

City of Lampasas, Texas

**Annual Financial and
Compliance Report**

**For the Year Ended
September 30, 2008**

Singleton, Moore & Company, LLP
Certified Public Accountants

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**CITY OF LAMPASAS, TEXAS
ANNUAL FINANCIAL and COMPLIANCE REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the proprietary-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Lampasas, Texas, (the City) as of and for the year ended September 30, 2008, 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, 2008, 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 January 28, 2009, 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.

Singleton, Moore & Company, LLP

Singleton, Moore & Company, LLP
Cedar Park, Texas

January 28, 2009

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, 2008. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2008, the General Fund of the City of Lampasas experienced a fund balance increase of \$348,985, to end at \$2,105,141.
- Total governmental-type funds (the General Fund plus all Special Revenue Funds, the Debt Service Fund, and the Capital Projects Funds) of the City of Lampasas reported a combined fund balance decrease of \$683,968, to end at \$8,496,145.
- The total cost of the City of Lampasas's governmental activities was \$6,701,980. This amount is inclusive of depreciation expense recorded on the capital assets of the City.

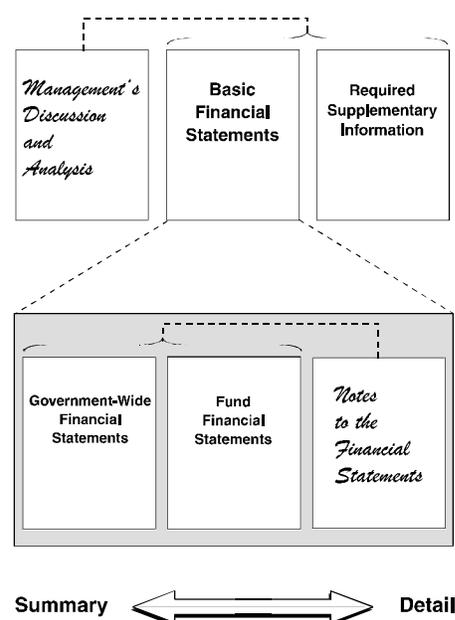
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



Government-wide Statements

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

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

The government-wide financial statements of the City of Lampasas include *governmental activities* 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 here focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and proprietary (business-type) activities.

	Net Assets - Governmental Activities (in thousands)		
	Governmental Activities 2008	Governmental Activities 2007	Change
ASSETS			
Current and other assets	\$ 9,864	\$ 10,113	\$ (248)
Capital assets	4,396	3,991	405
Total assets	<u>14,260</u>	<u>14,104</u>	<u>156</u>
LIABILITIES			
Current liabilities	939	777	162
Noncurrent liabilities	<u>6,487</u>	<u>6,823</u>	<u>(336)</u>
Total liabilities	<u>7,426</u>	<u>7,600</u>	<u>(174)</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,616	1,093	523
Restricted	4,185	3,560	625
Unrestricted	<u>1,032</u>	<u>1,851</u>	<u>(819)</u>
Total net assets	<u>\$ 6,833</u>	<u>\$ 6,504</u>	<u>\$ 329</u>

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

	Business-Type Activities 2008	Business-Type Activities 2007	Change
ASSETS			
Current and other assets	\$ 9,429	\$ 9,388	\$ 41
Capital assets	13,122	11,953	1,169
Total assets	<u>22,551</u>	<u>21,341</u>	<u>1,210</u>
LIABILITIES			
Current liabilities	2,348	1,618	730
Noncurrent liabilities	4,952	5,738	(786)
Total liabilities	<u>7,300</u>	<u>7,356</u>	<u>(56)</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,347	5,981	1,366
Restricted	5,302	5,199	103
Unrestricted	2,604	2,805	(201)
Total net assets	<u>\$ 15,253</u>	<u>\$ 13,985</u>	<u>\$ 1,268</u>

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

	Governmental Activities 2008	Governmental Activities 2007	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 2,265	\$ 1,879	\$ 386
Operating grants and contributions	96	302	(206)
General revenues:			
Property taxes	1,084	989	95
Sales taxes	1,162	1,021	141
Franchise taxes	842	459	383
Other taxes and penalties and interest	16	14	2
Grants and contributions not rest.	63	55	8
Investment earnings	279	299	(20)
Miscellaneous revenue	420	304	116
Transfer in (out)	805	1,316	(511)
Total revenue	<u>7,032</u>	<u>6,638</u>	<u>394</u>
EXPENSES:			
General government	2,164	2,328	(164)
Public safety	2,335	2,122	213
Public works	970	745	225
Culture and recreation	948	864	84
Bond interest and costs	285	33	252
Total expenses	<u>6,702</u>	<u>6,092</u>	<u>610</u>
CHANGE IN NET ASSETS	<u>330</u>	<u>546</u>	<u>(216)</u>
Net assets at 10/1/07 and 10/1/06	6,504	5,958	546
Net assets at 9/30/08 and 9/30/07	<u>\$ 6,833</u>	<u>\$ 6,504</u>	<u>\$ 330</u>

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

	Business-Type Activities 2008	Business-Type Activities 2007	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 14,151	\$ 12,967	\$ 1,184
General revenues:			
Investment earnings	271	396	(125)
Miscellaneous revenue	405	395	10
Total revenue	<u>14,827</u>	<u>13,758</u>	<u>1,069</u>
EXPENSES:			
Enterprise fund activities	<u>12,751</u>	<u>10,948</u>	<u>1,803</u>
Total expenses	<u>12,751</u>	<u>10,948</u>	<u>1,803</u>
CHANGE IN NET ASSETS	<u>2,076</u>	<u>2,810</u>	<u>(734)</u>
Transfer in (out)	(778)	(1,316)	538
Net assets at 10/1/07 and 10/1/06	<u>13,985</u>	<u>12,491</u>	<u>1,494</u>
Prior Period Adjustment	(31)	-	(31)
Net assets at 9/30/08 and 9/30/07	<u>\$ 15,252</u>	<u>\$ 13,985</u>	<u>\$ 760</u>

THE CITY'S GOVERNMENTAL FUNDS

As the City completed Fiscal Year 2007-2008, its governmental funds (as presented on the balance sheet on page 12) reported a combined fund balance of approximately \$8.5 million; which represents a decrease of about \$700,000 over the prior year. The primary reason for this decrease was the continued usage of the Series 2007 Certificates of Obligation funds on planned capital projects during the year. Included in total governmental funds is the City's General Fund, which is the main operating fund of the City and represents funds with fewer restrictions on their use. The General Fund reported an ending fund balance of approximately \$2.1 million as of September 30, 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2007-2008 the City of Lampasas had invested \$4.39 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 \$404 thousand over the prior year. The City's business-type activities had invested \$13.12 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 2008	Governmental Activities 2007	Change
Land	\$ 881	\$ 866	\$ 15
Buildings and improvements	5,046	4,417	629
Machinery and equipment	2,206	2,103	103
Construction in progress	125	36	89
Totals at historical cost	<u>8,258</u>	<u>7,422</u>	<u>836</u>
Less accumulated depreciation	<u>(3,863)</u>	<u>(3,431)</u>	<u>(432)</u>
Capital assets, net of depreciation	<u>\$ 4,395</u>	<u>\$ 3,991</u>	<u>\$ 404</u>
	Business-Type Activities 2008	Business-Type Activities 2007	Change
Land	\$ 566	\$ 566	\$ -
Infrastructure	16,090	15,650	440
Buildings and improvements	3,029	2,465	564
Machinery and equipment	3,928	3,863	65
Construction in progress	1,100	312	788
Totals at historical cost	<u>24,713</u>	<u>22,856</u>	<u>1,857</u>
Less accumulated depreciation	<u>(11,591)</u>	<u>(10,903)</u>	<u>(688)</u>
Capital assets, net of depreciation	<u>\$ 13,122</u>	<u>\$ 11,953</u>	<u>\$ 1,169</u>

Long-Term Debt

At year end, the City's governmental and business-type activities had combined outstanding long-term debt of approximately \$12.6 million. A summary of long-term debt activity and ending balances is presented below.

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

	Governmental Activities 2008	Governmental Activities 2007	Change
General obligation bonds	\$ 6,361	\$ 6,661	\$ (300)
Notes payable	-	-	-
Capital leases	126	162	(36)
Compensated absences	190	175	15
Totals	<u>\$ 6,677</u>	<u>\$ 6,998</u>	<u>\$ (321)</u>

	Business-Type Activities 2008	Business-Type Activities 2007	Change
Utility revenue bonds	\$ 5,168	\$ 5,368	\$ (200)
Notes payable	563	563	-
Capital leases	44	129	(85)
Compensated absences	41	37	4
Totals	<u>\$ 5,816</u>	<u>\$ 6,097</u>	<u>\$ (281)</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.

CITY OF LAMPASAS, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

EXHIBIT A-1

Data Control Codes	Primary Government			Component Unit	
	Governmental Activities	Business Type Activities	Total	Lampasas Economic Dev. Corporation	
ASSETS					
1010	Cash and Cash Equivalents	\$ 297,770	\$ 580,461	\$ 878,231	\$ 401,249
1030	Investments - Current	7,925,756	7,714,707	15,640,463	-
1150	Receivables (net of allowance for uncollectibles)	1,228,829	1,098,902	2,327,731	30
1300	Internal Balances	300,000	(300,000)	-	-
1410	Inventories	18,681	305,043	323,724	-
1520	Capitalized Debt Issuance Costs	93,252	31,144	124,396	-
	Capital Assets:				
1710	Land	881,446	565,617	1,447,063	909,835
1730	Buildings, net	2,864,889	1,693,663	4,558,552	-
1750	Machinery and Equipment, net	523,964	334,462	858,426	-
1760	Capital Assets, net	-	9,428,616	9,428,616	-
1780	Construction in Progress	125,160	1,099,706	1,224,866	-
1990	Other Assets	168	-	168	-
1000	Total Assets	<u>14,259,915</u>	<u>22,552,321</u>	<u>36,812,236</u>	<u>1,311,114</u>
LIABILITIES					
2020	Accounts Payable	869,289	1,088,889	1,958,178	14,053
2070	Intergovernmental Payable	11,015	416,483	427,498	-
2140	Accrued Interest Payable	31,514	19,734	51,248	30,048
2220	Deferred Revenues	27,763	-	27,763	-
2240	Notes Payable - Current	-	822,502	822,502	-
	Noncurrent Liabilities				
2501	Due Within One Year	345,261	-	345,261	61,000
2502	Due in More Than One Year	6,141,762	4,952,000	11,093,762	839,000
2000	Total Liabilities	<u>7,426,604</u>	<u>7,299,608</u>	<u>14,726,212</u>	<u>944,101</u>
NET ASSETS					
3200	Invested in Capital Assets, Net of Related Debt	1,615,577	7,347,562	8,963,139	-
	Restricted for:				
3810	Restricted for Construction & Equipment	1,320,988	235,038	1,556,026	-
3820	Restricted for Plant Replacement	-	1,778,943	1,778,943	-
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	148,373	-	148,373	-
3890	Restricted for Other Purposes	2,716,451	-	2,716,451	367,013
3900	Unrestricted Net Assets	1,031,922	2,604,910	3,636,832	-
3000	Total Net Assets	<u>\$ 6,833,311</u>	<u>\$ 15,252,713</u>	<u>\$ 22,086,024</u>	<u>\$ 367,013</u>

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

CITY OF LAMPASAS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Data Control Codes	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 662,460	\$ 454,624	\$ -
20 Public Safety	2,335,631	665,025	60,435
31 Streets	821,052	191,114	23,400
32 Public Works	149,225	-	-
33 Utility Billing	136,438	-	-
34 Building and Planning	118,649	23,156	-
35 Data Processing	172,772	-	-
36 Cemetery	174,126	583	-
37 Non-Departmental	163,287	875,930	-
41 Health	91,693	10,396	-
44 Sanitation	818,507	-	-
50 Culture and Recreation	773,585	44,513	12,284
73 Bond Interest	277,707	-	-
76 Insurance Costs	6,849	-	-
Total Governmental Activities:	6,701,980	2,265,341	96,119
BUSINESS-TYPE ACTIVITIES:			
701 Electric Fund	8,856,354	10,357,319	-
702 Water/ Wastewater Fund	3,271,825	3,444,903	-
703 Economic Development Fund	11,960	-	-
704 Aviation Fund	101,525	-	-
705 Golf Course Fund	509,571	348,768	-
Total Business-Type Activities:	12,751,235	14,150,990	-
TOTAL PRIMARY GOVERNMENT:	\$ 19,453,216	\$ 16,416,331	\$ 96,119
Component Unit:			
1991 Lampasas Economic Development Corp.	137,854	-	-
TOTAL COMPONENT UNITS:	\$ 137,854	\$ -	\$ -

Data Control Codes	General Revenues:	
	Taxes:	
	Property Taxes:	
5010	Property Taxes, Levied for General Purposes	
5011	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	
	Prior Period Adjustment	
	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
\$ (207,836)	\$ -	\$ (207,836)	\$ -
(1,610,171)	-	(1,610,171)	-
(606,538)	-	(606,538)	-
(149,225)	-	(149,225)	-
(136,438)	-	(136,438)	-
(95,493)	-	(95,493)	-
(172,772)	-	(172,772)	-
(173,543)	-	(173,543)	-
712,643	-	712,643	-
(81,297)	-	(81,297)	-
(818,507)	-	(818,507)	-
(716,788)	-	(716,788)	-
(277,707)	-	(277,707)	-
(6,849)	-	(6,849)	-
(4,340,520)	-	(4,340,520)	-
-	1,500,965	1,500,965	-
-	173,078	173,078	-
-	(11,960)	(11,960)	-
-	(101,525)	(101,525)	-
-	(160,803)	(160,803)	-
-	1,399,755	1,399,755	-
(4,340,520)	1,399,755	(2,940,766)	-
-	-	-	(137,854)
-	-	-	(137,854)
815,512	-	815,512	-
268,680	-	268,680	-
1,161,632	-	1,161,632	208,051
842,124	-	842,124	-
15,840	-	15,840	-
62,641	-	62,641	-
420,165	405,079	825,244	840
278,734	271,018	549,752	4,003
804,742	(778,280)	26,462	-
4,670,070	(102,183)	4,567,887	212,894
329,550	1,297,572	1,627,122	75,040
6,503,761	13,985,987	20,489,748	291,973
-	(30,846)	(30,846)	-
\$ 6,833,311	\$ 15,252,713	\$ 22,086,024	\$ 367,013

CITY OF LAMPASAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

Data Control Codes	General Fund	Series 2007 Bond Issue Cap. Projects	Other Funds	Total Governmental Funds	
ASSETS					
1010	Cash and Cash Equivalents	\$ 122,035	\$ (55,838)	\$ 231,573	\$ 297,770
1030	Investments - Current	1,914,100	3,805,269	2,206,387	7,925,756
1050	Taxes Receivable	35,972	-	13,949	49,921
1051	Allowance for Uncollectible Taxes (credit)	(6,630)	-	(2,092)	(8,722)
1150	Receivables (Net)	617,516	-	24,984	642,500
1260	Intergovernmental Receivables	-	-	29,775	29,775
1300	Due from Other Funds	-	-	300,000	300,000
1410	Inventories	18,681	-	-	18,681
1990	Other Assets	-	-	168	168
1000	Total Assets	<u>\$ 2,701,674</u>	<u>\$ 3,749,431</u>	<u>\$ 2,804,744</u>	<u>\$ 9,255,849</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2010	Accounts Payable	\$ 381,060	\$ 42,290	\$ 102,180	\$ 525,530
2020	Wages and Salaries Payable	151,683	-	1,282	152,965
2070	Intergovernmental Payable	5,454	-	5,561	11,015
2220	Deferred Revenues	58,336	-	11,858	70,194
2000	Total Liabilities	<u>596,533</u>	<u>42,290</u>	<u>120,881</u>	<u>759,704</u>
Fund Balances:					
Reserved For:					
3410	Debt Service	-	-	148,373	148,373
3420	Endowments	18,290	-	174,559	192,849
3430	Municipal Court	32,629	-	-	32,629
3440	Fire Hall Substation	6,364	-	-	6,364
3450	Inventories	18,681	-	-	18,681
3460	Other Specific Purposes	-	-	1,039,943	1,039,943
3470	Maintenance & Operations	1,425,985	-	-	1,425,985
3490	Capital Projects	-	3,707,141	1,320,988	5,028,129
Unreserved Designated For:					
3510	Park Improvements	2,363	-	-	2,363
3520	Capital Expenditures	93,060	-	-	93,060
Unreserved and Undesignated:					
3600	Reported in the General Fund	507,769	-	-	507,769
3000	Total Fund Balances	<u>2,105,141</u>	<u>3,707,141</u>	<u>2,683,863</u>	<u>8,496,145</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,701,674</u>	<u>\$ 3,749,431</u>	<u>\$ 2,804,744</u>	<u>\$ 9,255,849</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, 2008

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	8,496,145
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 \$7,421,501 and the accumulated depreciation was \$3,430,720. 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.		(2,831,975)
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 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		1,043,370
The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(432,015)
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.		557,786
Net Assets of Governmental Activities	\$	6,833,311

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, 2008

Data Control Codes	General Fund	Series 2007 Bond Issue Cap. Projects	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
5110 Property Taxes	\$ 811,486	\$ -	\$ 268,830	\$ 1,080,316
5120 General Sales and Use Taxes	1,046,420	-	115,212	1,161,632
5170 Franchise Tax	842,124	-	-	842,124
5190 Penalty and Interest on Taxes	11,571	-	4,269	15,840
5200 Licenses and Permits	26,314	-	-	26,314
5300 Intergovernmental Revenue and Grants	1,000	-	137,991	138,991
5400 Charges for Services	1,973,727	-	45,425	2,019,152
5510 Fines	13,614	-	-	13,614
5550 Special Assessments	191,114	-	-	191,114
5610 Investment Earnings	63,969	170,054	44,711	278,734
5620 Rents and Royalties	15,607	-	-	15,607
5640 Contributions & Donations from Private Sources	15,049	-	4,720	19,769
5700 Other Revenue	127,204	-	2,157	129,361
5020 Total Revenues	<u>5,139,199</u>	<u>170,054</u>	<u>623,315</u>	<u>5,932,568</u>
EXPENDITURES:				
Current:				
0010 General Government	594,000	-	-	594,000
0020 Public Safety	2,146,996	-	99,224	2,246,220
0031 Streets	831,634	-	-	831,634
0032 Public Works	140,361	-	-	140,361
0033 Utility Billing	136,438	-	-	136,438
0034 Building and Planning	118,649	-	-	118,649
0035 Data Processing	172,772	-	-	172,772
0036 Cemetery	116,845	-	46,940	163,785
0037 Non-Departmental	397,265	404,558	79,744	881,567
0042 Sanitation	818,507	-	-	818,507
0050 Culture and Recreation	720,435	-	17,713	738,148
Debt Service:				
0071 Bond Principal	-	-	300,000	300,000
0073 Bond Interest and Fees	-	-	279,197	279,197
6030 Total Expenditures	<u>6,193,902</u>	<u>404,558</u>	<u>822,818</u>	<u>7,421,278</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,054,703)</u>	<u>(234,504)</u>	<u>(199,503)</u>	<u>(1,488,710)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	7,005	-	-	7,005
7915 Transfers In	1,417,121	440,206	473,821	2,331,148
7949 Other Resources	19,457	-	-	19,457
8911 Transfers Out (Use)	(39,895)	(957,603)	(555,370)	(1,552,868)
7080 Total Other Financing Sources (Uses)	<u>1,403,688</u>	<u>(517,397)</u>	<u>(81,549)</u>	<u>804,742</u>
1200 Net Change in Fund Balances	348,985	(751,901)	(281,052)	(683,968)
0100 Fund Balance - October 1 (Beginning)	<u>1,756,156</u>	<u>4,459,042</u>	<u>2,964,915</u>	<u>9,180,113</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 2,105,141</u>	<u>\$ 3,707,141</u>	<u>\$ 2,683,863</u>	<u>\$ 8,496,145</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, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	(683,968)
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 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		1,133,492
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.		(432,015)
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.		312,041
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>329,550</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
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 811,115	\$ 811,115	\$ 811,486	\$ 371
5120	General Sales and Use Taxes	1,057,027	1,046,757	1,046,420	(337)
5170	Franchise Tax	845,000	851,618	842,124	(9,494)
5190	Penalty and Interest on Taxes	10,000	10,000	11,571	1,571
5200	Licenses and Permits	35,705	35,705	26,314	(9,391)
5300	Intergovernmental Revenue and Grants	200,000	201,000	1,000	(200,000)
5400	Charges for Services	1,959,558	1,971,864	1,973,727	1,863
5510	Fines	13,500	13,500	13,614	114
5550	Special Assessments	192,500	191,224	191,114	(110)
5610	Investment Earnings	91,740	87,736	63,969	(23,767)
5620	Rents and Royalties	20,410	20,410	15,607	(4,803)
5640	Contributions & Donations from Private Sources	5,750	13,312	15,049	1,737
5700	Other Revenue	84,029	84,196	127,204	43,008
5020	Total Revenues	5,326,334	5,338,437	5,139,199	(199,238)
EXPENDITURES:					
Current:					
0010	General Government	633,397	634,097	594,000	40,097
0020	Public Safety	2,131,597	2,152,985	2,146,996	5,989
0031	Streets	956,145	956,655	831,634	125,021
0032	Public Works	144,897	144,897	140,361	4,536
0033	Utility Billing	142,098	141,398	136,438	4,960
0034	Building and Planning	160,594	160,594	118,649	41,945
0035	Data Processing	192,038	192,038	172,772	19,266
0036	Cemetery	123,788	123,788	116,845	6,943
0037	Non-Departmental	587,325	487,256	397,265	89,991
0042	Sanitation	795,000	818,507	818,507	-
0050	Culture and Recreation	991,762	1,000,880	720,435	280,445
6030	Total Expenditures	6,858,641	6,813,095	6,193,902	619,193
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,532,307)	(1,474,658)	(1,054,703)	419,955
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	2,000	2,000	7,005	5,005
7915	Transfers In	1,532,047	1,508,051	1,417,121	(90,930)
7949	Other Resources	-	6,244	19,457	13,213
8911	Transfers Out (Use)	(50,000)	(89,897)	(39,895)	50,002
7080	Total Other Financing Sources (Uses)	1,484,047	1,426,398	1,403,688	(22,710)
1200	Net Change in Fund Balances	(48,260)	(48,260)	348,985	397,245
0100	Fund Balance - October 1 (Beginning)	1,756,156	1,756,156	1,756,156	-
3000	Fund Balance - September 30 (Ending)	\$ 1,707,896	\$ 1,707,896	\$ 2,105,141	\$ 397,245

The accompanying notes are an integral part of this statement.

CITY OF LAMPASAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

EXHIBIT D-1

Business-Type Activities - Enterprise Funds				
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 361,191	\$ 207,435	\$ 11,835	\$ 580,461
Investments - Current	4,132,401	3,521,219	61,087	7,714,707
Accounts Receivable-Net of Uncollectible Allowance	899,667	185,980	13,255	1,098,902
Inventories	154,669	86,801	63,573	305,043
Total Current Assets	<u>5,547,928</u>	<u>4,001,435</u>	<u>149,750</u>	<u>9,699,113</u>
Noncurrent Assets:				
Capitalized Debt Issuance Costs	-	31,144	-	31,144
Capital Assets:				
Land Purchase and Improvements	15,330	67,965	482,322	565,617
Buildings	49,679	839,240	2,140,759	3,029,678
Accumulated Depreciation - Buildings	(49,679)	(624,938)	(661,398)	(1,336,015)
Machinery and Equipment	2,418,792	1,266,618	242,919	3,928,329
Accumulated Depreciation - Machinery & Equipment	(2,265,686)	(1,218,591)	(109,590)	(3,593,867)
Infrastructure	1,708,068	14,036,726	345,016	16,089,810
Accumulated Depreciation - Infrastructure	(1,046,419)	(5,500,304)	(114,471)	(6,661,194)
Construction in Progress	831,260	264,731	3,715	1,099,706
Total Noncurrent Assets	<u>1,661,345</u>	<u>9,162,591</u>	<u>2,329,272</u>	<u>13,153,208</u>
Total Assets	<u>7,209,273</u>	<u>13,164,026</u>	<u>2,479,022</u>	<u>22,852,321</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	828,503	193,105	13,616	1,035,224
Wages and Salaries Payable	7,138	-	5,664	12,802
Compensated Absences Payable	24,345	-	16,518	40,863
Customer Deposits & Sales Tax Payable	285,327	128,339	2,817	416,483
Due to Other Funds	250,000	50,000	-	300,000
Accrued Interest Payable	-	17,041	2,693	19,734
Bonds & Notes Payable - Current	-	216,000	606,502	822,502
Total Current Liabilities	<u>1,395,313</u>	<u>604,485</u>	<u>647,810</u>	<u>2,647,608</u>
NonCurrent Liabilities:				
Bonds Payable - Noncurrent	-	4,952,000	-	4,952,000
Total Noncurrent Liabilities	<u>-</u>	<u>4,952,000</u>	<u>-</u>	<u>4,952,000</u>
Total Liabilities	<u>1,395,313</u>	<u>5,556,485</u>	<u>647,810</u>	<u>7,599,608</u>
NET ASSETS				
Investments in Capital Assets, Net of Debt Restricted for Debt Service	1,661,345	3,963,447	1,722,770	7,347,562
Restricted for Construction & Equipment	-	235,038	-	235,038
Restricted for System Improvements	194,000	1,584,943	-	1,778,943
Restricted for Operations & Maintenance	510,000	-	-	510,000
Unrestricted Net Assets	2,047,117	729,143	-	2,776,260
Total Net Assets	<u>\$ 5,813,960</u>	<u>\$ 7,607,541</u>	<u>\$ 1,831,212</u>	<u>\$ 15,252,713</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, 2008

EXHIBIT D-2

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:				
Charges for Water Services	\$ -	\$ 2,104,021	\$ -	\$ 2,104,021
Charges for Sewerage Service	-	1,266,230	-	1,266,230
Charges for Electricity Service	10,204,396	-	-	10,204,396
Prop.Fund Other Charges for Services	152,923	74,652	-	227,575
Culture/Recreation Charges for Services	-	-	348,768	348,768
Investment Earnings	-	1,656	-	1,656
Rents and Royalties	15,682	-	52,300	67,982
Other Revenue	79,205	111,496	144,740	335,441
Total Operating Revenues	<u>10,452,206</u>	<u>3,558,055</u>	<u>545,808</u>	<u>14,556,069</u>
OPERATING EXPENSES:				
Personnel Services - Salaries and Wages	266,523	-	205,693	472,216
Personnel Services - Employee Benefits	98,111	-	65,300	163,411
Purchased Professional & Technical Services	198,130	772,893	937	971,960
Purchased Property Services	120,455	367,680	70,285	558,420
Other Operating Expenses	928,843	441,128	29,555	1,399,526
Supplies	7,150,877	939,577	157,181	8,247,635
Depreciation	93,415	517,027	88,182	698,624
Amortization of Premiums or Discounts - Bonds	-	3,114	-	3,114
Total Operating Expenses	<u>8,856,354</u>	<u>3,041,419</u>	<u>617,133</u>	<u>12,514,906</u>
Operating Income (Loss)	<u>1,595,852</u>	<u>516,636</u>	<u>(71,325)</u>	<u>2,041,163</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	132,186	136,781	2,051	271,018
Interest Expense - Non-Operating	-	(230,406)	(5,923)	(236,329)
Total Non-operating Revenue (Expenses)	<u>132,186</u>	<u>(93,625)</u>	<u>(3,872)</u>	<u>34,689</u>
Income (Loss) Before Transfers	1,728,038	423,011	(75,197)	2,075,852
Non-Operating Transfer In	778,957	157,133	572,260	1,508,350
Transfers Out	(1,697,369)	(584,881)	(4,380)	(2,286,630)
Change in Net Assets	809,626	(4,737)	492,683	1,297,572
Total Net Assets - October 1 (Beginning)	5,004,334	7,612,278	1,369,375	13,985,987
Prior Period Adjustment	-	-	(30,846)	(30,846)
Total Net Assets - September 30 (Ending)	<u>\$ 5,813,960</u>	<u>\$ 7,607,541</u>	<u>\$ 1,831,212</u>	<u>\$ 15,252,713</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, 2008

EXHIBIT D-3

	Business-Type Activities			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 10,418,173	\$ 3,579,834	\$ 544,821	\$ 14,542,828
Cash Payments to Employees for Services	(358,849)	-	(270,178)	(629,027)
Cash Payments for Suppliers	(6,948,088)	(918,009)	(185,482)	(8,051,579)
Cash Payments for Other Operating Expenses	(1,245,104)	(1,781,700)	(221,300)	(3,248,104)
Net Cash Provided by (Used for) Operating Activities	<u>1,866,132</u>	<u>880,125</u>	<u>(132,139)</u>	<u>2,614,118</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer Out	(918,412)	(427,748)	567,880	(778,280)
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	(894,025)	(532,630)	(425,677)	(1,852,332)
Payments on Long-Term Debt	-	-	(9,964)	(9,964)
Interest Expense	-	(230,406)	(5,923)	(236,329)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(894,025)</u>	<u>(763,036)</u>	<u>(441,564)</u>	<u>(2,098,625)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	132,186	136,781	2,051	271,018
Net Increase(Decrease) in Cash and Cash Equivalents	185,881	(173,878)	(3,772)	8,231
Cash and Cash Equivalents at Beginning of the Year:	4,307,711	3,902,532	76,697	8,286,940
Cash and Cash Equivalents at the End of the Year:	<u>\$ 4,493,592</u>	<u>\$ 3,728,654</u>	<u>\$ 72,925</u>	<u>\$ 8,295,171</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating Income (Loss):	\$ 1,595,852	\$ 516,636	\$ (71,325)	\$ 2,041,163
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	93,415	520,141	88,182	701,738
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	(37,123)	18,341	(987)	(19,769)
Decrease (increase) in Inventories	1,109	4,932	(22,624)	(16,583)
Increase (decrease) in Accounts Payable	201,680	16,637	(5,677)	212,640
Increase (decrease) in Payroll Deductions	2,725	-	815	3,540
Increase (decrease) in Other Liabilities	8,474	(196,562)	(120,523)	(308,611)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,866,132</u>	<u>\$ 880,125</u>	<u>\$ (132,139)</u>	<u>\$ 2,614,118</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, 2008

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
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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 funds:

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.
2. **Series 2007 Bond Issue Capital Projects Fund** – The City accounts for the proceeds received from the Series 2007 Certificates of Obligation bond issue and subsequent expenditures on authorized capital projects in this 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.

CITY OF LAMPASAS, TEXAS
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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.

Proprietary Funds:

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

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 \$190,794 in accrued compensated absences at September 30, 2008 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, 2008 for the City's proprietary fund activities was \$40,862.

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, 2008, upon which the levy for the 2007-2008 fiscal year was based, was \$288,116,673. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2008, to finance General Fund and Debt Service Fund operations were \$0.283604 and \$.093596, respectively, for a total tax rate of \$.3772 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2007-2008 fiscal year was \$1,086,776. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2008, were 99% 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.

CITY OF LAMPASAS, TEXAS
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G. FIXED ASSETS

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

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

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.

**CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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, 2008, the carrying amount of the City's deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$878,231 and the bank balance was \$904,650.

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, 2008. A summary of the investment balances is as follows:

	<u>Book</u> <u>Balance</u>	<u>Bank</u> <u>Balance</u>
TexPool	\$ 10,435,917	\$ 10,435,917
TexSTAR	4,804,548	4,804,548
First State Bank - CD's	<u>400,000</u>	<u>400,000</u>
	<u>\$ 15,640,466</u>	<u>\$ 15,640,466</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, 2008, 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, 2008 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, 2008 consist of the following:

	Property Taxes (net)	Customer Receivables (net)	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 29,342	\$ 101,143	\$ 27,501	\$ 157,986
Non-major Governmental Funds	11,857	20,008	54,034	85,899
Total	\$ 41,199	\$ 121,151	\$ 81,535	\$ 243,885
Proprietary Activities:				
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

CITY OF LAMPASAS, TEXAS
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Payables at September 30, 2008 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>
Governmental Activities:						
General Fund	\$ 381,060	\$ 151,683	\$ 5,454	\$ 58,336	\$ -	\$ 596,533
Series 2007 Bond Issue Cap. Proj.	42,290	-	-	-	-	42,290
Non-Major Gov. Funds	<u>102,180</u>	<u>1,282</u>	<u>5,561</u>	<u>11,858</u>	<u>-</u>	<u>120,881</u>
Total	<u>\$ 525,530</u>	<u>\$ 152,965</u>	<u>\$ 11,015</u>	<u>\$ 70,194</u>	<u>\$ -</u>	<u>\$ 759,704</u>
Proprietary Activities:						
Electric Fund	\$ 828,503	\$ 7,138	\$ 285,327	\$ -	\$ 274,345	\$ 1,395,313
Water/Wastewater Fund	193,105	-	128,339	-	67,041	388,485
Non-Major Prop Funds	<u>13,616</u>	<u>5,664</u>	<u>2,817</u>	<u>-</u>	<u>19,211</u>	<u>41,308</u>
Total	<u>\$ 1,035,224</u>	<u>\$ 12,802</u>	<u>\$ 416,483</u>	<u>\$ -</u>	<u>\$ 360,597</u>	<u>\$ 1,825,106</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>	
2009	3,946
2010	<u>2,609</u>
Total Minimum Rental Payments	<u>\$ 6,555</u>

CITY OF LAMPASAS, TEXAS
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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
Governmental Funds		
General Fund		
Electric Fund	\$ 1,412,751	\$ -
Golf Course Capital Fund	-	25,245
Animal Shelter	-	14,650
Trust & Agency	4,370	-
Total General Fund	1,417,121	39,895
Debt Service Fund		
Golf Course	-	25,498
Sports Park Fund	-	778,957
Certificate of Obligation	-	149,433
Airport Fund	4,380	3,715
Electric Fund	134,618	-
Water/WW Fund	144,675	-
Total Debt Service Fund	283,673	957,603
Capital Projects Funds		
Series 2007 Cert. of Obligation Projects		
Water/Wastewater Fund	440,206	-
Golf Course Capital Fund		
Electric Fund	150,000	
Certificate of Obligation	25,498	-
Golf Course Fund	-	543,300
CDBG Grant Fund		
Water/Wastewater Fund	-	7,700
Animal Shelter		
General Fund	14,650	-
Total Capital Projects Funds	630,354	551,000
Trust & Agency Funds		
Cemetary Fund		
General Fund	-	4,370
Total Trust & Agency Funds	-	4,370
Total Governmental Funds Transfers In/Out	\$ 2,331,148	\$ 1,552,868

CITY OF LAMPASAS, TEXAS
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	Transfers In	Transfers Out
Proprietary Funds		
Golf Course Fund		
General Fund	\$ 25,245	\$ -
Series 2007 Cert. of Obligation Projects	543,300	-
Total Golf Course Fund	568,545	-
Aviation Fund		
Debt Service Fund	-	4,380
Capital Project Fund	3,715	-
Total Aviation Fund	3,715	4,380
Electric Fund		
General Fund	-	1,412,751
Debt Service	-	134,618
Golf Course	-	150,000
Series 2007 Cert. of Obligation Projects	778,957	-
Total Electric Fund	778,957	1,697,369
Water/WW Fund		
Debt Service	-	144,675
CDBG Grant Fund	7,700	-
Series 2007 Cert. of Obligation Projects	149,433	440,206
Total Water/WW Fund	157,133	584,881
Total Proprietary Funds Transfers In/Out	\$ 1,508,350	\$ 2,286,630

F. DUE FROM AND DUE TO OTHER FUNDS

Amounts due from and due to other funds as of September 30, 2008 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

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

G. FIXED ASSETS

Capital asset activity for the City of Lampasas for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	\$ 865,795	\$ 15,651	\$ -	\$ 881,446
Buildings and Improvements	4,416,569	629,290	-	5,045,859
Machinery and Equipment	2,102,966	102,763	-	2,205,729
Construction in Progress	36,171	114,489	25,500	125,160
Totals at Historical Cost	<u>7,421,501</u>	<u>862,193</u>	<u>25,500</u>	<u>8,258,194</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,985,240)	(195,730)	-	(2,180,970)
Machinery and Equipment	(1,445,480)	(236,285)	-	(1,681,765)
Total Accum. Depreciation	<u>(3,430,720)</u>	<u>(432,015)</u>	<u>-</u>	<u>(3,862,735)</u>
Governmental Activities Capital Assets, net	<u>\$ 3,990,781</u>	<u>\$ 430,178</u>	<u>\$ 25,500</u>	<u>\$ 4,395,459</u>
Proprietary Activities:				
Land	\$ 565,617	\$ -	\$ -	\$ 565,617
Utility System	15,525,830	563,980	-	16,089,810
Buildings and Improvements	2,464,981	564,698	-	3,029,679
Machinery and Equipment	3,986,958	57,700	116,329	3,928,329
Construction in Progress	312,410	812,698	25,403	1,099,705
Totals at Historical Cost	<u>22,855,796</u>	<u>1,999,076</u>	<u>141,732</u>	<u>24,713,140</u>
Less Accumulated Depreciation:				
Utility System	(6,137,771)	(523,420)	-	(6,661,191)
Buildings and Improvements	(1,236,829)	(99,185)	-	(1,336,014)
Machinery and Equipment	(3,528,328)	(75,914)	10,474	(3,593,768)
Total Accum. Depreciation	<u>(10,902,928)</u>	<u>(698,519)</u>	<u>10,474</u>	<u>(11,590,973)</u>
Proprietary Activities Capital Assets, net	<u>\$11,952,868</u>	<u>\$ 1,300,557</u>	<u>\$ 152,206</u>	<u>\$ 13,122,167</u>

Depreciation expense was charged to the governmental activities as follows:

Function	Allocated Depreciation
General Government	\$ 64,521
Public Safety and Code Enforcement	141,828
Public Works	8,864
Streets	52,510
Culture and Recreation	46,607
Non-Departmental	107,344
Cemetery	10,341
Total	<u>\$ 432,015</u>

CITY OF LAMPASAS, TEXAS
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SEPTEMBER 30, 2008

H. LONG-TERM DEBT

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2007	Additions	Deletions	Amounts Outstanding 9/30/2008
Governmental Activities:						
Bonds Payable						
Certificate of Obligation, Series 1993	4.4 - 7.4%	\$ 1,245,000	\$ 115,000	\$ -	\$ 115,000	\$ -
Maint. Tax Notes, Series 2006	4.19%	620,000	595,000	-	25,000	570,000
Certificate of Obligation, Series 2006	5.15%	67,500	46,000	-	20,000	26,000
Certificate of Obligation, Series 2007	4.50%	6,000,000	5,905,000		140,000	5,765,000
Total Bonds Payable			<u>6,661,000</u>	<u>-</u>	<u>300,000</u>	<u>6,361,000</u>
Capital Leases						
Emergency One - Fire Truck	4.95%	424,780	153,904	-	27,881	126,023
Chase Equipment Lease - PD Veh.	4.89%	51,428	7,852	-	7,852	-
Total Capital Leases			<u>161,756</u>	<u>-</u>	<u>35,733</u>	<u>126,023</u>
Total Bonds, Notes, and Capital Leases			<u>\$ 6,822,756</u>	<u>\$ -</u>	<u>\$ 335,733</u>	<u>\$ 6,487,023</u>
Other						
Compensated Absences	n/a	n/a	175,040	15,754	-	190,794
Total Debt - Governmental Activities			<u>\$ 6,997,796</u>	<u>\$ 15,754</u>	<u>\$ 335,733</u>	<u>\$ 6,677,817</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
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	255,000	212,903	467,903	-	-	-
2014-2031	4,850,000	1,818,125	6,668,125	-	-	-
	<u>\$ 6,361,000</u>	<u>\$ 3,010,685</u>	<u>\$ 9,371,685</u>	<u>\$ 126,024</u>	<u>\$ 15,972</u>	<u>\$ 141,996</u>

CITY OF LAMPASAS, TEXAS
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Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2007	Additions	Deletions	Amounts Outstanding 9/30/2008
Proprietary Activities:						
Utility Funds						
Bonds Payable - Water/Wastewater Fund						
Certificate of Obligation - Series 1981		\$ 350,000	\$ 100,000	\$ -	\$ 25,000	\$ 75,000
Certificate of Obligation - Series 1996		180,000	65,000	-	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	3,429,000	-	60,000	3,369,000
Certificate of Obligation - Series 1998	2.6- 4.0%	1,040,000	695,000	-	50,000	645,000
Total Bonds Payable - Water/Wastewater Fund			<u>5,368,000</u>	<u>-</u>	<u>200,000</u>	<u>5,168,000</u>
Other - Electric Fund						
Compensated Absences	n/a	n/a	21,285	3,060	-	24,345
Total Debt - Utility Funds			<u>5,389,285</u>	<u>3,060</u>	<u>200,000</u>	<u>5,192,345</u>
Golf Course Fund						
Notes Payable						
Notes Payable - General Fund	5.50%	600,000	480,840	-	-	480,840
Notes Payable - Electric Fund	3.00%	100,000	81,969	-	-	81,969
Total Notes Payable			<u>562,809</u>	<u>-</u>	<u>-</u>	<u>562,809</u>
Lease Purchases						
Yamaha Commercial Finance	4.98%	116,330	75,009	-	75,009	-
Community Bank of Louisiana	5.00%	56,556	53,790	-	10,098	43,693
Total Notes Payable			<u>128,799</u>	<u>-</u>	<u>85,107</u>	<u>43,693</u>
Other						
Compensated Absences	n/a	n/a	15,705	813	-	16,518
Total Other			<u>15,705</u>	<u>813</u>	<u>-</u>	<u>16,518</u>
Total Debt Golf Course Fund			<u>707,313</u>	<u>813</u>	<u>85,107</u>	<u>623,020</u>
Grand Total - Proprietary Funds			<u>\$ 6,096,598</u>	<u>\$ 3,873</u>	<u>\$ 285,107</u>	<u>\$ 5,815,365</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
2009	216,000	221,421	437,421	106,341	56,671	163,012
2010	230,000	212,405	442,405	63,050	25,351	88,401
2011	233,000	202,785	435,785	66,394	21,351	87,745
2012	221,000	193,599	414,599	66,648	17,823	84,471
2013	229,000	184,460	413,460	60,051	14,599	74,649
2014-2018	1,315,000	770,042	2,085,042	244,018	26,656	270,674
2019-2023	651,000	533,159	1,184,159	-	-	-
2024-2028	661,000	394,673	1,055,673	-	-	-
2029-2033	823,000	228,308	1,051,308	-	-	-
2034-2036	589,000	40,523	629,523	-	-	-
	<u>\$ 5,168,000</u>	<u>\$ 2,981,372</u>	<u>\$ 8,149,372</u>	<u>\$ 606,502</u>	<u>\$ 162,450</u>	<u>\$ 768,951</u>

**CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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 827 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.

Plan Provisions

	2005	2006	2007
1 Total # of participating entities	811	821	827
2 Employee deposit rate	7.0%	7.0%	7.0%
3 Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
4 Years required for vesting	5	5	5
5 Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
6 Updated service credit annually repeating (Y/N)	100% Y	100% Y	100% Y
7 Annuity increase to retirees annually repeating (Y/N)	70% Y	70% Y	70% Y
8 Supplemental death benefit for active employees (Y/N) for retirees (Y/N)	 Y Y	 Y Y	 Y Y

Funding Policy

Cities are required to contribute at an actuarially determined rate; these rates are provided to the city on an annual basis, following the completion of the actuarial valuation. Note that there is a time delay in the valuation and when the rate becomes effective – for example, the January 1, 2007 contribution rate is based on the 12/31/05 valuation results; if a change in plan provisions is elected by the city, this rate can change. The actuary determines contribution rates on a calendar-year basis; the city discloses the annual pension costs (which equal the required contributions) based on the calculated rate(s) for the city's fiscal year.

**CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Actuarial Information

	2005	2006	2007
1 Actuarial cost method	Unit Credit	Unit Credit	Projected Unit Credit
2 Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
3 Amortization period	25 years - open period	25 years - open period	30 years - closed period
4 Asset valuation method	Amortized cost	Amortized cost	Amortized cost
5 Assumptions			
Investment return	7.0%	7.0%	7.0%
Projected salary increases	None	None	varies by age and service
Inflation	3.5%	3.5%	3.0%
Cost-of-living adjustments	None	None	2.1 (3.0% CPI)
6 City-specific assumptions			
Payroll growth assumption	3.0%	3.0%	3.0%
Withdrawal rates for Male/Female (low, mid/low, mid, mid/high, or high)	High/Mid	High/Mid	High/Mid-High

Schedule of Funding Information

	12/31/2005	12/31/2006	12/31/2007
1 Actuarial valuation date			
2 Actuarial value of assets	5,076,015	5,340,792	5,961,634
3 Actuarial accrued liability (AAL)	6,677,103	7,015,480	9,052,420
4 Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	1,601,088	1,674,688	3,090,786
5 Funded ratio	76.0%	76.1%	65.9%
6 Annual covered payroll (actuarial)	2,683,653	2,812,709	3,044,350
7 UAAL or OAAL as % of covered payroll	59.7%	59.5%	101.5%

City of Lampasas is one of 827 municipalities having their benefit plan administered by TMRS. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007, 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.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

I. HEALTH INSURANCE COVERAGE

During the year ended September 30, 2008, 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.

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.

K. PRIOR PERIOD ADJUSTMENT

During the year, the terms of a contract regarding leased golf carts accounted for within the City's Golf Course Fund, a proprietary fund, were reassessed. The leases, which had been previously accounted for as capital leases, were determined to be more appropriately classified as operating leases. The reclassification of the golf cart lease as an operating lease required the removal from the financial statements of the previously capitalized golf carts, along with the related accumulated depreciation, and the removal of the lease as a long-term liability. The effect of this reclassification was recorded as a prior period adjustment to beginning net assets and is summarized as follows:

Removal of Golf Carts, net of depreciation	\$ (105,855)
Removal of related long term debt	<u>75,009</u>
Prior period adjustment (reduction) to recorded net assets	<u>\$ (30,846)</u>

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF LAMPASAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

Data Control Codes	200 Homeland Security Grant	201 Police Seizures Fund	202 Library Board Fund
ASSETS			
1010 Cash and Cash Equivalents	\$ 5,604	\$ 18,333	\$ 24,997
1030 Investments - Current	-	-	-
1050 Taxes Receivable	-	-	-
1051 Allowance for Uncollectible Taxes (credit)	-	-	-
1150 Receivables (Net)	-	5,355	-
1300 Due from Other Funds	-	-	-
1990 Other Assets	-	-	-
1000 Total Assets	<u>\$ 5,604</u>	<u>\$ 23,688</u>	<u>\$ 24,997</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2010 Accounts Payable	\$ -	\$ 2,325	\$ -
2020 Wages and Salaries Payable	-	-	-
2070 Intergovernmental Payable	5,561	-	-
2220 Deferred Revenues	-	-	-
2000 Total Liabilities	<u>5,561</u>	<u>2,325</u>	<u>-</u>
Fund Balances:			
Reserved For:			
3410 Debt Service	-	-	-
3420 Endowments	-	-	-
3460 Other Specific Purposes	43	21,363	24,997
3490 Capital Projects	-	-	-
3000 Total Fund Balances	<u>43</u>	<u>21,363</u>	<u>24,997</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,604</u>	<u>\$ 23,688</u>	<u>\$ 24,997</u>

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

EXHIBIT H-1 (Cont'd)

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
\$ -	\$ 19,180	\$ 419	\$ 84	\$ (7,045)	\$ 61,572	\$ 49,309	\$ 29,782
-	934,455	26,964	11,915	-	973,334	98,897	35,000
-	-	-	-	-	-	13,949	-
-	-	-	-	-	-	(2,092)	-
-	10,523	-	-	9,106	24,984	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	168	-
<u>\$ -</u>	<u>\$ 964,158</u>	<u>\$ 27,383</u>	<u>\$ 11,999</u>	<u>\$ 2,061</u>	<u>\$ 1,059,890</u>	<u>\$ 160,231</u>	<u>\$ 64,782</u>
\$ -	\$ 10,000	\$ -	\$ -	\$ 779	\$ 13,104	\$ -	\$ 64,782
-	-	-	-	1,282	1,282	-	-
-	-	-	-	-	5,561	-	-
-	-	-	-	-	-	11,858	-
-	10,000	-	-	2,061	19,947	11,858	64,782
-	-	-	-	-	-	148,373	-
-	-	-	-	-	-	-	-
-	954,158	27,383	11,999	-	1,039,943	-	-
-	-	-	-	-	-	-	-
-	954,158	27,383	11,999	-	1,039,943	148,373	-
<u>\$ -</u>	<u>\$ 964,158</u>	<u>\$ 27,383</u>	<u>\$ 11,999</u>	<u>\$ 2,061</u>	<u>\$ 1,059,890</u>	<u>\$ 160,231</u>	<u>\$ 64,782</u>

CITY OF LAMPASAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

Data Control Codes	603 CDBG Sewer Grant	604 CDBG Water Grant	605 580 Sports Park Fund	Total Nonmajor Capital Project Funds	
ASSETS					
1010	Cash and Cash Equivalents	\$ 23,878	\$ -	\$ -	\$ 53,660
1030	Investments - Current	-	-	999,279	1,034,279
1050	Taxes Receivable	-	-	-	-
1051	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1150	Receivables (Net)	-	-	-	-
1300	Due from Other Funds	-	50,000	250,000	300,000
1990	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 23,878</u>	<u>\$ 50,000</u>	<u>\$ 1,249,279</u>	<u>\$ 1,387,939</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2010	Accounts Payable	\$ -	\$ -	\$ 2,169	\$ 66,951
2020	Wages and Salaries Payable	-	-	-	-
2070	Intergovernmental Payable	-	-	-	-
2220	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>2,169</u>	<u>66,951</u>
Fund Balances:					
Reserved For:					
3410	Debt Service	-	-	-	-
3420	Endowments	-	-	-	-
3460	Other Specific Purposes	-	-	-	-
3490	Capital Projects	23,878	50,000	1,247,110	1,320,988
3000	Total Fund Balances	<u>23,878</u>	<u>50,000</u>	<u>1,247,110</u>	<u>1,320,988</u>
4000	Total Liabilities and Fund Balances	<u>\$ 23,878</u>	<u>\$ 50,000</u>	<u>\$ 1,249,279</u>	<u>\$ 1,387,939</u>

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

400 Cemetary Fund	Total Nonmajor Governmental Funds
\$ 74,682	\$ 239,223
99,877	2,206,387
-	13,949
-	(2,092)
-	24,984
-	300,000
-	168
\$ 174,559	\$ 2,782,619
\$ -	\$ 80,055
-	1,282
-	5,561
-	11,858
-	98,756
-	148,373
174,559	174,559
-	1,039,943
-	1,320,988
174,559	2,683,863
\$ 174,559	\$ 2,782,619

CITY OF LAMPASAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Data Control Codes	200 Homeland Security Grant	201 Police Seizures Fund	202 Library Board Fund
REVENUES:			
Taxes:			
5110 Property Taxes	\$ -	\$ -	\$ -
5120 General Sales and Use Taxes	-	-	-
5190 Penalty and Interest on Taxes	-	-	-
5300 Intergovernmental Revenue and Grants	5,561	-	-
5400 Charges for Services	-	45,425	-
5610 Investment Earnings	-	191	2,091
5640 Contributions & Donations from Private Sources	-	-	3,220
5700 Other Revenue	-	1,400	757
5020 Total Revenues	<u>5,561</u>	<u>47,016</u>	<u>6,068</u>
EXPENDITURES:			
Current:			
0020 Public Safety	6,304	33,754	-
0036 Cemetery	-	-	-
0037 Non-Departmental	-	-	-
0050 Culture and Recreation	-	-	4,074
Debt Service:			
0071 Bond Principal	-	-	-
0073 Bond Interest and Fees	-	-	-
6030 Total Expenditures	<u>6,304</u>	<u>33,754</u>	<u>4,074</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(743)</u>	<u>13,262</u>	<u>1,994</u>
OTHER FINANCING SOURCES (USES):			
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	(743)	13,262	1,994
0100 Fund Balance - October 1 (Beginning)	<u>786</u>	<u>8,101</u>	<u>23,003</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 43</u>	<u>\$ 21,363</u>	<u>\$ 24,997</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,830	\$ -
-	115,212	-	-	-	115,212	-	-
-	-	-	-	-	-	4,269	-
5,389	-	-	-	59,166	70,116	-	-
-	-	-	-	-	45,425	-	-
-	28,865	873	384	-	32,404	7,937	-
-	-	-	-	-	3,220	-	-
-	-	-	-	-	2,157	-	-
<u>5,389</u>	<u>144,077</u>	<u>873</u>	<u>384</u>	<u>59,166</u>	<u>268,534</u>	<u>281,036</u>	<u>-</u>
-	-	-	-	59,166	99,224	-	-
-	46,940	-	-	-	46,940	-	-
-	-	-	-	-	-	-	-
13,639	-	-	-	-	17,713	-	-
-	-	-	-	-	-	300,000	-
-	-	-	-	-	-	279,197	-
<u>13,639</u>	<u>46,940</u>	<u>-</u>	<u>-</u>	<u>59,166</u>	<u>163,877</u>	<u>579,197</u>	<u>-</u>
<u>(8,250)</u>	<u>97,137</u>	<u>873</u>	<u>384</u>	<u>-</u>	<u>104,657</u>	<u>(298,161)</u>	<u>-</u>
-	-	-	-	-	-	283,673	175,498
-	-	-	-	-	-	-	(543,300)
-	-	-	-	-	-	283,673	(367,802)
<u>(8,250)</u>	<u>97,137</u>	<u>873</u>	<u>384</u>	<u>-</u>	<u>104,657</u>	<u>(14,488)</u>	<u>(367,802)</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>
<u>\$ -</u>	<u>\$ 954,158</u>	<u>\$ 27,383</u>	<u>\$ 11,999</u>	<u>\$ -</u>	<u>\$ 1,039,943</u>	<u>\$ 148,373</u>	<u>\$ -</u>

CITY OF LAMPASAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Data Control Codes	603 CDBG Sewer Grant	604 CDBG Water Grant	605 580 Sports Park Fund	Total Nonmajor Capital Project Funds
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5120 General Sales and Use Taxes	-	-	-	-
5190 Penalty and Interest on Taxes	-	-	-	-
5300 Intergovernmental Revenue and Grants	25,000	-	-	25,000
5400 Charges for Services	-	-	-	-
5610 Investment Earnings	-	-	-	-
5640 Contributions & Donations from Private Sources	-	-	1,500	1,500
5700 Other Revenue	-	-	-	-
5020 Total Revenues	<u>25,000</u>	<u>-</u>	<u>1,500</u>	<u>26,500</u>
EXPENDITURES:				
Current:				
0020 Public Safety	-	-	-	-
0036 Cemetery	-	-	-	-
0037 Non-Departmental	-	-	22,219	22,219
0050 Culture and Recreation	-	-	-	-
Debt Service:				
0071 Bond Principal	-	-	-	-
0073 Bond Interest and Fees	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>-</u>	<u>22,219</u>	<u>22,219</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>25,000</u>	<u>-</u>	<u>(20,719)</u>	<u>4,281</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	175,498
8911 Transfers Out (Use)	<u>(7,700)</u>	<u>-</u>	<u>-</u>	<u>(551,000)</u>
7080 Total Other Financing Sources (Uses)	<u>(7,700)</u>	<u>-</u>	<u>-</u>	<u>(375,502)</u>
1200 Net Change in Fund Balance	17,300	-	(20,719)	(371,221)
0100 Fund Balance - October 1 (Beginning)	<u>6,578</u>	<u>50,000</u>	<u>1,267,829</u>	<u>1,692,209</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 23,878</u>	<u>\$ 50,000</u>	<u>\$ 1,247,110</u>	<u>\$ 1,320,988</u>

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

400 Cemetery Fund	Total Nonmajor Governmental Funds
\$ -	\$ 268,830
-	115,212
-	4,269
-	95,116
-	45,425
4,370	44,711
-	4,720
-	2,157
4,370	580,440
-	99,224
-	46,940
-	22,219
-	17,713
-	300,000
-	279,197
-	765,293
4,370	(184,853)
-	459,171
(4,370)	(555,370)
(4,370)	(96,199)
-	(281,052)
174,559	2,964,915
\$ 174,559	\$ 2,683,863

CITY OF LAMPASAS, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2008

	711	712	713	Total
	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,064	\$ 11,982	\$ (4,211)	\$ 11,835
Investments - Current	44,570	16,452	65	61,087
Accounts Receivable-Net of Uncollectible Allowance	-	5,050	8,205	13,255
Inventories	-	33,642	29,931	63,573
Total Current Assets	48,634	67,126	33,990	149,750
Noncurrent Assets:				
Capital Assets:				
Land Purchase and Improvements	-	141,292	341,030	482,322
Buildings	-	496,425	1,644,334	2,140,759
Accumulated Depreciation - Buildings	-	(272,440)	(388,958)	(661,398)
Machinery and Equipment	-	43,864	199,055	242,919
Accumulated Depreciation - Machinery & Equipment	-	(43,864)	(65,726)	(109,590)
Infrastructure	345,016	-	-	345,016
Accumulated Depreciation - Infrastructure	(114,471)	-	-	(114,471)
Construction in Progress	-	3,715	-	3,715
Total Noncurrent Assets	230,545	368,992	1,729,735	2,329,272
Total Assets	279,179	436,118	1,763,725	2,479,022
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	760	12,856	13,616
Wages and Salaries Payable	-	-	5,664	5,664
Compensated Absences Payable	-	-	16,518	16,518
Customer Deposits & Sales Tax Payable	-	1,296	1,521	2,817
Accrued Interest Payable	-	-	2,693	2,693
Bonds & Notes Payable - Current	-	-	606,502	606,502
Total Liabilities	-	2,056	645,754	647,810
NET ASSETS				
Investments in Capital Assets, Net of Debt	230,545	368,992	1,123,233	1,722,770
Unrestricted Net Assets	48,634	65,070	(5,262)	108,442
Total Net Assets	\$ 279,179	\$ 434,062	\$ 1,117,971	\$ 1,831,212

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

CITY OF LAMPASAS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT H-7

	711 G/F Economic Development Fund	712 Aviation Fund	713 Golf Course Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Culture/Recreation Charges for Services	\$ -	\$ -	\$ 348,768	\$ 348,768
Rents and Royalties	-	26,400	25,900	52,300
Other Revenue	-	88,837	55,903	144,740
Total Operating Revenues	<u>-</u>	<u>115,237</u>	<u>430,571</u>	<u>545,808</u>
OPERATING EXPENSES:				
Personnel Services - Salaries and Wages	-	-	205,693	205,693
Personnel Services - Employee Benefits	-	100	65,200	65,300
Purchased Professional & Technical Services	-	937	-	937
Purchased Property Services	-	12,496	57,789	70,285
Other Operating Expenses	-	3,401	26,154	29,555
Supplies	-	72,157	85,024	157,181
Depreciation	11,960	12,434	63,788	88,182
Total Operating Expenses	<u>11,960</u>	<u>101,525</u>	<u>503,648</u>	<u>617,133</u>
Operating Income (Loss)	<u>(11,960)</u>	<u>13,712</u>	<u>(73,077)</u>	<u>(71,325)</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	1,482	504	65	2,051
Interest Expense - Non-Operating	-	-	(5,923)	(5,923)
Total Non-operating Revenue (Expenses)	<u>1,482</u>	<u>504</u>	<u>(5,858)</u>	<u>(3,872)</u>
Income (Loss) Before Transfers	(10,478)	14,216	(78,935)	(75,197)
Non-Operating Transfer In	-	3,715	568,545	572,260
Transfers Out	-	(4,380)	-	(4,380)
Change in Net Assets	(10,478)	13,551	489,610	492,683
Total Net Assets - October 1 (Beginning)	289,657	420,511	659,207	1,369,375
Prior Period Adjustment	-	-	(30,846)	(30,846)
Total Net Assets - September 30 (Ending)	<u>\$ 279,179</u>	<u>\$ 434,062</u>	<u>\$ 1,117,971</u>	<u>\$ 1,831,212</u>

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

CITY OF LAMPASAS, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	711 G/F Economic Development Fund	712 Aviation Fund	713 Golf Course Fund	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ -	\$ 115,933	\$ 428,888	\$ 544,821
Cash Payments to Employees for Services	-	(1,700)	(268,478)	(270,178)
Cash Payments for Suppliers	-	(91,178)	(94,304)	(185,482)
Cash Payments for Other Operating Expenses	-	(15,538)	(205,762)	(221,300)
Net Cash Provided by (Used for) Operating Activities	<u>-</u>	<u>7,517</u>	<u>(139,656)</u>	<u>(132,139)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer Out	<u>-</u>	<u>(665)</u>	<u>568,545</u>	<u>567,880</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	-	(3,715)	(421,962)	(425,677)
Payments on Long-Term Debt	-	-	(9,964)	(9,964)
Interest Expense	-	-	(5,923)	(5,923)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>-</u>	<u>(3,715)</u>	<u>(437,849)</u>	<u>(441,564)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	<u>1,482</u>	<u>504</u>	<u>65</u>	<u>2,051</u>
Net Increase(Decrease) in Cash and Cash Equivalents	1,482	3,641	(8,895)	(3,772)
Cash and Cash Equivalents at Beginning of the Year:	<u>47,155</u>	<u>24,793</u>	<u>4,749</u>	<u>76,697</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 48,637</u>	<u>\$ 28,434</u>	<u>\$ (4,146)</u>	<u>\$ 72,925</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating Income (Loss):	\$ (11,960)	\$ 13,712	\$ (73,077)	\$ (71,325)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	11,960	12,434	63,788	88,182
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	-	696	(1,683)	(987)
Decrease (increase) in Inventories	-	(18,718)	(3,906)	(22,624)
Increase (decrease) in Accounts Payable	-	(303)	(5,374)	(5,677)
Increase (decrease) in Payroll Deductions	-	(1,600)	2,415	815
Increase (decrease) in Other Liabilities	-	1,296	(121,819)	(120,523)
Net Cash Provided by (Used for) Operating Activities	<u>\$ -</u>	<u>\$ 7,517</u>	<u>\$ (139,656)</u>	<u>\$ (132,139)</u>

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

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

	1999	2000	2001	2002	2003
General Government	\$ 811,261	\$ 790,702	\$ 933,547	\$ 961,572	\$ 1,183,237
Public Safety	1,127,530	1,155,944	1,316,708	2,277,807	1,799,138
Public Works	819,749	583,318	697,217	694,004	1,157,200
Culture and Recreation	486,683	477,431	521,326	496,696	814,082
	<u>\$ 3,245,223</u>	<u>\$ 3,007,395</u>	<u>\$ 3,468,798</u>	<u>\$ 4,430,079</u>	<u>\$ 4,953,657</u>

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

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

	1999	2000	2001	2002
Property Taxes	\$ 203,534	\$ 328,368	\$ 359,205	\$ 373,874
General Sales and Use Taxes	828,986	707,515	740,507	723,680
Franchise Tax	1,612,279	1,620,786	1,663,602	1,735,723
Other Taxes	7,837	6,912	6,804	6,587
Licenses and Permits	16,174	22,123	15,900	34,724
Intergovernmental Revenues and Grants	19,140	-	-	-
Charges for Services	186,293	397,070	440,865	573,969
Fines	168,634	4,661	-	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	106,638	195,677	149,828	801,351
	<u>\$ 3,149,515</u>	<u>\$ 3,283,112</u>	<u>\$ 3,376,711</u>	<u>\$ 4,249,908</u>

Fiscal Year

	2003	2004	2005	2006	2007	2008
\$	420,995	\$ 488,141	\$ 563,194	\$ 638,933	\$ 699,809	\$ 811,486
	727,783	812,362	883,782	894,726	919,689	1,046,420
	1,765,077	1,785,414	1,751,355	442,189	458,737	842,124
	5,173	5,415	7,926	10,527	9,914	11,571
	50,360	32,635	38,086	32,365	8,803	26,314
	-	-	-	-	4,000	1,000
	594,813	505,760	430,559	1,142,380	1,843,984	1,973,727
	-	10,030	11,470	12,311	14,385	13,614
	-	185,041	186,999	-	-	191,114
	-	55,445	73,952	103,153	120,666	63,969
	-	31,913	34,932	43,936	12,683	15,607
	-	12,355	1,647	9,600	13,158	15,049
	841,036	712,601	728,481	337,747	295,557	127,204
<u>\$</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>	<u>\$ 5,139,199</u>

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collection	Delinquent Tax Collections	Total Collections	Total Collections as % of Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Levy
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%
2008	1,086,776	1,060,748	97.6%	18,982	1,079,730	99.4%	49,920	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
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
2008	7,465	288,116,673	6,361,000	148,373	6,212,627	2.16%	832

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
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%
2008	300,000	278,199	578,199	6,193,900	9.33%

**CITY OF LAMPASAS, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
AS OF SEPTEMBER 30, 2008
(Unaudited)**

Actual assessed value at January 1, 2008 (100% of estimated market value)	\$ 288,116,673
Debt limit - approximate	25,000,000
Total general obligation bonded debt	6,361,000
Less: interest and sinking fund	<u>148,373</u>
Debt applicable to debt limit	6,212,627
Legal debt margin	<u><u>\$ 18,787,373</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
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%
2008	3,133	409,420	388,615	20,805	5.1%

* 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		
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
2008	14,010,261	11,287,331	2,722,930	200,000	230,407	430,407	6.33

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

We have audited the financial statements of the City of Lampasas, Texas, (the City) as of and for the year ended September 30, 2008, and have issued our report thereon dated January 28, 2009. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Singleton, Moore & Company, LLP

Singleton, Moore & Co., LLP
Cedar Park, Texas

January 28, 2009