

City of Lampasas, Texas

**Annual Financial and
Compliance Report**

**For the Year Ended
September 30, 2009**

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, 2009**

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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, 2009 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, 2009, 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 March 11, 2010, 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

March 11, 2010

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, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2009, the General Fund of the City of Lampasas experienced a fund balance increase of \$1,508, to end at \$2,106,649.
- 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 \$1,994,862, to end at \$6,501,283.
- The total cost of the City of Lampasas's governmental activities was \$7,303,568. This amount is inclusive of depreciation expense recorded on the capital assets of the City.

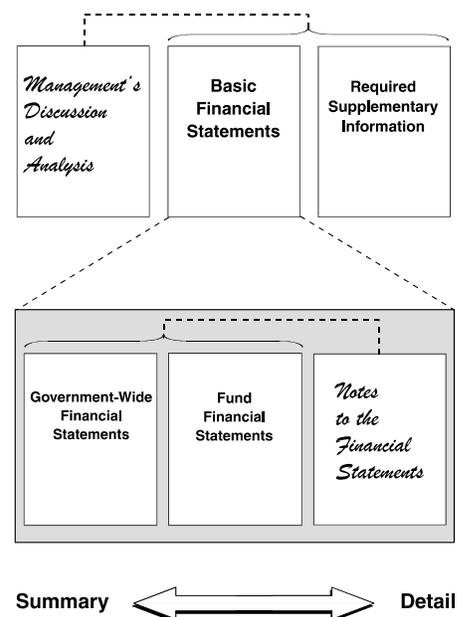
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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

	Governmental Activities 2009	Governmental Activities 2008	Change
ASSETS			
Current and other assets	\$ 8,184	\$ 9,864	\$ (1,680)
Capital assets	5,325	4,396	929
Total assets	<u>13,509</u>	<u>14,260</u>	<u>(751)</u>
LIABILITIES			
Current liabilities	1,209	939	270
Noncurrent liabilities	6,177	6,487	(310)
Total liabilities	<u>7,386</u>	<u>7,426</u>	<u>(40)</u>
NET ASSETS			
Invested in capital assets, net of related debt	747	1,616	(869)
Restricted	4,599	4,185	414
Unrestricted	777	1,032	(255)
Total net assets	<u>\$ 6,123</u>	<u>\$ 6,833</u>	<u>\$ (710)</u>

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

	Business-Type Activities 2009	Business-Type Activities 2008	Change
ASSETS			
Current and other assets	\$ 9,628	\$ 9,429	\$ 199
Capital assets	15,049	13,122	1,927
Total assets	<u>24,677</u>	<u>22,551</u>	<u>2,126</u>
LIABILITIES			
Current liabilities	1,675	2,348	(673)
Noncurrent liabilities	5,067	4,952	115
Total liabilities	<u>6,742</u>	<u>7,300</u>	<u>(558)</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,812	7,347	2,465
Restricted	5,797	5,302	495
Unrestricted	2,325	2,604	(279)
Total net assets	<u>\$ 17,934</u>	<u>\$ 15,253</u>	<u>\$ 2,681</u>

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

	Governmental Activities 2009	Governmental Activities 2008	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 2,519	\$ 2,265	\$ 254
Operating grants and contributions	907	96	811
General revenues:			
Property taxes	1,209	1,084	125
Sales taxes	1,143	1,162	(19)
Franchise taxes	958	842	116
Other taxes and penalties and interest	18	16	2
Grants and contributions not rest.	52	63	(11)
Investment earnings	61	279	(218)
Miscellaneous revenue	544	420	124
Transfer in (out)	(818)	805	(1,623)
Total revenue	<u>6,593</u>	<u>7,032</u>	<u>(439)</u>
EXPENSES:			
General government	2,324	2,164	160
Public safety	2,669	2,335	334
Public works	1,021	970	51
Culture and recreation	1,015	948	67
Bond interest and costs	274	285	(11)
Total expenses	<u>7,303</u>	<u>6,702</u>	<u>601</u>
CHANGE IN NET ASSETS	<u>(710)</u>	<u>330</u>	<u>(1,040)</u>
Net assets at 10/1/08 and 10/1/07	6,833	6,504	330
Net assets at 9/30/09 and 9/30/08	<u>\$ 6,123</u>	<u>\$ 6,833</u>	<u>\$ (710)</u>

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

	Business-Type Activities 2009	Business-Type Activities 2008	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 15,006	\$ 14,151	\$ 855
General revenues:			
Investment earnings	69	271	(202)
Miscellaneous revenue	825	405	420
Total revenue	<u>15,900</u>	<u>14,827</u>	<u>1,073</u>
EXPENSES:			
Enterprise fund activities	14,184	12,751	1,433
Total expenses	<u>14,184</u>	<u>12,751</u>	<u>1,433</u>
CHANGE IN NET ASSETS	<u>1,716</u>	<u>2,076</u>	<u>(360)</u>
Transfer in (out)	839	(778)	1,617
Net assets at 10/1/08 and 10/1/07	<u>15,252</u>	<u>13,985</u>	<u>1,267</u>
Prior Period Adjustment	127	(31)	96
Net assets at 9/30/09 and 9/30/08	<u>\$ 17,934</u>	<u>\$ 15,252</u>	<u>\$ 907</u>

THE CITY'S GOVERNMENTAL FUNDS

As the City completed Fiscal Year 2008-2009, its governmental funds (as presented on the balance sheet on page 12) reported a combined fund balance of approximately \$6.5 million; which represents a decrease of about \$2 million 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, 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2008-2009 the City of Lampasas had invested \$5.32 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 \$929 thousand over the prior year. The City's business-type activities had invested \$15.05 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 2009	Governmental Activities 2008	Change
Land	\$ 967	\$ 881	\$ 86
Buildings and improvements	5,622	5,046	576
Machinery and equipment	2,522	2,206	316
Construction in progress	488	125	363
Totals at historical cost	<u>9,599</u>	<u>8,258</u>	<u>1,341</u>
Less accumulated depreciation	<u>(4,275)</u>	<u>(3,863)</u>	<u>(412)</u>
Capital assets, net of depreciation	<u>\$ 5,324</u>	<u>\$ 4,395</u>	<u>\$ 929</u>

	Business-Type Activities 2009	Business-Type Activities 2008	Change
Land	\$ 566	\$ 566	\$ -
Infrastructure	17,223	16,090	1,133
Buildings and improvements	4,148	3,029	1,119
Machinery and equipment	3,928	3,928	-
Construction in progress	1,552	1,100	452
Totals at historical cost	<u>27,417</u>	<u>24,713</u>	<u>2,704</u>
Less accumulated depreciation	<u>(12,367)</u>	<u>(11,591)</u>	<u>(776)</u>
Capital assets, net of depreciation	<u>\$ 15,050</u>	<u>\$ 13,122</u>	<u>\$ 1,928</u>

Long-Term Debt

At year end, the City's governmental and business-type activities had combined outstanding long-term debt of approximately \$11.5 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 2009	Governmental Activities 2008	Change
General obligation bonds	\$ 6,045	\$ 6,361	\$ (316)
Notes payable	35	-	35
Capital leases	97	126	(29)
Compensated absences	<u>199</u>	<u>190</u>	<u>9</u>
Totals	<u>\$ 6,376</u>	<u>\$ 6,677</u>	<u>\$ (301)</u>
	Business-Type Activities 2009	Business-Type Activities 2008	Change
Utility revenue bonds	\$ 4,952	\$ 5,168	\$ (216)
Notes payable	82	563	(481)
Capital leases	33	44	(11)
Compensated absences	<u>43</u>	<u>41</u>	<u>2</u>
Totals	<u>\$ 5,110</u>	<u>\$ 5,816</u>	<u>\$ (706)</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, Terry Knudsen, @ 512-556-3641. You may also visit the City's website at www.ci.lampasas.tx.us.

GOVERNMENT-WIDE STATEMENTS

CITY OF LAMPASAS, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Lampasas Economic Dev. Fund
ASSETS				
Cash and Cash Equivalents	\$ 750,953	\$ 637,607	\$ 1,388,560	\$ 412,127
Investments - Current	6,450,575	7,245,412	13,695,987	-
Receivables (net of allowance for uncollectibles)	881,155	1,229,252	2,110,407	-
Inventories	15,077	488,001	503,078	-
Capitalized Debt Issuance Costs	86,402	28,030	114,432	-
Capital Assets:				
Land	967,284	565,617	1,532,901	909,835
Buildings, net	3,229,089	2,715,135	5,944,224	-
Machinery and Equipment, net	640,216	189,529	829,745	-
Capital Assets, net	-	10,026,133	10,026,133	-
Construction in Progress	488,073	1,552,439	2,040,512	-
Other Assets	79	-	79	-
Total Assets	13,508,903	24,677,155	38,186,058	1,321,962
LIABILITIES				
Accounts Payable	1,149,027	1,628,889	2,777,916	961
Intergovernmental Payable	5,393	27,120	32,513	-
Accrued Interest Payable	33,770	19,794	53,564	30,048
Deferred Revenues	20,112	241,373	261,485	-
Other Current Liabilities	837	-	837	-
Noncurrent Liabilities				
Due Within One Year	380,261	-	380,261	65,000
Due in More Than One Year	5,796,501	4,825,573	10,622,074	774,000
Total Liabilities	7,385,900	6,742,749	14,128,649	870,008
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	747,224	9,812,378	10,559,602	-
Restricted for:				
Restricted for Debt Service	148,050	234,932	382,982	-
Restricted for Capital Projects	1,443,931	1,778,943	3,222,874	-
Restricted for System Improvements	-	510,000	510,000	-
Restricted for Maintenance & Operations	1,719,360	3,273,616	4,992,976	-
Restricted for Other Purposes	1,287,552	-	1,287,552	451,954
Unrestricted Net Assets	776,886	2,324,537	3,101,423	-
Total Net Assets	\$ 6,123,003	\$ 17,934,406	\$ 24,057,409	\$ 451,954

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, 2009

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 661,677	\$ 1,273,235	\$ -
Legislative	41,704	-	-
Public Safety	2,664,751	51,581	316,094
Police	4,404	-	-
Streets	615,961	190,307	-
Public Works	157,142	-	-
Utility Billing	155,253	-	-
Building and Planning	139,953	26,268	-
Data Processing	189,186	-	-
Cemetery	199,964	188	-
Non-Departmental	519,940	-	585,918
Health	-	880,183	-
Welfare	863,624	-	-
Culture and Recreation	815,574	96,998	5,459
Bond Interest	267,586	-	-
Issuance Costs	6,849	-	-
Total Governmental Activities:	7,303,568	2,518,760	907,471
BUSINESS-TYPE ACTIVITIES:			
Electric Fund	10,037,492	11,040,919	-
Water/ Wastewater Fund	3,463,015	3,577,476	-
Economic Development Fund	11,960	-	-
Aviation Fund	126,659	-	-
Golf Course Fund	544,892	387,525	-
Total Business-Type Activities:	14,184,018	15,005,920	-
TOTAL PRIMARY GOVERNMENT:	\$ 21,487,586	\$ 17,524,680	\$ 907,471
Component Unit:			
Economic Development Expenses	127,463	-	-
TOTAL COMPONENT UNITS:	\$ 127,463	\$ -	\$ -

General Revenues:

Taxes:

Property Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

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. Fund
\$ 611,558	\$ -	\$ 611,558	\$ -
(41,704)	-	(41,704)	-
(2,297,076)	-	(2,297,076)	-
(4,404)	-	(4,404)	-
(425,654)	-	(425,654)	-
(157,142)	-	(157,142)	-
(155,253)	-	(155,253)	-
(113,685)	-	(113,685)	-
(189,186)	-	(189,186)	-
(199,776)	-	(199,776)	-
65,978	-	65,978	-
880,183	-	880,183	-
(863,624)	-	(863,624)	-
(713,117)	-	(713,117)	-
(267,586)	-	(267,586)	-
(6,849)	-	(6,849)	-
(3,877,337)	-	(3,877,337)	-
-	1,003,427	1,003,427	-
-	114,461	114,461	-
-	(11,960)	(11,960)	-
-	(126,659)	(126,659)	-
-	(157,367)	(157,367)	-
-	821,902	821,902	-
(3,877,337)	821,902	(3,055,435)	-
-	-	-	(127,463)
-	-	-	(127,463)
915,701	-	915,701	-
293,605	-	293,605	-
1,142,555	-	1,142,555	207,825
957,880	-	957,880	-
17,887	-	17,887	-
52,367	-	52,367	-
543,857	824,818	1,368,675	1,810
61,410	69,518	130,928	2,769
(818,233)	838,574	20,341	-
3,167,029	1,732,910	4,899,939	212,404
(710,308)	2,554,812	1,844,504	84,941
6,833,311	15,252,713	22,086,024	367,013
-	126,881	126,881	-
\$ 6,123,003	\$ 17,934,406	\$ 24,057,409	\$ 451,954

FUND BASIS STATEMENTS

CITY OF LAMPASAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General Fund	Series 2007 Bond Issue Cap. Projects	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 138,058	\$ (106,419)	\$ 719,314	\$ 750,953
Investments - Current	2,321,911	1,966,321	2,162,343	6,450,575
Taxes Receivable	46,966	-	17,136	64,102
Allowance for Uncollectible Taxes (credit)	(11,595)	-	(2,570)	(14,165)
Receivables (Net)	152,061	-	75,201	227,262
Intergovernmental Receivables	6,775	-	30,879	37,654
Inventories	15,077	-	-	15,077
Other Assets	-	-	79	79
Total Assets	\$ 2,669,253	\$ 1,859,902	\$ 3,002,382	\$ 7,531,537
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 287,252	\$ 260,578	\$ 190,396	\$ 738,226
Wages and Salaries Payable	209,901	-	1,299	211,200
Intergovernmental Payable	5,393	-	-	5,393
Deferred Revenues	60,032	-	14,566	74,598
Other Current Liabilities	26	-	811	837
Total Liabilities	562,604	260,578	207,072	1,030,254
Fund Balances:				
Reserved For:				
Debt Service	-	-	148,050	148,050
Endowments	18,290	-	174,558	192,848
Court Technology	44,492	-	-	44,492
Fire Hall Substation	6,364	-	-	6,364
Inventories	15,077	-	-	15,077
Other Specific Purposes	-	-	1,028,771	1,028,771
Maintenance & Operations	1,719,360	-	-	1,719,360
Capital Projects	-	1,599,324	1,443,931	3,043,255
Unreserved Designated For:				
Park Improvements	7,363	-	-	7,363
Comprehensive Plan	12,584	-	-	12,584
Unreserved and Undesignated:				
Reported in the General Fund	283,119	-	-	283,119
Total Fund Balances	2,106,649	1,599,324	2,795,310	6,501,283
Total Liabilities and Fund Balances	\$ 2,669,253	\$ 1,859,902	\$ 3,002,382	\$ 7,531,537

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, 2009

Total Fund Balances - Governmental Funds	\$	6,501,283
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 \$8,258,194 and the accumulated depreciation was \$3,862,735. 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.		(2,282,358)
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 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		1,737,438
The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(506,781)
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.		673,421
Net Assets of Governmental Activities	<u>\$</u>	<u>6,123,003</u>

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

CITY OF LAMPASAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Series 2007 Bond Issue Cap. Projects	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 906,432	\$ -	\$ 290,819	\$ 1,197,251
General Sales and Use Taxes	1,043,624	-	98,931	1,142,555
Franchise Tax	957,880	-	-	957,880
Penalty and Interest on Taxes	13,258	-	4,629	17,887
Licenses and Permits	29,447	-	-	29,447
Intergovernmental Revenue and Grants	38,920	450,000	418,551	907,471
Charges for Services	2,259,788	-	10,388	2,270,176
Fines	12,015	-	-	12,015
Special Assessments	190,307	-	-	190,307
Investment Earnings	17,304	31,556	12,550	61,410
Rents and Royalties	19,942	-	-	19,942
Contributions & Donations from Private Sources	44,395	-	7,972	52,367
Other Revenue	162,200	323,874	3,709	489,783
Total Revenues	5,695,512	805,430	847,549	7,348,491
EXPENDITURES:				
Current:				
General Government	658,413	-	1,062	659,475
Public Safety	2,362,146	-	293,500	2,655,646
Streets	1,042,890	-	-	1,042,890
Public Works	157,099	-	-	157,099
Utility Billing	146,019	-	-	146,019
Building and Planning	131,629	-	-	131,629
Data Processing	177,934	-	-	177,934
Cemetery	139,151	-	118,612	257,763
Non-Departmental	532,463	160,600	455,063	1,148,126
Sanitation	812,258	-	-	812,258
Culture and Recreation	812,951	-	12,000	824,951
Debt Service:				
Bond Principal	-	-	316,000	316,000
Bond Interest	-	-	265,330	265,330
Total Expenditures	6,972,953	160,600	1,461,567	8,595,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,277,441)	644,830	(614,018)	(1,246,629)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	20,340	-	-	20,340
Proceeds from Capital Leases	70,000	-	-	70,000
Transfers In	1,251,459	-	867,799	2,119,258
Transfers Out (Use)	(62,850)	(2,752,647)	(142,334)	(2,957,831)
Total Other Financing Sources (Uses)	1,278,949	(2,752,647)	725,465	(748,233)
Net Change in Fund Balances	1,508	(2,107,817)	111,447	(1,994,862)
Fund Balance - October 1 (Beginning)	2,105,141	3,707,141	2,683,863	8,496,145
Fund Balance - September 30 (Ending)	\$ 2,106,649	\$ 1,599,324	\$ 2,795,310	\$ 6,501,283

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, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	(1,994,862)
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 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		1,737,438
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.		(506,781)
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.		53,896
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(710,308)</u>

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

CITY OF LAMPASAS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 914,131	\$ 914,131	\$ 906,432	\$ (7,699)
General Sales and Use Taxes	1,080,881	1,080,881	1,043,624	(37,257)
Franchise Tax	959,419	959,419	957,880	(1,539)
Penalty and Interest on Taxes	10,500	10,500	13,258	2,758
Licenses and Permits	32,125	32,125	29,447	(2,678)
Intergovernmental Revenue and Grants	38,921	38,921	38,920	(1)
Charges for Services	2,335,545	2,335,545	2,259,788	(75,757)
Fines	12,200	12,200	12,015	(185)
Special Assessments	192,500	192,500	190,307	(2,193)
Investment Earnings	53,833	53,833	17,304	(36,529)
Rents and Royalties	21,300	21,300	19,942	(1,358)
Contributions & Donations from Private Sources	12,356	12,356	44,395	32,039
Other Revenue	191,210	191,210	162,200	(29,010)
Total Revenues	<u>5,854,921</u>	<u>5,854,921</u>	<u>5,695,512</u>	<u>(159,409)</u>
EXPENDITURES:				
Current:				
General Government	674,493	674,493	658,413	16,080
Public Safety	2,503,089	2,440,353	2,362,146	78,207
Streets	1,362,382	1,362,382	1,042,890	319,492
Public Works	171,357	171,357	157,099	14,258
Utility Billing	153,416	153,416	146,019	7,397
Building and Planning	150,637	150,637	131,629	19,008
Data Processing	191,257	191,257	177,934	13,323
Cemetery	106,204	168,148	139,151	28,997
Non-Departmental	622,923	614,672	532,463	82,209
Sanitation	855,000	855,000	812,258	42,742
Culture and Recreation	845,788	884,094	812,951	71,143
Total Expenditures	<u>7,636,546</u>	<u>7,665,809</u>	<u>6,972,953</u>	<u>692,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,781,625)</u>	<u>(1,810,888)</u>	<u>(1,277,441)</u>	<u>533,447</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	2,000	20,340	18,340
Proceeds from Capital Leases	-	-	70,000	70,000
Transfers In	1,822,193	1,822,238	1,251,459	(570,779)
Transfers Out (Use)	-	(62,850)	(62,850)	-
Total Other Financing Sources (Uses)	<u>1,822,193</u>	<u>1,761,388</u>	<u>1,278,949</u>	<u>(482,439)</u>
Net Change in Fund Balances	40,568	(49,500)	1,508	51,008
Fund Balance - October 1 (Beginning)	<u>2,105,141</u>	<u>2,105,141</u>	<u>2,105,141</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,145,709</u>	<u>\$ 2,055,641</u>	<u>\$ 2,106,649</u>	<u>\$ 51,008</u>

The accompanying notes are an integral part of this statement.

CITY OF LAMPASAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 438,403	\$ 197,608	\$ 1,596	\$ 637,607
Investments - Current	3,706,418	3,457,331	81,663	7,245,412
Accounts Receivable-Net of Uncollectible Allowance	989,497	225,882	13,873	1,229,252
Inventories	345,324	76,937	65,740	488,001
Total Current Assets	<u>5,479,642</u>	<u>3,957,758</u>	<u>162,872</u>	<u>9,600,272</u>
Noncurrent Assets:				
Capitalized Debt Issuance Costs	-	28,030	-	28,030
Capital Assets:				
Land Purchase and Improvements	15,330	67,965	482,322	565,617
Buildings	883,498	1,320,344	1,793,774	3,997,616
Accumulated Depreciation - Buildings	(66,273)	(654,251)	(561,957)	(1,282,481)
Machinery and Equipment	2,511,823	1,075,023	242,919	3,829,765
Accumulated Depreciation - Machinery & Equipment	(2,299,045)	(1,225,728)	(115,463)	(3,640,236)
Infrastructure	1,677,324	14,487,608	1,307,092	17,472,024
Accumulated Depreciation - Infrastructure	(1,092,743)	(5,999,569)	(353,579)	(7,445,891)
Construction in Progress	257,413	1,295,026	-	1,552,439
Total Noncurrent Assets	<u>1,887,327</u>	<u>10,394,448</u>	<u>2,795,108</u>	<u>15,076,883</u>
Total Assets	<u>7,366,969</u>	<u>14,352,206</u>	<u>2,957,980</u>	<u>24,677,155</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	883,942	219,331	14,402	1,117,675
Wages and Salaries Payable	275,710	133,978	11,200	420,888
Compensated Absences Payable	25,403	-	17,961	43,364
Retainage Payable	-	46,962	-	46,962
Intergovernmental Payable	25,173	-	1,947	27,120
Accrued Interest Payable	-	19,794	-	19,794
Current Portion of Long-Term Debt	-	230,000	11,373	241,373
Total Current Liabilities	<u>1,210,228</u>	<u>650,065</u>	<u>56,883</u>	<u>1,917,176</u>
NonCurrent Liabilities:				
Long-Term Debt	-	4,722,000	103,573	4,825,573
Total Noncurrent Liabilities	<u>-</u>	<u>4,722,000</u>	<u>103,573</u>	<u>4,825,573</u>
Total Liabilities	<u>1,210,228</u>	<u>5,372,065</u>	<u>160,456</u>	<u>6,742,749</u>
NET ASSETS				
Investments in Capital Assets, Net of Debt Restricted for Debt Service	1,887,327	5,414,418	2,510,633	9,812,378
Restricted for Construction & Equipment	-	234,932	-	234,932
Restricted for System Improvements	194,000	1,584,943	-	1,778,943
Restricted for Operations & Maintenance	510,000	-	-	510,000
Unrestricted Net Assets	2,474,998	798,618	-	3,273,616
Total Net Assets	<u>\$ 6,156,741</u>	<u>\$ 8,980,141</u>	<u>\$ 2,797,524</u>	<u>\$ 17,934,406</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, 2009

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	\$ -	\$ 2,206,831	\$ -	\$ 2,206,831
Charges for Sewerage Service	-	1,350,847	-	1,350,847
Charges for Electricity Service	10,999,274	-	-	10,999,274
Other Charges for Services	41,645	19,798	-	61,443
Culture/Recreation Charges for Services	-	-	387,525	387,525
Investment Earnings	-	986	-	986
Rents and Royalties	16,406	-	58,512	74,918
Other Revenue	142,400	5,410	120,266	268,076
Total Operating Revenues	<u>11,199,725</u>	<u>3,583,872</u>	<u>566,303</u>	<u>15,349,900</u>
OPERATING EXPENSES:				
Personnel Services - Salaries and Wages	280,050	-	212,618	492,668
Personnel Services - Employee Benefits	108,345	-	71,564	179,909
Purchased Professional & Technical Services	289,299	816,236	240	1,105,775
Purchased Property Services	119,808	278,388	102,125	500,321
Other Operating Expenses	1,552,189	736,278	13,879	2,302,346
Supplies	7,591,524	869,107	135,171	8,595,802
Depreciation	96,277	535,718	145,535	777,530
Amortization of Premiums or Discounts - Bonds	-	3,114	-	3,114
Total Operating Expenses	<u>10,037,492</u>	<u>3,238,841</u>	<u>681,132</u>	<u>13,957,465</u>
Operating Income (Loss)	<u>1,162,233</u>	<u>345,031</u>	<u>(114,829)</u>	<u>1,392,435</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	36,761	32,071	686	69,518
Other Funding Sources	-	-	480,838	480,838
Interest Expense - Non-Operating	-	(224,174)	(2,379)	(226,553)
Total Non-operating Revenue (Expenses)	<u>36,761</u>	<u>(192,103)</u>	<u>479,145</u>	<u>323,803</u>
Income Before Transfers	1,198,994	152,928	364,316	1,716,238
Non-Operating Transfer In	352,771	1,657,091	611,376	2,621,238
Transfers Out	(1,335,865)	(437,419)	(9,380)	(1,782,664)
Change in Net Assets	215,900	1,372,600	966,312	2,554,812
Total Net Assets - October 1 (Beginning)	5,813,960	7,607,541	1,831,212	15,252,713
Prior Period Adjustment	126,881	-	-	126,881
Total Net Assets - September 30 (Ending)	<u>\$ 6,156,741</u>	<u>\$ 8,980,141</u>	<u>\$ 2,797,524</u>	<u>\$ 17,934,406</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, 2009

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	\$ 10,824,568	\$ 3,462,593	\$ 563,544	\$ 14,850,705
Cash Payments to Employees for Services	(118,765)	133,978	(277,203)	(261,990)
Cash Payments for Suppliers	(7,727,771)	(833,017)	(134,411)	(8,695,199)
Cash Payments for Other Operating Expenses	(2,185,092)	(2,094,149)	(119,807)	(4,399,048)
Net Cash Provided by Operating Activities	<u>792,940</u>	<u>669,405</u>	<u>32,123</u>	<u>1,494,468</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In	(983,094)	1,219,672	1,082,836	1,319,414
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	(322,259)	(1,770,686)	(611,376)	(2,704,321)
Interest Expense	-	(224,174)	(2,379)	(226,553)
Payments on Long-Term Debt	-	-	(491,556)	(491,556)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(322,259)</u>	<u>(1,994,860)</u>	<u>(1,105,311)</u>	<u>(3,422,430)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	36,761	32,068	689	69,518
Net Increase(Decrease) in Cash and Cash Equivalents	(475,652)	(73,715)	10,337	(539,030)
Cash and Cash Equivalents at Beginning of the Year:	4,493,592	3,728,654	72,922	8,295,168
Cash and Cash Equivalents at the End of the Year:	4,017,940	3,654,939	83,259	7,756,138
Prior Period Adjustment to Net Assets	126,881	-	-	126,881
Cash on Balance Sheet:	<u>\$ 4,144,821</u>	<u>\$ 3,654,939</u>	<u>\$ 83,259</u>	<u>\$ 7,883,019</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>				
Operating Income (Loss):	\$ 1,162,233	\$ 345,031	\$ (114,829)	\$ 1,392,435
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	96,277	538,832	145,535	780,644
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	(89,830)	(39,903)	(2,759)	(132,492)
Decrease (increase) in Inventories	(190,655)	9,865	(26)	(180,816)
Increase (decrease) in Accounts Payable	54,408	26,226	786	81,420
Increase (decrease) in Payroll Deductions	268,572	133,978	2,106	404,656
Increase (decrease) in Other Liabilities	(508,065)	(347,377)	1,310	(854,132)
Increase (decrease) in Accued Interest	-	2,753	-	2,753
Net Cash Provided by Operating Activities	<u>\$ 792,940</u>	<u>\$ 669,405</u>	<u>\$ 32,123</u>	<u>\$ 1,494,468</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009

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.

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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.

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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 \$199,601 in accrued compensated absences at September 30, 2009 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, 2009 for the City's proprietary fund activities was \$43,364.

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, 2009, upon which the levy for the 2008-2009 fiscal year was based, was \$316,570,041. 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, 2009, to finance General Fund and Debt Service Fund operations were \$0.295358 and \$.094642, respectively, for a total tax rate of \$.39 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2008-2009 fiscal year was \$1,234,623. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2009, were 97% 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.

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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.

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III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

At September 30, 2009, the carrying amount of the City’s deposits (cash, certificates of deposit, money market, and interest-bearing savings accounts included in temporary investments) was \$1,388,858 and the bank balance was \$1,407,676.

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, 2009. A summary of the investment balances is as follows:

	<u>Book</u>	<u>Bank</u>
	<u>Balance</u>	<u>Balance</u>
TexPool	\$ 7,662,156	\$ 7,662,156
TexSTAR	2,925,845	2,925,845
First State Bank - CD's	300,000	300,000
	<u>\$ 10,888,001</u>	<u>\$ 10,888,001</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, 2009, 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, 2009 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, 2009 consist of the following:

	Property Taxes (net)	Customer Receivables (net)	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 35,371	\$ 152,061	\$ 6,775	\$ 194,207
Non-major Governmental Funds	14,566	75,201	30,879	120,646
Total	\$ 49,937	\$ 227,262	\$ 37,654	\$ 314,853
Proprietary Activities:				
Electric Fund	\$ -	\$ 989,497	\$ -	\$ 989,497
Water/Wastewater Fund	-	225,882	-	225,882
Non-Major Proprietary Funds	-	13,873	-	13,873
Total	\$ -	\$ 1,229,252	\$ -	\$ 1,229,252

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Payables at September 30, 2009 consist of the following:

	Accounts Payable	Salaries and Benefits	Sales Tax Payable	Deferred Revenues	Other Current Liabilities	Total
Governmental Activities:						
General Fund	\$ 292,645	\$ 209,901	\$ -	\$ 60,032	\$ 26	\$ 562,604
Series 2007 Bond Issue Cap. Proj.	260,578	-	-	-	-	260,578
Non-Major Gov. Funds	<u>190,396</u>	<u>1,299</u>	<u>-</u>	<u>14,566</u>	<u>811</u>	<u>207,072</u>
Total	<u>\$ 743,619</u>	<u>\$ 211,200</u>	<u>\$ -</u>	<u>\$ 74,598</u>	<u>\$ 837</u>	<u>\$ 1,030,254</u>
Proprietary Activities:						
Electric Fund	\$ 882,911	\$ 301,113	\$ 25,173	\$ -	\$ 1,031	\$ 1,210,228
Water/Wastewater Fund	266,293	133,978	-	-	19,794	420,065
Non-Major Prop Funds	<u>14,402</u>	<u>29,161</u>	<u>1,947</u>	<u>-</u>	<u>-</u>	<u>45,510</u>
Total	<u>\$1,163,606</u>	<u>\$ 464,252</u>	<u>\$ 27,120</u>	<u>\$ -</u>	<u>\$ 20,825</u>	<u>\$ 1,675,803</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>	
	2010	<u>2,609</u>
Total Minimum Rental Payments	\$	<u><u>2,609</u></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		
Homeland Security Grant Fund	\$ 43	\$ -
Electric Fund	1,200,000	-
G/F Capital Reserve	50,000	-
Trust & Agency	1,415	-
Library Grant Fund	1	-
Animal Shelter	-	12,850
Total General Fund	1,251,459	12,850
Debt Service Fund		
Golf Course	-	-
Sports Park	-	-
Certificate of Obligation	-	-
Airport Fund	9,380	-
Electric Fund	135,865	-
Water/WW Fund	138,424	-
Total Debt Service Fund	283,669	-
Capital Projects Funds		
Water System Improvements Fund		
CDBG Grants Projects Fund	23,878	-
Water/Wastewater Fund	-	116,997
580 Sports Park Fund		
Series 2007 Cert. of Obligation Fund	248,407	-
G/R Capital Reserve Fund		
General Fund	-	50,000
Homeland Security Grant		
General Fund	-	43
Library Grant Fund		
General Fund	-	1
Cemetery Fund		
General Fund	-	1,415
Series 2007 Cert. of Obligation Projects		
580 Sports Park Fund	-	248,407
Water/Wastewater Fund	-	1,540,094
Electric Fund	-	352,771
Aviation Fund	-	611,376
CDBG Grant Projects Fund		
Water System Improvements Fund	-	23,878
Animal Shelter Fund		
General Fund	12,850	-
Water/Wastewater Fund	298,995	-
Total Capital Projects Funds	584,130	2,944,982
Total Governmental Funds Transfers In/Out	\$ 2,119,258	\$ 2,957,832

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	<u>Transfers In</u>	<u>Transfers Out</u>
Proprietary Funds		
Aviation Fund		
Series 2007 Cert. of Obligation Projects	\$ 611,376	\$ -
Debt Service Fund	-	9,380
Total Aviation Fund	<u>611,376</u>	<u>9,380</u>
Electric Fund		
General Fund	-	1,200,000
Debt Service	-	135,865
Series 2007 Cert. of Obligation Projects	<u>352,771</u>	<u>-</u>
Total Electric Fund	<u>352,771</u>	<u>1,335,865</u>
Water/WW Fund		
Debt Service	-	138,424
Animal Shelter Fund	-	298,995
Water System Improvements Fund	116,997	-
Series 2007 Cert. of Obligation Projects	<u>1,540,094</u>	<u>-</u>
Total Water/WW Fund	<u>1,657,091</u>	<u>437,419</u>
Total Proprietary Funds Transfers In/Out	<u>\$ 2,621,238</u>	<u>\$ 1,782,664</u>

CITY OF LAMPASAS, TEXAS
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F. FIXED ASSETS

Capital asset activity for the City of Lampasas for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	\$ 881,446	\$ 85,838	\$ -	\$ 967,284
Buildings and Improvements	5,045,859	576,285	-	5,622,144
Machinery and Equipment	2,205,729	410,948	94,699	2,521,978
Construction in Progress	125,160	377,563	14,650	488,073
Totals at Historical Cost	<u>8,258,194</u>	<u>1,450,634</u>	<u>109,349</u>	<u>9,599,479</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,180,970)	(212,085)	-	(2,393,055)
Machinery and Equipment	(1,681,765)	(294,696)	(94,699)	(1,881,762)
Total Accum. Depreciation	<u>(3,862,735)</u>	<u>(506,781)</u>	<u>(94,699)</u>	<u>(4,274,817)</u>
Governmental Activities Capital				
Assets, net	<u>\$ 4,395,459</u>	<u>\$ 943,853</u>	<u>\$ 14,650</u>	<u>\$ 5,324,662</u>
Proprietary Activities:				
Land	\$ 565,617	\$ -	\$ -	\$ 565,617
Utility System	16,089,810	1,133,021	-	17,222,831
Buildings and Improvements	3,029,679	1,118,569	-	4,148,248
Machinery and Equipment	3,928,329	-	-	3,928,329
Construction in Progress	1,099,705	1,385,349	932,616	1,552,438
Totals at Historical Cost	<u>24,713,140</u>	<u>3,636,939</u>	<u>932,616</u>	<u>27,417,463</u>
Less Accumulated Depreciation:				
Utility System	(6,661,191)	(557,551)	-	(7,218,742)
Buildings and Improvements	(1,336,014)	(173,511)	-	(1,509,525)
Machinery and Equipment	(3,593,768)	(47,659)	(1,084)	(3,640,343)
Total Accum. Depreciation	<u>(11,590,973)</u>	<u>(778,721)</u>	<u>(1,084)</u>	<u>(12,368,610)</u>
Proprietary Activities Capital				
Assets, net	<u>\$ 13,122,167</u>	<u>\$ 2,858,218</u>	<u>\$ 931,532</u>	<u>\$ 15,048,853</u>

CITY OF LAMPASAS, TEXAS
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Depreciation expense was charged to the governmental activities as follows:

Function	Allocated Depreciation
General Government	\$ 41,704
Public Safety and Code Enforcement	167,939
Public Works	9,935
Streets	65,951
Culture and Recreation	52,169
Utility Billing	9,234
Building and Planning	8,324
Data Processing	11,252
Sanitation	51,366
Non-Departmental	72,606
Cemetery	16,301
Total	\$ 506,781

G. LONG-TERM DEBT

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2008	Additions	Deletions	Amounts Outstanding 9/30/2009
Governmental Activities:						
Bonds Payable						
Maint. Tax Notes, Series 2006	4.19%	620,000	\$ 570,000	\$ -	\$ 105,000	\$ 465,000
Certificate of Obligation, Series 2006	5.15%	67,500	26,000	-	26,000	-
Certificate of Obligation, Series 2007	4.50%	6,000,000	5,765,000		185,000	5,580,000
Total Bonds Payable			6,361,000	-	316,000	6,045,000
Capital Leases						
Emergency One - Fire Truck	4.95%	424,780	126,023	-	29,261	96,762
Total Capital Leases			126,023	-	29,261	96,762
Promissory Note						
Land Purchase		70,000	-	70,000	35,000	35,000
Total Bonds, Notes, and Capital Leases			\$ 126,023	\$ 70,000	\$ 64,261	\$ 131,762
Other						
Compensated Absences	n/a	n/a	190,794	8,807	-	199,601
Total Debt - Governmental Activities			\$ 6,677,817	\$ 78,807	\$ 380,261	\$ 6,376,363

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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
2010	330,000	252,170	582,170	65,709	4,790	70,499
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	280,000	202,245	482,245	-	-	-
2015-2019	1,235,000	844,635	2,079,635	-	-	-
2020-2024	1,745,000	535,221	2,280,221	-	-	-
2025-2029	1,210,000	212,255	1,422,255	-	-	-
2030-2031	380,000	23,769	403,769	-	-	-
	<u>\$ 6,045,000</u>	<u>\$ 2,745,353</u>	<u>\$ 8,790,353</u>	<u>\$ 131,763</u>	<u>\$ 9,734</u>	<u>\$ 141,497</u>

Long term debt for proprietary activities follows below:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2008	Additions	Deletions	Amounts Outstanding 9/30/2009
Proprietary Activities:						
Utility Funds						
Bonds Payable - Water/Wastewater Fund						
Certificate of Obligation - Series 1981		\$ 350,000	\$ 75,000	\$ -	\$ 25,000	\$ 50,000
Certificate of Obligation - Series 2006	4.30%	1,020,000	1,079,000	-	79,000	1,000,000
Utility Rev. Bonds - Series 1997	4.50%	3,901,000	3,369,000	-	62,000	3,307,000
Certificate of Obligation - Series 1998	2.55-4.00%	1,040,000	645,000	-	50,000	595,000
Total Bonds Payable - Water/Wastewater Fund			<u>5,168,000</u>	<u>-</u>	<u>216,000</u>	<u>4,952,000</u>
Other - Electric Fund						
Compensated Absences	n/a	n/a	24,345	1,058	-	25,403
Total Debt - Utility Funds			<u>5,192,345</u>	<u>1,058</u>	<u>216,000</u>	<u>4,977,403</u>
Golf Course Fund						
Notes Payable						
Note 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>81,969</u>	<u>-</u>	<u>480,840</u>	<u>81,969</u>
Lease Purchases						
Community Bank of Louisiana	5.00%	56,556	43,693	-	10,716	32,977
Total Notes Payable			<u>43,693</u>	<u>-</u>	<u>10,716</u>	<u>32,977</u>
Other						
Compensated Absences	n/a	n/a	16,518	1,443	-	17,961
Total Other			<u>16,518</u>	<u>1,443</u>	<u>-</u>	<u>17,961</u>
Total Debt Golf Course Fund			<u>142,180</u>	<u>1,443</u>	<u>491,556</u>	<u>132,907</u>
Grand Total - Proprietary Funds			<u>\$ 5,334,525</u>	<u>\$ 2,501</u>	<u>\$ 707,556</u>	<u>\$ 5,110,310</u>

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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
2010	230,000	212,405	442,405	40,978	8,203	49,181
2011	233,000	202,785	435,785	22,655	2,469	25,124
2012	221,000	193,599	414,599	20,441	1,409	21,850
2013	229,000	184,460	413,460	11,238	791	12,029
2014	237,000	174,965	411,965	11,579	450	12,029
2015-2019	1,295,000	714,911	2,009,911	8,055	108	8,163
2020-2024	555,000	503,888	1,058,888	-	-	-
2025-2029	691,000	364,253	1,055,253	-	-	-
2030-2034	860,000	190,440	1,050,440	-	-	-
2035-2036	401,000	18,248	419,248	-	-	-
	<u>\$ 4,952,000</u>	<u>\$ 2,759,951</u>	<u>\$ 7,711,951</u>	<u>\$ 114,946</u>	<u>\$ 13,430</u>	<u>\$ 128,376</u>

H. TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN DESCRIPTION

Plan Description

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

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

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

Plan Year	2006	2007	2008
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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.

Funding Policy

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

The schedule of funding information is as follows:

1	Actuarial valuation date	12/31/2006	12/31/2007	12/31/2008
2	Actuarial value of assets	5,340,792	5,961,634	6,510,343
3	Actuarial accrued liability (AAL)	7,015,480	9,052,420	9,859,724
4	Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	1,674,688	3,090,786	3,349,381
5	Funded ratio	76.1%	65.9%	66.0%
6	Annual covered payroll (actuarial)	2,812,709	3,044,350	3,446,679
7	UAAL or OAAL as % of covered payroll	59.5%	101.5%	97.2%

CITY OF LAMPASAS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

The required contributions rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Actuarial Information

	2006	2007	2008
1 Actuarial cost method	Unit Credit	Projected Unit Credit	Projected Unit Credit
2 Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
3 Amortization period	25 years - open period	30 years - closed 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	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	None	2.1 (3.0% CPI)	2.1 (3.0% CPI)
6 City-specific assumptions			
Payroll growth assumption	3.0%	3.0%	3.0%
Withdrawal rates for Male/Female (low, mid/low, mid, mid/high, or high)	High/Mid	High/Mid-High	High/Mid-High

I. HEALTH INSURANCE COVERAGE

During the year ended September 30, 2009, 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.

COMBINING SCHEDULES

CITY OF LAMPASAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	200 Homeland Security Grant	201 Police Seizures Fund	202 Library Board Fund	203 Library Grant Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 18,000	\$ 28,737	\$ -
Investments - Current	-	-	-	-
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	-
Intergovernmental Receivables	-	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 28,737</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 99	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Deferred Revenues	-	-	-	-
Other Current Liabilities	-	811	-	-
Total Liabilities	<u>-</u>	<u>910</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Endowments	-	-	-	-
Other Specific Purposes	-	17,090	28,737	-
Capital Projects	-	-	-	-
Total Fund Balances	<u>-</u>	<u>17,090</u>	<u>28,737</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 28,737</u>	<u>\$ -</u>

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

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	603 CDBG Sewer Grant	604 CDBG Water Grant
\$ 19,761	\$ 422	\$ 1,586	\$ (3,736)	\$ 64,770	\$ 7,802	\$ -	\$ 57,078
922,670	27,202	12,020	-	961,892	140,169	-	-
-	-	-	-	-	17,136	-	-
-	-	-	-	-	(2,570)	-	-
10,345	-	-	5,909	16,254	-	-	58,947
-	-	-	-	-	-	-	-
-	-	-	-	-	79	-	-
<u>\$ 952,776</u>	<u>\$ 27,624</u>	<u>\$ 13,606</u>	<u>\$ 2,173</u>	<u>\$ 1,042,916</u>	<u>\$ 162,616</u>	<u>\$ -</u>	<u>\$ 116,025</u>
\$ 10,000	\$ -	\$ 1,062	\$ 874	\$ 12,035	\$ -	\$ -	\$ 60,897
-	-	-	1,299	1,299	-	-	-
-	-	-	-	-	14,566	-	-
-	-	-	-	811	-	-	-
<u>10,000</u>	<u>-</u>	<u>1,062</u>	<u>2,173</u>	<u>14,145</u>	<u>14,566</u>	<u>-</u>	<u>60,897</u>
-	-	-	-	-	148,050	-	-
-	-	-	-	-	-	-	-
942,776	27,624	12,544	-	1,028,771	-	-	-
-	-	-	-	-	-	-	55,128
<u>942,776</u>	<u>27,624</u>	<u>12,544</u>	<u>-</u>	<u>1,028,771</u>	<u>148,050</u>	<u>-</u>	<u>55,128</u>
<u>\$ 952,776</u>	<u>\$ 27,624</u>	<u>\$ 13,606</u>	<u>\$ 2,173</u>	<u>\$ 1,042,916</u>	<u>\$ 162,616</u>	<u>\$ -</u>	<u>\$ 116,025</u>

CITY OF LAMPASAS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	605 580 Sports Park Fund	606 Animal Shelter Fund	607 CDBG Disaster Relief Fund	Total Nonmajor Capital Project Funds
ASSETS				
Cash and Cash Equivalents	\$ 491,485	\$ 26,879	\$ (2,500)	\$ 572,942
Investments - Current	959,524	-	-	959,524
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	58,947
Intergovernmental Receivables	-	28,379	2,500	30,879
Other Assets	-	-	-	-
Total Assets	<u>\$ 1,451,009</u>	<u>\$ 55,258</u>	<u>\$ -</u>	<u>\$ 1,622,292</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 62,206	\$ 55,258	\$ -	\$ 178,361
Wages and Salaries Payable	-	-	-	-
Deferred Revenues	-	-	-	-
Other Current Liabilities	-	-	-	-
Total Liabilities	<u>62,206</u>	<u>55,258</u>	<u>-</u>	<u>178,361</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Endowments	-	-	-	-
Other Specific Purposes	-	-	-	-
Capital Projects	1,388,803	-	-	1,443,931
Total Fund Balances	<u>1,388,803</u>	<u>-</u>	<u>-</u>	<u>1,443,931</u>
Total Liabilities and Fund Balances	<u>\$ 1,451,009</u>	<u>\$ 55,258</u>	<u>\$ -</u>	<u>\$ 1,622,292</u>

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

400 Cemetary Fund	Total Nonmajor Governmental Funds
\$ 73,800	\$ 719,314
100,758	2,162,343
-	17,136
-	(2,570)
-	75,201
-	30,879
-	79
<u>\$ 174,558</u>	<u>\$ 3,002,382</u>

\$ -	\$ 190,396
-	1,299
-	14,566
-	811
<u>-</u>	<u>207,072</u>

-	148,050
174,558	174,558
-	1,028,771
-	1,443,931
<u>174,558</u>	<u>2,795,310</u>
<u>\$ 174,558</u>	<u>\$ 3,002,382</u>

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	200 Homeland Security Grant	201 Police Seizures Fund	202 Library Board Fund	203 Library Grant Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
General Sales and Use Taxes	-	-	-	-
Penalty and Interest on Taxes	-	-	-	-
Intergovernmental Revenue and Grants	215,561	-	-	5,285
Charges for Services	-	7,001	3,387	-
Investment Earnings	-	111	488	-
Contributions & Donations from Private Sources	-	-	6,472	-
Other Revenue	-	3,600	109	-
Total Revenues	<u>215,561</u>	<u>10,712</u>	<u>10,456</u>	<u>5,285</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public Safety	215,561	14,985	-	-
Cemetery	-	-	-	-
Non-Departmental	-	-	-	-
Culture and Recreation	-	-	6,716	5,284
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>215,561</u>	<u>14,985</u>	<u>6,716</u>	<u>5,284</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(4,273)</u>	<u>3,740</u>	<u>1</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	(43)	-	-	(1)
Total Other Financing Sources (Uses)	<u>(43)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Net Change in Fund Balance	(43)	(4,273)	3,740	-
Fund Balance - October 1 (Beginning)	<u>43</u>	<u>21,363</u>	<u>24,997</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 17,090</u>	<u>\$ 28,737</u>	<u>\$ -</u>

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

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	603 CDBG Sewer Grant	604 CDBG Water Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,819	\$ -	\$ -
98,931	-	-	-	98,931	-	-	-
-	-	-	-	-	4,629	-	-
-	-	-	62,954	283,800	-	-	98,247
-	-	-	-	10,388	-	-	-
8,299	241	107	-	9,246	1,890	-	-
-	-	1,500	-	7,972	-	-	-
-	-	-	-	3,709	-	-	-
<u>107,230</u>	<u>241</u>	<u>1,607</u>	<u>62,954</u>	<u>414,046</u>	<u>297,338</u>	<u>-</u>	<u>98,247</u>
-	-	1,062	-	1,062	-	-	-
-	-	-	62,954	293,500	-	-	-
118,612	-	-	-	118,612	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	12,000	-	-	-
-	-	-	-	-	316,000	-	-
-	-	-	-	-	265,330	-	-
<u>118,612</u>	<u>-</u>	<u>1,062</u>	<u>62,954</u>	<u>425,174</u>	<u>581,330</u>	<u>-</u>	<u>-</u>
<u>(11,382)</u>	<u>241</u>	<u>545</u>	<u>-</u>	<u>(11,128)</u>	<u>(283,992)</u>	<u>-</u>	<u>98,247</u>
-	-	-	-	-	283,669	-	23,878
-	-	-	-	(44)	-	(23,878)	(116,997)
-	-	-	-	(44)	283,669	(23,878)	(93,119)
(11,382)	241	545	-	(11,172)	(323)	(23,878)	5,128
<u>954,158</u>	<u>27,383</u>	<u>11,999</u>	<u>-</u>	<u>1,039,943</u>	<u>148,373</u>	<u>23,878</u>	<u>50,000</u>
<u>\$ 942,776</u>	<u>\$ 27,624</u>	<u>\$ 12,544</u>	<u>\$ -</u>	<u>\$ 1,028,771</u>	<u>\$ 148,050</u>	<u>\$ -</u>	<u>\$ 55,128</u>

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	605 580 Sports Park Fund	606 Animal Shelter Fund	607 CDBG Disaster Relief Fund	Total Nonmajor Capital Project Funds
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
General Sales and Use Taxes	-	-	-	-
Penalty and Interest on Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	354	36,150	134,751
Charges for Services	-	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>-</u>	<u>354</u>	<u>36,150</u>	<u>134,751</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Cemetery	-	-	-	-
Non-Departmental	106,714	312,199	36,150	455,063
Culture and Recreation	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>106,714</u>	<u>312,199</u>	<u>36,150</u>	<u>455,063</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(106,714)</u>	<u>(311,845)</u>	<u>-</u>	<u>(320,312)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	248,407	311,845	-	584,130
Transfers Out (Use)	-	-	-	(140,875)
Total Other Financing Sources (Uses)	<u>248,407</u>	<u>311,845</u>	<u>-</u>	<u>443,255</u>
Net Change in Fund Balance	141,693	-	-	122,943
Fund Balance - October 1 (Beginning)	<u>1,247,110</u>	<u>-</u>	<u>-</u>	<u>1,320,988</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,388,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,443,931</u>

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

400 Cemetery Fund	Total Nonmajor Governmental Funds
\$ -	\$ 290,819
-	98,931
-	4,629
-	418,551
-	10,388
1,414	12,550
-	7,972
-	3,709
1,414	847,549
-	1,062
-	293,500
-	118,612
-	455,063
-	12,000
-	316,000
-	265,330
-	1,461,567
1,414	(614,018)
-	867,799
(1,415)	(142,334)
(1,415)	725,465
(1)	111,447
174,559	2,683,863
\$ 174,558	\$ 2,795,310

CITY OF LAMPASAS, TEXAS
COMBINING SCHEDULE OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2009

	711	712	713	Total
	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,088	\$ 5,654	\$ (8,146)	\$ 1,596
Investments - Current	44,965	36,633	65	81,663
Accounts Receivable-Net of Uncollectible Allowance	-	10,043	3,830	13,873
Inventories	-	27,373	38,367	65,740
Total Current Assets	<u>49,053</u>	<u>79,703</u>	<u>34,116</u>	<u>162,872</u>
Noncurrent Assets:				
Capital Assets:				
Land Purchase and Improvements	-	141,292	341,030	482,322
Buildings	-	627,066	1,166,708	1,793,774
Accumulated Depreciation - Buildings	-	(161,880)	(400,077)	(561,957)
Machinery and Equipment	-	43,864	199,055	242,919
Accumulated Depreciation - Machinery & Equipment	-	(43,864)	(71,599)	(115,463)
Infrastructure	345,016	484,450	477,626	1,307,092
Accumulated Depreciation - Infrastructure	(126,434)	(155,399)	(71,746)	(353,579)
Total Noncurrent Assets	<u>218,582</u>	<u>935,529</u>	<u>1,640,997</u>	<u>2,795,108</u>
Total Assets	<u>267,635</u>	<u>1,015,232</u>	<u>1,675,113</u>	<u>2,957,980</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	875	13,527	14,402
Wages and Salaries Payable	-	3,430	7,770	11,200
Compensated Absences Payable	-	-	17,961	17,961
Intergovernmental Payable	-	-	1,947	1,947
Current Portion of Long-Term Debt	-	-	11,373	11,373
Total Current Liabilities	<u>-</u>	<u>4,305</u>	<u>52,578</u>	<u>56,883</u>
NonCurrent Liabilities:				
Long-Term Debt	-	-	103,573	103,573
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>103,573</u>	<u>103,573</u>
Total Liabilities	<u>-</u>	<u>4,305</u>	<u>156,151</u>	<u>160,456</u>
NET ASSETS				
Investments in Capital Assets, Net of Debt	49,053	935,529	1,526,051	2,510,633
Unrestricted Net Assets	218,582	75,398	(7,089)	286,891
Total Net Assets	<u>\$ 267,635</u>	<u>\$ 1,010,927</u>	<u>\$ 1,518,962</u>	<u>\$ 2,797,524</u>

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

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

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	\$ -	\$ -	\$ 387,525	\$ 387,525
Rents and Royalties	-	32,756	25,756	58,512
Other Revenue	-	68,503	51,763	120,266
Total Operating Revenues	<u>-</u>	<u>101,259</u>	<u>465,044</u>	<u>566,303</u>
OPERATING EXPENSES:				
Personnel Services - Salaries and Wages	-	-	212,618	212,618
Personnel Services - Employee Benefits	-	-	71,564	71,564
Purchased Professional & Technical Services	-	240	-	240
Purchased Property Services	-	22,586	79,539	102,125
Other Operating Expenses	-	1,238	12,641	13,879
Supplies	-	57,756	77,415	135,171
Depreciation	11,960	44,839	88,736	145,535
Total Operating Expenses	<u>11,960</u>	<u>126,659</u>	<u>542,513</u>	<u>681,132</u>
Operating Income (Loss)	<u>(11,960)</u>	<u>(25,400)</u>	<u>(77,469)</u>	<u>(114,829)</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment Earnings	416	269	1	686
Other Funding Sources	-	-	480,838	480,838
Interest Expense - Non-Operating	-	-	(2,379)	(2,379)
Total Non-operating Revenue (Expenses)	<u>416</u>	<u>269</u>	<u>478,460</u>	<u>479,145</u>
Income (Loss) Before Transfers	(11,544)	(25,131)	400,991	364,316
Non-Operating Transfer In	-	611,376	-	611,376
Transfers Out	-	(9,380)	-	(9,380)
Change in Net Assets	(11,544)	576,865	400,991	966,312
Total Net Assets - October 1 (Beginning)	<u>279,179</u>	<u>434,062</u>	<u>1,117,971</u>	<u>1,831,212</u>
Total Net Assets - September 30 (Ending)	<u>\$ 267,635</u>	<u>\$ 1,010,927</u>	<u>\$ 1,518,962</u>	<u>\$ 2,797,524</u>

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

CITY OF LAMPASAS, TEXAS
 COMBINING SCHEDULE OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	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	\$ -	\$ 96,266	\$ 467,278	\$ 563,544
Cash Payments to Employees for Services	-	3,430	(280,633)	(277,203)
Cash Payments for Suppliers	-	(51,372)	(83,039)	(134,411)
Cash Payments for Other Operating Expenses	-	(25,360)	(94,447)	(119,807)
Net Cash Provided by Operating Activities	-	22,964	9,159	32,123
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In	-	601,996	480,840	1,082,836
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	-	(611,376)	-	(611,376)
Interest Expense	-	-	(2,379)	(2,379)
Payments on Long-Term Debt	-	-	(491,556)	(491,556)
Net Cash Provided by (Used for) Capital & Related Financing Activities	-	(611,376)	(493,935)	(1,105,311)
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	419	269	1	689
Net Increase(Decrease) in Cash and Cash Equivalents	419	13,853	(3,935)	10,337
Cash and Cash Equivalents at Beginning of the Year:	48,634	28,434	(4,146)	72,922
Cash and Cash Equivalents at the End of the Year:	\$ 49,053	\$ 42,287	\$ (8,081)	\$ 83,259
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>				
Operating Income (Loss):	\$ (11,960)	\$ (25,400)	\$ (77,469)	\$ (114,829)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	11,960	44,839	88,736	145,535
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	-	(4,993)	2,234	(2,759)
Decrease (increase) in Inventories	-	6,269	(6,295)	(26)
Increase (decrease) in Accounts Payable	-	115	671	786
Increase (decrease) in Payroll Deductions	-	-	2,106	2,106
Increase (decrease) in Other Liabilities	-	2,134	(824)	1,310
Net Cash Provided by Operating Activities	\$ -	\$ 22,964	\$ 9,159	\$ 32,123

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

STATISTICAL SECTION

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

	2000	2001	2002	2003	2004
General Government	\$ 790,702	\$ 933,547	\$ 961,572	\$ 1,183,237	\$ 1,245,723
Public Safety	1,155,944	1,316,708	2,277,807	1,799,138	1,814,059
Public Works	583,318	697,217	694,004	1,157,200	1,117,579
Culture and Recreation	477,431	521,326	496,696	814,082	691,196
	<u>\$ 3,007,395</u>	<u>\$ 3,468,798</u>	<u>\$ 4,430,079</u>	<u>\$ 4,953,657</u>	<u>\$ 4,868,557</u>

Fiscal Year				
2005	2006	2007	2008	2009
\$ 1,435,994	\$ 1,734,014	\$ 2,201,456	\$ 2,354,478	\$ 2,828,499
1,874,615	1,995,432	1,988,702	2,146,996	2,362,146
956,796	1,036,616	944,240	971,993	969,357
1,107,984	662,697	648,762	720,435	812,951
<u>\$ 5,375,389</u>	<u>\$ 5,428,759</u>	<u>\$ 5,783,160</u>	<u>\$ 6,193,902</u>	<u>\$ 6,972,953</u>

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

	2000	2001	2002	2003
Property Taxes	\$ 328,368	\$ 359,205	\$ 373,874	\$ 420,995
General Sales and Use Taxes	707,515	740,507	723,680	727,783
Franchise Tax	1,620,786	1,663,602	1,735,723	1,765,077
Other Taxes	6,912	6,804	6,587	5,173
Licenses and Permits	22,123	15,900	34,724	50,360
Intergovernmental Revenues and Grants	-	-	-	-
Charges for Services	397,070	440,865	573,969	594,813
Fines	4,661	-	-	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	195,677	149,828	801,351	841,036
	<u>\$ 3,283,112</u>	<u>\$ 3,376,711</u>	<u>\$ 4,249,908</u>	<u>\$ 4,405,237</u>

Fiscal Year

	2004	2005	2006	2007	2008	2009
\$	488,141	\$ 563,194	\$ 638,933	\$ 699,809	\$ 811,486	\$ 906,432
	812,362	883,782	894,726	919,689	1,046,420	1,043,624
	1,785,414	1,751,355	442,189	458,737	842,124	957,880
	5,415	7,926	10,527	9,914	11,571	13,258
	32,635	38,086	32,365	8,803	26,314	29,447
	-	-	-	4,000	1,000	38,920
	505,760	430,559	1,142,380	1,843,984	1,973,727	2,259,788
	10,030	11,470	12,311	14,385	13,614	12,015
	185,041	186,999	-	-	191,114	190,307
	55,445	73,952	103,153	120,666	63,969	17,304
	31,913	34,932	43,936	12,683	15,607	19,942
	12,355	1,647	9,600	13,158	15,049	44,395
	712,601	728,481	337,747	295,557	127,204	162,200
	<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>	<u>\$ 5,695,512</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
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%
2009	1,234,623	1,180,267	95.6%	16,877	1,197,145	97.0%	64,102	5.2%

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
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
2009	7,465	316,570,041	6,045,000	148,050	5,896,950	1.86%	790

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
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%
2009	316,000	265,331	581,331	6,972,953	8.34%

CITY OF LAMPASAS, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
AS OF SEPTEMBER 30, 2009
(Unaudited)

Actual assessed value at January 1, 2009 (100% of estimated market value)	\$ 316,570,041
Debt limit - approximate	25,000,000
Total general obligation bonded debt	6,045,000
Less: interest and sinking fund	<u>148,050</u>
Debt applicable to debt limit	5,896,950
Legal debt margin	<u><u>\$ 19,103,050</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
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%
2009	3,147	417,678	409,017	8,661	2.1%

* 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		
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
2009	14,783,597	12,644,344	2,139,253	216,000	221,421	437,421	4.89

* Does not include depreciation expense

OTHER INFORMATION REQUIRED BY GAO



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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, 2009, and have issued our report thereon dated March 11, 2010. 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 & Company, LLP
Cedar Park, Texas

March 11, 2010



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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditors' Report

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

Compliance

We have audited the compliance of the City of Lampasas, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's administrators. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lampasas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Lampasas's compliance with those requirements.

In our opinion, City of Lampasas, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The administration of the City of Lampasas, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Mayor and City Council, the audit committee, the administration, federal awarding agencies, and pass-through entities 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 & Company, LLP
Cedar Park, Texas

March 11, 2010

CITY OF LAMPASAS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

I. Summary of the Auditor's Results:

1. The type of report issued on the financial statements of the City of Lampasas, Texas was an unqualified opinion.
2. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
3. The type of report the auditor issued on compliance for major programs was an unqualified opinion.
4. The audit disclosed no audit findings in regards to federal awards which the auditor is required to report under Section 510(a).
5. Major programs: Airport Improvement Act (CFDA#20.106).
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. The auditee did not qualify as a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.4 Above

None.

CITY OF LAMPASAS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2009

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF TRANSPORTATION			
<u>Passed Through the Texas Department of Transportation</u>			
Airport Improvement Act	20.106	8XXAV052	\$ 450,000
TOTAL DEPARTMENT OF TRANSPORTATION			<u>450,000</u>
DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through the Texas Department of Public Safety</u>			
Homeland Security Grant	97.067	2009-SS-T9-0064	<u>215,561</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>215,561</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ-07-AI0-18230-03	62,954
Recovery Act - Edward Byrne Memorial Justice Asst. Grant (JAG) Prog.	16.804	2009-G4952-TX-SB	22,287
2009 Bulletproof Vest Partnership	16.607	n/a	<u>3,320</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>88,561</u>
DEPARTMENT OF JUSTICE			
<u>Passed Through the Texas Department of Rural Affairs</u>			
Community Development Block Grant	14.255	728540	98,247
Community Development Block Grant	14.228	727347	<u>36,150</u>
Total Passed Through the Texas Department of Rural Affairs			<u>134,397</u>
TOTAL DEPARTMENT OF JUSTICE			<u>134,397</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 888,519</u>

CITY OF LAMPASAS, TEXAS
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

1. The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

2. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.