-	-
-	-	-	-	-	-
4,857	627	1,080,665	-	-	1,115,260
-	-	-	-	-	-
<u>4,857</u>	<u>627</u>	<u>1,080,665</u>	<u>-</u>	<u>-</u>	<u>1,115,260</u>
<u>\$ 4,857</u>	<u>\$ 627</u>	<u>\$ 1,090,665</u>	<u>\$ -</u>	<u>\$ 6,141</u>	<u>\$ 1,144,226</u>

CITY OF LAMPASAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	Debt Service Fund	SECO Grant Fund	Key Avenue Fund
ASSETS			
Cash and Cash Equivalents	\$ 23,748	\$ -	\$ 108,923
Investments - Current	140,802	-	766,975
Taxes Receivable	17,161	-	-
Allowance for Uncollectible Taxes (Credit)	(2,574)	-	-
Receivables (Net)	-	-	48,318
Total Assets	\$ 179,137	\$ -	\$ 924,216
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 125	\$ -	\$ 2,426
Wages and Salaries Payable	-	-	-
Deferred Revenue	14,586	-	-
Total Liabilities	14,711	-	2,426
Fund Balances:			
Restricted For:			
Debt Service	164,426	-	-
Endowments	-	-	-
Other Specific Purposes	-	-	-
Capital Projects	-	-	921,790
Total Fund Balances	164,426	-	921,790
Total Liabilities and Fund Balances	\$ 179,137	\$ -	\$ 924,216

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

2011 C.O. Capital Fund	Airport Hangar Project Fund	Total Nonmajor Capital Projects Fund	Cemetery Fund	Total Nonmajor Governmental Funds
\$ 1,392,118	\$ 60,022	\$ 1,561,063	\$ 73,345	\$ 1,817,468
-	-	766,975	101,213	1,975,927
-	-	-	-	17,161
-	-	-	-	(2,574)
-	-	48,318	-	66,295
<u>\$ 1,392,118</u>	<u>\$ 60,022</u>	<u>\$ 2,376,356</u>	<u>\$ 174,558</u>	<u>\$ 3,874,277</u>
\$ 126,290	\$ -	\$ 128,716	\$ -	\$ 155,176
-	-	-	-	2,631
-	-	-	-	14,586
<u>126,290</u>	<u>-</u>	<u>128,716</u>	<u>-</u>	<u>172,393</u>
-	-	-	-	164,426
-	-	-	174,558	174,558
-	-	-	-	1,115,260
<u>1,265,828</u>	<u>60,022</u>	<u>2,247,640</u>	<u>-</u>	<u>2,247,640</u>
<u>1,265,828</u>	<u>60,022</u>	<u>2,247,640</u>	<u>174,558</u>	<u>3,701,884</u>
<u>\$ 1,392,118</u>	<u>\$ 60,022</u>	<u>\$ 2,376,356</u>	<u>\$ 174,558</u>	<u>\$ 3,874,277</u>

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	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	3,994	-	-
Charges for Services	-	38,606	10,198
Investment Earnings	-	114	79
Contributions/Donations Private	-	-	-
Other Revenue	-	2,900	-
Total Revenues	<u>3,994</u>	<u>41,620</u>	<u>10,277</u>
EXPENDITURES:			
Current:			
General Government	-	-	7,090
Public Safety	3,994	39,142	-
Economic Development	-	-	-
Public Works	-	-	-
Non-Departmental	-	-	-
Culture and Recreation	-	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Other Bond Costs	-	-	-
Total Expenditures	<u>3,994</u>	<u>39,142</u>	<u>7,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>2,478</u>	<u>3,187</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	-	2,478	3,187
Fund Balance - Oct 1 (Beginning)	-	14,923	8,523
Fund Balance - Sept 30 (Ending)	<u>\$ -</u>	<u>\$ 17,401</u>	<u>\$ 11,710</u>

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

Library Board Fund	Court Security Fund	Hotel/Motel Tax Fund	LCHEC Fund	Animal Shelter Fund	Total Nonmajor Special Revenue Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	82,411	-	-	82,411
-	-	-	-	-	-
-	-	-	30,010	-	34,004
3,062	627	-	-	2,816	55,309
138	-	1,610	-	-	1,941
2,271	-	-	-	4,230	6,501
1,960	-	-	-	63,936	68,796
<u>7,431</u>	<u>627</u>	<u>84,021</u>	<u>30,010</u>	<u>70,982</u>	<u>248,962</u>
-	-	-	37,918	-	45,008
-	-	-	-	-	43,136
-	-	48,479	-	-	48,479
-	-	-	-	-	-
-	-	-	-	125,052	125,052
32,523	-	-	-	-	32,523
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>32,523</u>	<u>-</u>	<u>48,479</u>	<u>37,918</u>	<u>125,052</u>	<u>294,198</u>
<u>(25,092)</u>	<u>627</u>	<u>35,542</u>	<u>(7,908)</u>	<u>(54,070)</u>	<u>(45,236)</u>
-	-	-	-	54,070	54,070
-	-	-	-	-	-
-	-	-	-	54,070	54,070
(25,092)	627	35,542	(7,908)	-	8,834
29,949	-	1,045,123	7,908	-	1,106,426
<u>\$ 4,857</u>	<u>\$ 627</u>	<u>\$ 1,080,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,115,260</u>

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Debt Service Fund	SECO Grant Fund	Key Avenue Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 277,325	\$ -	\$ -
General Sales and Use Taxes	-	-	-
Penalty and Interest on Taxes	4,740	-	-
Intergovernmental Revenue & Grants	-	19,690	-
Charges for Services	-	-	-
Investment Earnings	582	-	1,344
Contributions/Donations Private	-	-	-
Other Revenue	-	-	129,242
Total Revenues	282,647	19,690	130,586
EXPENDITURES:			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Economic Development	-	-	8,740
Public Works	-	-	-
Non-Departmental	-	19,690	-
Culture and Recreation	-	-	-
Debt Service:			
Bond Principal	300,000	-	-
Bond Interest	291,685	-	-
Other Bond Costs	125	-	-
Total Expenditures	591,810	19,690	8,740
Excess (Deficiency) of Revenues Over (Under) Expenditures	(309,163)	-	121,846
OTHER FINANCING SOURCES (USES):			
Transfer In	313,890	-	-
Transfers Out (Use)	-	-	(123,460)
Total Other Financing Sources (Uses)	313,890	-	(123,460)
Net Change in Fund Balances	4,727	-	(1,614)
Fund Balance - Oct 1 (Beginning)	159,699	-	923,404
Fund Balance - Sept 30 (Ending)	\$ 164,426	\$ -	\$ 921,790

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

2011 C.O. Capital Fund	Airport Hangar Project Fund	Total Nonmajor Capital Projects Fund	Cemetery Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 277,325
-	-	-	-	82,411
-	-	-	-	4,740
-	-	19,690	-	53,694
-	-	-	-	55,309
6,913	22	8,279	482	11,284
633	-	633	-	7,134
-	-	129,242	-	198,038
<u>7,546</u>	<u>22</u>	<u>157,844</u>	<u>482</u>	<u>689,935</u>
213,469	-	213,469	-	258,477
-	-	-	-	43,136
-	-	8,740	-	57,219
147,543	-	147,543	-	147,543
1,021	-	20,711	-	145,763
-	-	-	-	32,523
-	-	-	-	300,000
-	-	-	-	291,685
-	-	-	-	125
<u>362,033</u>	<u>-</u>	<u>390,463</u>	<u>-</u>	<u>1,276,346</u>
<u>(354,487)</u>	<u>22</u>	<u>(232,619)</u>	<u>482</u>	<u>(586,411)</u>
351,509	60,000	411,509	-	779,469
(242,552)	-	(366,012)	(482)	(366,494)
<u>108,957</u>	<u>60,000</u>	<u>45,497</u>	<u>(482)</u>	<u>412,975</u>
(245,530)	60,022	(187,122)	-	(173,436)
1,511,358	-	2,434,762	174,558	3,875,445
<u>\$ 1,265,828</u>	<u>\$ 60,022</u>	<u>\$ 2,247,640</u>	<u>\$ 174,558</u>	<u>\$ 3,702,009</u>

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2012

	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 182,356	\$ 83,792	\$ 61,455	\$ 327,603
Investments - Current	69,298	36,798	296	106,392
Accounts Receivable-Net of Allow.	-	11,443	8,594	20,037
Inventories	-	14,967	32,828	47,795
Total Current Assets	<u>251,654</u>	<u>147,000</u>	<u>103,173</u>	<u>501,827</u>
Noncurrent Assets:				
Capital Assets:				
Land Purchase & Improvements	-	141,292	341,030	482,322
Buildings, net	-	677,027	924,321	1,601,348
Machinery and Equipment, net	-	-	138,439	138,439
Total Noncurrent Assets	<u>-</u>	<u>818,319</u>	<u>1,403,790</u>	<u>2,222,109</u>
Total Assets	<u>\$ 251,654</u>	<u>\$ 965,319</u>	<u>\$ 1,506,963</u>	<u>\$ 2,723,936</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ -	\$ 5,084	\$ 46,342	\$ 51,426
Wages and Salaries Payable	-	-	9,576	9,576
Compensated Absences Payable	-	-	19,292	19,292
Intergovernmental Payable	-	-	4,893	4,893
Total Current Liabilities	<u>-</u>	<u>5,084</u>	<u>80,103</u>	<u>85,187</u>
Total Liabilities	<u>-</u>	<u>5,084</u>	<u>80,103</u>	<u>85,187</u>
NET ASSETS				
Investment in Capital Assets, Net of Debt	-	818,319	1,403,790	2,222,109
Unrestricted Net Assets	251,654	141,916	23,070	416,640
Total Net Assets	<u>\$ 251,654</u>	<u>\$ 960,235</u>	<u>\$ 1,426,860</u>	<u>\$ 2,638,749</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, 2012

	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Culture/Recreation Charges for Services	\$ -	\$ -	\$ 394,841	\$ 394,841
Rents and Royalties	-	50,035	26,200	76,235
Other Revenue	-	72,953	85,087	158,040
Total Operating Revenue	<u>-</u>	<u>122,988</u>	<u>506,128</u>	<u>629,116</u>
OPERATING EXPENSES:				
Personnel Services-Salaries and Wages	-	-	238,014	238,014
Personnel Services-Employee Benefits	-	-	85,858	85,858
Purchased Professional & Tech Services	2,500	1,474	-	3,974
Purchased Property Services	-	18,590	100,349	118,939
Other Operating Expenses	-	3,149	8,508	11,657
Supplies	-	62,212	97,374	159,586
Depreciation	-	48,063	90,321	138,384
Total Operating Expenses	<u>2,500</u>	<u>133,488</u>	<u>620,424</u>	<u>756,412</u>
Operating Income (Loss)	<u>(2,500)</u>	<u>(10,500)</u>	<u>(114,296)</u>	<u>(127,296)</u>
NON-OPERATING REVENUE (EXPENSE):				
Investment Earnings	1,011	510	23	1,544
Interest Expense - Non-Operating	-	-	(280)	(280)
Total Non-operating Revs (Exps)	<u>1,011</u>	<u>510</u>	<u>(257)</u>	<u>1,264</u>
Income (Loss) Before Transfers	(1,489)	(9,990)	(114,553)	(126,032)
Non-Operating Transfer In	-	-	63,045	63,045
Transfers Out	(194,662)	(23,753)	-	(218,415)
Change in Net Assets	(196,151)	(33,743)	(51,508)	(281,402)
Total Net Assets-Oct 1 (Beginning)	<u>447,805</u>	<u>993,978</u>	<u>1,478,368</u>	<u>2,920,151</u>
Total Net Assets-Sept 30 (Ending)	<u>\$ 251,654</u>	<u>\$ 960,235</u>	<u>\$ 1,426,860</u>	<u>\$ 2,638,749</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, 2012

	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	\$ -	\$ 127,411	\$ 500,486	\$ 627,897
Cash Payments to Employees for Services	-	-	(320,650)	(320,650)
Cash Payments for Suppliers	-	(65,017)	(62,909)	(127,926)
Cash Payments for Other Operating Expenses	(2,500)	(23,213)	(106,509)	(132,222)
Net Cash Provided by Operating Activities	<u>(2,500)</u>	<u>39,181</u>	<u>10,418</u>	<u>47,099</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In (Out)	-	(23,753)	63,045	39,292
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	-	-	(24,944)	(24,944)
Interest Expense	-	-	(280)	(280)
Payments on Long-Term Debt	-	-	(9,534)	(9,534)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>-</u>	<u>-</u>	<u>(34,758)</u>	<u>(34,758)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	933	469	24	1,426
Net Increase (Decrease) in Cash & Cash Equivs	(1,567)	15,897	38,729	53,059
Cash & Cash Equivs at Beginning of the Year:	183,923	67,895	22,726	274,544
Cash & Cash Equivalents at the End of the Year:	<u>\$ 182,356</u>	<u>\$ 83,792</u>	<u>\$ 61,455</u>	<u>\$ 327,603</u>
<u>Reconciliation of Operating Income (Loss) to</u>				
<u>Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss):	\$ (2,500)	\$ (10,500)	\$ (114,296)	\$ (127,296)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	-	48,063	90,321	138,384
Effect of Increases/Decreases in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	-	4,423	(5,642)	(1,219)
Decrease (Increase) in Inventories	-	(3,501)	2,953	(548)
Increase (Decrease) in Accounts Payable	-	696	31,512	32,208
Increase (Decrease) in Payroll Deductions	-	-	400	400
Increase (Decrease) in Other Liabilities	-	-	5,170	5,170
Net Cash Provided by Operating Activities	<u>\$ (2,500)</u>	<u>\$ 39,181</u>	<u>\$ 10,418</u>	<u>\$ 47,099</u>

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

STATISTICAL SECTION

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

Fiscal Year	2003	2004	2005	2006
General Government	\$ 1,183,237	\$ 1,245,723	\$ 1,435,994	\$ 1,734,014
Public Safety	1,799,138	1,814,059	1,874,615	1,995,432
Public Works	1,157,200	1,117,579	956,796	1,036,616
Culture and Recreation	814,082	691,196	1,107,984	662,697
	\$ 4,953,657	\$ 4,868,557	\$ 5,375,389	\$ 5,428,759

2007	2008	2009	2010	2011	2012
\$ 2,201,456	\$ 2,354,478	\$ 2,828,499	\$ 2,729,427	\$ 2,706,697	\$ 2,569,498
1,988,702	2,146,996	2,362,146	2,478,632	2,493,109	2,594,341
944,240	971,993	969,357	1,040,625	1,053,492	1,054,477
648,762	720,435	812,951	822,359	979,402	935,532
<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>	<u>\$ 7,153,848</u>

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

Fiscal Year	2003	2004	2005	2006
Property Taxes	\$ 420,995	\$ 488,141	\$ 563,194	\$ 638,933
General Sales and Use Taxes	727,783	812,362	883,782	894,726
Franchise Tax	1,765,077	1,785,414	1,751,355	442,189
Other Taxes	5,173	5,415	7,926	10,527
Licenses and Permits	50,360	32,635	38,086	32,365
Intergovernmental Rev & Grants	-	-	-	-
Charges for Services	594,813	505,760	430,559	1,142,380
Fines	-	10,030	11,470	12,311
Special Assessments	-	185,041	186,999	-
Investment Earnings	-	55,445	73,952	103,153
Rents and Royalties	-	31,913	34,932	43,936
Contributions & Donations from Private Sources	-	12,355	1,647	9,600
Other Revenue	841,036	712,601	728,481	337,747
	\$ 4,405,237	\$ 4,637,112	\$ 4,712,383	\$ 3,667,867

	2007	2008	2009	2010	2011	2012
\$	699,809	\$ 811,486	\$ 906,432	\$ 928,995	\$ 960,494	\$ 1,072,048
	919,689	1,046,420	1,043,624	1,052,243	1,077,411	1,110,080
	458,737	842,124	957,880	914,549	943,413	905,082
	9,914	11,571	13,258	18,585	15,692	16,713
	8,803	26,314	29,447	34,457	24,375	28,008
	4,000	1,000	38,920	32,518	5,309	30,353
	1,843,984	1,973,727	2,259,788	2,505,725	2,677,226	2,216,744
	14,385	13,614	12,015	20,969	21,929	419,173
	-	191,114	190,307	191,252	192,363	192,380
	120,666	63,969	17,304	7,689	7,263	6,097
	12,683	15,607	19,942	22,867	26,456	23,234
	13,158	15,049	44,395	13,413	9,486	11,344
	295,557	127,204	162,200	98,054	86,190	56,003
\$	<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>	<u>\$ 6,087,259</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	07/08	08/09	09/10	10/11	11/12
	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds:					
M&O Reserves	\$1,425,985	\$1,719,360	\$1,719,360	\$1,743,545	\$1,783,405
Restricted Fund Balance:					
Endowments	18,290	18,290	18,290	29,034	33,005
Court (Technology)	32,629	44,492	-	-	-
Fire Hall	6,364	6,364	6,364	6,364	-
Emergency & Restricted Subtotal	<u>1,483,268</u>	<u>1,788,506</u>	<u>1,744,014</u>	<u>\$1,778,943</u>	<u>1,816,410</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	4,010
Capital Expenditures	93,060	-	-	-	-
Unassigned Fund Balance:					
General Fund	<u>507,769</u>	<u>283,119</u>	<u>565,089</u>	<u>652,384</u>	<u>620,340</u>
Committed/Assigned & Unassigned Subtotal	<u>603,192</u>	<u>303,066</u>	<u>584,947</u>	<u>667,978</u>	<u>636,934</u>
Fund Balance Totals (Cash & Receivables)	2,086,460	2,091,572	2,328,961	2,437,584	2,453,344
Inventory	<u>18,681</u>	<u>15,077</u>	<u>12,026</u>	<u>9,337</u>	<u>15,491</u>
Total Fund Balance (Audit)	<u>2,105,141</u>	<u>2,106,649</u>	<u>2,340,987</u>	<u>2,446,921</u>	<u>2,468,835</u>
Increase/Decrease	348,984	1,508	234,338	99,570	21,914
MAJOR FUNDS					
COMBINED FUND BALANCE POSITIONS					
	07/08	08/09	09/10	10/11	11/12
	Audited	Audited	Audited	Audited	Audited
General Fund	\$2,086,460	\$2,091,572	\$2,328,961	\$2,446,921	\$2,468,835
2011 C.O. Capital Fund	-	-	-	1,511,358	-
Water/Sewer Fund	3,644,094	3,565,723	3,172,485	3,495,843	4,029,096
Electric Fund	<u>4,152,615</u>	<u>4,269,414</u>	<u>4,481,360</u>	<u>5,046,917</u>	<u>5,091,685</u>
Total Major Funds	<u>9,883,169</u>	<u>9,926,709</u>	<u>9,982,806</u>	<u>12,501,039</u>	<u>11,589,616</u>
Less Emergency & Restricted Funds	<u>4,494,566</u>	<u>5,297,054</u>	<u>5,252,562</u>	<u>7,166,118</u>	<u>6,973,230</u>
Discretionary Fund Balance	<u>5,388,603</u>	<u>4,629,655</u>	<u>4,730,244</u>	<u>5,334,921</u>	<u>4,616,386</u>
Total Increase/Decrease	168,711	43,650	56,097	2,518,233	(911,423)
Discretionary Increase/Decrease	74,243	(758,948)	100,589	604,677	(718,535)

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)					
NET ASSET COMPONENTS	07/08	08/09	09/10	10/11	11/12
	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds:					
M&O Reserves	\$ 729,143	\$ 798,618	\$ 798,618	\$ 701,519	\$ 739,198
Restricted for Debt Service:					
Bonds	235,038	234,932	234,932	234,932	670,000
Emergency & Restricted for Debt Service Subtotal	<u>964,181</u>	<u>1,033,550</u>	<u>1,033,550</u>	<u>936,451</u>	<u>1,409,198</u>
Other Restricted Net Assets for:					
Construction & Equipment	1,584,943	1,584,943	1,584,943	1,584,943	914,943
Unrestricted Net Assets for:					
Water & Wastewater	1,008,169	870,293	461,009	974,449	1,704,955
Restricted & Unrestricted Subtotal	<u>2,593,112</u>	<u>2,455,236</u>	<u>2,045,952</u>	<u>2,559,392</u>	<u>2,619,898</u>
Net Assets Totals (Cash & Receivables)	3,557,293	3,488,786	3,079,502	3,495,843	4,029,096
Increase/(Decrease)	(181,151)	(68,507)	(409,284)	416,341	533,253

ELECTRIC FUND					
NET ASSET POSITIONS BY FISCAL YEAR					
(Excluding Inventories & Capital Assets)					
Net Asset Components	07/08	08/09	09/10	10/11	11/12
	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds:					
M&O Reserves	\$2,047,117	\$2,474,998	\$2,474,998	\$2,168,145	\$2,128,679
Emergency Funds Subtotal	<u>2,047,117</u>	<u>2,474,998</u>	<u>2,474,998</u>	<u>2,168,145</u>	<u>2,128,679</u>
Restricted Net Assets for:					
System Improvements	510,000	510,000	510,000	510,000	510,000
Equipment	194,000	194,000	194,000	194,000	194,000
Unrestricted Net Assets for:					
Electric Fund	1,246,829	745,092	964,047	2,174,772	2,259,006
Restricted & Unrestricted Subtotal	<u>1,950,829</u>	<u>1,449,092</u>	<u>1,668,047</u>	<u>2,878,772</u>	<u>2,963,006</u>
Net Assets Totals (Cash & Receivables)	3,997,946	3,924,090	4,143,045	5,046,917	5,091,685
Increase/(Decrease)	10,125	(73,856)	218,955	903,872	44,768

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
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%
2012	1,347,628	1,318,085	97.8%	27,881	1,345,966	99.9%	72,692	5.4%

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
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
2012	6,695	340,983,388	7,099,995	164,426	6,935,569	2.03%	1,036

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
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%
2012	300,000	291,685	591,685	7,153,848	8.27%

CITY OF LAMPASAS, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
AS OF SEPTEMBER 30, 2012
(Unaudited)

Actual assessed value at January 1, 2012 (100% of estimated market value)	\$ 340,983,388
Debt limit - approximate	25,000,000
Total general obligation bonded debt	7,099,995
Less interest and sinking fund	<u>164,426</u>
Debt applicable to debt limit	6,935,569
Legal debt margin	<u><u>\$ 18,064,431</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
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%
2012	3,182	449,413	422,788	26,625	5.9%

* 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		Total	Coverage
			Available for Debt Service	Principal	Interest		
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
2012	14,430,172	11,523,511	2,906,661	255,000	134,172	389,172	7.47

* Does not include depreciation expense

OTHER INFORMATION REQUIRED BY GAO



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

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 15, 2013. 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
Austin, Texas

February 15, 2013

CITY OF LAMPASAS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012 and 2011.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.