

**City of Lampasas, Texas**

**Annual Financial Report**

**For the Year Ended  
September 30, 2007**

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**Certified Public Accountant**

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**CITY OF LAMPASAS, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**Independent Auditors' Report**

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

Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the proprietary-type activities, each major fund, and the aggregate remaining fund information of the City of Lampasas, Texas, (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and proprietary activities, each major fund, and the aggregate remaining fund information of the City of Lampasas, Texas, as of September 30, 2007, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

*Preston Singleton, CPA, P.C.*

Preston Singleton, CPA, P.C.  
Cedar Park, Texas

February 18, 2008

# CITY OF LAMPASAS, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the City of Lampasas presents our discussion and analysis of the financial performance of the City during the fiscal year ended September 30, 2007. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2007, the General Fund of the City of Lampasas experienced a fund balance decrease of \$254,853, to end at \$1,756,157.
- Total governmental-type funds (the General Fund plus all Special Revenue Funds and the Debt Service Fund) of the City of Lampasas reported a combined fund balance increase of \$6,043,699, to end at \$9,180,114.
- The total cost of the City of Lampasas's governmental activities was \$6,092,653. This amount is inclusive of depreciation expense recorded on the capital assets of the City.

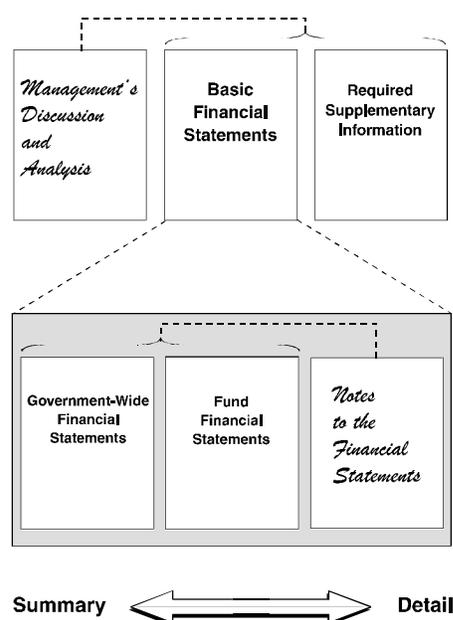
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



## Government-wide Statements

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

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

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

## FINANCIAL ANALYSIS OF THE CITY OF LAMPASAS AS A WHOLE

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

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

	Governmental Activities 2007	Governmental Activities 2006	Change
<b>ASSETS</b>			
Current and other assets	\$ 10,113	\$ 3,731	\$ 6,381
Capital assets	<u>3,991</u>	<u>3,932</u>	<u>59</u>
Total assets	<u>14,104</u>	<u>7,663</u>	<u>6,441</u>
<b>LIABILITIES</b>			
Current liabilities	777	326	452
Noncurrent liabilities	<u>6,823</u>	<u>1,380</u>	<u>5,444</u>
Total liabilities	<u>7,600</u>	<u>1,705</u>	<u>5,895</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,093	2,778	(1,685)
Restricted	3,560	1,199	2,361
Unrestricted	<u>1,851</u>	<u>1,981</u>	<u>(130)</u>
Total net assets	<u>\$ 6,504</u>	<u>\$ 5,958</u>	<u>\$ 546</u>

**Table I (continued)**  
**City of Lampasas, Texas**  
**Net Assets - Business-Type Activities (in thousands)**

	Business-Type Activities 2007	Business-Type Activities 2006	Change
<b>ASSETS</b>			
Current and other assets	\$ 9,388	\$ 8,562	\$ 826
Capital assets	11,953	11,675	278
Total assets	<u>21,341</u>	<u>20,237</u>	<u>1,105</u>
<b>LIABILITIES</b>			
Current liabilities	1,618	1,493	125
Noncurrent liabilities	5,738	6,252	(514)
Total liabilities	<u>7,356</u>	<u>7,745</u>	<u>(389)</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,981	3,197	2,784
Restricted	5,199	4,749	450
Unrestricted	2,805	4,546	(1,741)
Total net assets	<u>\$ 13,985</u>	<u>\$ 12,491</u>	<u>\$ 1,494</u>

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

	Governmental Activities 2007	Governmental Activities 2006	Change
<b>REVENUES:</b>			
Program revenues:			
Charges for services	\$ 1,879	\$ 1,247	\$ 632
Operating grants and contributions	302	24	278
General revenues:			
Property taxes	989	894	95
Sales taxes	1,021	996	25
Franchise taxes	459	442	17
Other taxes and penalties and interest	14	15	(1)
Grants and contributions not rest.	55	-	55
Investment earnings	299	150	149
Miscellaneous revenue	304	359	(55)
Transfer in (out)	1,316	1,190	126
Total revenue	<u>6,638</u>	<u>5,318</u>	<u>1,320</u>
<b>EXPENSES:</b>			
General government	2,328	1688	640
Public safety	2,122	2067	55
Public works	745	760	(15)
Culture and recreation	864	707	157
Bond interest and costs	33	-	33
Total expenses	<u>6,092</u>	<u>5,222</u>	<u>870</u>
<b>CHANGE IN NET ASSETS</b>	<u>546</u>	<u>96</u>	<u>450</u>
Net assets at 10/1/06 and 10/1/05	5,958	5,862	96
Net assets at 9/30/07 and 9/30/06	<u>\$ 6,504</u>	<u>\$ 5,958</u>	<u>\$ 546</u>

**Table II, (continued)**  
**City of Lampasas, Texas**  
**Statement of Activities - Business-Type Activities**

	Business-Type Activities 2007	Business-Type Activities 2006	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 12,967	\$ 14,940	\$ (1,973)
General revenues:			
Investment earnings	396	276	120
Miscellaneous revenue	395	313	82
Transfer in (out)	(1,316)	(1,184)	(132)
Total revenue	<u>12,442</u>	<u>14,345</u>	<u>(1,903)</u>
EXPENSES:			
Enterprise fund activities	<u>10,948</u>	<u>13,364</u>	<u>(2,416)</u>
Total expenses	<u>10,948</u>	<u>13,364</u>	<u>(2,416)</u>
CHANGE IN NET ASSETS	<u>1,494</u>	<u>981</u>	<u>513</u>
Net assets at 10/1/06 and 10/1/05	<u>12,491</u>	<u>11,510</u>	<u>981</u>
Net assets at 9/30/07 and 9/30/06	<u>\$ 13,985</u>	<u>\$ 12,491</u>	<u>\$ 1,494</u>

**THE CITY'S GOVERNMENTAL FUNDS**

As the City completed Fiscal Year 2006-2007, its governmental funds (as presented on the balance sheet on page 12) reported a combined fund balance of approximately \$9.2 million; which represents an increase of about \$6 million over the prior year. The primary reason for this increase is the issuance of the Series 2007 Certificates of Obligation during the year for \$6 million for capital projects. Included in total governmental funds is the City's General Fund, which is the main operating fund of the City and represents funds with fewer restrictions on their use. The General Fund reported an ending fund balance of approximately \$1.76 million as of September 30, 2007.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of Fiscal Year 2006-2007 the City of Lampasas had invested \$3.95 million in a broad range of capital assets for its governmental activities, including land, equipment and buildings. (See Table III below.) This amount is net of accumulated depreciation and represents an increase of approximately \$64 thousand over the prior year. The City's business-type activities had invested 11.95 million in capital assets, net of accumulated depreciation, including investments in infrastructure for its utility operations.

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

	Governmental Activities 2007	Governmental Activities 2006	Change
Land	\$ 866	\$ 853	\$ 13
Buildings and improvements	4,417	4,130	287
Machinery and equipment	2,103	1,944	159
Construction in progress	36	-	36
Totals at historical cost	<u>7,422</u>	<u>6,927</u>	<u>495</u>
Less accumulated depreciation	<u>(3,431)</u>	<u>(3,000)</u>	<u>(431)</u>
Capital assets, net of depreciation	<u><u>\$ 3,991</u></u>	<u><u>\$ 3,927</u></u>	<u><u>\$ 64</u></u>
	Business-Type Activities 2007	Business-Type Activities 2006	Change
Land	\$ 566	\$ 566	\$ -
Infrastructure	15,650	15,110	540
Buildings and improvements	2,465	2,465	-
Machinery and equipment	3,863	3,806	57
Construction in progress	312	-	312
Totals at historical cost	<u>22,856</u>	<u>21,947</u>	<u>909</u>
Less accumulated depreciation	<u>(10,903)</u>	<u>(10,272)</u>	<u>(631)</u>
Capital assets, net of depreciation	<u><u>\$ 11,953</u></u>	<u><u>\$ 11,675</u></u>	<u><u>\$ 278</u></u>

## Long-Term Debt

At year end, the City's governmental and business-type activities had combined outstanding long-term debt of approximately \$13 million. A summary of long-term debt activity and ending balances is presented below.

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

	Governmental Activities 2007	Governmental Activities 2006	Change
General obligation bonds	\$ 6,661	\$ 911	\$ 5,750
Notes payable	-	16	(16)
Capital leases	162	203	(41)
Compensated absences	175	208	(33)
Totals	<u>\$ 6,998</u>	<u>\$ 1,338</u>	<u>\$ 5,660</u>

	Business-Type Activities 2007	Business-Type Activities 2006	Change
Utility revenue bonds	\$ 5,368	\$ 5,550	\$ (182)
Notes payable	563	607	(44)
Capital leases	129	95	34
Compensated absences	37	44	(7)
Totals	<u>\$ 6,097</u>	<u>\$ 6,296</u>	<u>\$ (199)</u>

## CONTACTING FINANCIAL MANAGEMENT PERSONNEL OF THE CITY OF LAMPASAS

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

CITY OF LAMPASAS, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

EXHIBIT A-1

Data Control Codes	Primary Government			Component Unit	
	Governmental Activities	Business Type Activities	Total	Lampasas Economic Dev. Corporation	
<b>ASSETS</b>					
1010	Cash and Cash Equivalents	\$ 294,873	\$ 622,642	\$ 917,515	\$ 374,587
1030	Investments - Current	8,450,835	7,664,298	16,115,133	-
1150	Receivables (net of allowance for uncollectibles)	952,055	1,076,993	2,029,048	90
1300	Internal Balances	300,000	(300,000)	-	-
1410	Inventories	15,474	290,600	306,074	-
1520	Capitalized Debt Issuance Costs	100,101	34,259	134,360	-
Capital Assets:					
1710	Land	865,795	565,617	1,431,412	909,835
1720	Infrastructure, net	-	9,388,055	9,388,055	-
1730	Buildings, net	2,431,329	1,228,156	3,659,485	-
1750	Machinery and Equipment, net	657,486	458,631	1,116,117	-
1780	Construction in Progress	36,171	312,411	348,582	-
1990	Other Assets	149	-	149	-
1000	Total Assets	14,104,268	21,341,662	35,445,930	1,284,512
<b>LIABILITIES</b>					
2020	Accounts Payable and other current liabilities	709,666	1,276,333	1,985,999	5,492
2070	Intergovernmental Payable	4,907	-	4,907	-
2140	Accrued Interest Payable	33,004	19,734	52,738	30,048
2220	Deferred Revenues	27,760	-	27,760	-
2240	Notes Payable - Current	-	321,470	321,470	-
2270	Other Current Liabilities	2,414	-	2,414	-
Noncurrent Liabilities					
2501	Due Within One Year	335,732	-	335,732	57,000
2502	Due in More Than One Year	6,487,024	5,738,138	12,225,162	900,000
2000	Total Liabilities	7,600,507	7,355,675	14,956,182	992,539
<b>NET ASSETS</b>					
3200	Invested in Capital Assets, Net of Related Debt	1,093,025	5,981,311	7,074,336	-
Restricted for:					
3810	Restricted for Construction & Equipment	2,226,251	1,178,229	3,404,480	-
3820	Restricted for Plant Replacement	-	500,000	500,000	-
3830	Restricted for Systems Improvements	-	510,000	510,000	-
3840	Restricted for Operations & Maintenance	-	2,776,260	2,776,260	-
3850	Restricted for Debt Service	162,861	235,094	397,955	-
3890	Restricted for Other Purposes	1,175,465	-	1,175,465	291,973
3900	Unrestricted Net Assets	1,846,159	2,805,093	4,651,252	-
3000	Total Net Assets	\$ 6,503,761	\$ 13,985,987	\$ 20,489,748	\$ 291,973

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, 2007

Data Control Codes	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
10 General Government	\$ 636,754	\$ 384,549	\$ -	\$ -
20 Public Safety	2,122,496	620,306	67,181	-
31 Streets	601,677	-	-	202,500
32 Public Works	143,663	-	-	-
33 Utility Billing	123,350	-	-	-
34 Building and Planning	99,229	5,576	-	-
35 Data Processing	148,450	-	-	-
36 Cemetery	149,753	317	-	-
41 Health	565,188	825,509	-	-
42 Sanitation	754,956	-	-	-
50 Culture and Recreation	714,329	42,317	9,796	22,500
73 Bond Interest	24,958	-	-	-
75 Fiscal Agent's Fees	1,000	-	-	-
76 Insurance Costs	6,849	-	-	-
Total Governmental Activities:	6,092,653	1,878,574	76,977	225,000
<b>BUSINESS-TYPE ACTIVITIES:</b>				
701 Electric Fund	7,242,407	9,228,504	-	-
702 Water/ Wastewater Fund	3,114,110	3,443,677	-	-
703 Economic Development Fund	31,961	-	-	-
704 Aviation Fund	90,319	-	-	-
705 Golf Course Fund	469,658	295,175	-	-
Total Business-Type Activities:	10,948,455	12,967,356	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 17,041,108	\$ 14,845,930	\$ 76,977	\$ 225,000
<b>Component Unit:</b>				
01 Lampasas Economic Development Corp.	\$ 103,430	\$ -	\$ -	\$ -
TOTAL COMPONENT UNITS:	\$ 103,430	\$ -	\$ -	\$ -

Data Control Codes	General Revenues:
	Taxes:
	Property Taxes:
10	Property Taxes, Levied for General Purposes
11	Property Taxes, Levied for Debt Service
5120	Sales Taxes
5170	Franchise Taxes
5190	Penalty and Interest
5600	Grants and Contributions Not Restricted
5700	Miscellaneous Revenue
5800	Investment Earnings
	Transfers In (Out)
	Total General Revenues and Transfers
	Change in Net Assets
	Net Assets--Beginning
	Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Lampasas Economic Dev. Corporation
\$ (252,205)	\$ -	\$ (252,205)	\$ -
(1,435,009)	-	(1,435,009)	-
(399,177)	-	(399,177)	-
(143,663)	-	(143,663)	-
(123,350)	-	(123,350)	-
(93,653)	-	(93,653)	-
(148,450)	-	(148,450)	-
(149,436)	-	(149,436)	-
260,321	-	260,321	-
(754,956)	-	(754,956)	-
(639,716)	-	(639,716)	-
(24,958)	-	(24,958)	-
(1,000)	-	(1,000)	-
(6,849)	-	(6,849)	-
(3,912,102)	-	(3,912,102)	-
-	1,986,097	1,986,097	-
-	329,567	329,567	-
-	(31,961)	(31,961)	-
-	(90,319)	(90,319)	-
-	(174,483)	(174,483)	-
-	2,018,901	2,018,901	-
(3,912,102)	2,018,901	(1,893,201)	-
-	-	-	(103,430)
-	-	-	(103,430)
704,216	-	704,216	-
284,975	-	284,975	-
1,021,154	-	1,021,154	182,766
458,737	-	458,737	-
13,976	-	13,976	-
54,991	-	54,991	-
299,297	396,176	695,473	755
304,347	395,647	699,994	10,378
1,315,904	(1,315,903)	1	-
4,457,597	(524,080)	3,933,517	193,899
545,495	1,494,821	2,040,316	90,469
5,958,266	12,491,166	18,449,432	201,504
\$ 6,503,761	\$ 13,985,987	\$ 20,489,748	\$ 291,973

CITY OF LAMPASAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

Data Control Codes	General Fund	Series 2007 Bond Issue Cap. Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1010 Cash and Cash Equivalents	\$ 83,575	\$ (1,557)	\$ 212,855	\$ 294,873
1030 Investments - Current	1,449,850	4,475,514	2,525,471	8,450,835
1050 Taxes Receivable	31,769	-	13,588	45,357
1051 Allowance for Uncollectible Taxes (credit)	(5,999)	-	(2,038)	(8,037)
1150 Receivables (net of allowance for uncollectibles)	615,682	-	20,008	635,690
1260 Intergovernmental Receivables	-	-	54,034	54,034
1300 Due from Other Funds	-	-	300,000	300,000
1410 Inventories	15,474	-	-	15,474
1990 Other Assets	-	-	149	149
1000 Total Assets	<u>\$ 2,190,351</u>	<u>\$ 4,473,957</u>	<u>\$ 3,124,067</u>	<u>\$ 9,788,375</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2010 Accounts Payable	\$ 249,990	\$ 14,915	\$ 144,251	\$ 409,156
2020 Wages and Salaries Payable	55,434	-	937	56,371
2070 Intergovernmental Payable	4,907	-	-	4,907
2220 Deferred Revenues	54,764	-	11,550	66,314
2270 Other Current Liabilities	69,099	-	2,414	71,513
2000 Total Liabilities	<u>434,194</u>	<u>14,915</u>	<u>159,152</u>	<u>608,261</u>
Fund Balances:				
Reserved For:				
3410 Debt Service	-	-	162,861	162,861
3420 Endowments	18,290	-	174,559	192,849
3430 Municipal Court	27,194	-	-	27,194
3440 Fire Hall Substation	4,662	-	-	4,662
3450 Inventories	15,474	-	-	15,474
3460 Other Specific Purposes	-	-	935,286	935,286
3490 Capital Projects	-	4,459,042	1,692,209	6,151,251
Unreserved Designated For:				
3510 Comprehensive Plan	12,584	-	-	12,584
3520 Operating Reserve	1,338,598	-	-	1,338,598
3530 Miscellaneous Designated Projects	80,957	-	-	80,957
Unreserved and Undesignated:				
3600 Reported in the General Fund	258,398	-	-	258,398
3000 Total Fund Balances	<u>1,756,157</u>	<u>4,459,042</u>	<u>2,964,915</u>	<u>9,180,114</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,190,351</u>	<u>\$ 4,473,957</u>	<u>\$ 3,124,067</u>	<u>\$ 9,788,375</u>

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

CITY OF LAMPASAS, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2007

<b>Total Fund Balances - Governmental Funds</b>	\$	9,180,114
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$6,926,819 and the accumulated depreciation was \$2,999,595. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		2,796,850
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2007 capital outlays and debt principal payments is to increase (decrease) net assets.		(5,305,642)
The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(431,125)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		263,564
<b>Net Assets of Governmental Activities</b>	<u>\$</u>	<u>6,503,761</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, 2007

Data Control Codes	General Fund	Series 2007 Bond Issue Cap. Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
5110 Property Taxes	\$ 699,809	\$ -	\$ 283,514	\$ 983,323
5120 General Sales and Use Taxes	919,689	-	101,465	1,021,154
5170 Franchise Tax	458,737	-	-	458,737
5190 Penalty and Interest on Taxes	9,914	-	4,062	13,976
5200 Licenses and Permits	8,803	-	-	8,803
5300 Intergovernmental Revenue and Grants	4,000	25,000	301,978	330,978
5400 Charges for Services	1,843,984	-	1,881	1,845,865
5510 Fines	14,385	-	-	14,385
5610 Investment Earnings	120,666	120,388	63,293	304,347
5620 Rents and Royalties	12,683	-	-	12,683
5640 Contributions & Donations from Private Sources	13,158	-	12,832	25,990
5700 Other Revenue	295,557	-	578	296,135
5020 Total Revenues	<u>4,401,385</u>	<u>145,388</u>	<u>769,603</u>	<u>5,316,376</u>
<b>EXPENDITURES:</b>				
Current:				
0010 General Government	583,707	-	-	583,707
0020 Public Safety	1,988,702	-	72,210	2,060,912
0031 Streets	809,892	-	-	809,892
0032 Public Works	134,348	-	-	134,348
0033 Utility Billing	123,350	-	-	123,350
0034 Building and Planning	99,229	-	-	99,229
0035 Data Processing	148,450	-	-	148,450
0036 Cemetery	108,248	-	43,484	151,732
0041 Non-Departmental	383,516	289,091	10,671	683,278
0042 Sanitation	754,956	-	-	754,956
0050 Culture and Recreation	648,762	-	19,249	668,011
Debt Service:				
0071 Bond Principal	-	-	265,763	265,763
0073 Bond Interest	-	-	103,953	103,953
0075 Fiscal Agent's Fees	-	-	1,000	1,000
6030 Total Expenditures	<u>5,783,160</u>	<u>289,091</u>	<u>516,330</u>	<u>6,588,581</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,381,775)</u>	<u>(143,703)</u>	<u>253,273</u>	<u>(1,272,205)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital-related Debt Issued (Regular Bonds)	-	6,000,000	-	6,000,000
7915 Transfers In	1,521,157	-	1,977,944	3,499,101
8911 Transfers Out (Use)	(394,235)	(1,397,255)	(391,707)	(2,183,197)
7080 Total Other Financing Sources (Uses)	<u>1,126,922</u>	<u>4,602,745</u>	<u>1,586,237</u>	<u>7,315,904</u>
1200 Net Change in Fund Balances	(254,853)	4,459,042	1,839,510	6,043,699
0100 Fund Balance - October 1 (Beginning)	<u>2,011,010</u>	<u>-</u>	<u>1,125,405</u>	<u>3,136,415</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 1,756,157</u>	<u>\$ 4,459,042</u>	<u>\$ 2,964,915</u>	<u>\$ 9,180,114</u>

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

CITY OF LAMPASAS, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	6,043,699
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2007 capital outlays and debt principal payments is to increase (decrease) net assets.		(5,072,946)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(431,125)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		5,867
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>545,495</b>

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, 2007

EXHIBIT C-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
Taxes:					
5110	Property Taxes	\$ 717,177	\$ 717,177	\$ 699,809	\$ (17,368)
5120	General Sales and Use Taxes	1,004,500	1,004,500	919,689	(84,811)
5170	Franchise Tax	438,143	438,143	458,737	20,594
5190	Penalty and Interest on Taxes	8,500	8,500	9,914	1,414
5200	Licenses and Permits	12,260	12,260	8,803	(3,457)
5300	Intergovernmental Revenue and Grants	25,000	-	4,000	4,000
5400	Charges for Services	1,852,308	1,949,824	1,843,984	(105,840)
5510	Fines	11,000	12,756	14,385	1,629
5610	Investment Earnings	58,200	58,200	120,666	62,466
5620	Rents and Royalties	19,550	19,550	12,683	(6,867)
5640	Contributions & Donations from Private Sources	500	8,570	13,158	4,588
5700	Other Revenue	310,804	696,172	295,557	(400,615)
5020	Total Revenues	4,457,942	4,925,652	4,401,385	(524,267)
<b>EXPENDITURES:</b>					
Current:					
0010	General Government	617,652	617,652	583,707	33,945
0020	Public Safety	2,075,129	2,079,336	1,988,702	90,634
0031	Streets	983,542	868,542	809,892	58,650
0032	Public Works	182,497	137,497	134,348	3,149
0033	Utility Billing	133,451	133,451	123,350	10,101
0034	Building and Planning	133,345	133,345	99,229	34,116
0035	Data Processing	196,814	196,814	148,450	48,364
0036	Cemetery	97,678	113,578	108,248	5,330
0041	Non-Departmental	371,978	434,963	383,516	51,447
0042	Sanitation	754,960	754,956	754,956	-
0050	Culture and Recreation	940,988	698,145	648,762	49,383
6030	Total Expenditures	6,488,034	6,168,279	5,783,160	385,119
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,030,092)	(1,242,627)	(1,381,775)	(139,148)
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	2,000	2,000	-	(2,000)
7913	Proceeds from Capital Leases	1,003,465	-	-	-
7915	Transfers In	1,622,627	1,622,627	1,521,157	(101,470)
8911	Transfers Out (Use)	(45,786)	(425,786)	(394,235)	31,551
7080	Total Other Financing Sources (Uses)	2,582,306	1,198,841	1,126,922	(71,919)
1200	Net Change in Fund Balances	552,214	(43,786)	(254,853)	(211,067)
0100	Fund Balance - October 1 (Beginning)	2,011,010	2,011,010	2,011,010	-
3000	Fund Balance - September 30 (Ending)	\$ 2,563,224	\$ 1,967,224	\$ 1,756,157	\$ (211,067)

The accompanying notes are an integral part of this statement.

CITY OF LAMPASAS, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 491,752	\$ 108,402	\$ 22,488	\$ 622,642
Investments - Current	3,815,959	3,794,130	54,209	7,664,298
Accounts Receivable-Net of Uncollectible Allowance	862,544	204,322	8,527	1,075,393
Inventories	155,778	91,732	43,090	290,600
Total Current Assets	<u>5,326,033</u>	<u>4,198,586</u>	<u>128,314</u>	<u>9,652,933</u>
<b>Noncurrent Assets:</b>				
Capitalized Debt Issuance Costs	-	34,259	-	34,259
<b>Capital Assets:</b>				
Land Purchase and Improvements	15,330	67,965	482,322	565,617
Infrastructure	1,518,087	13,662,727	345,016	15,525,830
Accumulated Depreciation - Infrastructure	(1,014,724)	(5,020,537)	(102,514)	(6,137,775)
Buildings	49,679	830,040	1,585,266	2,464,985
Accumulated Depreciation - Buildings	(49,679)	(595,900)	(591,250)	(1,236,829)
Machinery and Equipment	2,361,092	1,266,619	359,248	3,986,959
Accumulated Depreciation - Machinery & Equipment	(2,203,965)	(1,210,369)	(113,994)	(3,528,328)
Construction in Progress	184,915	115,298	12,198	312,411
Total Noncurrent Assets	<u>860,735</u>	<u>9,150,102</u>	<u>1,976,292</u>	<u>11,987,129</u>
Total Assets	<u>6,186,768</u>	<u>13,348,688</u>	<u>2,104,606</u>	<u>21,640,062</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	626,823	176,468	19,293	822,584
Wages, Salaries, and Benefits Payable	25,698	-	19,767	45,465
Customer Deposits and Sales Tax Payable	279,913	124,901	1,870	406,684
Due to Other Funds	250,000	50,000	-	300,000
Accrued Interest Payable	-	17,041	2,693	19,734
Bonds & Notes Payable - Current	-	200,000	121,470	321,470
Total Current Liabilities	<u>1,182,434</u>	<u>568,410</u>	<u>165,093</u>	<u>1,915,937</u>
<b>NonCurrent Liabilities:</b>				
Bonds & Notes Payable - Noncurrent	-	5,168,000	570,138	5,738,138
Total Noncurrent Liabilities	<u>-</u>	<u>5,168,000</u>	<u>570,138</u>	<u>5,738,138</u>
Total Liabilities	<u>1,182,434</u>	<u>5,736,410</u>	<u>735,231</u>	<u>7,654,075</u>
<b>NET ASSETS</b>				
Investments in Capital Assets, Net of Debt	860,735	3,782,102	1,338,474	5,981,311
Restricted for Construction & Equipment	99,000	1,079,229	-	1,178,229
Restricted for Plant Replacement	-	500,000	-	500,000
Restricted for Systems Improvements	510,000	-	-	510,000
Restricted for Operations & Maintenance	2,047,117	729,143	-	2,776,260
Restricted for Debt Service	-	235,094	-	235,094
Unrestricted Net Assets	1,487,482	1,286,710	30,901	2,805,093
Total Net Assets	<u>\$ 5,004,334</u>	<u>\$ 7,612,278</u>	<u>\$ 1,369,375</u>	<u>\$ 13,985,987</u>

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

CITY OF LAMPASAS, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT D-2

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>OPERATING REVENUES:</b>				
Charges for Water Services	\$ -	\$ 2,082,592	\$ -	\$ 2,082,592
Charges for Sewerage Service	-	1,278,137	-	1,278,137
Charges for Electricity Service	9,083,797	-	-	9,083,797
Prop.Fund Other Charges for Services	144,707	82,948	-	227,655
Culture/Recreation Charges for Services	-	-	295,175	295,175
Investment Earnings	-	4,122	-	4,122
Rents and Royalties	14,648	-	48,432	63,080
Other Revenue	199,868	13,218	115,888	328,974
<b>Total Operating Revenues</b>	<u>9,443,020</u>	<u>3,461,017</u>	<u>459,495</u>	<u>13,363,532</u>
<b>OPERATING EXPENSES:</b>				
Personal Services - Salaries and Wages	253,827	-	179,955	433,782
Personal Services - Employee Benefits	83,482	-	52,644	136,126
Purchased Professional & Technical Services	177,040	772,571	21,460	971,071
Purchased Property Services	48,679	391,709	53,978	494,366
Other Operating Expenses	597,917	424,495	42,985	1,065,397
Supplies	5,996,666	807,961	136,003	6,940,630
Depreciation	84,796	475,636	70,124	630,556
Amortized Bond Costs	-	3,115	-	3,115
<b>Total Operating Expenses</b>	<u>7,242,407</u>	<u>2,875,487</u>	<u>557,149</u>	<u>10,675,043</u>
<b>Operating Income (Loss)</b>	<u>2,200,613</u>	<u>585,530</u>	<u>(97,654)</u>	<u>2,688,489</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment Earnings	198,282	188,285	9,080	395,647
Interest Expense - Non-Operating	-	(238,623)	(34,789)	(273,412)
<b>Total Non-operating Revenue (Expenses)</b>	<u>198,282</u>	<u>(50,338)</u>	<u>(25,709)</u>	<u>122,235</u>
<b>Income (Loss) Before Transfers</b>	<u>2,398,895</u>	<u>535,192</u>	<u>(123,363)</u>	<u>2,810,724</u>
Non-Operating Transfer In	233,407	510,270	16,293	759,970
Transfers Out	(1,739,562)	(289,516)	(46,795)	(2,075,873)
<b>Change in Net Assets</b>	<u>892,740</u>	<u>755,946</u>	<u>(153,865)</u>	<u>1,494,821</u>
<b>Total Net Assets - October 1 (Beginning)</b>	<u>4,111,594</u>	<u>6,856,332</u>	<u>1,523,240</u>	<u>12,491,166</u>
<b>Total Net Assets - September 30 (Ending)</b>	<u>\$ 5,004,334</u>	<u>\$ 7,612,278</u>	<u>\$ 1,369,375</u>	<u>\$ 13,985,987</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, 2007

EXHIBIT D-3

	Business-Type Activities			Total Enterprise Funds
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 9,530,587	\$ 3,486,982	\$ 513,768	\$ 13,531,337
Cash Payments to Employees for Services	(342,261)	-	(181,412)	(523,673)
Cash Payments for Suppliers	(6,185,327)	(818,466)	(205,378)	(7,209,171)
Cash Payments for Other Operating Expenses	(577,643)	(1,338,774)	(148,667)	(2,065,084)
Net Cash Provided by (Used for) Operating Activities	<u>2,425,356</u>	<u>1,329,742</u>	<u>(21,689)</u>	<u>3,733,409</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer Out	<u>(1,506,155)</u>	<u>220,754</u>	<u>(30,502)</u>	<u>(1,315,903)</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>				
Acquisition of Capital Assets	(321,146)	(518,772)	(68,793)	(908,711)
Payments on Long-Term Debt	-	(382,000)	(37,083)	(419,083)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(321,146)</u>	<u>(900,772)</u>	<u>(105,876)</u>	<u>(1,327,794)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	<u>198,282</u>	<u>(50,338)</u>	<u>(25,709)</u>	<u>122,235</u>
Net Increase(Decrease) in Cash and Cash Equivalents	808,366	599,386	(183,776)	1,223,976
Cash and Cash Equivalents at Beginning of the Year:	<u>3,499,345</u>	<u>3,303,146</u>	<u>260,473</u>	<u>7,062,964</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 4,307,711</u>	<u>\$ 3,902,532</u>	<u>\$ 76,697</u>	<u>\$ 8,286,940</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating Income (Loss):	\$ 2,200,613	\$ 585,530	\$ (97,654)	\$ 2,688,489
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	84,796	478,751	70,123	633,670
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	89,798	20,420	54,273	164,491
Decrease (increase) in Inventories	(80,801)	2,574	6,484	(71,743)
Decrease (increase) in Prepaid Expenses	-	-	1,290	1,290
Increase (decrease) in Accounts Payable	(107,860)	(13,078)	(77,148)	(198,086)
Increase (decrease) in Payroll Deductions	(722)	-	16,593	15,871
Increase (decrease) in Other Liabilities	251,561	255,545	4,350	511,456
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,437,385</u>	<u>\$ 1,329,742</u>	<u>\$ (21,689)</u>	<u>\$ 3,745,438</u>

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

**CITY OF LAMPASAS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

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

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

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

**Lampasas Economic Development Corporation (LEDC)** – Although the LEDC is legally separate from the City, the LEDC is reported as if it were part of the primary government because the City serves in an administrative capacity for the LEDC, and the LEDC provides services almost exclusively for the benefit of the primary government. The LEDC is authorized to act on behalf of the City in order to encourage the promotion and development of community, commercial, industrial and manufacturing enterprises within the area. The LEDC is funded primarily through a ¼ cent sales tax approved by the voters of the City. LEDC financial statements are presented on the full accrual basis of accounting. Copies of their financial information may be obtained by contacting the City of Lampasas, 312 E. Third Street, Lampasas, Texas, 76550. The LEDC is discretely presented as a component unit. It is reported in a separate column to emphasize that it is legally separate from the primary government.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

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

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**D. FUND ACCOUNTING**

Basis of Accounting

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

The City reports the following major governmental fund:

1. **General Fund** – The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

1. **Electric Fund** – The City accounts for electricity services provided to customers in the Electric Fund.
2. **Water/Wastewater Fund** – The City accounts for water and wastewater services provided to customers in the Water/Wastewater Fund.

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

Governmental Funds:

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

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Proprietary Funds:

1. **Aviation Fund** – The City accounts for the activities at its municipal airport in the Aviation Fund.
2. **Golf Course Fund** – The City accounts for the activities at its municipal golf course in the Golf Course Fund.
3. **Sanitation Fund** – The City accounts for sanitation services provided to customers in the Sanitation Fund.

**E. ACCRUED ABSENCES**

The City has recorded the value of earned but unused compensated absences (vacation and comp time) from its governmental fund activities by employees as an accrued liability in the Statement of Net Assets. The annual budgets of the operating funds provide funding for these benefits as they become payable and costs are expensed as the liability is liquidated. There was a balance of \$175,040 in accrued compensated absences at September 30, 2007 related to the City's governmental fund activities. The proprietary fund activities expense and record a related liability for accrued compensated absences in the current year fund basis statements as well as in the Statement of Net Assets. The balance for accrued compensated absences at September 30, 2007 for the City's proprietary fund activities was \$36,990.

**F. PROPERTY TAX**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 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, 2007, upon which the levy for the 2006-2007 fiscal year was based, was \$266,225,047. Taxes are delinquent if not paid by June 30th. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2007, to finance General Fund and Debt Service Fund operations were \$0.271533 and \$.102185, respectively, for a total tax rate of \$.373718 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2006-2007 fiscal year was \$994,930. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2007, were 100.5% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

**G. FIXED ASSETS**

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

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

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

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

**H. ESTIMATES**

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGET**

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

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

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**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At September 30, 2007, the carrying amount of the City’s deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$917,515 and the bank balance was \$1,139,931.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies. The City’s investments were in a temporary investment pool and certificates of deposit at September 30, 2007. A summary of the investment balances is as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 10,220,801	\$ 10,220,801
TexSTAR	5,494,330	5,494,330
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>
	<u>\$ 16,115,132</u>	<u>\$ 16,115,132</u>

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

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TexPool is not SEC registered. TexPool regulatory oversight is provided by the Texas State Comptroller's office. TexPool operates under the guidelines of the Texas Public Funds Investment Act. The fair value of the position in these pools is the same as the value of pool shares. As of September 30, 2007, the credit quality rating for both TexPool and TexSTAR was AAAM.

Policies Governing Deposits and Investments

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

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2007 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

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

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

**B. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2007 consist of the following:

	Property Taxes (net)	Customer Receivables (net)	Other Receivables	Total Receivables
<b>Governmental Activities:</b>				
General Fund	\$ 25,770	\$ 134,843	\$ 27,501	\$ 188,114
Non-major Governmental Funds	11,550	20,008	54,034	85,592
Total	\$ 37,320	\$ 154,851	\$ 81,535	\$ 273,706
<b>Proprietary Activities:</b>				
Electric Fund	\$ -	\$ 874,573	\$ -	\$ 874,573
Water/Wastewater Fund	-	204,322	-	204,322
Non-Major Proprietary Funds	-	10,127	-	10,127
Total	\$ -	\$ 1,089,022	\$ -	\$ 1,089,022

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Payables at September 30, 2007 consist of the following:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Customer Deposits</u>	<u>Deferred Revenues</u>	<u>Other Current Liabilities</u>	<u>Total</u>
<b>Governmental Activities:</b>						
General Fund	\$ 249,990	\$ 124,533	\$ -	\$ 54,764	\$ -	\$ 429,287
Series 2007 Bond Issue Cap. Proj.	14,915	-	-	-	-	14,915
Non-Major Gov. Funds	<u>144,251</u>	<u>937</u>	<u>-</u>	<u>11,550</u>	<u>2,414</u>	<u>159,152</u>
Total	<u>\$ 409,156</u>	<u>\$ 125,470</u>	<u>\$ -</u>	<u>\$ 66,314</u>	<u>\$ 2,414</u>	<u>\$ 603,354</u>
<b>Proprietary Activities:</b>						
Electric Fund	\$ 626,823	\$ 25,698	\$ 257,870	\$ -	\$ -	\$ 910,391
Water/Wastewater Fund	176,468	-	124,901	-	-	301,369
Non-Major Prop Funds	<u>19,293</u>	<u>21,267</u>	<u>-</u>	<u>53,790</u>	<u>-</u>	<u>94,350</u>
Total	<u>\$ 822,584</u>	<u>\$ 46,965</u>	<u>\$ 382,771</u>	<u>\$ 53,790</u>	<u>\$ -</u>	<u>\$ 1,306,110</u>

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**D. OPERATING LEASES**

The City of Lampasas leases office equipment under agreements that, for accounting purposes, are treated as operating leases. The future obligations under leases are as follows:

<u>Year Ending September 30.</u>	
2008	\$ 3,946
2009	3,946
2010	2,609
Total Minimum Rental Payments	<u>\$ 10,501</u>

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**E. INTERFUND TRANSFERS**

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

	Transfers In	Transfers Out
<b>Governmental Funds</b>		
General Fund		
Gen. Fund Equipment Reserve	\$ 14,235	\$ 14,235
Sanitation Fund	45,615	-
Electric Fund	1,453,220	
Golf Course Capital Fund	-	380,000
Trust & Agency	8,087	-
Total General Fund	1,521,157	394,235
Debt Service Fund		
Airport Fund	1,180	-
Electric Fund	86,517	-
Water/WW Fund	32,247	-
Total Debt Service Fund	119,944	-
Capital Projects Funds		
Series 2007 Cert. of Obligation Projects		
General Fund	-	-
Electric Fund	-	233,407
Water/Wastewater Fund	-	138,849
580 Sports Park	-	1,025,000
Golf Course Capital Fund		
General Fund	380,000	-
Golf Course Fund	-	12,198
CDBG Grant Fund		
Water/Wastewater Fund	153,000	371,422
Water System Improvements Fund		
Water/Wastewater Fund	50,000	-
580 Sports Park		
Series 2007 Cert. of Obligation Projects	1,275,000	-
Total Capital Projects Funds	1,858,000	1,780,876
Trust & Agency Funds		
Cemetery Fund		
General Fund	-	8,087
Total Trust & Agency Funds	-	8,087
Total Governmental Funds Transfers In/Out	\$ 3,499,101	\$ 2,183,197

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	Transfers In	Transfers Out
<b>Proprietary Funds</b>		
Golf Course Fund		
Electric	\$ 4,095	\$ -
Series 2007 Cert. of Obligation Projects	12,198	-
Total Golf Course Fund	16,293	-
Aviation Fund		
Debt Service Fund	-	1,180
Total Aviation Fund	-	1,180
Electric Fund		
General Fund	-	1,453,220
Debt Service	-	32,246
Golf Course	-	4,095
580 Sports Park	-	250,000
Series 2007 Cert. of Obligation Projects	233,407	-
Total Electric Fund	233,407	1,739,561
Water/WW Fund		
Debt Service	-	86,517
CDBG Grant Fund	-	153,000
Water System Improvements Fund	-	50,000
Series 2007 Cert. of Obligation Projects	510,270	-
Total Water/WW Fund	510,270	289,517
Sanitation Fund		
General Fund	-	45,615
Total Sanitation Fund	-	45,615
Total Proprietary Funds Transfers In/Out	\$ 759,970	\$ 2,075,873

**F. DUE FROM AND DUE TO OTHER FUNDS**

Amounts due from and due to other funds as of September 30, 2007 were as follows:

Fund	Due From	Due To
580 Sports Park Fund		
Due from Electric Fund	\$ 250,000	\$ -
Water System Improvements Fund		
Due from Water/Wastewater	50,000	-
Electric Fund		
Due to 580 Sports Park Fund	-	250,000
Water/Wastewater		
Due to 580 Sports Park Fund	-	50,000
Totals	\$ 300,000	\$ 300,000

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**G. FIXED ASSETS**

Capital asset activity for the City of Lampasas for the year ended September 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 853,637	\$ 12,158	\$ -	\$ 865,795
Buildings and Improvements	4,130,062	286,507	-	4,416,569
Machinery and Equipment	1,943,120	159,846	-	2,102,966
Construction in Progress	-	36,171	-	36,171
Totals at Historical Cost	<u>6,926,819</u>	<u>494,682</u>	<u>-</u>	<u>7,421,501</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,818,698)	(166,542)	-	(1,985,240)
Machinery and Equipment	(1,180,897)	(264,583)	-	(1,445,480)
Total Accum. Depreciation	<u>(2,999,595)</u>	<u>(431,125)</u>	<u>-</u>	<u>(3,430,720)</u>
Governmental Activities Capital Assets, net	<u>\$ 3,927,224</u>	<u>\$ 63,557</u>	<u>\$ -</u>	<u>\$ 3,990,781</u>
<b>Proprietary Activities:</b>				
Land	\$ 565,617	\$ -	\$ -	\$ 565,617
Utility System	15,110,217	539,703	-	15,649,920
Buildings and Improvements	2,464,981	-	-	2,464,981
Machinery and Equipment	3,806,271	56,596	-	3,862,867
Construction in Progress	-	312,410	-	312,410
Totals at Historical Cost	<u>21,947,086</u>	<u>908,709</u>	<u>-</u>	<u>22,855,795</u>
Less Accumulated Depreciation:				
Utility System	(5,658,312)	(479,459)	-	(6,137,771)
Buildings and Improvements	(1,162,969)	(73,860)	-	(1,236,829)
Machinery and Equipment	(3,451,093)	(77,235)	-	(3,528,328)
Total Accum. Depreciation	<u>(10,272,374)</u>	<u>(630,554)</u>	<u>-</u>	<u>(10,902,928)</u>
Proprietary Activities Capital Assets, net	<u>\$11,674,712</u>	<u>\$ 278,155</u>	<u>\$ -</u>	<u>\$ 11,952,867</u>

Depreciation expense was charged to the governmental activities as follows:

Function	Allocated Depreciation
General Government	\$ 66,198
Public Safety and Code Enforcement	142,896
Public Works	9,315
Streets	56,155
Culture and Recreation	46,318
Non-Departmental	99,722
Cemetery	10,521
Total	<u>\$ 431,125</u>

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**H. LONG-TERM DEBT**

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2006	Additions	Deletions	Amounts Outstanding 9/30/2007
<b>Governmental Activities:</b>						
<b>Bonds Payable</b>						
Certificate of Obligation, Series 1993	4.4 - 7.4%	\$ 1,245,000	\$ 225,000	\$ -	\$ 110,000	\$ 115,000
Maint. Tax Notes, Series 2006	4.19%	620,000	620,000	-	25,000	595,000
Certificate of Obligation, Series 2006	5.15%	67,500	66,000	-	20,000	46,000
Certificate of Obligation, Series 2007	4.50%	6,000,000	-	6,000,000	95,000	5,905,000
<b>Total Bonds Payable</b>			<u>911,000</u>	<u>6,000,000</u>	<u>250,000</u>	<u>6,661,000</u>
<b>Notes Payable</b>						
First State Bank - Vehicles	4.00%	90,825	15,907	-	15,907	-
<b>Total Notes Payable</b>			<u>15,907</u>	<u>-</u>	<u>15,907</u>	<u>-</u>
<b>Capital Leases</b>						
Emergency One - Fire Truck	4.95%	424,780	180,470	-	26,566	153,904
Chase Equipment Lease - PD Veh.	4.89%	51,428	22,997	-	15,145	7,852
<b>Total Capital Leases</b>			<u>203,467</u>	<u>-</u>	<u>41,711</u>	<u>161,756</u>
<b>Total Bonds, Notes, and Capital Leases</b>			<u>\$ 1,130,374</u>	<u>\$ 6,000,000</u>	<u>\$ 307,618</u>	<u>\$ 6,822,756</u>
<b>Other</b>						
Compensated Absences	n/a	n/a	227,648	-	52,608	175,040
<b>Total Debt - Governmental Activities</b>			<u>\$ 1,358,022</u>	<u>\$ 6,000,000</u>	<u>\$ 360,226</u>	<u>\$ 6,997,796</u>

Future debt service requirements for governmental activities are as follows:

Year Ended September 30,	Bonds Payable			Notes and Capital Leases Payable		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 300,000	\$ 278,198	\$ 578,198	\$ 35,732	\$ 7,810	\$ 43,542
2009	316,000	265,332	581,332	29,261	6,238	35,499
2010	330,000	252,170	582,170	30,709	4,790	35,499
2011	350,000	238,387	588,387	32,229	3,270	35,499
2012	260,000	223,769	483,769	33,825	1,674	35,499
2013-2032	5,105,000	2,031,028	7,136,028	-	-	-
	<u>\$ 6,661,000</u>	<u>\$ 3,288,883</u>	<u>\$ 9,949,883</u>	<u>\$ 161,756</u>	<u>\$ 23,782</u>	<u>\$ 185,538</u>

During Fiscal Year 2007, the City issued Combination Tax and Revenue Certificates of Obligation in the amount of \$6,000,000 for several anticipated capital projects. These capital projects are for purposes of both governmental and proprietary activities. The funds received are to be accounted for in the Series 2007 Bond Issue Capital Projects Fund which will also record project costs as incurred. As proprietary fund projects progress, the value of the projects will be transferred from the capital projects fund and capitalized in the appropriate proprietary fund. Debt payments will be serviced from the Debt Service Fund with transfers budgeted and made into this fund from other funds for which the debt was issued as needed to service the debt.

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Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2006	Additions	Deletions	Amounts Outstanding 9/30/2007
<b>Proprietary Activities:</b>						
<b>Utility Funds</b>						
<b>Bonds Payable - Water/Wastewater Fund</b>						
Certificate of Obligation - Series 1981		\$ 350,000	\$ 120,000	\$ -	\$ 20,000	\$ 100,000
Certificate of Obligation - Series 1996		180,000	125,000	-	60,000	65,000
Certificate of Obligation - Series 2006	4.30%	1,020,000	1,079,000	-	-	1,079,000
Utility Rev. Bonds - Series 1997	4.50%	3,901,000	3,486,000	-	57,000	3,429,000
Certificate of Obligation - Series 1998	2.6- 4.0%	1,040,000	740,000	-	45,000	695,000
<b>Total Bonds Payable - Water/Wastewater Fund</b>			<u>5,550,000</u>	<u>-</u>	<u>182,000</u>	<u>5,368,000</u>
<b>Other - Electric Fund</b>						
Compensated Absences	n/a	n/a	25,515	-	4,230	21,285
<b>Total Debt - Utility Funds</b>			<u>5,575,515</u>	<u>-</u>	<u>186,230</u>	<u>5,389,285</u>
<b>Golf Course Fund</b>						
<b>Notes Payable</b>						
Notes Payable - General Fund	5.50%	600,000	515,959	-	35,119	480,840
Notes Payable - Electric Fund	3.00%	100,000	91,262	-	9,293	81,969
<b>Total Notes Payable</b>			<u>607,221</u>	<u>-</u>	<u>44,412</u>	<u>562,809</u>
<b>Lease Purchases</b>						
Yamaha Commercial Finance	4.98%	116,330	94,821	-	19,812	75,009
Community Bank of Louisiana	5.00%	56,556	-	56,556	2,766	53,790
<b>Total Notes Payable</b>			<u>94,821</u>	<u>56,556</u>	<u>22,578</u>	<u>128,799</u>
<b>Other</b>						
Compensated Absences	n/a	n/a	18,050	-	2,345	15,705
<b>Total Other</b>			<u>18,050</u>	<u>-</u>	<u>2,345</u>	<u>15,705</u>
<b>Total Debt Golf Course Fund</b>			<u>720,092</u>	<u>56,556</u>	<u>69,335</u>	<u>707,313</u>
<b>Grand Total - Proprietary Funds</b>			<u>\$ 6,295,607</u>	<u>\$ 56,556</u>	<u>\$ 255,565</u>	<u>\$ 6,096,598</u>

Future debt service requirements for proprietary activities are as follows:

Year Ended September 30,	Bonds Payable			Notes and Capital Leases Payable		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 200,000	\$ 230,406	\$ 430,406	\$ 121,470	\$ 30,832	\$ 152,302
2009	216,000	221,421	437,421	59,262	28,483	87,745
2010	230,000	212,405	442,405	62,394	25,351	87,745
2011	233,000	202,785	435,785	65,697	22,047	87,745
2012	221,000	193,599	414,599	69,182	18,562	87,745
2013-2017	1,256,000	822,559	2,078,559	313,603	41,541	355,144
2018-2022	823,000	569,207	1,392,207	-	-	-
2023-2027	633,000	423,788	1,056,788	-	-	-
2028-2032	788,000	264,555	1,052,555	-	-	-
2033-2036	768,000	71,055	839,055	-	-	-
	<u>\$ 5,368,000</u>	<u>\$ 3,211,778</u>	<u>\$ 8,579,778</u>	<u>\$ 691,609</u>	<u>\$ 166,816</u>	<u>\$ 858,425</u>

**CITY OF LAMPASAS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**I. TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN DESCRIPTION**

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide, Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after:	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City (expressed as years of service/age) are:

5 years/age 60, 20years/any age.

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year-to-year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City's contribution 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 (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

**CITY OF LAMPASAS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**City of Lampasas  
Schedule of Funding Progress**

Actuarial Valuation Date		12/31/06
Actuarial Value of Assets	(A)	\$ 5,340,792
Actuarial Accrued Liability	(B)	\$ 7,015,480
Unfunded (over funded) Actuarial Accrued Liability (UAAL)	(C) = (B) - (A)	\$ 1,674,688
Funded Ratio	(D) = (A) / (B)	76.13%
Annual Covered Payroll	(E)	\$ 2,812,709
UAAL as a Percentage of Covered Payroll	(C) / (E)	59.54%

**Trend Information**

Fiscal Year Ending	(F)	9/30/06
Annual Pension Cost	(F)	\$ 314,033
Percent of APC Contribution		100%
Net Pension Obligation	(G)	\$ -

**General System-wide Actuarial Assumptions**

Actuarial Cost Method	Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.50%
Cost-of-Living Adjustments	None

City of Lampasas is one of 821 municipalities having their benefit plan administered by TMRS. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006, valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

**I. HEALTH INSURANCE COVERAGE**

During the year ended September 30, 2007, employees of the City of Lampasas, were covered by a health insurance plan (the Plan). The City paid 100% of the employee's monthly premium. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the Scott & White Health Plan, an insurer licensed to do business in the State of Texas. The Plan was authorized by the Texas Insurance Code and was documented by contractual agreement. This agreement includes terms of coverage and premium costs. Financial statements for the Scott & White Plan are filed with the Texas State Board of Insurance in Austin, Texas, and are public records.

**CITY OF LAMPASAS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**J. RISK MANAGEMENT**

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

COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

CITY OF LAMPASAS, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

Data Control Codes	200 Homeland Security Grant	201 Police Seizures Fund	202 Library Board Fund
<b>ASSETS</b>			
1010 Cash and Cash Equivalents	\$ 786	\$ 10,607	\$ 23,003
1030 Investments - Current	-	-	-
1050 Taxes Receivable	-	-	-
1051 Allowance for Uncollectible Taxes (credit)	-	-	-
1150 Receivables (net of allowance for uncollectibles)	-	-	-
1260 Intergovernmental Receivables	-	-	-
1300 Due from Other Funds	-	-	-
1990 Other Assets	-	-	-
1000 Total Assets	<u>\$ 786</u>	<u>\$ 10,607</u>	<u>\$ 23,003</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2010 Accounts Payable	\$ -	\$ 92	\$ -
2020 Wages and Salaries Payable	-	-	-
2220 Deferred Revenues	-	-	-
2270 Other Current Liabilities	-	2,414	-
2000 Total Liabilities	<u>-</u>	<u>2,506</u>	<u>-</u>
Fund Balances:			
Reserved For:			
3410 Debt Service	-	-	-
3420 Endowments	-	-	-
3460 Other Specific Purposes	786	8,101	23,003
3490 Capital Projects	-	-	-
3000 Total Fund Balances	<u>786</u>	<u>8,101</u>	<u>23,003</u>
4000 Total Liabilities and Fund Balances	<u>\$ 786</u>	<u>\$ 10,607</u>	<u>\$ 23,003</u>

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

203 Library Grant Fund	204 Hotel/ Motel Tax Fund	205 Unemployment Compensation Fund	206 Employee Benefit Accr. Fund	207 Major Crimes Assistance Grant Fund	Total Nonmajor Special Revenue Funds	500 Debt Service Fund	602 Golf Course Capital Fund
\$ 8,250	\$ 7,043	\$ 414	\$ 83	\$ (3,654)	\$ 46,532	\$ 21,086	\$ (12,099)
-	845,799	26,096	11,532	-	883,427	141,626	380,000
-	-	-	-	-	-	13,588	-
-	-	-	-	-	-	(2,038)	-
-	14,699	-	-	5,309	20,008	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	149	-
<u>\$ 8,250</u>	<u>\$ 867,541</u>	<u>\$ 26,510</u>	<u>\$ 11,615</u>	<u>\$ 1,655</u>	<u>\$ 949,967</u>	<u>\$ 174,411</u>	<u>\$ 367,901</u>
\$ -	\$ 10,520	\$ -	\$ -	\$ 718	\$ 11,330	\$ -	\$ 99
-	-	-	-	937	937	-	-
-	-	-	-	-	-	11,550	-
-	-	-	-	-	2,414	-	-
-	10,520	-	-	1,655	14,681	11,550	99
-	-	-	-	-	-	162,861	-
-	-	-	-	-	-	-	-
8,250	857,021	26,510	11,615	-	935,286	-	-
-	-	-	-	-	-	-	367,802
<u>8,250</u>	<u>857,021</u>	<u>26,510</u>	<u>11,615</u>	<u>-</u>	<u>935,286</u>	<u>162,861</u>	<u>367,802</u>
<u>\$ 8,250</u>	<u>\$ 867,541</u>	<u>\$ 26,510</u>	<u>\$ 11,615</u>	<u>\$ 1,655</u>	<u>\$ 949,967</u>	<u>\$ 174,411</u>	<u>\$ 367,901</u>

CITY OF LAMPASAS, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

Data Control Codes	603 CDBG Sewer Grant	604 CDBG Water Grant	605 580 Sports Park Fund	Total Nonmajor Capital Project Funds
<b>ASSETS</b>				
1010 Cash and Cash Equivalents	\$ 84,378	\$ -	\$ -	\$ 72,279
1030 Investments - Current	-	-	1,018,817	1,398,817
1050 Taxes Receivable	-	-	-	-
1051 Allowance for Uncollectible Taxes (credit)	-	-	-	-
1150 Receivables (net of allowance for uncollectibles)	-	-	-	-
1260 Intergovernmental Receivables	54,034	-	-	54,034
1300 Due from Other Funds	-	50,000	250,000	300,000
1990 Other Assets	-	-	-	-
1000 Total Assets	<u>\$ 138,412</u>	<u>\$ 50,000</u>	<u>\$ 1,268,817</u>	<u>\$ 1,825,130</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2010 Accounts Payable	\$ 131,834	\$ -	\$ 988	\$ 132,921
2020 Wages and Salaries Payable	-	-	-	-
2220 Deferred Revenues	-	-	-	-
2270 Other Current Liabilities	-	-	-	-
2000 Total Liabilities	<u>131,834</u>	<u>-</u>	<u>988</u>	<u>132,921</u>
Fund Balances:				
Reserved For:				
3410 Debt Service	-	-	-	-
3420 Endowments	-	-	-	-
3460 Other Specific Purposes	-	-	-	-
3490 Capital Projects	6,578	50,000	1,267,829	1,692,209
3000 Total Fund Balances	<u>6,578</u>	<u>50,000</u>	<u>1,267,829</u>	<u>1,692,209</u>
4000 Total Liabilities and Fund Balances	<u>\$ 138,412</u>	<u>\$ 50,000</u>	<u>\$ 1,268,817</u>	<u>\$ 1,825,130</u>

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

400 Cemetary Fund	Total Nonmajor Governmental Funds
\$ 72,958	\$ 212,855
101,601	2,525,471
-	13,588
-	(2,038)
-	20,008
-	54,034
-	300,000
-	149
\$ 174,559	\$ 3,124,067
\$ -	\$ 144,251
-	937
-	11,550
-	2,414
-	159,152
-	162,861
174,559	174,559
-	935,286
-	1,692,209
174,559	2,964,915
\$ 174,559	\$ 3,124,067

CITY OF LAMPASAS, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Data Control Codes	200 Homeland Security Grant	201 Police Seizures Fund	202 Library Board Fund
<b>REVENUES:</b>			
Taxes:			
5110 Property Taxes	\$ -	\$ -	\$ -
5120 General Sales and Use Taxes	-	-	-
5190 Penalty and Interest on Taxes	-	-	-
5300 Intergovernmental Revenue and Grants	11,669	-	-
5400 Charges for Services	-	1,759	122
5610 Investment Earnings	-	325	-
5640 Contributions & Donations from Private Sources	-	-	9,332
5700 Other Revenue	-	-	578
5020 Total Revenues	<u>11,669</u>	<u>2,084</u>	<u>10,032</u>
<b>EXPENDITURES:</b>			
Current:			
0020 Public Safety	13,296	4,099	-
0036 Cemetery	-	-	-
0041 Non-Departmental	-	-	-
0050 Culture and Recreation	-	-	10,755
Debt Service:			
0071 Bond Principal	-	-	-
0073 Bond Interest	-	-	-
0075 Fiscal Agent's Fees	-	-	-
6030 Total Expenditures	<u>13,296</u>	<u>4,099</u>	<u>10,755</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,627)</u>	<u>(2,015)</u>	<u>(723)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(1,627)	(2,015)	(723)
0100 Fund Balance - October 1 (Beginning)	<u>2,413</u>	<u>10,116</u>	<u>23,726</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 786</u>	<u>\$ 8,101</u>	<u>\$ 23,003</u>

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

203 Library Grant Fund	204 Hotel/ Motel Tax Fund	205 Unemployment Compensation Fund	206 Employee Benefit Accr. Fund	207 Major Crimes Assistance Grant Fund	Total Nonmajor Special Revenue Funds	500 Debt Service Fund	602 Golf Course Capital Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,514	\$ -
-	101,465	-	-	-	101,465	-	-
-	-	-	-	-	-	4,062	-
10,494	-	-	-	54,815	76,978	-	-
-	-	-	-	-	1,881	-	-
-	40,993	1,342	590	-	43,250	11,955	-
-	-	-	-	-	9,332	-	-
-	-	-	-	-	578	-	-
<u>10,494</u>	<u>142,458</u>	<u>1,342</u>	<u>590</u>	<u>54,815</u>	<u>233,484</u>	<u>299,531</u>	<u>-</u>
-	-	-	-	54,815	72,210	-	-
-	43,484	-	-	-	43,484	-	-
-	-	-	-	-	-	-	-
8,494	-	-	-	-	19,249	-	-
-	-	-	-	-	-	265,763	-
-	-	-	-	-	-	103,953	-
-	-	-	-	-	-	1,000	-
<u>8,494</u>	<u>43,484</u>	<u>-</u>	<u>-</u>	<u>54,815</u>	<u>134,943</u>	<u>370,716</u>	<u>-</u>
<u>2,000</u>	<u>98,974</u>	<u>1,342</u>	<u>590</u>	<u>-</u>	<u>98,541</u>	<u>(71,185)</u>	<u>-</u>
-	-	-	-	-	-	119,944	380,000
-	-	-	-	-	-	-	(12,198)
-	-	-	-	-	-	119,944	367,802
2,000	98,974	1,342	590	-	98,541	48,759	367,802
<u>6,250</u>	<u>758,047</u>	<u>25,168</u>	<u>11,025</u>	<u>-</u>	<u>836,745</u>	<u>114,102</u>	<u>-</u>
<u>\$ 8,250</u>	<u>\$ 857,021</u>	<u>\$ 26,510</u>	<u>\$ 11,615</u>	<u>\$ -</u>	<u>\$ 935,286</u>	<u>\$ 162,861</u>	<u>\$ 367,802</u>

CITY OF LAMPASAS, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Data Control Codes	603 CDBG Sewer Grant	604 CDBG Water Grant	605 580 Sports Park Fund	Total Nonmajor Capital Project Funds
<b>REVENUES:</b>				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5120 General Sales and Use Taxes	-	-	-	-
5190 Penalty and Interest on Taxes	-	-	-	-
5300 Intergovernmental Revenue and Grants	225,000	-	-	225,000
5400 Charges for Services	-	-	-	-
5610 Investment Earnings	-	-	-	-
5640 Contributions & Donations from Private Sources	-	-	3,500	3,500
5700 Other Revenue	-	-	-	-
5020 Total Revenues	<u>225,000</u>	<u>-</u>	<u>3,500</u>	<u>228,500</u>
<b>EXPENDITURES:</b>				
Current:				
0020 Public Safety	-	-	-	-
0036 Cemetery	-	-	-	-
0041 Non-Departmental	-	-	10,671	10,671
0050 Culture and Recreation	-	-	-	-
Debt Service:				
0071 Bond Principal	-	-	-	-
0073 Bond Interest	-	-	-	-
0075 Fiscal Agent's Fees	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>-</u>	<u>10,671</u>	<u>10,671</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>225,000</u>	<u>-</u>	<u>(7,171)</u>	<u>217,829</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	153,000	50,000	1,275,000	1,858,000
8911 Transfers Out (Use)	<u>(371,422)</u>	<u>-</u>	<u>-</u>	<u>(383,620)</u>
7080 Total Other Financing Sources (Uses)	<u>(218,422)</u>	<u>50,000</u>	<u>1,275,000</u>	<u>1,474,380</u>
1200 Net Change in Fund Balance	6,578	50,000	1,267,829	1,692,209
0100 Fund Balance - October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 6,578</u>	<u>\$ 50,000</u>	<u>\$ 1,267,829</u>	<u>\$ 1,692,209</u>

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

400 Cemetery Fund	Total Nonmajor Governmental Funds
\$ -	\$ 283,514
-	101,465
-	4,062
-	301,978
-	1,881
8,088	63,293
-	12,832
-	578
8,088	769,603
-	72,210
-	43,484
-	10,671
-	19,249
-	265,763
-	103,953
-	1,000
-	516,330
8,088	253,273
-	1,977,944
(8,087)	(391,707)
(8,087)	1,586,237
1	1,839,510
174,558	1,125,405
\$ 174,559	\$ 2,964,915

CITY OF LAMPASAS, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 SEPTEMBER 30, 2007

	711	712
	G/F Economic Development Fund	Aviation Fund
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 4,019	\$ 13,720
Investments - Current	43,136	11,073
Accounts Receivable-Net of Uncollectible Allowance	-	4,146
Inventories	-	14,924
Total Current Assets	47,155	43,863
<b>Noncurrent Assets:</b>		
Capital Assets:		
Land Purchase and Improvements	-	141,292
Infrastructure	345,016	-
Accumulated Depreciation - Infrastructure	(102,514)	-
Buildings	-	496,426
Accumulated Depreciation - Buildings	-	(260,007)
Machinery and Equipment	-	43,864
Accumulated Depreciation - Machinery & Equipment	-	(43,864)
Construction in Progress	-	-
Total Noncurrent Assets	242,502	377,711
Total Assets	289,657	421,574
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	-	1,063
Wages, Salaries, and Benefits Payable	-	-
Customer Deposits and Sales Tax Payable	-	-
Accrued Interest Payable	-	-
Bonds & Notes Payable - Current	-	-
Total Current Liabilities	-	1,063
<b>NonCurrent Liabilities:</b>		
Bonds & Notes Payable - Noncurrent	-	-
Total Noncurrent Liabilities	-	-
Total Liabilities	-	1,063
<b>NET ASSETS</b>		
Investments in Capital Assets, Net of Debt	242,502	377,711
Unrestricted Net Assets	47,155	42,800
Total Net Assets	\$ 289,657	\$ 420,511

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

713	716	Total
Golf Course Fund	Sanitation Fund	Nonmajor Enterprise Funds
\$ 4,749	\$ -	\$ 22,488
-	-	54,209
4,381	-	8,527
28,166	-	43,090
37,296	-	128,314
341,030	-	482,322
-	-	345,016
-	-	(102,514)
1,088,840	-	1,585,266
(331,243)	-	(591,250)
315,384	-	359,248
(70,130)	-	(113,994)
12,198	-	12,198
1,356,079	-	1,976,292
1,393,375	-	2,104,606
18,230	-	19,293
19,767	-	19,767
1,870	-	1,870
2,693	-	2,693
121,470	-	121,470
164,030	-	165,093
570,138	-	570,138
570,138	-	570,138
734,168	-	735,231
718,261	-	1,338,474
(59,054)	-	30,901
\$ 659,207	\$ -	\$ 1,369,375

CITY OF LAMPASAS, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	711 G/F Economic Development Fund	712 Aviation Fund
<b>OPERATING REVENUES:</b>		
Culture/Recreation Charges for Services	\$ -	\$ -
Rents and Royalties	-	22,475
Other Revenue	-	67,497
Total Operating Revenues	-	89,972
<b>OPERATING EXPENSES:</b>		
Personal Services - Salaries and Wages	-	-
Personal Services - Employee Benefits	-	-
Purchased Professional & Technical Services	20,000	1,460
Purchased Property Services	-	14,769
Other Operating Expenses	-	2,499
Supplies	-	55,555
Depreciation	11,961	16,036
Total Operating Expenses	31,961	90,319
Operating Income (Loss)	(31,961)	(347)
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Investment Earnings	3,007	739
Interest Expense - Non-Operating	-	-
Total Non-operating Revenue (Expenses)	3,007	739
Income (Loss) Before Transfers	(28,954)	392
Non-Operating Transfer In	-	-
Transfers Out	-	(1,180)
Change in Net Assets	(28,954)	(788)
Total Net Assets - October 1 (Beginning)	318,611	421,299
Total Net Assets - September 30 (Ending)	\$ 289,657	\$ 420,511

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

713 Golf Course Fund	716 Sanitation Fund	Total Nonmajor Enterprise Funds
\$ 295,175	\$ -	\$ 295,175
25,957	-	48,432
48,391	-	115,888
<u>369,523</u>	<u>-</u>	<u>459,495</u>
179,955	-	179,955
52,644	-	52,644
-	-	21,460
39,209	-	53,978
40,486	-	42,985
80,448	-	136,003
42,127	-	70,124
<u>434,869</u>	<u>-</u>	<u>557,149</u>
<u>(65,346)</u>	<u>-</u>	<u>(97,654)</u>
5,334	-	9,080
<u>(34,789)</u>	<u>-</u>	<u>(34,789)</u>
<u>(29,455)</u>	<u>-</u>	<u>(25,709)</u>
<u>(94,801)</u>	<u>-</u>	<u>(123,363)</u>
16,293	-	16,293
-	(45,615)	(46,795)
<u>(78,508)</u>	<u>(45,615)</u>	<u>(153,865)</u>
<u>737,715</u>	<u>45,615</u>	<u>1,523,240</u>
<u>\$ 659,207</u>	<u>\$ -</u>	<u>\$ 1,369,375</u>

CITY OF LAMPASAS, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	711 G/F Economic Development Fund	712 Aviation Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ -	\$ 86,157
Cash Payments to Employees for Services	-	681
Cash Payments for Suppliers	(305)	(53,472)
Cash Payments for Other Operating Expenses	(20,000)	(18,728)
Net Cash Provided by (Used for) Operating Activities	<u>(20,305)</u>	<u>14,638</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer Out	-	(1,180)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>		
Acquisition of Capital Assets	-	-
Payments on Long-Term Debt	-	-
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>-</u>	<u>-</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	<u>3,007</u>	<u>739</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(17,298)	14,197
Cash and Cash Equivalents at Beginning of the Year:	<u>64,453</u>	<u>10,596</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 47,155</u>	<u>\$ 24,793</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ (31,961)	\$ (347)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	11,960	16,036
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	-	(3,815)
Decrease (increase) in Inventories	-	874
Decrease (increase) in Prepaid Expenses	-	1,290
Increase (decrease) in Accounts Payable	(304)	(81)
Increase (decrease) in Payroll Deductions	-	681
Increase (decrease) in Other Liabilities	-	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (20,305)</u>	<u>\$ 14,638</u>

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

713 Golf Course Fund	716 Sanitation Fund	Total Nonmajor Enterprise Funds
\$ 369,720	\$ 57,891	\$ 513,768
(182,093)	-	(181,412)
(82,099)	(69,502)	(205,378)
(106,043)	(3,896)	(148,667)
<u>(515)</u>	<u>(15,507)</u>	<u>(21,689)</u>
<u>16,293</u>	<u>(45,615)</u>	<u>(30,502)</u>
(68,793)	-	(68,793)
(37,083)	-	(37,083)
<u>(105,876)</u>	<u>-</u>	<u>(105,876)</u>
<u>(29,455)</u>	<u>-</u>	<u>(25,709)</u>
(119,553)	(61,122)	(183,776)
<u>124,302</u>	<u>61,122</u>	<u>260,473</u>
<u>\$ 4,749</u>	<u>\$ -</u>	<u>\$ 76,697</u>
\$ (65,346)	\$ -	\$ (97,654)
42,127	-	70,123
197	57,891	54,273
5,610	-	6,484
-	-	1,290
(7,261)	(69,502)	(77,148)
15,912	-	16,593
8,246	(3,896)	4,350
<u>(515)</u>	<u>(15,507)</u>	<u>(21,689)</u>

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

	Fiscal Year				
	1998	1999	2000	2001	2002
General Government	\$ 699,736	\$ 811,261	\$ 790,702	\$ 933,547	\$ 961,572
Public Safety	918,374	1,127,530	1,155,944	1,316,708	2,277,807
Public Works	702,726	819,749	583,318	697,217	694,004
Culture and Recreation	458,979	486,683	477,431	521,326	496,696
	<u>\$ 2,779,815</u>	<u>\$ 3,245,223</u>	<u>\$ 3,007,395</u>	<u>\$ 3,468,798</u>	<u>\$ 4,430,079</u>

Fiscal Year				
2003	2004	2005	2006	2007
\$ 1,183,237	\$ 1,245,723	\$ 1,435,994	\$ 1,734,014	\$ 2,201,456
1,799,138	1,814,059	1,874,615	1,995,432	1,988,702
1,157,200	1,117,579	956,796	1,036,616	944,240
814,082	691,196	1,107,984	662,697	648,762
<u>\$ 4,953,657</u>	<u>\$ 4,868,557</u>	<u>\$ 5,375,389</u>	<u>\$ 5,428,759</u>	<u>\$ 5,783,160</u>

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

	Fiscal Year			
	1998	1999	2000	2001
Property Taxes	\$ 196,931	\$ 203,534	\$ 328,368	\$ 359,205
General Sales and Use Taxes	710,800	828,986	707,515	740,507
Franchise Tax	1,601,506	1,612,279	1,620,786	1,663,602
Other Taxes	7,773	7,837	6,912	6,804
Licenses and Permits	11,921	16,174	22,123	15,900
Intergovernmental Revenues and Grants	18,035	19,140	-	-
Charges for Services	31,174	186,293	397,070	440,865
Fines	121,216	168,634	4,661	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	286,684	106,638	195,677	149,828
	<u>\$ 2,986,040</u>	<u>\$ 3,149,515</u>	<u>\$ 3,283,112</u>	<u>\$ 3,376,711</u>

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 373,874	\$ 420,995	\$ 488,141	\$ 563,194	\$ 638,933	\$ 699,809
723,680	727,783	812,362	883,782	894,726	919,689
1,735,723	1,765,077	1,785,414	1,751,355	442,189	458,737
6,587	5,173	5,415	7,926	10,527	9,914
34,724	50,360	32,635	38,086	32,365	8,803
-	-	-	-	-	4,000
573,969	594,813	505,760	430,559	1,142,380	1,843,984
-	-	10,030	11,470	12,311	14,385
-	-	185,041	186,999	-	-
-	-	55,445	73,952	103,153	120,666
-	-	31,913	34,932	43,936	12,683
-	-	12,355	1,647	9,600	13,158
801,351	841,036	712,601	728,481	337,747	295,557
<u>\$ 4,249,908</u>	<u>\$ 4,405,237</u>	<u>\$ 4,637,112</u>	<u>\$ 4,712,383</u>	<u>\$ 3,667,867</u>	<u>\$ 4,401,385</u>

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collection</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>	<u>Total Collections as % of Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Levy</u>
1998	384,933	376,896	97.9%	10,268	387,164	100.6%	12,954	3.4%
1999	386,799	376,963	97.5%	19,624	396,587	102.5%	11,706	3.0%
2000	479,588	456,176	95.1%	19,593	475,769	99.2%	10,982	2.3%
2001	503,489	493,283	98.0%	12,792	506,075	100.5%	23,112	4.6%
2002	579,420	568,407	98.1%	9,552	577,959	99.7%	26,909	4.6%
2003	637,011	622,405	97.7%	13,023	635,428	99.8%	29,694	4.7%
2004	759,968	740,402	97.4%	13,143	753,545	99.2%	35,718	4.7%
2005	820,350	798,015	97.3%	15,232	813,247	99.1%	40,432	4.9%
2006	898,020	880,573	98.1%	17,922	898,495	100.1%	37,528	4.2%
2007	994,930	980,001	98.5%	20,183	1,000,184	100.5%	45,357	4.6%

**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
1998	6,327	141,116,883	925,000	39,781	885,219	0.63%	140
1999	6,327	144,404,374	855,000	49,488	805,512	0.56%	127
2000	6,327	143,861,144	965,000	41,544	923,456	0.64%	146
2001	6,786	171,190,934	869,000	18,713	850,287	0.50%	125
2002	6,786	192,760,990	767,000	42,312	724,688	0.38%	107
2003	6,786	199,240,214	659,000	95,970	563,030	0.28%	83
2004	6,786	207,482,950	545,000	39,149	505,851	0.24%	75
2005	6,786	222,740,750	425,000	39,396	385,604	0.17%	57
2006	7,465	239,926,260	911,000	114,102	796,898	0.33%	107
2007	7,465	266,225,047	6,661,000	174,411	6,486,589	2.44%	869

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

Fiscal Year	Principal	Interest	Debt Service	Total General Expenditures	Ratio of Total Debt Service to General Expenditures
1998	65,000	50,810	115,810	2,779,815	4.17%
1999	70,000	46,000	116,000	3,245,223	3.57%
2000	90,000	56,435	146,435	3,007,395	4.87%
2001	96,000	45,547	141,547	3,468,798	4.08%
2002	102,000	41,204	143,204	4,434,412	3.23%
2003	108,000	36,503	144,503	4,953,657	2.92%
2004	95,000	31,436	126,436	4,868,561	2.60%
2005	120,000	25,993	145,993	5,375,389	2.72%
2006	201,500	16,895	218,395	5,428,759	4.02%
2007	250,000	103,724	353,724	5,783,160	6.12%

**CITY OF LAMPASAS, TEXAS**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**AS OF SEPTEMBER 30, 2007**  
**(Unaudited)**

Actual assessed value at January 1, 2006 (100% of estimated market value)	\$ 266,225,047
Debt limit - approximate	25,000,000
Total general obligation bonded debt	6,661,000
Less: interest and sinking fund	<u>174,411</u>
Debt applicable to debt limit	6,486,589
Legal debt margin	<u><u>\$ 18,513,411</u></u>

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

Fiscal Year	Number of Customers	Water Pumped or Purchased (in thousands)	Water Sold (in thousands)	Unaccounted for (in thousands)	Percentage Unaccounted
1998	2,905	563,844	447,721	116,123	20.6%
1999	2,915	551,248	439,484	111,764	20.3%
2000	2,948	570,299	509,131	61,168	10.7%
2001	2,975	513,522	492,395	21,127	4.1%
2002	2,980	531,180	516,712	14,468	2.7%
2003	3,019	494,128	452,083	42,045	8.5%
2004	3,041	405,358	403,956	1,402	0.3%
2005	3,062	355,742	347,845	7,897	2.2%
2006	3,065	424,134	427,018	(2,884) *	-0.7%
2007	3,108	404,351	396,378	7,973	2.0%

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

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

Fiscal Year	Gross Revenue	Operating Expenses *	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
1998	9,795,262	8,032,693	1,762,569	89,000	245,359	334,359	5.27
1999	10,608,491	8,053,877	2,554,614	100,000	306,412	406,412	6.29
2000	9,841,227	8,776,256	1,064,971	137,000	302,200	439,200	2.42
2001	10,517,906	9,534,088	983,818	153,872	290,465	444,337	2.21
2002	10,544,688	9,652,754	891,934	153,838	291,248	445,086	2.00
2003	11,260,290	10,512,030	748,260	153,000	282,130	435,130	1.72
2004	11,936,835	10,764,322	1,172,513	165,000	274,620	439,620	2.67
2005	13,158,668	11,877,182	1,281,486	172,000	266,703	438,703	2.92
2006	13,950,257	12,366,255	1,584,002	296,000	229,495	525,495	3.01
2007	12,904,037	10,044,487	2,859,550	182,000	238,649	420,649	6.80

\* Does not include depreciation expense

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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*

**Independent Auditors' Report**

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

Mayor and Members of the Council:

We have audited the financial statements of the City of Lampasas, Texas, (the City) as of and for the year ended September 30, 2007, and have issued our report thereon dated February 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which has been reported in a separate management letter dated February 18, 2008.

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

*Preston Singleton, CPA, P.C.*

Preston Singleton, CPA, P.C.  
Cedar Park, Texas

February 18, 2008