

CITY OF LAMPASAS, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2013

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# **FINANCIAL SECTION**



## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of the City Council  
City of Lampasas, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Singleton, Clark & Company  
Austin, Texas

February 17, 2014

## Management's Discussion and Analysis

As management of the City of Lampasas, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$28,383,851 (*net position*). Of this amount, \$8,467,566 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$919,301 primarily because of Electric Fund charges for services exceeding expenditures in the fund.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,520,003, a decrease of \$650,716 in comparison with the prior year. Approximately 13.8% of this amount, or \$764,355 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$2,597,269, or approximately 36.1% of total general fund expenditures.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, and economic development and assistance. The business-type activities of the City include an electric operation, a water/wastewater utility operation, an economic development operation, an aviation operation, and a golf course operation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and Certificate of Obligation Series 2011 capital projects fund, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

**Proprietary Funds.** The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric utility operation, water waste/water utility operation, economic development operation, aviation operation and golf course operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric utility and water/wastewater utility funds, both of which are considered to be major funds of the City and the economic development fund, aviation fund, and the golf course fund, which are considered to be non-major funds.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City does not maintain any fiduciary funds.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23-45 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 46 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary funds are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules can be found on pages 47-53 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,383,851 at the close of the most recent fiscal year.

**City of Lampasas, Texas**  
**Summary of Net Position**

|                                     | Governmental<br>Activities | Governmental<br>Activities | Change            | Business-<br>Type<br>Activities | Business-<br>Type<br>Activities | Change            |
|-------------------------------------|----------------------------|----------------------------|-------------------|---------------------------------|---------------------------------|-------------------|
| Current & other assets              | \$ 6,825,532               | \$ 7,760,042               | \$ (934,510)      | \$ 11,682,375                   | \$ 10,964,938                   | \$ 717,437        |
| Capital assets                      | 8,714,129                  | 7,871,556                  | 842,573           | 14,654,639                      | 14,921,318                      | (266,679)         |
| <b>Total assets</b>                 | <b>15,539,661</b>          | <b>15,631,598</b>          | <b>(91,937)</b>   | <b>26,337,014</b>               | <b>25,886,256</b>               | <b>450,758</b>    |
| Current liabilities                 | 614,189                    | 772,496                    | (158,307)         | 1,707,832                       | 1,373,594                       | 334,238           |
| Long-term liabilities               | 7,018,942                  | 7,322,579                  | (303,637)         | 4,151,861                       | 4,402,276                       | (250,415)         |
| <b>Total liabilities</b>            | <b>7,633,131</b>           | <b>8,095,075</b>           | <b>(461,944)</b>  | <b>5,859,693</b>                | <b>5,775,870</b>                | <b>83,823</b>     |
| <b>Net Position:</b>                |                            |                            |                   |                                 |                                 |                   |
| Net investment in capital<br>assets | 1,950,175                  | 771,128                    | 1,179,047         | 10,564,759                      | 10,572,965                      | (8,206)           |
| Restricted                          | 2,914,531                  | 5,532,880                  | (2,618,349)       | 4,486,820                       | 5,156,820                       | (670,000)         |
| Unrestricted                        | 3,041,824                  | 1,232,515                  | 1,809,309         | 5,425,742                       | 4,380,601                       | 1,045,141         |
| <b>Total net position</b>           | <b>\$ 7,906,530</b>        | <b>\$ 7,536,523</b>        | <b>\$ 370,007</b> | <b>\$ 20,477,321</b>            | <b>\$ 20,110,386</b>            | <b>\$ 366,935</b> |

By far, the largest portion of the City’s net position (44.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (26.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,467,566 is unrestricted and may be used to meet the government’s ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City’s overall net position increased by \$919,301 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$505,957 from the prior fiscal year for an ending balance of \$7,906,530. While the current recession had an impact on the City, management was able to take various actions that neutralized its effect on governmental activities. The increase in the overall net position of governmental activities is the result of effective and thorough oversight of expenditures.

**City of Lampasas, Texas**  
**Summary of Changes in Net Position**

|   | Governmental<br>Activities | Governmental<br>Activities | Change            | Business-<br>Type<br>Activities | Business-<br>Type<br>Activities | Change            |
|---|----------------------------|----------------------------|-------------------|---------------------------------|---------------------------------|-------------------|
| Revenues:   |                            |                            |                   |                                 |                                 |                   |
| Program revenues:   |                            |                            |                   |                                 |                                 |                   |
| Charges for services  | \$ 2,285,216               | \$ 3,222,279               | \$ (937,063)      | \$ 14,773,779                   | \$15,059,288                    | \$ (285,509)      |
| Operating grants & contributions                                | 502,432                    | 84,047                     | 418,385           | 2,473                           | -                               | 2,473             |
| General revenues:   |                            |                            |                   |                                 |                                 |                   |
| Property taxes  | 1,381,515                  | 1,366,801                  | 14,714            | -                               | -                               | -                 |
| Other taxes   | 2,137,732                  | 2,097,573                  | 40,159            | -                               | -                               | -                 |
| Grants and contributions not<br>restricted to specific programs | 23,192                     | 18,478                     | 4,714             | -                               | -                               | -                 |
| Other   | 747,393                    | 257,042                    | 490,351           | 191,152                         | 44,181                          | 146,971           |
| <b>Total revenue</b>  | <b>7,077,480</b>           | <b>7,046,220</b>           | <b>31,260</b>     | <b>14,967,404</b>               | <b>15,103,469</b>               | <b>(136,065)</b>  |
| Expenses:   |                            |                            |                   |                                 |                                 |                   |
| General government  | 2,022,456                  | 2,144,309                  | (121,853)         | -                               | -                               | -                 |
| Public safety   | 2,955,907                  | 2,801,991                  | 153,916           | -                               | -                               | -                 |
| Highways and streets  | 671,618                    | 618,732                    | 52,886            | -                               | -                               | -                 |
| Sanitation  | 1,051,846                  | 970,308                    | 81,538            | -                               | -                               | -                 |
| Health and welfare  | 118,503                    | 114,582                    | 3,921             | -                               | -                               | -                 |
| Culture and recreation  | 964,600                    | 1,084,794                  | (120,194)         | -                               | -                               | -                 |
| Economic development and asst.                                  | 44,954                     | 53,398                     | (8,444)           | -                               | -                               | -                 |
| Interest on long-term debt                                      | 279,734                    | 301,895                    | (22,161)          | -                               | -                               | -                 |
| Electric fund   | -                          | -                          | -                 | 8,500,187                       | 8,906,129                       | (405,942)         |
| Water/Wastewater fund   | -                          | -                          | -                 | 3,783,437                       | 3,617,208                       | 166,229           |
| Nonmajor enterprise funds                                       | -                          | -                          | -                 | 732,341                         | 756,692                         | (24,351)          |
| <b>Total expenses</b>   | <b>8,109,618</b>           | <b>8,090,009</b>           | <b>19,609</b>     | <b>13,015,965</b>               | <b>13,280,029</b>               | <b>(264,064)</b>  |
| Increase (decrease) in net position<br>before transfers         | (1,032,138)                | (1,043,789)                | 11,651            | 1,951,439                       | 1,823,440                       | 127,999           |
| Transfers   | 1,538,095                  | 1,494,833                  | 43,262            | (1,538,095)                     | (1,494,833)                     | (43,262)          |
| Increase (decrease) in net position                             | 505,957                    | 451,044                    | 54,913            | 413,344                         | 328,607                         | 84,737            |
| Net position - beginning  | 7,400,573                  | 7,085,479                  | 315,094           | 20,063,977                      | 19,781,779                      | 282,198           |
| Prior period adjustment   | -                          | -                          | -                 | -                               | -                               | -                 |
| <b>Net position - ending</b>                                    | <b>\$ 7,906,530</b>        | <b>\$ 7,536,523</b>        | <b>\$ 370,007</b> | <b>\$ 20,477,321</b>            | <b>\$20,110,386</b>             | <b>\$ 366,935</b> |

**Business-type Activities.** For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$20,477,321. The total increase in net position for business-type activities was \$413,344 or 2.1% from the prior fiscal year. The growth, in large part, is attributable to a 4.6% decrease in electric fund expenditures in the current year.

**Financial Analysis of Governmental Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2013, the City's governmental funds reported combined fund balances of \$5,520,003, a decrease of \$650,716 in comparison with the prior year. Approximately 13.8% of this amount (\$764,355) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$22,923), 2) legally required to be maintained intact (\$174,558), 3) restricted for particular purposes (\$2,725,253), 4) committed for particular purposes (\$1,783,405), or 5) assigned for particular purposes (\$49,509).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$764,355, while total fund balance increased to \$2,620,192. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 10.6 percent of total general fund expenditures, while total fund balance represents approximately 36.4 percent of that same amount.

The fund balance of the City's general fund increased by \$151,357 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was due to thorough oversight of expenditures by the City's management.

The Certificates of Obligation, Series 2011 fund, a major fund, had a \$850,907 decrease in fund balance during the current fiscal year which brought the overall fund balance to the amount of \$414,921. The entire portion of this fund balance is considered restricted for capital projects due to the restrictions outlined per the bond issuance agreement.

The large decrease in fund balance was caused mainly by the spending of resources obtained through the issuance of long-term debt in the prior period on capital acquisition and construction in the current period. That is, the fund balance that resulted from the previous long-term debt issuance was spent down during the current period as the related capital projects progressed.

**Proprietary Funds.** The City of Lampasas, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Electric Fund at the end of the year was \$2,693,146 and for the Water/Wastewater Fund was \$2,304,839. The total growth in net position for both funds was \$366,143 and \$101,198, respectively. As noted earlier in the discussion of business-type activities, the increase for the Electric Fund was due to thorough oversight of expenditures in the current year and the increase in the Water/Wastewater Fund was due to water sales exceeding the costs of providing water services during the current year.

## General Fund Budgetary Highlights

**Original budget compared to final budget.** During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. Generally, the movement of the appropriations between departments was *not* significant.

## Capital Assets and Debt Administration

**Capital assets.** The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$8,714,129 and \$14,654,639, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 2.5%.

### City of Lampasas, Texas - Capital Assets – Governmental Activities

|                                     | Governmental<br>Activities | Governmental<br>Activities | Change     |
|-------------------------------------|----------------------------|----------------------------|------------|
| Land                                | \$ 1,105,698               | \$ 1,105,698               | \$ -       |
| Buildings and Improvements          | 10,674,132                 | 9,244,908                  | 1,429,224  |
| Furniture and Equipment             | 3,506,066                  | 3,329,986                  | 176,080    |
| Construction in Progress            | 82,840                     | 154,242                    | (71,402)   |
| Total                               | 15,368,736                 | 13,834,834                 | 1,533,902  |
| Less Accumulated Depreciation       | (6,654,607)                | (5,963,278)                | (691,329)  |
| Capital assets, net of depreciation | \$ 8,714,129               | \$ 7,871,556               | \$ 842,573 |

### City of Lampasas, Texas - Capital Assets – Business-type Activities

|                                     | Business-Type<br>Activities | Business-Type<br>Activities | Change       |
|-------------------------------------|-----------------------------|-----------------------------|--------------|
| Land                                | \$ 607,099                  | \$ 607,099                  | \$ -         |
| Infrastructure                      | 20,717,770                  | 20,682,233                  |              |
| Buildings and Improvements          | 4,229,909                   | 4,157,559                   | 72,350       |
| Furniture and Equipment             | 4,319,261                   | 4,297,160                   | 22,101       |
| Construction in Progress            | 701,084                     | 208,377                     | 492,707      |
| Total                               | 30,575,123                  | 29,952,428                  | 622,695      |
| Less Accumulated Depreciation       | (15,920,484)                | (15,031,101)                | (889,383)    |
| Capital assets, net of depreciation | \$ 14,654,639               | \$ 14,921,327               | \$ (266,688) |

Additional information on the City’s capital assets can be found in Note IV.D on pages 35-36 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,853,834. The remainder of the City’s long-term obligations is comprised of compensated absences.

**City of Lampasas, Texas - Outstanding Debt – Governmental Activities**

|                          | Governmental<br>Activities | Governmental<br>Activities | Change              |
|--------------------------|----------------------------|----------------------------|---------------------|
| General Obligation Bonds | \$ 6,763,954               | \$ 6,979,995               | \$ (216,041)        |
| Notes Payable            | -                          | 120,000                    | (120,000)           |
| Compensated Absences     | 254,988                    | 222,584                    | 32,404              |
| Total                    | <u>\$ 7,018,942</u>        | <u>\$ 7,322,579</u>        | <u>\$ (303,637)</u> |

**City of Lampasas, Texas - Outstanding Debt – Business-type Activities**

|                          | Business-type<br>Activities | Business-type<br>Activities | Change              |
|--------------------------|-----------------------------|-----------------------------|---------------------|
| General Obligation Bonds | \$ 4,089,880                | \$ 4,348,353                | \$ (258,473)        |
| Compensated Absences     | 61,981                      | 53,923                      | 8,058               |
| Total                    | <u>\$ 4,151,861</u>         | <u>\$ 4,402,276</u>         | <u>\$ (250,415)</u> |

The City’s total debt decreased by \$554,052 (4.7 percent) during the current fiscal year. The reason for the decrease was that the city issued no new debt and made all of its regularly scheduled principal reductions on the existing outstanding debt.

Additional information on the City of Lampasas’ long-term debt can be found in Note IV.I on pages 39-41 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

The following economic factors currently affect the City and were considered in developing the 2013-2014 fiscal year budget.

- A property tax rate increase to fund increases in recurring expenditure obligations.
- An increase in the rates on the City current fee schedule.
- Slight increases in the taxable assessed values of the City real property tax base.
- Interest rates are expected to remain at record low levels throughout fiscal year 2013-2014.
- On the expenditure side, increases are expected to correlate with historical inflation from year to year.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, 312 E. Third Street, Lampasas, Texas, 76550.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF LAMPASAS, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

|   | Primary Government         |                             |                      | Component Unit    |
|---|----------------------------|-----------------------------|----------------------|-------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                | Lampasas EDC      |
| <b>ASSETS</b>                           |                            |                             |                      |                   |
| Cash and cash equivalents               | \$ 1,507,016               | \$ 3,092,572                | \$ 4,599,588         | \$ 514,657        |
| Investments - current                   | 4,271,053                  | 6,949,352                   | 11,220,405           | -                 |
| Taxes receivable - delinquent           | 75,876                     | -                           | 75,876               | -                 |
| Allowance for uncollectible taxes       | (11,382)                   | -                           | (11,382)             | -                 |
| Accounts receivable, net                | 942,941                    | 1,050,333                   | 1,993,274            | 30                |
| Intergovernmental receivable            | 168                        | -                           | 168                  | -                 |
| Notes receivable, net                   | -                          | -                           | -                    | 69,756            |
| Inventories                             | 22,923                     | 489,787                     | 512,710              | -                 |
| Prepaid items                           | 16,937                     | 98,475                      | 115,412              | -                 |
| Other assets                            | -                          | 1,856                       | 1,856                | -                 |
| Capital assets, not being depreciated:  |                            |                             |                      |                   |
| Land                                    | 1,105,698                  | 607,099                     | 1,712,797            | 817,978           |
| Construction in progress                | 1,284,418                  | 701,084                     | 1,985,502            | -                 |
| Capital assets, being depreciated:      |                            |                             |                      |                   |
| Buildings and improvements              | 9,472,554                  | 2,065,548                   | 11,538,102           | 17,975            |
| Machinery, equipment, and vehicles      | 3,506,066                  | 4,554,164                   | 8,060,230            | -                 |
| Infrastructure                          | -                          | 11,895,453                  | 11,895,453           | -                 |
| Utility infrastructure                  | -                          | 40,483                      | 40,483               | -                 |
| Other capital assets, depreciable       | -                          | 10,711,292                  | 10,711,292           | -                 |
| Accumulated depreciation                | (6,654,607)                | (15,920,484)                | (22,575,091)         | (3,596)           |
| Total Assets                            | <u>15,539,661</u>          | <u>26,337,014</u>           | <u>41,876,675</u>    | <u>1,416,800</u>  |
| <b>LIABILITIES</b>                      |                            |                             |                      |                   |
| Accounts payable                        | 377,989                    | 1,167,050                   | 1,545,039            | -                 |
| Accrued salaries and benefits           | 124,183                    | 33,445                      | 157,628              | -                 |
| Accrued liabilities                     | 8,607                      | -                           | 8,607                | -                 |
| Intergovernmental payable               | -                          | 27,739                      | 27,739               | -                 |
| Accrued interest payable                | 34,618                     | 17,355                      | 51,973               | 11,060            |
| Unearned revenue                        | 20,111                     | -                           | 20,111               | -                 |
| Other current liabilities               | 10,886                     | 16,701                      | 27,587               | -                 |
| Customer deposits                       | 37,795                     | 445,542                     | 483,337              | -                 |
| Noncurrent liabilities:                 |                            |                             |                      |                   |
| Due within one year                     | 360,000                    | 260,000                     | 620,000              | 550,000           |
| Due in more than one year               | 6,658,942                  | 3,891,861                   | 10,550,803           | -                 |
| Total Liabilities                       | <u>7,633,131</u>           | <u>5,859,693</u>            | <u>13,492,824</u>    | <u>561,060</u>    |
| <b>NET POSITION</b>                     |                            |                             |                      |                   |
| Net investment in capital assets        | 1,950,175                  | 10,564,759                  | 12,514,934           | -                 |
| Restricted for debt service             | 183,576                    | -                           | 183,576              | -                 |
| Restricted for endowments               | 174,558                    | -                           | 174,558              | -                 |
| Restricted for capital projects         | 1,370,948                  | 1,618,943                   | 2,989,891            | -                 |
| Restricted for maintenance & operations | -                          | 2,867,877                   | 2,867,877            | -                 |
| Restricted for other specific purposes  | 1,185,449                  | -                           | 1,185,449            | -                 |
| Unrestricted                            | 3,041,824                  | 5,425,742                   | 8,467,566            | 855,740           |
| Total Net Position                      | <u>\$ 7,906,530</u>        | <u>\$ 20,477,321</u>        | <u>\$ 28,383,851</u> | <u>\$ 855,740</u> |

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, 2013

| Functions/Programs:                       | Expenses             | Program Revenues     |                                    |
|---|----------------------|----------------------|------------------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions |
| <b>Primary Government:</b>                |                      |                      |                                    |
| Governmental activities:                  |                      |                      |                                    |
| General government                        | \$ 2,022,456         | \$ 1,152,725         | \$ 488,457                         |
| Public safety                             | 2,955,907            | -                    | 13,975                             |
| Highways and streets                      | 671,618              | -                    | -                                  |
| Sanitation                                | 1,051,846            | 1,043,830            | -                                  |
| Health and welfare                        | 118,503              | -                    | -                                  |
| Culture and recreation                    | 964,600              | 88,661               | -                                  |
| Economic development and assistance       | 44,954               | -                    | -                                  |
| Interest                                  | 279,734              | -                    | -                                  |
| Total Governmental Activities:            | <u>8,109,618</u>     | <u>2,285,216</u>     | <u>502,432</u>                     |
| Business-type activities:                 |                      |                      |                                    |
| Electric fund                             | 8,500,187            | 10,203,027           | -                                  |
| Water/Wastewater fund                     | 3,783,437            | 3,975,657            | -                                  |
| Nonmajor enterprise funds                 | 732,341              | 595,095              | 2,473                              |
| Total Business-Type Activities:           | <u>13,015,965</u>    | <u>14,773,779</u>    | <u>2,473</u>                       |
| Total primary government                  | <u>\$ 21,125,583</u> | <u>\$ 17,058,995</u> | <u>\$ 504,905</u>                  |
| Component units:                          |                      |                      |                                    |
| Lampasas economic development corporation | \$ 114,860           | \$ -                 | \$ -                               |
|   | <u>\$ 114,860</u>    | <u>\$ -</u>          | <u>\$ -</u>                        |

General Revenues:  
Property taxes  
Sales taxes  
Hotel/motel taxes  
Franchise taxes  
Contributions and donations from private sources  
Special assessments  
Investment earnings  
Miscellaneous  
Transfers  
Total general revenues and transfers

Change in Net Position

Net Position -- Beginning (as restated)

Net Position -- Ending

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

| Net (Expense) Revenue and Changes in Net Position |                            |                      |                   |
|---|----------------------------|----------------------|-------------------|
| Primary Government                                |                            |                      | Component Unit    |
| Governmental<br>Activities                        | Business-Type<br>Activites | Total                | Lampasas<br>EDC   |
| \$ (381,274)                                      | \$ -                       | \$ (381,274)         | \$ -              |
| (2,941,932)                                       | -                          | (2,941,932)          | -                 |
| (671,618)   | -                          | (671,618)            | -                 |
| (8,016)   | -                          | (8,016)              | -                 |
| (118,503)   | -                          | (118,503)            | -                 |
| (875,939)   | -                          | (875,939)            | -                 |
| (44,954)  | -                          | (44,954)             | -                 |
| (279,734)   | -                          | (279,734)            | -                 |
| <u>(5,321,970)</u>                                | <u>-</u>                   | <u>(5,321,970)</u>   | <u>-</u>          |
| -   | 1,702,840                  | 1,702,840            | -                 |
| -   | 192,220                    | 192,220              | -                 |
| -   | (134,773)                  | (134,773)            | -                 |
| <u>-</u>  | <u>1,760,287</u>           | <u>1,760,287</u>     | <u>-</u>          |
| <u>(5,321,970)</u>                                | <u>1,760,287</u>           | <u>(3,561,683)</u>   | <u>-</u>          |
|   |                            |                      | (114,860)         |
|   |                            |                      | <u>(114,860)</u>  |
| 1,381,515   | -                          | 1,381,515            | -                 |
| 1,154,769   | -                          | 1,154,769            | 230,412           |
| 84,026  | -                          | 84,026               | -                 |
| 898,937   | -                          | 898,937              | -                 |
| 23,192  | -                          | 23,192               | -                 |
| 204,360   | -                          | 204,360              | -                 |
| 14,831  | 24,606                     | 39,437               | 5,959             |
| 528,202   | 166,546                    | 694,748              | 862               |
| 1,538,095   | (1,538,095)                | -                    | -                 |
| <u>5,827,927</u>                                  | <u>(1,346,943)</u>         | <u>4,480,984</u>     | <u>237,233</u>    |
| 505,957   | 413,344                    | 919,301              | 122,373           |
| <u>7,400,573</u>                                  | <u>20,063,977</u>          | <u>27,464,550</u>    | <u>733,367</u>    |
| <u>\$ 7,906,530</u>                               | <u>\$ 20,477,321</u>       | <u>\$ 28,383,851</u> | <u>\$ 855,740</u> |

**FUND BASIS FINANCIAL STATEMENTS**

CITY OF LAMPASAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

|  | General<br>Fund     | Certificates<br>of Obligation<br>Series 2011 | Total<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--|----------------------------|--------------------------------|
| <b>ASSETS</b>  |                     |  |                            |                                |
| Cash and cash equivalents                              | \$ 623,970          | \$ 402,717                                   | \$ 480,329                 | \$ 1,507,016                   |
| Investments - current                                  | 2,293,207           | -  | 1,977,846                  | 4,271,053                      |
| Taxes receivable - delinquent                          | 58,558              | -  | 17,318                     | 75,876                         |
| Allowance for uncollectible delinquent taxes           | (8,784)             | -  | (2,598)                    | (11,382)                       |
| Accounts receivable                                    | 143,721             | 20,928                                       | 118,174                    | 282,823                        |
| Allowance for uncollectible accounts receivable        | (1,346)             | -  | -                          | (1,346)                        |
| Intergovernmental receivable                           | -                   | -  | 168                        | 168                            |
| Inventories  | 22,923              | -  | -                          | 22,923                         |
| Prepaid items  | 16,937              | -  | -                          | 16,937                         |
| Total Assets   | <u>\$ 3,149,186</u> | <u>\$ 423,645</u>                            | <u>\$ 2,591,237</u>        | <u>\$ 6,164,068</u>            |
| <b>LIABILITIES</b>                                     |                     |  |                            |                                |
| Accounts payable                                       | \$ 289,133          | \$ 8,724                                     | \$ 80,132                  | \$ 377,989                     |
| Wages and salaries payable                             | 121,295             | -  | 2,888                      | 124,183                        |
| Claims and judgements payable                          | -                   | -  | 8,607                      | 8,607                          |
| Unearned revenue                                       | 20,111              | -  | -                          | 20,111                         |
| Other current liabilities                              | 10,886              | -  | -                          | 10,886                         |
| Customer deposits                                      | 37,795              | -  | -                          | 37,795                         |
| Total Liabilities                                      | <u>479,220</u>      | <u>8,724</u>                                 | <u>91,627</u>              | <u>579,571</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                     |  |                            |                                |
| Deferred inflows of resources - property taxes         | 49,774              | -  | 14,720                     | 64,494                         |
| Total deferred inflows of resources                    | <u>49,774</u>       | <u>-</u>                                     | <u>14,720</u>              | <u>64,494</u>                  |
| <b>FUND BALANCES (DEFICITS)</b>                        |                     |  |                            |                                |
| <b>Nonspendable:</b>                                   |                     |  |                            |                                |
| Fund balance - nonspendable-inventories                | 22,923              | -  | -                          | 22,923                         |
| <b>Restricted for:</b>                                 |                     |  |                            |                                |
| Debt service   | -                   | -  | 168,856                    | 168,856                        |
| Endowments   | -                   | -  | 174,558                    | 174,558                        |
| Capital projects                                       | -                   | 414,921                                      | 956,027                    | 1,370,948                      |
| Other specific purposes                                | -                   | -  | 1,185,449                  | 1,185,449                      |
| <b>Committed:</b>                                      |                     |  |                            |                                |
| Working capital  | 1,783,405           | -  | -                          | 1,783,405                      |
| <b>Assigned for:</b>                                   |                     |  |                            |                                |
| Comprehensive plan                                     | 9,084               | -  | -                          | 9,084                          |
| Park improvements                                      | 4,010               | -  | -                          | 4,010                          |
| 580 complex  | 36,415              | -  | -                          | 36,415                         |
| <b>Unassigned</b>                                      | <b>764,355</b>      | <b>-</b>                                     | <b>-</b>                   | <b>764,355</b>                 |
| Total Fund Balances                                    | <u>2,620,192</u>    | <u>414,921</u>                               | <u>2,484,890</u>           | <u>5,520,003</u>               |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 3,149,186</u> | <u>\$ 423,645</u>                            | <u>\$ 2,591,237</u>        | <u>\$ 6,164,068</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 POSITION  
 SEPTEMBER 30, 2013

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

|   |                            |
|---|----------------------------|
| Total fund balances - governmental funds  | \$ 5,520,003               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                                     | 8,714,129                  |
| Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.    | 64,494                     |
| Uncollected municipal court fines of \$3,307,322 net of allowance of \$2,645,858 are not an available resource and, therefore, are not reported in the funds. | 661,464                    |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.                  | (7,053,560)                |
| Net position of governmental activities   | <u><u>\$ 7,906,530</u></u> |

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

CITY OF LAMPASAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

|   | General<br>Fund     | Certificates<br>of Obligation<br>Series 2011 | Total<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--|----------------------------|--------------------------------|
| <b>REVENUES</b>                               |                     |  |                            |                                |
| Property taxes                                | \$ 1,067,687        | \$ -   | \$ 311,120                 | \$ 1,378,807                   |
| Sales taxes                                   | 1,154,769           | -  | -                          | 1,154,769                      |
| Hotel/motel taxes                             | -                   | -  | 84,026                     | 84,026                         |
| Franchise taxes                               | 898,937             | -  | -                          | 898,937                        |
| Licenses and permits                          | 44,153              | -  | -                          | 44,153                         |
| Intergovernmental revenues                    | 13,975              | 339,053                                      | 149,404                    | 502,432                        |
| Charges for services                          | 2,272,637           | -  | 12,579                     | 2,285,216                      |
| Fines   | 334,368             | -  | -                          | 334,368                        |
| Special assessments                           | 194,458             | -  | 9,902                      | 204,360                        |
| Investment earnings                           | 5,987               | 4,116  | 4,728                      | 14,831                         |
| Rents and royalties                           | 22,416              | -  | -                          | 22,416                         |
| Contributions and donations, private sources  | 16,985              | -  | 6,207                      | 23,192                         |
| Miscellaneous revenue                         | 74,482              | -  | 40,100                     | 114,582                        |
| Total revenues                                | <u>6,100,854</u>    | <u>343,169</u>                               | <u>618,066</u>             | <u>7,062,089</u>               |
| <b>EXPENDITURES</b>                           |                     |  |                            |                                |
| Current:                                      |                     |  |                            |                                |
| General government                            | 1,649,353           | 62,950                                       | 156,440                    | 1,868,743                      |
| Public safety:                                |                     |  |                            |                                |
| Police  | 1,893,412           | -  | 45,256                     | 1,938,668                      |
| Fire  | 847,774             | -  | -                          | 847,774                        |
| Highways and streets                          | 851,924             | -  | -                          | 851,924                        |
| Sanitation                                    | 963,066             | -  | -                          | 963,066                        |
| Health and welfare                            | 108,501             | -  | -                          | 108,501                        |
| Culture and recreation:                       |                     |  |                            |                                |
| Swimming pools                                | 126,715             | -  | -                          | 126,715                        |
| Parks   | 559,554             | -  | -                          | 559,554                        |
| Libraries                                     | 189,406             | -  | 3,833                      | 193,239                        |
| Conservation                                  | -                   | -  | 41,160                     | 41,160                         |
| Debt service:                                 |                     |  |                            |                                |
| Bond principal                                | -                   | -  | 335,000                    | 335,000                        |
| Interest - bonds                              | -                   | -  | 282,983                    | 282,983                        |
| Capital outlay                                | -                   | 1,130,176                                    | 16,080                     | 1,146,256                      |
| Total expenditures                            | <u>7,189,705</u>    | <u>1,193,126</u>                             | <u>880,752</u>             | <u>9,263,583</u>               |
| Excess (deficiency) of rev. over expenditures | <u>(1,088,851)</u>  | <u>(849,957)</u>                             | <u>(262,686)</u>           | <u>(2,201,494)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                     |  |                            |                                |
| Transfers in                                  | 1,363,485           | -  | 447,802                    | 1,811,287                      |
| Transfers out                                 | (135,960)           | (950)  | (136,282)                  | (273,192)                      |
| Insurance recoveries                          | 12,683              | -  | -                          | 12,683                         |
| Total Other Financing Sources (Uses)          | <u>1,240,208</u>    | <u>(950)</u>                                 | <u>311,520</u>             | <u>1,550,778</u>               |
| Net Change in Fund Balance                    | 151,357             | (850,907)                                    | 48,834                     | (650,716)                      |
| Fund Balance - Beginning                      | 2,468,835           | 1,265,828                                    | 2,436,056                  | 6,170,719                      |
| Fund Balance - Ending                         | <u>\$ 2,620,192</u> | <u>\$ 414,921</u>                            | <u>\$ 2,484,890</u>        | <u>\$ 5,520,003</u>            |

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

CITY OF LAMPASAS, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

|  |              |
|--|--------------|
| Net change in fund balances - total governmental funds   | \$ (650,716) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.   | 842,573      |
| Other changes in long-term assets, such as property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.  | 2,708        |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 305,845      |
| Uncollected municipal court fines are not an available resource and, therefore, are not reported in the funds. This is the amount by which municipal court fines receivable increased during the year.   | 5,547        |
|  | \$ 505,957   |

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  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

|  | Budgeted Amounts    |                     | Actual              | Variance With<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>REVENUES</b>                                      |                     |                     |                     |                               |
| Property taxes                                       | \$ 1,078,013        | \$ 1,078,013        | \$ 1,067,687        | \$ (10,326)                   |
| Sales taxes  | 1,147,400           | 1,147,400           | 1,154,769           | 7,369                         |
| Franchise taxes                                      | 906,000             | 906,000             | 898,937             | (7,063)                       |
| Licenses and permits                                 | 33,750              | 33,750              | 44,153              | 10,403                        |
| Intergovernmental revenues                           | 212,026             | 212,026             | 13,975              | (198,051)                     |
| Charges for services                                 | 2,497,240           | 2,497,240           | 2,272,637           | (224,603)                     |
| Fines  | 340,900             | 340,900             | 334,368             | (6,532)                       |
| Investment earnings                                  | 7,000               | 7,000               | 5,987               | (1,013)                       |
| Rents and royalties                                  | 9,420               | 9,420               | 22,416              | 12,996                        |
| Contributions and donations, private sources         | 9,600               | 9,600               | 16,985              | 7,385                         |
| Miscellaneous Revenue                                | 40,000              | 40,000              | 74,482              | 34,482                        |
| Total revenues                                       | <u>6,281,349</u>    | <u>6,281,349</u>    | <u>6,100,854</u>    | <u>(180,495)</u>              |
| <b>EXPENDITURES</b>                                  |                     |                     |                     |                               |
| Current:   |                     |                     |                     |                               |
| General government                                   | 1,944,662           | 1,972,662           | 1,649,353           | 323,309                       |
| Public safety:                                       |                     |                     |                     |                               |
| Police   | 1,915,911           | 1,916,111           | 1,893,412           | 22,699                        |
| Fire   | 862,248             | 862,248             | 847,774             | 14,474                        |
| Highways and streets                                 | 927,482             | 927,282             | 851,924             | 75,358                        |
| Sanitation   | 905,000             | 963,100             | 963,066             | 34                            |
| Health and welfare                                   | 110,413             | 110,413             | 108,501             | 1,912                         |
| Culture and recreation:                              |                     |                     |                     |                               |
| Swimming pools                                       | 159,078             | 162,078             | 126,715             | 35,363                        |
| Parks  | 637,031             | 606,031             | 559,554             | 46,477                        |
| Libraries  | 201,923             | 201,923             | 189,406             | 12,517                        |
| Total Expenditures                                   | <u>7,663,748</u>    | <u>7,721,848</u>    | <u>7,189,705</u>    | <u>532,143</u>                |
| Excess (deficiency) of revenues<br>over expenditures | <u>(1,382,399)</u>  | <u>(1,440,499)</u>  | <u>(1,088,851)</u>  | <u>351,648</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                     |                     |                               |
| Transfers in   | 1,520,480           | 1,520,480           | 1,363,485           | (156,995)                     |
| Transfers out  | (165,081)           | (165,081)           | (135,960)           | 29,121                        |
| Sale of general capital assets                       | 7,000               | 7,000               | -                   | (7,000)                       |
| Insurance recoveries                                 | 20,000              | 20,000              | 12,683              | (7,317)                       |
| Total Other Financing Sources (Uses)                 | <u>1,382,399</u>    | <u>1,382,399</u>    | <u>1,240,208</u>    | <u>(142,191)</u>              |
| Net Change in Fund Balances                          | -                   | (58,100)            | 151,357             | 209,457                       |
| Fund balance - beginning                             | 2,468,835           | 2,468,835           | 2,468,835           | -                             |
| Fund balance - ending                                | <u>\$ 2,468,835</u> | <u>\$ 2,410,735</u> | <u>\$ 2,620,192</u> | <u>\$ 209,457</u>             |

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

CITY OF LAMPASAS, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013

|   | Business-Type Activities |                            |                             |                      |
|---|--------------------------|----------------------------|-----------------------------|----------------------|
|   | Electric Fund            | Water/Waste-<br>Water Fund | Total<br>Non-major<br>Funds |                      |
| <b>ASSETS</b>                           |                          |                            |                             |                      |
| Current Assets:                         |                          |                            |                             |                      |
| Cash and cash equivalents               | \$ 1,430,680             | \$ 1,336,042               | \$ 325,850                  | \$ 3,092,572         |
| Investments - current                   | 3,942,144                | 2,900,714                  | 106,494                     | 6,949,352            |
| Accounts receivable, net                | 813,870                  | 226,903                    | 9,560                       | 1,050,333            |
| Inventories                             | 360,450                  | 83,045                     | 46,292                      | 489,787              |
| Prepaid items                           | -                        | 98,475                     | -                           | 98,475               |
| Other assets                            | -                        | 1,856                      | -                           | 1,856                |
| Total current assets                    | <u>6,547,144</u>         | <u>4,647,035</u>           | <u>488,196</u>              | <u>11,682,375</u>    |
| Noncurrent Assets:                      |                          |                            |                             |                      |
| Land                                    | 56,812                   | 67,965                     | 482,322                     | 607,099              |
| Infrastructure                          | 1,045,222                | 10,372,605                 | 477,626                     | 11,895,453           |
| Buildings                               | 337,383                  | 839,241                    | 888,924                     | 2,065,548            |
| Improvements other than buildings       | 1,716,720                | 7,532,922                  | 1,461,650                   | 10,711,292           |
| Furnishings and equipment               | 2,523,005                | 1,830,341                  | 200,818                     | 4,554,164            |
| Other capital assets                    | -                        | -                          | 40,483                      | 40,483               |
| Accumulated depreciation                | (3,949,516)              | (10,529,731)               | (1,441,237)                 | (15,920,484)         |
| Construction/development in progress    | -                        | 701,084                    | -                           | 701,084              |
| Total noncurrent assets                 | <u>1,729,626</u>         | <u>10,814,427</u>          | <u>2,110,586</u>            | <u>14,654,639</u>    |
| Total assets                            | <u>8,276,770</u>         | <u>15,461,462</u>          | <u>2,598,782</u>            | <u>26,337,014</u>    |
| <b>LIABILITIES</b>                      |                          |                            |                             |                      |
| Current liabilities:                    |                          |                            |                             |                      |
| Accounts payable                        | 666,717                  | 473,646                    | 26,687                      | 1,167,050            |
| Wages & salaries payable                | 12,753                   | 11,681                     | 9,011                       | 33,445               |
| Intergovernmental payable               | 25,623                   | -                          | 2,116                       | 27,739               |
| Accrued interest payable                | -                        | 17,355                     | -                           | 17,355               |
| Bonds and notes payable - current       | -                        | 260,000                    | -                           | 260,000              |
| Other current liabilities               | -                        | 16,586                     | 115                         | 16,701               |
| Customer deposits                       | 290,071                  | 155,471                    | -                           | 445,542              |
| Total current liabilities               | <u>995,164</u>           | <u>934,739</u>             | <u>37,929</u>               | <u>1,967,832</u>     |
| Noncurrent Liabilities:                 |                          |                            |                             |                      |
| Bonds payable                           | -                        | 3,750,000                  | -                           | 3,750,000            |
| Unamortized premium on bonds            | -                        | 79,880                     | -                           | 79,880               |
| Compensated absences                    | 26,155                   | 13,316                     | 22,510                      | 61,981               |
| Total noncurrent liabilities            | <u>26,155</u>            | <u>3,843,196</u>           | <u>22,510</u>               | <u>3,891,861</u>     |
| Total liabilities                       | <u>1,021,319</u>         | <u>4,777,935</u>           | <u>60,439</u>               | <u>5,859,693</u>     |
| <b>NET POSITION</b>                     |                          |                            |                             |                      |
| Net investment in capital assets        | 1,729,626                | 6,724,547                  | 2,110,586                   | 10,564,759           |
| Restricted for construction & equipment | 194,000                  | 872,229                    | -                           | 1,066,229            |
| Restricted for system improvements      | 510,000                  | 42,714                     | -                           | 552,714              |
| Restricted for operations & maintenance | 2,128,679                | 739,198                    | -                           | 2,867,877            |
| Unrestricted                            | 2,693,146                | 2,304,839                  | 427,757                     | 5,425,742            |
| Total net position                      | <u>\$ 7,255,451</u>      | <u>\$ 10,683,527</u>       | <u>\$ 2,538,343</u>         | <u>\$ 20,477,321</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 NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

|  | Business-Type Activities |                            |                             | Total<br>Proprietary<br>Funds |
|--|--------------------------|----------------------------|-----------------------------|-------------------------------|
|  | Electric Fund            | Water/Waste-<br>Water Fund | Total<br>Non-major<br>Funds |                               |
| Operating revenues:                    |                          |                            |                             |                               |
| Charges for services:                  |                          |                            |                             |                               |
| Water sales                            | \$ -                     | \$ 2,529,100               | \$ -                        | \$ 2,529,100                  |
| Sewerage service                       | -                        | 1,446,557                  | -                           | 1,446,557                     |
| Electricity sales                      | 10,203,027               | -                          | -                           | 10,203,027                    |
| Other charges for services             | -                        | -                          | 595,095                     | 595,095                       |
| Miscellaneous revenue                  | 137,889                  | 19,046                     | 607                         | 157,542                       |
| Total operating revenues               | <u>10,340,916</u>        | <u>3,994,703</u>           | <u>595,702</u>              | <u>14,931,321</u>             |
| Operating expenses:                    |                          |                            |                             |                               |
| Personnel services                     | 412,706                  | 463,375                    | 333,426                     | 1,209,507                     |
| Purchased prof. and technical services | 6,815,673                | 1,219,261                  | 48,231                      | 8,083,165                     |
| Purchased property services            | -                        | 185,245                    | 28,630                      | 213,875                       |
| Other purchased services               | -                        | 1,000                      | 7,182                       | 8,182                         |
| Materials and supplies                 | 35,733                   | 93,787                     | 87,953                      | 217,473                       |
| Other operating expenses               | 1,112,632                | 1,051,411                  | 89,455                      | 2,253,498                     |
| Depreciation                           | 123,443                  | 638,659                    | 137,464                     | 899,566                       |
| Total operating expenses               | <u>8,500,187</u>         | <u>3,652,738</u>           | <u>732,341</u>              | <u>12,885,266</u>             |
| Operating income (loss)                | 1,840,729                | 341,965                    | (136,639)                   | 2,046,055                     |
| Nonoperating revenues (expenses)       |                          |                            |                             |                               |
| Intergovernmental                      | -                        | -                          | 2,473                       | 2,473                         |
| Investment earnings                    | 10,515                   | 12,553                     | 1,538                       | 24,606                        |
| Insurance recoveries                   | -                        | 9,004                      | -                           | 9,004                         |
| Interest expense                       | -                        | (130,699)                  | -                           | (130,699)                     |
| Total nonoper. revenues (expenses)     | <u>10,515</u>            | <u>(109,142)</u>           | <u>4,011</u>                | <u>(94,616)</u>               |
| Income before transfers in (out)       | 1,851,244                | 232,823                    | (132,628)                   | 1,951,439                     |
| Transfers in                           | 13,161                   | 37,286                     | 113,300                     | 163,747                       |
| Transfers out                          | (1,498,262)              | (168,911)                  | (34,669)                    | (1,701,842)                   |
| Change in net position                 | 366,143                  | 101,198                    | (53,997)                    | 413,344                       |
| Net position-beginning (as restated)   | 6,889,308                | 10,582,329                 | 2,592,340                   | 20,063,977                    |
| Net position-ending                    | <u>\$ 7,255,451</u>      | <u>\$ 10,683,527</u>       | <u>\$ 2,538,343</u>         | <u>\$ 20,477,321</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, 2013

|   | Business-Type Activities |                            |                             |                     |
|---|--------------------------|----------------------------|-----------------------------|---------------------|
|   | Electric Fund            | Water/Waste-<br>Water Fund | Total<br>Non-major<br>Funds |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |                            |                             |                     |
| Receipts from customers   | \$ 10,369,089            | \$ 4,078,156               | \$ 606,179                  | \$ 15,053,424       |
| Payments to suppliers and service providers   | (7,921,855)              | (2,091,383)                | (287,351)                   | (10,300,589)        |
| Payments to employees for salaries and benefits   | (407,989)                | (464,611)                  | (330,773)                   | (1,203,373)         |
| Net cash provided by (used for) operating activities  | <u>2,039,245</u>         | <u>1,522,162</u>           | <u>(11,945)</u>             | <u>3,549,462</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                          |                            |                             |                     |
| Transfers from other funds  | (1,485,101)              | (131,625)                  | 81,105                      | (1,535,621)         |
| Net cash provided by (used for) capital and financing activities  | <u>(1,485,101)</u>       | <u>(131,625)</u>           | <u>81,105</u>               | <u>(1,535,621)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                          |                            |                             |                     |
| Acquisition and construction of capital assets  | (55,446)                 | (551,500)                  | (72,350)                    | (679,296)           |
| Principal paid on capital debt  | -                        | (518,473)                  | -                           | (518,473)           |
| Interest paid on capital debt   | -                        | (130,699)                  | -                           | (130,699)           |
| Insurance proceeds  | -                        | 9,004                      | -                           | 9,004               |
| Net cash provided by (used for) capital and related financing activities                                  | <u>(55,446)</u>          | <u>(1,191,668)</u>         | <u>(72,350)</u>             | <u>(1,319,464)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |                            |                             |                     |
| Interest on investments   | 6,663                    | 132,249                    | 1,437                       | 140,349             |
| Net cash provided by investing activities   | <u>6,663</u>             | <u>132,249</u>             | <u>1,437</u>                | <u>140,349</u>      |
| Net increase (decrease) in cash and cash equivalents  | 505,361                  | 331,118                    | (1,753)                     | 834,726             |
| Cash and cash equivalents-beginning   | 925,319                  | 1,004,924                  | 327,603                     | 2,257,846           |
| Cash and cash equivalents-ending  | <u>\$ 1,430,680</u>      | <u>\$ 1,336,042</u>        | <u>\$ 325,850</u>           | <u>\$ 3,092,572</u> |
| <b>Reconciliation of operating income (loss) to net cash provided (used for) operating activities:</b>    |                          |                            |                             |                     |
| Operating income (loss)   | \$ 1,840,729             | \$ 341,965                 | \$ (136,639)                | \$ 2,046,055        |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |                          |                            |                             |                     |
| Depreciation expense  | 123,443                  | 640,361                    | 137,464                     | 901,268             |
| (Increase) decrease in accounts receivable  | 28,171                   | (6,067)                    | 10,477                      | 32,581              |
| (Increase) decrease in inventories  | (21,401)                 | (327)                      | 1,503                       | (20,225)            |
| (Increase) decrease in prepaid items  | -                        | (100,331)                  | -                           | (100,331)           |
| (Decrease) increase in accounts payable   | 61,556                   | 300,746                    | (24,741)                    | 337,561             |
| (Decrease) increase in accrued liabilities  | 6,747                    | 257,995                    | (9)                         | 264,733             |
| Total adjustments   | <u>198,516</u>           | <u>1,092,377</u>           | <u>124,694</u>              | <u>1,415,587</u>    |
| Net cash provided by (used for) operating activities  | <u>\$ 2,039,245</u>      | <u>\$ 1,434,342</u>        | <u>\$ (11,945)</u>          | <u>\$ 3,461,642</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  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**I. Summary of significant accounting policies**

**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. Reporting entity**

The City of Lampasas, Texas (government) is a municipal corporation governed by an elected mayor and six-member governing council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The Lampasas Economic Development Corporation (hereafter "Lampasas EDC") was established in 1998, after the citizens of Lampasas voted to pass a .25 cent sales tax dedicated to economic development. Lampasas EDC's primary purpose is to assist in bringing meaningful and rewarding employment opportunities to citizens in the area through funding assistance provided to businesses to relocate or expand in Lampasas. A separate governing board oversees Lampasas EDC, which is appointed by the Lampasas City Council, and consists of individuals from the community and related governmental entities in the area. City of Lampasas employees also manage the operations of Lampasas EDC. Lampasas EDC has been reported as a discretely presented component unit because the governing board is not identical to the governing body of the City and Lampasas EDC does not solely serve the City of Lampasas.

A copy of the Lampasas EDC financial report may be obtained by contacting the City of Lampasas Finance Department. The Lampasas EDC is discretely presented as a component unit within the City of Lampasas' financial statements. It is reported in a separate column to emphasize that it is legally separate from the primary government.

**C. Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

CITY OF LAMPASAS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

As discussed earlier, the government has one discretely presented component unit. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of presentation – fund financial statements**

The fund financial statements provide information about the government’s funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *certificates of obligation, series 2011 fund* accounts for the acquisition and construction of the government’s major capital facilities purchased from the resources obtained from the certificate of obligation bonds issued in prior years.

The government reports the following major enterprise funds:

The *electric fund* accounts for the electricity services provided to customers and the related costs of operations to provide those services.

The *water/wastewater fund* accounts for water and wastewater services provided to customers and the related costs of operations to provide those services.

Additionally, the government reports the following fund types:

*Special revenue funds* account for resources restricted, committed, or assigned for specific purposes by the City or outside grantors in order to have more transparent accountability.

The *debt service fund* accounts for resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

*Capital projects funds* account for the proceeds from long term debt financing and revenues and expenditures related to the authorized capital asset acquisitions.

*Non-major enterprise funds* account for services provided to customers and related costs of operations. The City reported three non-major enterprise funds which are the economic development fund, the aviation fund and the golf course fund.

CITY OF LAMPASAS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**E. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF LAMPASAS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**F. Budgetary information**

***1. Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, and proprietary funds. Other special revenue funds and the capital project funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

***2. Excess of expenditures over appropriations***

For the year ended September 30, 2013, expenditures did not exceed appropriations in any department (the legal level of budgetary control).

CITY OF LAMPASAS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

***1. Cash and cash equivalents***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***2. Investments***

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools (TexPool and TexStar) when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

***3. Inventories and prepaid items***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies, utility operations repair parts, and proprietary fund merchandise held for sale. The cost of such inventories is recorded as expenditures/expenses 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***4. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

| Capital asset classes   | Lives |
|-------------------------|-------|
| Buildings               | 10-40 |
| Machinery and equipment | 5-20  |
| Vehicles                | 5-10  |
| Improvements            | 10-40 |
| Infrastructure          | 10-50 |

**5. *Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently does not have any financial transactions that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. *Net position flow assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**7. *Fund balance flow assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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***8. Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council has by resolution authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**H. Revenues and expenditures/expenses**

***1. Program revenues***

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***2. Property taxes***

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 1 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 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2012, upon which the levy for the 2012-2013 fiscal year was based, was \$344,754,618. 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.

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**3. *Compensated absences***

Vacation

The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the government and, upon separation from service, no monetary obligation exists.

**4. *Proprietary funds operating and nonoperating revenues and expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and electric fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this amount are listed on the following page:

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|  |                     |
|--|---------------------|
| Capital assets not being depreciated:  |                     |
| Land   | \$ 1,105,698        |
| Construction in progress   | 1,284,418           |
| Capital assets, being depreciated  |                     |
| Buildings and improvements   | 9,472,554           |
| Machinery, equipment, and vehicles   | 3,506,066           |
| Accumulated depreciation   | <u>(6,654,607)</u>  |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 8,714,129</u> |

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this amount are as follows:

|  |                     |
|--|---------------------|
| Bonds payable  | \$ 6,740,000        |
| Plus: Issuance premium   | 23,954              |
| Compensated absences   | 254,988             |
| Accrued interest payable   | <u>34,618</u>       |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 7,053,560</u> |

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of this amount are as follows:

|   |                   |
|---|-------------------|
| Capital outlay  | \$ 1,533,902      |
| Depreciation expense  | <u>(691,329)</u>  |
| Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 842,573</u> |

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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this amount are as follows:

|  |            |
|--|------------|
| Principal repayments:  |            |
| General obligation debt  | \$ 335,000 |
| Payment to escrow agent for refunding  | 1,041      |
| Adjustments to long term debt balances:  |            |
| Compensated Absences   | (32,404)   |
| Accrued Interest   | 2,208      |
|  |            |
| Net adjustment to increase changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | \$ 305,845 |

**III. Stewardship, compliance and accountability**

**A. Violations of legal or contractual provisions**

No violations of legal or contractual provisions were noted during the current year.

**B. Deficit fund equity**

For the year ended September 30, 2013 there were no funds reported with deficit fund equity.

**IV. Detailed notes on all activities and funds**

**A. Cash deposits with financial institutions**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At the date of the highest cash balance during the year (February 2013), the government’s bank balance was \$6,104,400 all of which was insured because it was collateralized with securities held by the pledging or financial institution’s trust department or agent, but not in the government’s name.

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**B. Investments**

The TexPool and TexStar Investment Pools (Pools) operate in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pools have a credit rating of AAAM from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pools invest in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

As of September 30, 2013, the government had the following investments:

| Investment Type         | Maturity Time in Years |             |             |                 |
|-------------------------|------------------------|-------------|-------------|-----------------|
|                         | Less than<br>1         | 1-5         | 6-10        | More<br>Than 10 |
| Certificates of Deposit | \$ 400,000             | \$ -        | \$ -        | \$ -            |
| TexPool Investment Pool | 7,452,076              | -           | -           | -               |
| TexStar Investment Pool | 3,368,329              | -           | -           | -               |
| Total Investments       | <u>\$ 11,220,405</u>   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>     |

*Interest rate risk.* In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than six months.

*Credit risk.* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2013, the government’s investment in the TexPool and TexStar investment pools was rated AAAM by Standard & Poor’s.

*Concentration of credit risk.* The government’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government’s total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

*Custodial credit risk-investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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**C. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts:

Governmental Funds:

| Receivables                        | General<br>Fund | Certificates<br>of Obligation<br>Series 2011 | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------|-----------------|--|-----------------------------------|--------------------------------|
| Property taxes                     | \$ 58,558       | \$ -   | \$ 17,318                         | \$ 75,876                      |
| Accounts receivable                | 143,721         | 20,928                                       | 118,174                           | 282,823                        |
| Intergovernmental                  | -               | -  | 168                               | 168                            |
| Gross receivables                  | 202,279         | 20,928                                       | 135,660                           | 358,867                        |
| Less: Allowance for uncollectibles | (10,130)        | -  | (2,598)                           | (12,728)                       |
| Net receivables                    | \$ 192,149      | \$ 20,928                                    | \$ 133,062                        | \$ 346,139                     |

Proprietary Funds:

| Receivables         | Electric<br>Fund | Water/Waste<br>water<br>Fund | Nonmajor<br>Proprietary<br>Funds | Total<br>Proprietary<br>Funds |
|---------------------|------------------|------------------------------|----------------------------------|-------------------------------|
| Accounts receivable | \$ 813,870       | \$ 226,903                   | \$ 9,560                         | \$ 1,050,333                  |
| Net receivables     | \$ 813,870       | \$ 226,903                   | \$ 9,560                         | \$ 1,050,333                  |

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**D. Capital Assets**

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

**Governmental Activities:**

|   | Balance<br>1/0/00   | Increases         | Decreases   | Adjustments        | Balance<br>1/0/00   |
|---|---------------------|-------------------|-------------|--------------------|---------------------|
| Capital assets, not being depreciated:      |                     |                   |             |                    |                     |
| Land  | \$ 1,105,698        | \$ -              | \$ -        | \$ -               | \$ 1,105,698        |
| Construction-in-progress                    | 154,242             | 1,130,176         | -           | (1,201,578)        | 82,840              |
| Total capital assets, not being depreciated | <u>1,259,940</u>    | <u>1,130,176</u>  | <u>-</u>    | <u>(1,201,578)</u> | <u>1,188,538</u>    |
| Capital assets, being depreciated:          |                     |                   |             |                    |                     |
| Buildings and improvements                  | 9,244,908           | 227,646           | -           | 1,201,578          | 10,674,132          |
| Machinery, equipment, and vehicles          | 3,329,986           | 176,080           | -           | -                  | 3,506,066           |
| Total capital assets, being depreciated     | <u>12,574,894</u>   | <u>403,726</u>    | <u>-</u>    | <u>1,201,578</u>   | <u>14,180,198</u>   |
| Less accumulated depreciation for:          |                     |                   |             |                    |                     |
| Buildings and improvements                  | (3,419,722)         | (425,467)         | -           | -                  | (3,845,189)         |
| Machinery, equipment, and vehicles          | (2,543,556)         | (265,862)         | -           | -                  | (2,809,418)         |
| Total accumulated depreciation              | <u>(5,963,278)</u>  | <u>(691,329)</u>  | <u>-</u>    | <u>-</u>           | <u>(6,654,607)</u>  |
| Total capital assets being depreciated, net | <u>6,611,616</u>    | <u>(287,603)</u>  | <u>-</u>    | <u>1,201,578</u>   | <u>7,525,591</u>    |
| Governmental activities capital assets, net | <u>\$ 7,871,556</u> | <u>\$ 842,573</u> | <u>\$ -</u> | <u>\$ -</u>        | <u>\$ 8,714,129</u> |

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

**Governmental activities:**

|  |                   |
|--|-------------------|
| General government                                   | \$ 172,271        |
| Public safety  | 256,869           |
| Highways and streets                                 | 78,535            |
| Sanitation   | 88,780            |
| Health and welfare                                   | 10,002            |
| Culture and recreation                               | 81,078            |
| Conservation   | 3,794             |
| Total depreciation expense - governmental activities | <u>\$ 691,329</u> |

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**Business-Type Activities:**

|  | Balance<br>1/0/00 | Increases    | Decreases  | Adjustments | Balance<br>1/0/00 |
|--|-------------------|--------------|------------|-------------|-------------------|
| Capital assets, not being depreciated:       |                   |              |            |             |                   |
| Land   | \$ 607,099        | \$ -         | \$ -       | \$ -        | \$ 607,099        |
| Construction-in-progress                     | 208,377           | 495,134      | (2,427)    | -           | 701,084           |
| Total capital assets, not being depreciated  | 815,476           | 495,134      | (2,427)    | -           | 1,308,183         |
| Capital assets, being depreciated:           |                   |              |            |             |                   |
| Buildings and improvements                   | 4,157,559         | 72,350       | -          | -           | 4,229,909         |
| Machinery, equipment, and vehicles           | 4,297,160         | 36,367       | -          | (14,266)    | 4,319,261         |
| Infrastructure                               | 20,682,233        | 77,867       | -          | (42,330)    | 20,717,770        |
| Total capital assets, being depreciated      | 29,136,952        | 186,584      | -          | (56,596)    | 29,266,940        |
| Less accumulated depreciation for:           |                   |              |            |             |                   |
| Buildings and improvements                   | (2,029,098)       | (174,317)    | -          | -           | (2,203,415)       |
| Machinery, equipment, and vehicles           | (3,872,631)       | (90,901)     | -          | 10,187      | (3,953,345)       |
| Infrastructure                               | (9,129,372)       | (634,352)    | -          | -           | (9,763,724)       |
| Total accumulated depreciation               | (15,031,101)      | (899,570)    | -          | 10,187      | (15,920,484)      |
| Total capital assets being depreciated, net  | 14,105,851        | (712,986)    | -          | (46,409)    | 13,346,456        |
| Business-type activities capital assets, net | \$ 14,921,327     | \$ (217,852) | \$ (2,427) | \$ (46,409) | \$ 14,654,639     |

**E. Accrued liabilities**

Accrued liabilities reported by governmental and proprietary funds at September 30, 2013, were as follows:

Governmental Funds:

|                           | General<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------|-----------------|-----------------------------------|--------------------------------|
| Salaries and benefits     | \$ 121,295      | \$ 2,888                          | \$ 124,183                     |
| Other accrued liabilities | 10,886          | 8,607                             | 19,493                         |
| Total accrued liabilities | \$ 132,181      | \$ 11,495                         | \$ 143,676                     |

Proprietary Funds:

|                           | Electric<br>Fund | Water/Waste-<br>water Fund | Nonmajor<br>Proprietary<br>Funds | Total<br>Proprietary<br>Funds |
|---------------------------|------------------|----------------------------|----------------------------------|-------------------------------|
| Salaries and benefits     | \$ 12,753        | \$ 11,681                  | \$ 9,011                         | \$ 33,445                     |
| Accrued interest payable  | -                | 17,355                     | -                                | 17,355                        |
| Other accrued liabilities | 25,623           | 16,586                     | 2,231                            | 44,440                        |
| Total accrued liabilities | \$ 38,376        | \$ 45,622                  | \$ 11,242                        | \$ 95,240                     |

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**F. Pension obligations**

Texas Municipal Retirement System (TMRS)

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 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](http://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 2012            | Plan Year 2013            |
|---|---------------------------|---------------------------|
| Employee Deposit Rate   | 6                         | 6                         |
| Matching Ratio (City to Employee)                                     | 2 to 1                    | 2 to 1                    |
| Years Required for Vesting  | 5                         | 5                         |
| Service Retirement Eligibility<br>(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 contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior services contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credit 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.

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The required contribution rates for fiscal year 2013 were determined as part of the December 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

|   |                           |                           |                           |
|---|---------------------------|---------------------------|---------------------------|
| Valuation Date                                    | 12/31/2010                | 12/31/2011                | 12/31/2012                |
| Actuarial Cost Method                             | Projected Unit Credit     | Projected Unit Credit     | Projected Unit Credit     |
| Amortization Method                               | Level % of Payroll        | Level % of Payroll        | Level % of Payroll        |
| GASB 25 Equivalent Single Amortization Period     | 27.2 years; closed period | 26.3 years; closed period | 25.3 years; closed period |
| Amortization Period for New Gains/Losses          | 30 years                  | 30 years                  | 30 years                  |
| Asset Valuation Method                            | 10-year Smoothed Market   | 10-year Smoothed Market   | 10-year Smoothed Market   |
| Actuarial Assumptions:                            |                           |                           |                           |
| Investment Rate of Return*                        | 7.50%                     | 7.00%                     | 7.00%                     |
| Projected Salary Increases*                       | varies by age and service | varies by age and service | varies by age and service |
| *Includes Inflation at Cost of Living Adjustments | 3.0%                      | 3.0%                      | 3.0%                      |
|   | 2.1%                      | 2.1%                      | 2.1%                      |

The funded status as of September 30, 2013, the most recent actuarial valuation date, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded AAL (UAAL) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|--------------|---------------------|-----------------|---|
|                          | (a)                       | (b)                               | (c)          | (d)                 | (e)             | (f)                                     |
|                          |                           |                                   | (a) / (b)    | (b) - (a)           |                 | (d) / (e)                               |
| 12/31/2012               | \$ 13,256,367             | \$ 16,229,475                     | 81.7%        | \$2,973,108         | \$4,044,041     | 73.5%                                   |

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.

**G. Risk management**

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; 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.

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**H. Lease Obligations**

**1. Operating lease**

The government leases a John Deere mower to provide for operation needs for the Golf Course fund. Total costs for this lease were \$6,916 for the year ended September 30, 2013.

The future minimum lease payments for this lease is as follows:

| Year Ending<br>September 30, | John Deere<br>Mower |
|------------------------------|---------------------|
| 2014                         | \$ 6,916            |
| 2015                         | 5,187               |
|                              | <u>\$ 12,103</u>    |

**I. Long-Term Liabilities**

General Obligation Bonds

The government issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur in varying amounts of principal maturing each year with maturities that range from 5 to 25 years.

The government issues maintenance tax notes or obtains regular notes payable financing arrangements from banks to provide funds for the acquisition of equipment, minor capital projects, or other financing needs. Tax notes and regular notes payable are direct obligations and pledge the full faith and credit of the government. These debt instruments are generally repaid in equal installments of principal and interest over a period of 3 to 10 years.

Details of long-term debt obligations outstanding at September 30, 2013 are shown below:

**Governmental Activities:**

| Type                                    | Sale<br>Date | Original<br>Borrowing | Interest<br>Rates to<br>Maturity | Final<br>Maturity | Outstanding<br>1/0/00 |
|---|--------------|-----------------------|----------------------------------|-------------------|-----------------------|
| <b>Bonds Payable</b>                    |              |                       |                                  |                   |                       |
| Certificates of Obligation, Series 2007 | 2007         | \$ 6,000,000          | 4.19%                            | 2031              | \$ 4,850,000          |
| Certificates of Obligation, Series 2011 | 2011         | 2,010,000             | 3.0%-4.5%                        | 2036              | 1,890,000             |
| Total Bonds Payable                     |              |                       |                                  |                   | <u>\$ 6,740,000</u>   |

CITY OF LAMPASAS, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

**Business-type Activities:**

| Type   | Sale Date | Original Borrowing | Interest Rates to Maturity | Final Maturity | Outstanding 1/0/00 |
|--|-----------|--------------------|----------------------------|----------------|--------------------|
| <b>Bonds Payable</b>                         |           |                    |                            |                |                    |
| Comb. Tax & Rev. Cert. of Oblig. Series 2006 | 2006      | \$ 1,020,000       | 4.3%                       | 2019           | \$ 650,000         |
| General Obligation Ref. Bonds, Series 2012   | 2012      | 3,525,000          | 2.0%-4.0%                  | 2036           | 3,360,000          |
| Total General Obligation Bonds               |           |                    |                            |                | \$ 4,010,000       |

Changes in long-term liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2013 are as follows:

**Governmental Activities:**

| Description                           | Balance 1/0/00 | Additions | Deletions    | Balance 1/0/00 | Due in One Year |
|---------------------------------------|----------------|-----------|--------------|----------------|-----------------|
| <b>Bonds Payable</b>                  |                |           |              |                |                 |
| Certificates of obligation            | \$6,955,000    | \$ -      | \$ (215,000) | \$6,740,000    | \$ 360,000      |
| Premium                               | 24,995         | -         | (1,041)      | 23,954         | -               |
| Total bonds payable                   | 6,979,995      | -         | (216,041)    | 6,763,954      | 360,000         |
| Notes payable                         | 120,000        | -         | (120,000)    | -              | -               |
| Compensated absences                  | 222,584        | 32,404    | -            | 254,988        | -               |
| Gov. activities long-term liabilities | \$7,322,579    | \$ 32,404 | \$ (336,041) | \$7,018,942    | \$ 360,000      |

For compensated absences, the general fund normally liquidates 100 percent of the accumulated liability.

**Business-type Activities:**

| Description                                | Balance 1/0/00 | Additions | Deletions    | Balance 1/0/00 | Due in One Year |
|--|----------------|-----------|--------------|----------------|-----------------|
| <b>Bonds Payable</b>                       |                |           |              |                |                 |
| General obligation bonds                   | \$4,265,000    | \$ -      | \$ (255,000) | \$4,010,000    | \$ 260,000      |
| Premium                                    | 83,353         | -         | (3,473)      | 79,880         | -               |
| Total bonds payable                        | 4,348,353      | -         | (258,473)    | 4,089,880      | 260,000         |
| Compensated absences                       | 53,923         | 8,058     | -            | 61,981         | -               |
| Bus.-type activities long-term liabilities | \$4,402,276    | \$ 8,058  | \$ (258,473) | \$4,151,861    | \$ 260,000      |

CITY OF LAMPASAS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

The debt service requirements for the government's bonds, loans, and notes are as follows:

**Governmental Activities:**

| Year Ended<br>September 30, | Governmental Activities |                     |                     |                     |
|-----------------------------|-------------------------|---------------------|---------------------|---------------------|
|                             | Bonds Payable           |                     | Total               |                     |
|                             | Principal               | Interest            | Principal           | Interest            |
| 2014                        | \$ 360,000              | \$ 270,920          | \$ 360,000          | \$ 270,920          |
| 2015                        | 365,000                 | 257,644             | 365,000             | 257,644             |
| 2016                        | 380,000                 | 244,160             | 380,000             | 244,160             |
| 2017                        | 245,000                 | 230,050             | 245,000             | 230,050             |
| 2018                        | 245,000                 | 220,835             | 245,000             | 220,835             |
| 2019-2023                   | 2,030,000               | 969,190             | 2,030,000           | 969,190             |
| 2024-2028                   | 1,715,000               | 495,824             | 1,715,000           | 495,824             |
| 2029-2033                   | 1,085,000               | 183,580             | 1,085,000           | 183,580             |
| 2034-2036                   | 315,000                 | 28,800              | 315,000             | 28,800              |
| Totals                      | <u>\$ 6,740,000</u>     | <u>\$ 2,901,003</u> | <u>\$ 6,740,000</u> | <u>\$ 2,901,003</u> |

**Business-type Activities:**

| Year Ended<br>September 30, | Business-Type Activities |                     |                     |                     |
|-----------------------------|--------------------------|---------------------|---------------------|---------------------|
|                             | Bonds Payable            |                     | Total               |                     |
|                             | Principal                | Interest            | Principal           | Interest            |
| 2014                        | \$ 260,000               | \$ 127,245          | \$ 260,000          | \$ 127,245          |
| 2015                        | 275,000                  | 120,017             | 275,000             | 120,017             |
| 2016                        | 285,000                  | 112,487             | 285,000             | 112,487             |
| 2017                        | 290,000                  | 104,504             | 290,000             | 104,504             |
| 2018                        | 300,000                  | 96,421              | 300,000             | 96,421              |
| 2019-2023                   | 675,000                  | 398,036             | 675,000             | 398,036             |
| 2024-2028                   | 640,000                  | 306,050             | 640,000             | 306,050             |
| 2029-2033                   | 755,000                  | 183,900             | 755,000             | 183,900             |
| 2034-2036                   | 530,000                  | 32,398              | 530,000             | 32,398              |
| Totals                      | <u>\$ 4,010,000</u>      | <u>\$ 1,481,058</u> | <u>\$ 4,010,000</u> | <u>\$ 1,481,058</u> |

**J. Interfund receivables and payables**

The City did not have any interfund balances as of September 30, 2013.

CITY OF LAMPASAS, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

**K. Interfund transfers**

The composition of interfund transfers for the year ended September 30, 2013 is as follows:

|                               | <b>Transfer in to:</b> |                     |                  |                  |                      | Total               |
|-------------------------------|------------------------|---------------------|------------------|------------------|----------------------|---------------------|
|                               | Governmental Funds     |                     | Enterprise Funds |                  |                      |                     |
|                               | General Fund           | Nonmajor Gov. Funds | Electric Fund    | Water/WW Fund    | Nonmajor Prop. Funds |                     |
| <b>Transfer out from:</b>     |                        |                     |                  |                  |                      |                     |
| General Fund                  | \$ -                   | \$ 95,960           | \$ -             | \$ -             | \$ 40,000            | \$ 135,960          |
| Cert. of Oblig. - Series 2011 | -                      | -                   | -                | -                | 950                  | 950                 |
| Nonmajor Gov. Funds           | 13,485                 | -                   | 13,161           | 37,286           | 72,350               | 136,282             |
| Electric Fund                 | 1,350,000              | 148,262             | -                | -                | -                    | 1,498,262           |
| Water/Wastewater Fund         | -                      | 168,911             | -                | -                | -                    | 168,911             |
| Nonmajor Prop. Funds          | -                      | 34,669              | -                | -                | -                    | 34,669              |
| <b>Total</b>                  | <b>\$ 1,363,485</b>    | <b>\$ 447,802</b>   | <b>\$ 13,161</b> | <b>\$ 37,286</b> | <b>\$ 113,300</b>    | <b>\$ 1,975,034</b> |

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move general fund resources to provide subsidies to other funds as needs arise, and 3) move resources from the electric fund to the general fund to subsidize governmental activities.

**L. Discretely presented component unit**

Lampasas Economic Development Corporation (Lampasas EDC)

Capital assets activity for Lampasas EDC for the year ended September 30, 2013 was as shown on the following page:

CITY OF LAMPASAS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**Component Unit:**

|  | Balance<br>1/0/00 | Increases | Decreases   | Adjustments | Balance<br>1/0/00 |
|--|-------------------|-----------|-------------|-------------|-------------------|
| Capital assets, not being depreciated:       |                   |           |             |             |                   |
| Land   | \$ 909,835        | \$ 13,950 | \$(105,807) | \$ -        | \$ 817,978        |
| Total capital assets, not being depreciated  | 909,835           | 13,950    | (105,807)   | -           | 817,978           |
| Capital assets, being depreciated:           |                   |           |             |             |                   |
| Buildings and improvements                   | 17,975            | -         | -           | -           | 17,975            |
| Total capital assets, being depreciated      | 17,975            | -         | -           | -           | 17,975            |
| Less accumulated depreciation for:           |                   |           |             |             |                   |
| Buildings and improvements                   | (1,798)           | (1,798)   | -           | -           | (3,596)           |
| Total accumulated depreciation               | (1,798)           | (1,798)   | -           | -           | (3,596)           |
| Total capital assets being depreciated, net  | 16,177            | (1,798)   | -           | -           | 14,379            |
| Business-type activities capital assets, net | \$ 926,012        | \$ 12,152 | \$(105,807) | \$ -        | \$ 832,357        |

Details of long-term debt obligations outstanding for Lampasas EDC at September 30, 2013 are as follows:

| Type   | Sale<br>Date | Original<br>Borrowing | Interest<br>Rates to<br>Maturity | Final<br>Maturity | Outstanding<br>9/30/13 |
|--|--------------|-----------------------|----------------------------------|-------------------|------------------------|
| <b>General Obligation Bonds:</b>             |              |                       |                                  |                   |                        |
| Taxable Sales Tax Revenue Bonds, Series 2004 | 2004         | \$ 1,100,000          | 4.95%                            | 2019              | \$ 550,000             |
| Total  |              |                       |                                  |                   | \$ 550,000             |

Long-term debt activity for Lampasas EDC for the year ended September 30, 2013 was as follows:

| Description                                   | Balance<br>10/1/12 | Additions | Deletions   | Balance<br>9/30/13 | Due in<br>One Year |
|---|--------------------|-----------|-------------|--------------------|--------------------|
| <b>Bonds Payable</b>                          |                    |           |             |                    |                    |
| Revenue bonds                                 | \$ 630,000         | \$ -      | \$ (80,000) | \$ 550,000         | \$ 85,000          |
| Total bonds payable                           | 630,000            | -         | (80,000)    | 550,000            | 85,000             |
| Governmental activities long-term liabilities | \$ 630,000         | \$ -      | \$ (80,000) | \$ 550,000         | \$ 85,000          |

CITY OF LAMPASAS, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

**M. Contingencies**

The government had no significant contingencies to disclose as of September 30, 2013

**N. Subsequent events**

There were no subsequent events that occurred after year end meeting the requirements for disclosure.

**O. Litigation**

As of year end, there was either no litigation pending against the City or no litigation meeting the requirements of disclosure.

**P. Restatement of Net Position**

During the year, analysis of the City’s capital asset listing indicated that an asset that is paid for with an operating lease was included as a capital asset. As a result, the City’s capital assets were overstated at the beginning of the year. To correct the beginning of the year effect of this condition, a prior period adjustment decreasing beginning net position in the amount of \$46,409 was recorded.

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) which is effective for periods beginning after December 15, 2012, with early application encouraged. This statement specifies that costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt. These costs should instead be recognized as an expense in the period incurred. Accounting changes to comply with this statement should be applied retroactively by restating financial statements for all periods presented. If restatement is impractical, the cumulative effect of applying this statement should be reported as a restatement of beginning net position for the earliest period presented.

The impact of these restatements is shown below:

|   | Statement of Revenues<br>Expenditures, and Changes<br>in Fund Balance |                             |
|---|---|-----------------------------|
|   | Water/WW<br>Fund  |                             |
| Net Position as Previously Stated at September 30, 2012 | \$  | 1,426,860                   |
| Adjustment to capital asset value                       |   | (46,409)                    |
| Net Position as Restated at September 30, 2012          | \$  | 1,380,451                   |
|   | Statement of Activities   |                             |
|   | Governmental<br>Activities  | Business-Type<br>Activities |
| Net Position as Previously Stated at September 30, 2012 | \$ 7,536,523  | \$ 20,063,977               |
| Adjustment to capital asset value                       | -   | (46,409)                    |
| Write-off of deferred bond issuance costs               | (135,950)   | -                           |
| Net Position as Restated at September 30, 2012          | \$ 7,400,573  | \$ 20,017,568               |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMPASAS, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Texas Municipal Retirement System Plan

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Funded<br>Ratio | Unfunded<br>AAL<br>(UAAL) | Covered<br>Payroll | UAAL as a<br>% of<br>Covered<br>Payroll |
|--------------------------------|---------------------------------|--|-----------------|---------------------------|--------------------|---|
|                                | (a)                             | (b)  | (c)             | (d)                       | (e)                | (f)                                     |
|                                |                                 |  | (a) / (b)       | (b) - (a)                 |                    | (d) / (e)                               |
| 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%                                   |
| 12/31/2012                     | 13,256,367                      | 16,229,475                                 | 81.7%           | 2,973,108                 | 4,044,041          | 73.5%                                   |

## Nonmajor Governmental Funds

### Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

**Police Seizures Fund** – to account for the receipt and disbursement of funds related to police seizures.

**Municipal Court Technology Fund** – to account for the special assessment revenue and related disbursements for the improvement of municipal court technology.

**Library Board Fund** – to account for the application of any gifts and donations received for the benefit of the library.

**Court Security** – to account for the special assessment revenue and related disbursements for court security improvements.

**Hotel/Motel Tax Fund** – to account for the receipt and disbursement of funds received by the City from the assessment of hotel and motel occupancy tax.

**Employee Benefit Accrual Fund** – to account for the resources restricted for the payment of long-term employee benefit obligations.

**Animal Shelter Fund** – to account for the receipt and disbursement of funds related to the operation of the City’s animal shelter.

### Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the government’s programs.

**Cemetery Fund** – to account for the receipt and disbursement of funds received for the benefit of city cemeteries.

### Debt Service Fund

The debt service fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of government funds.

**Debt Service Fund** – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, and related costs.

## **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

**Key Avenue Fund** – to account for the receipt and disbursement of funds received for special improvements related to Key Avenue.

**Airport Hangar Project Fund** – to account for the receipt and disbursement of funds received for improvements related to the Airport Hangar improvement project.

CITY OF LAMPASAS, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

|  | <b>Special Revenue Funds</b> |  |                       |                        |                         |
|--|------------------------------|--|-----------------------|------------------------|-------------------------|
|  | Police<br>Seizures Fund      | Municipal<br>Court<br>Technology<br>Fund | Library Board<br>Fund | Court Security<br>Fund | Hotel/Motel<br>Tax Fund |
| <b>ASSETS</b>  |                              |  |                       |                        |                         |
| Cash and cash equivalents                              | \$ 30,538                    | \$ 13,442                                | \$ 8,896              | \$ 6,137               | \$ 161,984              |
| Investments - current                                  | -                            | -  | -                     | -                      | 967,854                 |
| Taxes receivable - delinquent                          | -                            | -  | -                     | -                      | -                       |
| Allowance for uncoll. taxes                            | -                            | -  | -                     | -                      | -                       |
| Accounts receivable                                    | -                            | -  | -                     | -                      | 6,505                   |
| Intergovernmental receivable                           | -                            | -  | -                     | -                      | -                       |
| Total Assets   | <u>30,538</u>                | <u>13,442</u>                            | <u>8,896</u>          | <u>6,137</u>           | <u>1,136,343</u>        |
| <b>LIABILITIES</b>                                     |                              |  |                       |                        |                         |
| Accounts payable                                       | 21,931                       | 240                                      | -                     | -                      | 11,159                  |
| Wages and salaries payable                             | -                            | -  | -                     | -                      | -                       |
| Claims and judgements payable                          | 8,607                        | -  | -                     | -                      | -                       |
| Total Liabilities                                      | <u>30,538</u>                | <u>240</u>                               | <u>-</u>              | <u>-</u>               | <u>11,159</u>           |
| <b>DEF. INFLOWS OF RESOURCES</b>                       |                              |  |                       |                        |                         |
| Deferred inflows of resources - property taxes         | -                            | -  | -                     | -                      | -                       |
| Total deferred inflows of resources                    | <u>-</u>                     | <u>-</u>                                 | <u>-</u>              | <u>-</u>               | <u>-</u>                |
| <b>FUND BALANCES (DEFICITS)</b>                        |                              |  |                       |                        |                         |
| <b>Restricted for:</b>                                 |                              |  |                       |                        |                         |
| Debt service   | -                            | -  | -                     | -                      | -                       |
| Endowments   | -                            | -  | -                     | -                      | -                       |
| Capital projects                                       | -                            | -  | -                     | -                      | -                       |
| Other specific purposes                                | -                            | 13,202                                   | 8,896                 | 6,137                  | 1,125,184               |
| Total Fund Balances                                    | <u>-</u>                     | <u>13,202</u>                            | <u>8,896</u>          | <u>6,137</u>           | <u>1,125,184</u>        |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 30,538</u>             | <u>\$ 13,442</u>                         | <u>\$ 8,896</u>       | <u>\$ 6,137</u>        | <u>\$ 1,136,343</u>     |

|                                     |                        | Permanent Funds   |                   | Debt Service Funds | Capital Projects Funds            |  | Total<br>Non-Major<br>Governmental<br>Funds |
|-------------------------------------|------------------------|-------------------|-------------------|--------------------|-----------------------------------|--|---|
| Employee<br>Benefit<br>Accrual Fund | Animal<br>Shelter Fund | Cemetery Fund     | Debt Service Fund | Key Avenue<br>Fund | Airport<br>Hangar<br>Project Fund |  |   |
| \$ 32,030                           | \$ 9,481               | \$ 73,249         | \$ 27,703         | \$ 102,630         | \$ 14,239                         |  | \$ 480,329                                  |
| -                                   | -                      | 101,309           | 140,936           | 767,747            | -                                 |  | 1,977,846                                   |
| -                                   | -                      | -                 | 17,318            | -                  | -                                 |  | 17,318                                      |
| -                                   | -                      | -                 | (2,598)           | -                  | -                                 |  | (2,598)                                     |
| -                                   | 44                     | -                 | 217               | 111,408            | -                                 |  | 118,174                                     |
| -                                   | 168                    | -                 | -                 | -                  | -                                 |  | 168   |
| <u>32,030</u>                       | <u>9,693</u>           | <u>174,558</u>    | <u>183,576</u>    | <u>981,785</u>     | <u>14,239</u>                     |  | <u>2,591,237</u>                            |
| -                                   | 6,805                  | -                 | -                 | 39,997             | -                                 |  | 80,132                                      |
| -                                   | 2,888                  | -                 | -                 | -                  | -                                 |  | 2,888                                       |
| -                                   | -                      | -                 | -                 | -                  | -                                 |  | 8,607                                       |
| -                                   | <u>9,693</u>           | <u>-</u>          | <u>-</u>          | <u>39,997</u>      | <u>-</u>                          |  | <u>91,627</u>                               |
| -                                   | -                      | -                 | 14,720            | -                  | -                                 |  | 14,720                                      |
| -                                   | -                      | -                 | <u>14,720</u>     | <u>-</u>           | <u>-</u>                          |  | <u>14,720</u>                               |
| -                                   | -                      | -                 | 168,856           | -                  | -                                 |  | 168,856                                     |
| -                                   | -                      | 174,558           | -                 | -                  | -                                 |  | 174,558                                     |
| -                                   | -                      | -                 | -                 | 941,788            | 14,239                            |  | 956,027                                     |
| 32,030                              | -                      | -                 | -                 | -                  | -                                 |  | 1,185,449                                   |
| <u>32,030</u>                       | <u>-</u>               | <u>174,558</u>    | <u>168,856</u>    | <u>941,788</u>     | <u>14,239</u>                     |  | <u>2,484,890</u>                            |
| <u>\$ 32,030</u>                    | <u>\$ 9,693</u>        | <u>\$ 174,558</u> | <u>\$ 183,576</u> | <u>\$ 981,785</u>  | <u>\$ 14,239</u>                  |  | <u>\$ 2,591,237</u>                         |

CITY OF LAMPASAS, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

|   | Special Revenue Funds                         |                    |                       |                        |                         |
|---|---|--------------------|-----------------------|------------------------|-------------------------|
|   | Municipal<br>Court<br>Police<br>Seizures Fund | Technology<br>Fund | Library Board<br>Fund | Court Security<br>Fund | Hotel/Motel<br>Tax Fund |
| <b>REVENUES</b>                                   |   |                    |                       |                        |                         |
| Property taxes                                    | \$ -  | \$ -               | \$ -                  | \$ -                   | \$ -                    |
| Hotel/motel taxes                                 | -   | -                  | -                     | -                      | 84,026                  |
| Intergovernmental revenues                        | -   | -                  | -                     | -                      | -                       |
| Charges for services                              | -   | -                  | 4,249                 | 5,491                  | -                       |
| Special assessments                               | -   | 9,902              | -                     | -                      | -                       |
| Investment earnings                               | 83  | 52                 | -                     | 19                     | 1,653                   |
| Contributions from private sources                | -   | -                  | 3,623                 | -                      | -                       |
| Miscellaneous revenue                             | 26,079  | -                  | -                     | -                      | -                       |
| Total revenues                                    | <u>26,162</u>                                 | <u>9,954</u>       | <u>7,872</u>          | <u>5,510</u>           | <u>85,679</u>           |
| <b>EXPENDITURES</b>                               |   |                    |                       |                        |                         |
| Current:  |   |                    |                       |                        |                         |
| General government                                | -   | 8,462              | -                     | -                      | -                       |
| Public safety:                                    |   |                    |                       |                        |                         |
| Police  | 45,256  | -                  | -                     | -                      | -                       |
| Culture and recreation:                           |   |                    |                       |                        |                         |
| Libraries   | -   | -                  | 3,833                 | -                      | -                       |
| Economic development and assistance               | -   | -                  | -                     | -                      | 41,160                  |
| Debt service:                                     |   |                    |                       |                        |                         |
| Bond principal                                    | -   | -                  | -                     | -                      | -                       |
| Interest - bonds                                  | -   | -                  | -                     | -                      | -                       |
| Capital outlay                                    | -   | -                  | -                     | -                      | -                       |
| Total expenditures                                | <u>45,256</u>                                 | <u>8,462</u>       | <u>3,833</u>          | <u>-</u>               | <u>41,160</u>           |
| Excess (deficiency) of revenues over expenditures | <u>(19,094)</u>                               | <u>1,492</u>       | <u>4,039</u>          | <u>5,510</u>           | <u>44,519</u>           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |   |                    |                       |                        |                         |
| Transfers in                                      | 1,693   | -                  | -                     | -                      | -                       |
| Transfers out                                     | -   | -                  | -                     | -                      | -                       |
| Total Other Financing Sources (Uses)              | <u>1,693</u>                                  | <u>-</u>           | <u>-</u>              | <u>-</u>               | <u>-</u>                |
| Net Change in Fund Balance                        | <u>(17,401)</u>                               | <u>1,492</u>       | <u>4,039</u>          | <u>5,510</u>           | <u>44,519</u>           |
| Fund Balance - Beginning                          | 17,401  | 11,710             | 4,857                 | 627                    | 1,080,665               |
| Fund Balance - Ending                             | <u>\$ -</u>                                   | <u>\$ 13,202</u>   | <u>\$ 8,896</u>       | <u>\$ 6,137</u>        | <u>\$ 1,125,184</u>     |

|                               |                     | Permanent Funds | Debt Service Funds | Capital         | Project Funds               | Total              |
|-------------------------------|---------------------|-----------------|--------------------|-----------------|-----------------------------|--------------------|
|                               |                     |                 |                    |                 |                             | Non-Major          |
| Employee Benefit Accrual Fund | Animal Shelter Fund | Cemetery Fund   | Debt Service Fund  | Key Avenue Fund | Airport Hangar Project Fund | Governmental Funds |
| \$ -                          | \$ -                | \$ -            | \$ 311,120         | \$ -            | \$ -                        | \$ 311,120         |
| -                             | -                   | -               | -                  | -               | -                           | 84,026             |
| -                             | 64,267              | -               | -                  | 85,137          | -                           | 149,404            |
| -                             | 2,839               | -               | -                  | -               | -                           | 12,579             |
| -                             | -                   | -               | -                  | -               | -                           | 9,902              |
| 53                            | -                   | 462             | 784                | 1,388           | 234                         | 4,728              |
| -                             | 2,584               | -               | -                  | -               | -                           | 6,207              |
| -                             | 14,021              | -               | -                  | -               | -                           | 40,100             |
| 53                            | 83,711              | 462             | 311,904            | 86,525          | 234                         | 618,066            |
| -                             | 147,978             | -               | -                  | -               | -                           | 156,440            |
| -                             | -                   | -               | -                  | -               | -                           | 45,256             |
| -                             | -                   | -               | -                  | -               | -                           | 3,833              |
| -                             | -                   | -               | -                  | -               | -                           | 41,160             |
| -                             | -                   | -               | 335,000            | -               | -                           | 335,000            |
| -                             | -                   | -               | 282,983            | -               | -                           | 282,983            |
| -                             | -                   | -               | -                  | 16,080          | -                           | 16,080             |
| -                             | 147,978             | -               | 617,983            | 16,080          | -                           | 880,752            |
| 53                            | (64,267)            | 462             | (306,079)          | 70,445          | 234                         | (262,686)          |
| 45,000                        | 64,267              | -               | 310,509            | -               | 26,333                      | 447,802            |
| (13,023)                      | -                   | (462)           | -                  | (50,447)        | (72,350)                    | (136,282)          |
| 31,977                        | 64,267              | (462)           | 310,509            | (50,447)        | (46,017)                    | 311,520            |
| 32,030                        | -                   | -               | 4,430              | 19,998          | (45,783)                    | 48,834             |
| -                             | -                   | 174,558         | 164,426            | 921,790         | 60,022                      | 2,436,056          |
| \$ 32,030                     | \$ -                | \$ 174,558      | \$ 168,856         | \$ 941,788      | \$ 14,239                   | \$ 2,484,890       |

CITY OF LAMPASAS, TEXAS  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

|                                   | <b>Nonmajor Enterprise Funds</b> |                   |                     | Total<br>Non-Major<br>Enterprise<br>Funds |
|-----------------------------------|----------------------------------|-------------------|---------------------|---|
|                                   | G/F Economic<br>Development Fund | Aviation Fund     | Golf Course<br>Fund |   |
| <b>ASSETS</b>                     |                                  |                   |                     |   |
| Current Assets:                   |                                  |                   |                     |   |
| Cash and cash equivalents         | \$ 180,244                       | \$ 92,234         | \$ 53,372           | \$ 325,850                                |
| Investments - current             | 69,364                           | 36,833            | 297                 | 106,494                                   |
| Accounts receivable, net          | -                                | 3,188             | 6,372               | 9,560                                     |
| Inventories                       | -                                | 15,722            | 30,570              | 46,292                                    |
| Total current assets              | <u>249,608</u>                   | <u>147,977</u>    | <u>90,611</u>       | <u>488,196</u>                            |
| Noncurrent Assets:                |                                  |                   |                     |   |
| Land                              | -                                | 141,292           | 341,030             | 482,322                                   |
| Infrastructure                    | -                                | -                 | 477,626             | 477,626                                   |
| Buildings                         | -                                | 699,416           | 189,508             | 888,924                                   |
| Improvements other than buildings | -                                | 484,450           | 977,200             | 1,461,650                                 |
| Furnishings and equipment         | -                                | 67,898            | 132,920             | 200,818                                   |
| Other capital assets              | -                                | -                 | 40,483              | 40,483                                    |
| Accumulated depreciation          | -                                | (550,450)         | (890,787)           | (1,441,237)                               |
| Total noncurrent assets           | <u>-</u>                         | <u>842,606</u>    | <u>1,267,980</u>    | <u>2,110,586</u>                          |
| Total assets                      | <u>249,608</u>                   | <u>990,583</u>    | <u>1,358,591</u>    | <u>2,598,782</u>                          |
| <b>LIABILITIES</b>                |                                  |                   |                     |   |
| Current liabilities:              |                                  |                   |                     |   |
| Accounts payable                  | -                                | 3,802             | 22,885              | 26,687                                    |
| Wages & salaries payable          | -                                | -                 | 9,011               | 9,011                                     |
| Intergovernmental payable         | -                                | -                 | 2,116               | 2,116                                     |
| Other current liabilities         | -                                | -                 | 115                 | 115                                       |
| Total current liabilities         | <u>-</u>                         | <u>3,802</u>      | <u>34,127</u>       | <u>37,929</u>                             |
| Noncurrent Liabilities:           |                                  |                   |                     |   |
| Compensated absences              | -                                | -                 | 22,510              | 22,510                                    |
| Total noncurrent liabilities      | <u>-</u>                         | <u>-</u>          | <u>22,510</u>       | <u>22,510</u>                             |
| Total liabilities                 | <u>-</u>                         | <u>3,802</u>      | <u>56,637</u>       | <u>60,439</u>                             |
| <b>NET POSITION</b>               |                                  |                   |                     |   |
| Net investment in capital assets  | -                                | 842,606           | 1,267,980           | 2,110,586                                 |
| Unrestricted                      | 249,608                          | 144,175           | 33,974              | 427,757                                   |
| Total net position                | <u>\$ 249,608</u>                | <u>\$ 986,781</u> | <u>\$ 1,301,954</u> | <u>\$ 2,538,343</u>                       |

CITY OF LAMPASAS, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

|  | <b>Nonmajor Enterprise Funds</b>    |               |                     | Total<br>Non-Major<br>Enterprise<br>Funds |
|--|-------------------------------------|---------------|---------------------|---|
|  | G/F Economic<br>Development<br>Fund | Aviation Fund | Golf Course<br>Fund |   |
|  | Operating revenues:                 |               |                     |   |
| Charges for services:                  |                                     |               |                     |   |
| Other charges for services             | \$ -                                | \$ 102,638    | \$ 492,457          | \$ 595,095                                |
| Miscellaneous revenue                  | -                                   | 310           | 297                 | 607                                       |
| Total operating revenues               | -                                   | 102,948       | 492,754             | 595,702                                   |
| Operating expenses:                    |                                     |               |                     |   |
| Personnel services                     | -                                   | -             | 333,426             | 333,426                                   |
| Purchased prof. and tech. services     | 3,050                               | 47            | 45,134              | 48,231                                    |
| Purchased property services            | -                                   | -             | 28,630              | 28,630                                    |
| Other purchased services               | -                                   | 7,182         | -                   | 7,182                                     |
| Materials and supplies                 | -                                   | 50,121        | 37,832              | 87,953                                    |
| Other operating expenses               | -                                   | 11,668        | 77,787              | 89,455                                    |
| Depreciation                           | -                                   | 48,063        | 89,401              | 137,464                                   |
| Total operating expenses               | 3,050                               | 117,081       | 612,210             | 732,341                                   |
| Operating income (loss)                | (3,050)                             | (14,133)      | (119,456)           | (136,639)                                 |
| Nonoperating revenues (expenses)       |                                     |               |                     |   |
| Intergovernmental                      | -                                   | 2,473         | -                   | 2,473                                     |
| Investment earnings                    | 1,004                               | 525           | 9                   | 1,538                                     |
| Total nonoperating revenues (expenses) | 1,004                               | 2,998         | 9                   | 4,011                                     |
| Income before transfers in (out)       | (2,046)                             | (11,135)      | (119,447)           | (132,628)                                 |
| Transfers in                           | -                                   | 72,350        | 40,950              | 113,300                                   |
| Transfers out                          | -                                   | (34,669)      | -                   | (34,669)                                  |
| Change in net position                 | (2,046)                             | 26,546        | (78,497)            | (53,997)                                  |
| Net position-beginning (as restated)   | 251,654                             | 960,235       | 1,380,451           | 2,592,340                                 |
| Net position-ending                    | \$ 249,608                          | \$ 986,781    | \$ 1,301,954        | \$ 2,538,343                              |

CITY OF LAMPASAS, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

|   | <b>Nonmajor Enterprise Funds</b> |                    |                     | Total<br>Non-Major<br>Enterprise<br>Funds |
|---|----------------------------------|--------------------|---------------------|---|
|   | Economic<br>Development<br>Fund  | Aviation<br>Fund   | Golf Course<br>Fund |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                  |                    |                     |   |
| Receipts from customers   | \$ -                             | \$ 111,203         | \$ 494,976          | \$ 606,179                                |
| Payments to suppliers and service providers   | (3,050)                          | (71,056)           | (213,245)           | (287,351)                                 |
| Payments to employees for salaries and benefits   | -                                | -                  | (330,773)           | (330,773)                                 |
| Net cash provided by (used for) operating activities  | <u>(3,050)</u>                   | <u>40,147</u>      | <u>(49,042)</u>     | <u>(11,945)</u>                           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                                  |                    |                     |   |
| Transfers from other funds  | -                                | 40,155             | 40,950              | 81,105                                    |
| Net cash provided by (used for) capital and financing activities  | <u>-</u>                         | <u>40,155</u>      | <u>40,950</u>       | <u>81,105</u>                             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                                  |                    |                     |   |
| Acquisition and construction of capital assets  | -                                | (72,350)           | -                   | (72,350)                                  |
| Net cash provided by (used for) capital and related financing activities                                  | <u>-</u>                         | <u>(72,350)</u>    | <u>-</u>            | <u>(72,350)</u>                           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                  |                    |                     |   |
| Interest on investments   | 938                              | 490                | 9                   | 1,437                                     |
| Net cash provided by investing activities   | <u>938</u>                       | <u>490</u>         | <u>9</u>            | <u>1,437</u>                              |
| Net increase (decrease) in cash and cash equivalents  | (2,112)                          | 8,442              | (8,083)             | (1,753)                                   |
| Cash and cash equivalents-beginning   | 182,356                          | 83,792             | 61,455              | 327,603                                   |
| Cash and cash equivalents-ending  | <u>\$ 180,244</u>                | <u>\$ 92,234</u>   | <u>\$ 53,372</u>    | <u>\$ 325,850</u>                         |
| <b>Reconciliation of operating income (loss) to net cash provided (used for) operating activities:</b>    |                                  |                    |                     |   |
| Operating income (loss)   | <u>\$ (3,050)</u>                | <u>\$ (14,133)</u> | <u>\$ (119,456)</u> | <u>\$ (136,639)</u>                       |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |                                  |                    |                     |   |
| Depreciation expense  | -                                | 48,063             | 89,401              | 137,464                                   |
| (Increase) decrease in accounts receivable  | -                                | 8,255              | 2,222               | 10,477                                    |
| (Increase) decrease in inventories  | -                                | (755)              | 2,258               | 1,503                                     |
| (Decrease) increase in accounts payable   | -                                | (1,283)            | (23,458)            | (24,741)                                  |
| (Decrease) increase in accrued liabilities  | -                                | -                  | (9)                 | (9)                                       |
| Total adjustments   | <u>-</u>                         | <u>54,280</u>      | <u>70,414</u>       | <u>124,694</u>                            |
| Net cash provided by (used for) operating activities  | <u>\$ (3,050)</u>                | <u>\$ 40,147</u>   | <u>\$ (49,042)</u>  | <u>\$ (11,945)</u>                        |

OTHER SUPPLEMENTARY INFORMATION SECTION



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*

To the Honorable Mayor, Members of the City Council and Citizens of  
the City of Lampasas, Texas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of City of Lampasas, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Lampasas, Texas' basic financial statements, and have issued our report thereon dated February 17, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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## **Purpose of this Report**

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

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

Singleton, Clark & Company, PC  
Austin, Texas

February 17, 2014

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

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued:

Unmodified

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.

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2013 and 2012.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Not applicable.

# STATISTICAL SECTION

This part of the Government's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| <b>Contents</b>  | <b>Pages</b> |
|--|--------------|
| Financial Trends   | 56-61        |
| These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.  |              |
| Revenue Capacity   | 62           |
| These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.  |              |
| Debt Capacity  | 63-66        |
| These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.                     |              |
| Operating Information  | 67           |
| These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. |              |

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

| Fiscal Year            | 2004         | 2005         | 2006         | 2007         | 2008         |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| General Government     | \$ 1,245,723 | \$ 1,435,994 | \$ 1,734,014 | \$ 2,201,456 | \$ 2,354,478 |
| Public Safety          | 1,814,059    | 1,874,615    | 1,995,432    | 1,988,702    | 2,146,996    |
| Public Works           | 1,117,579    | 956,796      | 1,036,616    | 944,240      | 971,993      |
| Culture and Recreation | 691,196      | 1,107,984    | 662,697      | 648,762      | 720,435      |
|                        | \$4,868,557  | \$ 5,375,389 | \$ 5,428,759 | \$ 5,783,160 | \$ 6,193,902 |

| 2009               | 2010               | 2011               | 2012               | 2013               |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$2,828,499        | \$2,729,427        | \$2,706,697        | \$2,569,498        | \$2,720,920        |
| 2,362,146          | 2,478,632          | 2,493,109          | 2,594,341          | 2,741,186          |
| 969,357            | 1,040,625          | 1,053,492          | 1,054,477          | 851,924            |
| 812,951            | 822,359            | 979,402            | 935,532            | 875,675            |
| <u>\$6,972,953</u> | <u>\$7,071,043</u> | <u>\$7,232,700</u> | <u>\$7,153,848</u> | <u>\$7,189,705</u> |

CITY OF LAMPASAS, TEXAS  
GENERAL FUND REVENUES BY FUNCTION  
LAST TEN FISCAL YEARS  
(unaudited)

| Fiscal Year                                       | 2004               | 2005               | 2006               | 2007               | 2008               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Property Taxes                                    | \$ 488,141         | \$ 563,194         | \$ 638,933         | \$ 699,809         | \$ 811,486         |
| General Sales and Use Taxes                       | 812,362            | 883,782            | 894,726            | 919,689            | 1,046,420          |
| Franchise Tax                                     | 1,785,414          | 1,751,355          | 442,189            | 458,737            | 842,124            |
| Other Taxes                                       | 5,415              | 7,926              | 10,527             | 9,914              | 11,571             |
| Licenses and Permits                              | 32,635             | 38,086             | 32,365             | 8,803              | 26,314             |
| Intergovernmental Rev & Grants                    | -                  | -                  | -                  | 4,000              | 1,000              |
| Charges for Services                              | 505,760            | 430,559            | 1,142,380          | 1,843,984          | 1,973,727          |
| Fines   | 10,030             | 11,470             | 12,311             | 14,385             | 13,614             |
| Special Assessments                               | 185,041            | 186,999            | -                  | -                  | 191,114            |
| Investment Earnings                               | 55,445             | 73,952             | 103,153            | 120,666            | 63,969             |
| Rents and Royalties                               | 31,913             | 34,932             | 43,936             | 12,683             | 15,607             |
| Contributions & Donations<br>from Private Sources | 12,355             | 1,647              | 9,600              | 13,158             | 15,049             |
| Other Revenue                                     | 712,601            | 728,481            | 337,747            | 295,557            | 127,204            |
|   | <u>\$4,637,112</u> | <u>\$4,712,383</u> | <u>\$3,667,867</u> | <u>\$4,401,385</u> | <u>\$5,139,199</u> |

| 2009                | 2010                | 2011                | 2012                | 2013                |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 906,432          | \$ 928,995          | \$ 960,494          | \$ 1,072,048        | \$ 1,050,288        |
| 1,043,624           | 1,052,243           | 1,077,411           | 1,110,080           | 1,154,769           |
| 957,880             | 914,549             | 943,413             | 905,082             | 898,937             |
| 13,258              | 18,585              | 15,692              | 16,713              | 17,399              |
| 29,447              | 34,457              | 24,375              | 28,008              | 44,153              |
| 38,920              | 32,518              | 5,309               | 30,353              | 13,975              |
| 2,259,788           | 2,505,725           | 2,677,226           | 2,216,744           | 2,272,637           |
| 12,015              | 20,969              | 21,929              | 419,173             | 334,368             |
| 190,307             | 191,252             | 192,363             | 192,380             | 194,458             |
| 17,304              | 7,689               | 7,263               | 6,097               | 5,987               |
| 19,942              | 22,867              | 26,456              | 23,234              | 22,416              |
| 44,395              | 13,413              | 9,486               | 11,344              | 16,985              |
| 162,200             | 98,054              | 86,190              | 56,003              | 74,482              |
| <u>\$ 5,695,512</u> | <u>\$ 5,841,316</u> | <u>\$ 6,047,607</u> | <u>\$ 6,087,259</u> | <u>\$ 6,100,854</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                     | 08/09              | 09/10              | 10/11              | 11/12              | 12/13              |
|   | Audited            | Audited            | Audited            | Audited            | Audited            |
|   | Balance            | Balance            | Balance            | Balance            | Balance            |
| Emergency Funds:                            |                    |                    |                    |                    |                    |
| M&O Reserves                                | \$1,719,360        | \$1,719,360        | \$1,743,545        | \$1,783,405        | \$1,783,405        |
| Restricted Fund Balance:                    |                    |                    |                    |                    |                    |
| Endowments                                  | 18,290             | 18,290             | 29,034             | 33,005             |                    |
| Court (Technology)                          | 44,492             | -                  | -                  | -                  | -                  |
| Fire Hall                                   | 6,364              | 6,364              | 6,364              | -                  | -                  |
| Emergency & Restricted Subtotal             | <u>1,788,506</u>   | <u>1,744,014</u>   | <u>\$1,778,943</u> | <u>1,816,410</u>   | <u>\$1,783,405</u> |
| Committed/Assigned Fund Balance:            |                    |                    |                    |                    |                    |
| Comprehensive Plan                          | 12,584             | 12,584             | 12,584             | 12,584             | 9,084              |
| Park Improvements                           | 7,363              | 7,274              | 3,010              | 4,010              | 4,010              |
| 580 Complex                                 | -                  | -                  | -                  | -                  | 36,415             |
| Unassigned Fund Balance:                    |                    |                    |                    |                    |                    |
| General Fund                                | <u>283,119</u>     | <u>565,089</u>     | <u>652,384</u>     | <u>620,340</u>     | <u>764,355</u>     |
| Committed/Assigned &<br>Unassigned Subtotal | <u>303,066</u>     | <u>584,947</u>     | <u>667,978</u>     | <u>636,934</u>     | <u>813,864</u>     |
| Fund Balance Totals<br>(Cash & Receivables) | 2,091,572          | 2,328,961          | 2,437,584          | 2,453,344          | 2,597,269          |
| Inventory                                   | <u>15,077</u>      | <u>12,026</u>      | <u>9,337</u>       | <u>15,491</u>      | <u>22,923</u>      |
| Total Fund Balance (Audit)                  | <u>2,106,649</u>   | <u>2,340,987</u>   | <u>2,446,921</u>   | <u>2,468,835</u>   | <u>2,620,192</u>   |
| Increase/Decrease                           | 1,508              | 234,338            | 99,570             | 21,914             | 151,357            |
| MAJOR FUNDS                                 |                    |                    |                    |                    |                    |
| COMBINED FUND BALANCE POSITIONS             |                    |                    |                    |                    |                    |
|   | 08/09              | 09/10              | 10/11              | 11/12              | 12/13              |
|   | Audited            | Audited            | Audited            | Audited            | Audited            |
| General Fund                                | <u>\$2,091,572</u> | <u>\$2,328,961</u> | <u>\$2,446,921</u> | <u>\$2,468,835</u> | <u>\$2,620,192</u> |
| 2011 C.O. Capital Fund                      | -                  | -                  | 1,511,358          | -                  | 414,921            |
| Water/Sewer Fund                            | 3,565,723          | 3,172,485          | 3,495,843          | 4,029,096          | 3,960,682          |
| Electric Fund                               | <u>4,269,414</u>   | <u>4,481,360</u>   | <u>5,046,917</u>   | <u>5,091,685</u>   | <u>5,525,825</u>   |
| Total Major Funds                           | <u>9,926,709</u>   | <u>9,982,806</u>   | <u>12,501,039</u>  | <u>11,589,616</u>  | <u>12,521,620</u>  |
| Less Emergency & Restricted Funds           | <u>5,297,054</u>   | <u>5,252,562</u>   | <u>7,166,118</u>   | <u>6,973,230</u>   | <u>9,192,959</u>   |
| Discretionary Fund Balance                  | <u>4,629,655</u>   | <u>4,730,244</u>   | <u>5,334,921</u>   | <u>4,616,386</u>   | <u>3,328,661</u>   |
| Total Increase/Decrease                     | 43,650             | 56,097             | 2,518,233          | (911,423)          | 932,004            |
| Discretionary Increase/Decrease             | (758,948)          | 100,589            | 604,677            | (718,535)          | (1,287,725)        |

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

| WATER & WASTEWATER FUND                             |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| NET POSITIONS BY FISCAL YEAR                        |                  |                  |                  |                  |                  |
| (Excluding Inventories & Capital Assets)            |                  |                  |                  |                  |                  |
|   | 08/09            | 09/10            | 10/11            | 11/12            | 12/13            |
| NET POSITION COMPONENTS                             | Audited          | Audited          | Audited          | Audited          | Audited          |
|   | Balance          | Balance          | Balance          | Balance          | Balance          |
| Emergency Funds:                                    |                  |                  |                  |                  |                  |
| M&O Reserves  | \$ 798,618       | \$ 798,618       | \$ 701,519       | \$ 739,198       | \$ 739,198       |
| Restricted for Debt Service:                        |                  |                  |                  |                  |                  |
| Bonds   | 234,932          | 234,932          | 234,932          | 670,000          | -                |
| Emergency & Restricted for<br>Debt Service Subtotal | <u>1,033,550</u> | <u>1,033,550</u> | <u>936,451</u>   | <u>1,409,198</u> | <u>739,198</u>   |
| Other Restricted Net Assets for:                    |                  |                  |                  |                  |                  |
| Construction & Equipment                            | 1,584,943        | 1,584,943        | 1,584,943        | 914,943          | 914,943          |
| Unrestricted Net Assets for:                        |                  |                  |                  |                  |                  |
| Water & Wastewater                                  | 870,293          | 461,009          | 974,449          | 1,704,955        | 2,304,839        |
| Restricted & Unrestricted Subtotal                  | <u>2,455,236</u> | <u>2,045,952</u> | <u>2,559,392</u> | <u>2,619,898</u> | <u>3,219,782</u> |
| Net Position Totals (Cash & Receivables)            | 3,488,786        | 3,079,502        | 3,495,843        | 4,029,096        | 3,958,980        |
| Increase/(Decrease)                                 | (68,507)         | (409,284)        | 416,341          | 533,253          | 533,253          |

| ELECTRIC FUND                            |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
| NET POSITION BY FISCAL YEAR              |                  |                  |                  |                  |                  |
| (Excluding Inventories & Capital Assets) |                  |                  |                  |                  |                  |
|  | 08/09            | 09/10            | 10/11            | 11/12            | 12/13            |
| Net Position Components                  | Audited          | Audited          | Audited          | Audited          | Audited          |
|  | Balance          | Balance          | Balance          | Balance          | Balance          |
| Emergency Funds:                         |                  |                  |                  |                  |                  |
| M&O Reserves                             | \$2,474,998      | \$2,474,998      | \$2,168,145      | \$2,128,679      | \$2,128,679      |
| Emergency Funds Subtotal                 | <u>2,474,998</u> | <u>2,474,998</u> | <u>2,168,145</u> | <u>2,128,679</u> | <u>2,128,679</u> |
| Restricted Net Position 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                            | 745,092          | 964,047          | 2,174,772        | 2,259,006        | 2,693,146        |
| Restricted & Unrestricted Subtotal       | <u>1,449,092</u> | <u>1,668,047</u> | <u>2,878,772</u> | <u>2,963,006</u> | <u>3,397,146</u> |
| Net Position Totals (Cash & Receivables) | 3,924,090        | 4,143,045        | 5,046,917        | 5,091,685        | 5,525,825        |
| Increase/(Decrease)                      | (73,856)         | 218,955          | 903,872          | 44,768           | 434,140          |

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

| Fiscal<br>Year | Total<br>Tax Levy | Current Tax<br>Collections | Percent<br>of Levy<br>Collection | Delinquent<br>Tax<br>Collections | Total<br>Collections | Total<br>Collections | Outstanding         | Outstanding                         |
|----------------|-------------------|----------------------------|----------------------------------|----------------------------------|----------------------|----------------------|---------------------|-------------------------------------|
|                |                   |                            |                                  |                                  |                      | as % of<br>Levy      | Delinquent<br>Taxes | Delinquent<br>Taxes as %<br>of Levy |
| 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%                                |
| 2013           | 1,362,532         | 1,332,308                  | 97.8%                            | 22,659                           | 1,354,967            | 99.4%                | 75,876              | 5.6%                                |

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 |
|-------------|------------|----------------|-------------|--------------------------|-----------------|--|----------------------------|
| 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                      |
| 2013        | 6,695      | 344,754,618    | 6,763,953   | 168,856                  | 6,595,097       | 1.91%                                      | 985                        |

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

| Fiscal<br>Year | Principal | Interest  | Debt<br>Service | Total<br>General<br>Expenditures | Ratio of Total<br>Debt Service<br>to General<br>Expenditures |
|----------------|-----------|-----------|-----------------|----------------------------------|--|
| 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%  |
| 2013           | 335,000   | 282,982   | 617,982         | 7,189,705                        | 8.60%  |

CITY OF LAMPASAS, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
AS OF SEPTEMBER 30, 2013  
(UNAUDITED)

|  |                             |
|--|-----------------------------|
| Actual assessed value at January 1, 2013<br>(100% of estimated market value) | \$ 344,754,618              |
| Debt limit - approximate   | 25,000,000                  |
| Total general obligation bonded debt   | 6,763,954                   |
| Less interest and sinking fund   | <u>168,856</u>              |
| Debt applicable to debt limit  | 6,595,098                   |
| Legal debt margin  | <u><u>\$ 18,404,902</u></u> |

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

| Fiscal<br>Year | Gross<br>Revenue | Operating<br>Expenses * | Net Revenue<br>Available for<br>Debt Service | Debt Service Requirements |           |           | Coverage |
|----------------|------------------|-------------------------|--|---------------------------|-----------|-----------|----------|
|                |                  |                         |  | Principal                 | Interest  | Total     |          |
| 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     |
| 2013           | 14,931,321       | 12,885,266              | 2,046,055                                    | 255,000                   | 130,699   | 385,699   | 5.30     |

\* Does not include depreciation expense

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

| Fiscal<br>Year | Number of<br>Customers | Water<br>Pumped or<br>Purchased<br>(in thousands) | Water<br>Sold<br>(in thousands) | Unaccounted<br>for<br>(in thousands) | Percentage<br>Unaccounted |
|----------------|------------------------|---|---------------------------------|--------------------------------------|---------------------------|
| 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%                      |
| 2013           | 3,190                  | 495,187   | 420,852                         | 74,335                               | 15.0%                     |

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