

**CITY OF LAMPASAS, TEXAS**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2010**

**Singleton, Clark & Company, PC**  
**Certified Public Accountants**

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CITY OF LAMPASAS, TEXAS  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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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, 2010 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, proprietary activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Lampasas, Texas, as of September 30, 2010, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

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

Singleton, Clark & Company, PC  
Cedar Park, Texas

February 14, 2011

# 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, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- For the year ended September 30, 2010, the General Fund of the City of Lampasas experienced a fund balance increase of \$234,338, to end at \$2,340,987.
- 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 \$1,762,271, to end at \$4,739,011.
- The total cost of the City of Lampasas's governmental activities was \$7,602,638. This amount is inclusive of depreciation expense recorded on the capital assets of the City.

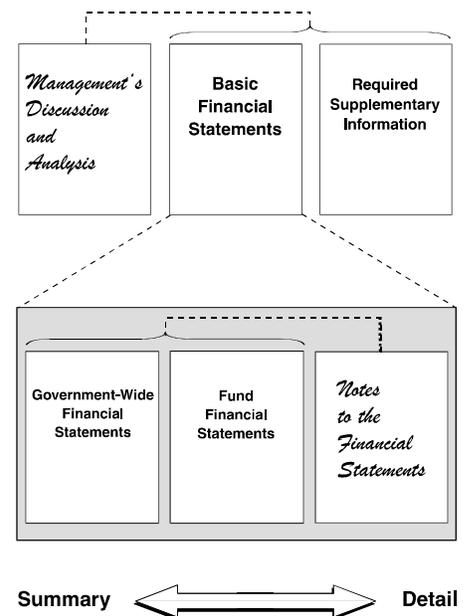
### OVERVIEW OF THE FINANCIAL STATEMENTS

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, are 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 2010	Governmental Activities 2009	Change
<b>ASSETS</b>			
Current and other assets	\$ 6,167	\$ 8,184	\$ (2,017)
Capital assets	7,441	5,325	2,116
Total assets	<u>13,608</u>	<u>13,509</u>	<u>99</u>
<b>LIABILITIES</b>			
Current liabilities	818	1,209	(391)
Noncurrent liabilities	6,003	6,177	(174)
Total liabilities	<u>6,821</u>	<u>7,386</u>	<u>(565)</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,581	747	833
Restricted	4,154	4,599	(445)
Unrestricted	1,052	777	275
Total net assets	<u>\$ 6,787</u>	<u>\$ 6,123</u>	<u>\$ 664</u>

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

	Business-Type Activities 2010	Business-Type Activities 2009	Change
<b>ASSETS</b>			
Current and other assets	\$ 9,274	\$ 9,628	\$ (354)
Capital assets	15,862	15,049	813
Total assets	<u>25,136</u>	<u>24,677</u>	<u>459</u>
<b>LIABILITIES</b>			
Current liabilities	1,415	1,675	(260)
Noncurrent liabilities	4,744	5,067	(323)
Total liabilities	<u>6,159</u>	<u>6,742</u>	<u>(583)</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,144	9,812	1,332
Restricted	5,797	5,797	(0)
Unrestricted	2,037	2,325	(288)
Total net assets	<u>\$ 18,978</u>	<u>\$ 17,934</u>	<u>\$ 1,044</u>

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

	Governmental Activities 2010	Governmental Activities 2009	Change
<b>REVENUES:</b>			
Program revenues:			
Charges for services	\$ 2,796	\$ 2,519	\$ 277
Operating grants & contributions	1,330	907	423
General revenues:			
Property taxes	1,226	1,209	17
Sales taxes	1,147	1,143	4
Franchise taxes	915	958	(43)
Other taxes, penalties & interest	28	18	10
Grants and contributions not restricted	37	52	(15)
Investment earnings	17	61	(44)
Miscellaneous revenue	102	544	(442)
Transfer in (out)	764	(818)	1,582
Total revenue	<u>8,360</u>	<u>6,593</u>	<u>1,767</u>
<b>EXPENSES:</b>			
General government	2,665	2,324	341
Public safety	2,618	2,669	(51)
Public works	1,093	1,021	72
Culture and recreation	966	1,015	(49)
Bond interest and costs	262	274	(12)
Total expenses	<u>7,603</u>	<u>7,303</u>	<u>300</u>
<b>CHANGE IN NET ASSETS</b>	<u>758</u>	<u>(710)</u>	<u>1,468</u>
Net assets at 10/1/09 and 10/1/08	6,123	6,833	(710)
Prior Period Adjustment	(94)	-	(94)
Net assets at 9/30/10 and 9/30/09	<u>\$ 6,787</u>	<u>\$ 6,123</u>	<u>\$ 664</u>

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

	Business-Type Activities 2010	Business-Type Activities 2009	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 14,859	\$ 15,006	\$ (147)
General revenues:			
Investment earnings	24	69	(45)
Miscellaneous revenue	82	825	(743)
Total revenue	<u>14,965</u>	<u>15,900</u>	<u>(935)</u>
EXPENSES:			
Enterprise fund activities	<u>13,277</u>	<u>14,184</u>	<u>(907)</u>
Total expenses	<u>13,277</u>	<u>14,184</u>	<u>(907)</u>
CHANGE IN NET ASSETS	<u>1,688</u>	<u>1,716</u>	<u>(28)</u>
Transfer in (out)	(739)	839	(1,578)
Net assets at 10/1/09 and 10/1/08	<u>17,934</u>	<u>15,252</u>	<u>2,682</u>
Prior Period Adjustment	94	127	(33)
Net assets at 9/30/10 and 9/30/09	<u><u>\$ 18,977</u></u>	<u><u>\$ 17,934</u></u>	<u><u>\$ 1,043</u></u>

**THE CITY'S GOVERNMENTAL FUNDS**

As the City completed Fiscal Year 2009-2010, its governmental funds (as presented on the balance sheet on page 12) reported a combined fund balance of approximately \$4.7 million; which represents a decrease of about \$1.8 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 and continued construction of the 580 Sports Park. 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 \$2.3 million as of September 30, 2010.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of Fiscal Year 2009-2010 the City of Lampasas had invested \$7.36 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 \$2.04 million over the prior year. The City's business-type activities had invested \$15.74 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 2010	Governmental Activities 2009	Change
Land	\$ 967	\$ 967	\$ -
Buildings and improvements	6,080	5,622	458
Machinery and equipment	2,618	2,522	96
Construction in progress	2,392	488	1,904
Totals at historical cost	12,057	9,599	2,458
Less accumulated depreciation	(4,696)	(4,275)	(421)
Capital assets, net of depreciation	<u>\$ 7,362</u>	<u>\$ 5,325</u>	<u>\$ 2,037</u>
	Business-Type Activities 2010	Business-Type Activities 2009	Change
Land	\$ 566	\$ 566	\$ -
Infrastructure	19,136	17,223	1,913
Buildings and improvements	4,158	4,148	9
Machinery and equipment	3,934	3,928	6
Construction in progress	1,273	1,552	(280)
Totals at historical cost	29,066	27,417	1,649
Less accumulated depreciation	(13,204)	(12,369)	(835)
Capital assets, net of depreciation	<u>\$ 15,862</u>	<u>\$ 15,049</u>	<u>\$ 813</u>

## Long-Term Debt

At year end, the City's governmental and business-type activities had combined outstanding long-term debt of approximately \$10.8 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 2010	Governmental Activities 2009	Change
General obligation bonds	\$ 5,715	\$ 6,045	\$ (330)
Notes payable	-	35	(35)
Capital leases	66	97	(31)
Compensated absences	222	199	23
Totals	<u>\$ 6,003</u>	<u>\$ 6,376</u>	<u>\$ (373)</u>

	Business-Type Activities 2010	Business-Type Activities 2009	Change
Utility revenue bonds	\$ 4,722	\$ 4,952	\$ (230)
Notes payable	-	82	(82)
Capital leases	22	33	(11)
Compensated absences	40	43	(3)
Totals	<u>\$ 4,784</u>	<u>\$ 5,110</u>	<u>\$ (326)</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, Carol Boberg, @ 512-556-3641. You may also visit the City's website at [www.ci.lampasas.tx.us](http://www.ci.lampasas.tx.us).

GOVERNMENT-WIDE STATEMENTS

CITY OF LAMPASAS, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Lampasas Economic Dev. Corporation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 898,531	\$ 715,348	\$ 1,613,879	\$ 432,924
Investments - Current	4,279,890	7,048,718	11,328,608	-
Receivables - Net of Allowance	976,712	1,005,324	1,982,036	90
Inventories	12,026	479,929	491,956	-
Capitalized Debt Issuance Costs	79,553	24,915	104,468	-
Capital Assets:				
Land	967,284	565,617	1,532,901	909,835
Buildings, net	3,448,446	11,303,552	14,751,998	-
Machinery and Equipment, net	554,028	2,474,243	3,028,271	-
Infrastructure, net	-	245,931	245,931	-
Construction in Progress	2,391,894	1,272,905	3,664,799	-
Total Assets	<u>\$ 13,608,364</u>	<u>\$ 25,136,483</u>	<u>\$ 38,744,847</u>	<u>\$ 1,342,850</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 538,027	\$ 905,629	\$ 1,443,656	\$ 4,387
Accrued Wages & Salaries Payable	221,124	58,158	279,282	-
Intergovernmental Payable	5,569	24,445	30,014	-
Accrued Interest Payable	31,633	13,427	45,059	22,374
Deferred Revenues	20,111	-	20,111	-
Other Current Liabilities	2,004	413,442	415,446	-
Noncurrent Liabilities				
Due Within One Year	382,229	245,069	627,298	-
Due in More Than One Year	5,620,770	4,498,534	10,119,304	774,000
Total Liabilities	<u>6,821,467</u>	<u>6,158,705</u>	<u>12,980,172</u>	<u>800,761</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,580,599	11,143,560	12,724,159	-
Restricted for:				
Debt Services	149,983	234,932	384,915	-
Capital Projects	958,219	1,778,943	2,737,162	-
System Improvements	-	510,000	510,000	-
Maintenance & Operations	1,719,360	3,273,616	4,992,976	-
Other Purposes	1,326,502	-	1,326,502	175,283
Unrestricted Net Assets	1,052,234	2,036,727	3,088,961	366,806
Total Net Assets	<u>\$ 6,786,897</u>	<u>\$ 18,977,778</u>	<u>\$ 25,764,675</u>	<u>\$ 542,089</u>

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

CITY OF LAMPASAS, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 863,292	\$ 1,382,215	\$ 65,056
Public Safety	2,617,750	121,002	120,874
Streets	713,178	192,778	265,898
Public Works	176,389	-	328,842
Utility Billing	160,088	-	-
Building and Planning	133,061	24,073	-
Economic Development	43,462	-	-
Data Processing	167,089	-	-
Cemetery	109,125	34,841	-
Non-Departmental	475,510	-	163,320
Sanitation	916,522	952,228	-
Culture and Recreation	965,501	88,763	386,462
Interest Expense	254,822	-	-
Issuance Costs	6,849	-	-
Total Governmental Activities:	7,602,638	2,795,900	1,330,451
BUSINESS-TYPE ACTIVITIES:			
Electric Fund	8,897,474	10,644,500	-
Water/Wastewater Fund	3,639,147	3,621,782	-
Economic Development Fund	20,296	-	-
Aviation Fund	143,726	138,676	-
Golf Course Fund	576,161	454,216	-
Total Business-Type Activities:	13,276,805	14,859,174	-
<b>Total Primary Government:</b>	<b>\$ 20,879,443</b>	<b>\$ 17,655,074</b>	<b>\$ 1,330,451</b>
COMPONENT UNIT:			
Economic Development Expenses	102,831	-	-
<b>Total Component Unit:</b>	<b>\$ 102,831</b>	<b>\$ -</b>	<b>\$ -</b>

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
- Gain on Disposal of Capital Assets
- Transfers In (Out)
  - Total General Revenues and Transfers
  - Change in Net Assets
- Net Assets -- Beginning
- Prior Period Adjustment
- Net Assets -- Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Lampasas Economic Dev. Corporation
\$ 583,979	\$ -	\$ 583,979	\$ -
(2,375,873)	-	(2,375,873)	-
(254,502)	-	(254,502)	-
152,453	-	152,453	-
(160,088)	-	(160,088)	-
(108,988)	-	(108,988)	-
(43,462)	-	(43,462)	-
(167,089)	-	(167,089)	-
(74,284)	-	(74,284)	-
(312,190)	-	(312,190)	-
35,706	-	35,706	-
(490,276)	-	(490,276)	-
(254,822)	-	(254,822)	-
(6,849)	-	(6,849)	-
<u>(3,476,287)</u>	<u>-</u>	<u>(3,476,287)</u>	<u>-</u>
-	1,747,026	1,747,026	-
-	(17,365)	(17,365)	-
-	(20,296)	(20,296)	-
-	(5,049)	(5,049)	-
-	(121,946)	(121,946)	-
<u>-</u>	<u>1,582,369</u>	<u>1,582,369</u>	<u>-</u>
<u>(3,476,287)</u>	<u>1,582,369</u>	<u>(1,893,918)</u>	<u>-</u>
-	-	-	(102,831)
-	-	-	(102,831)
931,693	-	931,693	-
294,388	-	294,388	-
1,146,768	-	1,146,768	209,142
914,549	-	914,549	-
27,830	-	27,830	-
36,636	-	36,636	-
98,054	81,970	180,024	5,971
16,840	23,765	40,605	2,852
3,690	-	3,690	-
763,653	(738,653)	25,000	(25,000)
<u>4,234,102</u>	<u>(632,918)</u>	<u>3,601,184</u>	<u>192,966</u>
757,815	949,451	1,707,266	90,134
6,123,003	17,934,406	24,057,409	451,954
(93,921)	93,921	-	-
<u>\$ 6,786,897</u>	<u>\$ 18,977,778</u>	<u>\$ 25,764,675</u>	<u>\$ 542,089</u>

FUND BASIS STATEMENTS

CITY OF LAMPASAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010

	General Fund	580 Sports Park Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	534,360	121,394	242,777	898,531
Investments - Current	2,285,507	-	1,994,383	4,279,890
Taxes Receivable	50,490	-	17,432	67,923
Allow for Uncollectible Taxes (Credit)	(8,919)	-	(2,615)	(11,534)
Receivables (Net)	132,185	127,228	42,470	301,884
Intergovernmental Receivables	24,693	-	10,169	34,862
Inventories	12,026	-	-	12,026
<b>Total Assets</b>	<b>\$ 3,030,343</b>	<b>\$ 248,622</b>	<b>\$ 2,304,616</b>	<b>\$ 5,583,581</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 400,126	\$ 107,748	\$ 30,153	\$ 538,027
Wages and Salaries Payable	220,632	-	492	221,124
Intergovernmental Payable	5,569	-	-	5,569
Deferred Revenues	63,028	-	14,818	77,846
Other Current Liabilities	-	-	2,004	2,004
<b>Total Liabilities</b>	<b>689,356</b>	<b>107,748</b>	<b>47,467</b>	<b>844,570</b>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt Service	-	-	149,983	149,983
Endowments	18,290	-	174,558	192,848
Court Technology	-	-	-	-
Fire Hall Substation	6,364	-	-	6,364
Inventories	12,026	-	-	12,026
Other Specific Purposes	-	-	1,115,263	1,115,263
Maintenance & Operations	1,719,360	-	-	1,719,360
Capital Projects	-	140,874	817,345	958,219
<b>Unreserved Designated For:</b>				
Park Improvements	7,274	-	-	7,274
Comprehensive Plan	12,584	-	-	12,584
<b>Unreserved and Undesignated:</b>				
Reported in the General Fund	565,089	-	-	565,089
<b>Total Fund Balances</b>	<b>2,340,987</b>	<b>140,874</b>	<b>2,257,150</b>	<b>4,739,011</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,030,343</b>	<b>\$ 248,622</b>	<b>\$ 2,304,616</b>	<b>\$ 5,583,581</b>

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, 2010

<b>Total Fund Balances - Governmental Funds</b>	\$ 4,739,011
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 \$9,599,479 and the accumulated depreciation was \$4,274,817. 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.	(1,051,701)
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 2010 capital outlays and debt principal payments is to increase (decrease) net assets.	2,982,373
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(455,753)
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.	572,967
<b>Net Assets of Governmental Activities</b>	<b>\$ 6,786,897</b>

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

CITY OF LAMPASAS, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	580 Sports Park Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 928,995	\$ -	\$ 293,839	\$ 1,222,833
General Sales and Use Taxes	1,052,243	-	94,526	1,146,768
Franchise Tax	914,549	-	-	914,549
Penalty and Interest on Taxes	18,585	-	9,245	27,830
Licenses and Permits	34,457	-	-	34,457
Intergovernmental Revenue and Grants	32,518	580,000	717,934	1,330,451
Charges for Services	2,505,725	-	20,630	2,526,354
Fines	20,969	-	-	20,969
Special Assessments	191,252	-	-	191,252
Investment Earnings	7,689	-	9,151	16,840
Rents and Royalties	22,867	-	-	22,867
Contributions & Donations Private Sources	13,413	-	5,948	19,360
Other Revenue	98,054	-	-	98,054
Total Revenues	<u>5,841,316</u>	<u>580,000</u>	<u>1,151,271</u>	<u>7,572,587</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	731,951	-	86,291	818,242
Public Safety	2,478,632	-	104,218	2,582,849
Streets	935,033	-	-	935,033
Public Works	168,273	-	-	168,273
Utility Billing	152,722	-	-	152,722
Building and Planning	131,041	-	-	131,041
Economic Development	-	-	43,462	43,462
Data Processing	164,915	-	-	164,915
Cemetery	104,104	-	-	104,104
Non-Departmental	439,162	-	14,469	453,631
Sanitation	872,352	-	-	872,352
Culture and Recreation	822,359	2,182,929	17,621	3,022,908
Debt Service:				
Principal	65,709	-	330,000	395,709
Interest	4,790	-	252,169	256,959
Total Expenditures	<u>7,071,043</u>	<u>2,182,929</u>	<u>848,229</u>	<u>10,102,201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,229,727)</u>	<u>(1,602,929)</u>	<u>303,042</u>	<u>(2,529,614)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	3,690	-	-	3,690
Transfers In	1,978,551	355,000	1,990,715	4,324,266
Transfers Out (Use)	(518,176)	-	(3,042,438)	(3,560,614)
Total Other Financing Sources (Uses)	<u>1,464,065</u>	<u>355,000</u>	<u>(1,051,723)</u>	<u>767,343</u>
Net Change in Fund Balances	234,338	(1,247,929)	(748,681)	(1,762,271)
Fund Balance - October 1 (Beginning)	<u>2,106,649</u>	<u>1,388,803</u>	<u>3,005,830</u>	<u>6,501,283</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,340,987</u>	<u>\$ 140,874</u>	<u>\$ 2,257,150</u>	<u>\$ 4,739,011</u>

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

CITY OF LAMPASAS, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (1,762,271)</b>
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 2010 capital outlays and debt principal payments is to increase (decrease) net assets.	2,982,373
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.	(455,753)
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.	(6,534)
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 757,815</u></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, 2010

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amount (GAAP BASIS)	
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 932,701	\$ 932,701	\$ 928,995	\$ (3,706)
General Sales and Use Taxes	1,081,253	1,081,253	1,052,243	(29,010)
Franchise Tax	975,940	975,940	914,549	(61,391)
Penalty and Interest on Taxes	12,000	12,000	18,585	6,585
Licenses and Permits	42,075	42,075	34,457	(7,618)
Intergovernmental Revenue	33,900	36,400	32,518	(3,883)
Charges for Services	2,444,730	2,465,425	2,505,725	40,300
Fines	21,823	21,823	20,969	(854)
Special Assessments	190,500	190,500	191,252	752
Investment Earnings	26,550	10,550	7,689	(2,861)
Rents and Royalties	22,725	22,725	22,867	142
Contributions & Donations	10,050	12,850	13,413	563
Other Revenue	86,471	154,008	98,054	(55,954)
Total Revenues	<u>5,880,718</u>	<u>5,958,250</u>	<u>5,841,316</u>	<u>(116,934)</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	746,499	794,491	731,951	62,540
Public Safety	2,554,045	2,550,545	2,478,632	71,913
Streets	950,382	950,382	935,033	15,349
Public Works	169,137	169,137	168,273	864
Utility Billing	158,239	158,239	152,722	5,517
Building and Planning	145,595	145,595	131,041	14,554
Data Processing	190,685	190,685	164,915	25,770
Cemetery	119,993	119,993	104,104	15,889
Non-Departmental	579,865	523,905	439,162	84,743
Sanitation	835,000	873,000	872,352	648
Culture and Recreation	945,369	936,369	822,359	114,010
Debt Service:				
Principal	65,709	65,709	65,709	-
Interest	4,790	4,790	4,790	-
Total Expenditures	<u>7,465,308</u>	<u>7,482,840</u>	<u>7,071,043</u>	<u>411,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,584,590)</u>	<u>(1,524,590)</u>	<u>(1,229,727)</u>	<u>294,863</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	10,000	10,000	3,690	(6,310)
Transfer In	1,961,472	1,961,472	1,978,551	17,079
Transfers Out (Use)	(386,882)	(446,882)	(518,176)	(71,294)
Total Other Financing Sources (Uses)	<u>1,584,590</u>	<u>1,524,590</u>	<u>1,464,065</u>	<u>(60,525)</u>
Net Change in Fund Balances	-	-	234,338	234,338
Fund Balance-October 1 (Beginning)	<u>2,106,649</u>	<u>2,106,649</u>	<u>2,106,649</u>	<u>-</u>
Fund Balance-September 30 (Ending)	<u>\$ 2,106,649</u>	<u>\$ 2,106,649</u>	<u>\$ 2,340,987</u>	<u>\$ 234,338</u>

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

CITY OF LAMPASAS, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2010

	Business-Type Activities - Enterprise Funds			
	Electric	Water/ Wastewater	Nonmajor Enterprise	Total
	Fund	Fund	Funds	Enterprise Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 433,317	\$ 225,004	\$ 57,027	\$ 715,348
Investments - Current	3,928,749	3,013,832	106,137	7,048,718
Accounts Receivable-Net of Allowance	786,331	210,561	8,431	1,005,324
Inventories	338,315	92,983	48,631	479,929
Total Current Assets	<u>5,486,713</u>	<u>3,542,380</u>	<u>220,226</u>	<u>9,249,319</u>
Noncurrent Assets:				
Capitalized Debt Issuance Costs	-	24,915	-	24,915
Capital Assets:				
Land Purchase and Improvements	15,330	67,965	482,322	565,617
Buildings	553,157	839,241	2,765,161	4,157,559
Machinery and Equipment	2,418,792	1,266,615	248,919	3,934,327
Infrastructure	2,372,821	16,417,989	345,016	19,135,826
Construction in Progress	-	1,272,906	-	1,272,906
Less Accumulated Depreciation	(3,562,502)	(8,464,492)	(1,176,992)	(13,203,986)
Total Noncurrent Assets	<u>1,797,598</u>	<u>11,425,140</u>	<u>2,664,426</u>	<u>15,887,164</u>
Total Assets	<u>7,284,311</u>	<u>14,967,519</u>	<u>2,884,653</u>	<u>25,136,483</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	675,974	215,940	13,716	905,629
Wages and Salaries Payable	10,369	-	7,865	18,233
Compensated Absences Payable	23,091	-	16,834	39,925
Customer Deposits Payable	272,913	140,529	-	413,442
Intergovernmental Payable	23,007	-	1,438	24,445
Accrued Interest Payable	-	13,427	-	13,427
Current Portion of Long-Term Debt	-	233,000	12,069	245,069
Total Current Liabilities	<u>1,005,353</u>	<u>602,895</u>	<u>51,923</u>	<u>1,660,171</u>
Noncurrent Liabilities:				
Long-Term Debt	-	4,489,000	9,534	4,498,534
Total Noncurrent Liabilities	<u>-</u>	<u>4,489,000</u>	<u>9,534</u>	<u>4,498,534</u>
Total Liabilities	<u>1,005,353</u>	<u>5,091,895</u>	<u>61,457</u>	<u>6,158,705</u>
<b>NET ASSETS</b>				
Investments in Capital Assets, Net of Related Debt	1,797,598	6,703,140	2,642,823	11,143,560
Restricted for:				
Debt Service	-	234,932	-	234,932
Construction & Equipment System Improvements	194,000	1,584,943	-	1,778,943
Operations & Maintenance	510,000	-	-	510,000
Unrestricted Net Assets	2,474,998	798,618	-	3,273,616
Unrestricted Net Assets	<u>1,302,362</u>	<u>553,992</u>	<u>180,373</u>	<u>2,036,727</u>
Total Net Assets	<u>\$ 6,278,958</u>	<u>\$ 9,875,624</u>	<u>\$ 2,823,196</u>	<u>\$ 18,977,778</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, 2010

	Business-Type Activities - Enterprise Funds			
	Electric	Water/ Wastewater	Nonmajor Enterprise	Total
	Fund	Fund	Funds	Funds
<b>OPERATING REVENUES:</b>				
Charges for Water Service	\$ -	\$ 2,217,761	\$ -	\$ 2,217,761
Charges for Sewerage Service	-	1,378,008	-	1,378,008
Charges for Electricity Service	10,583,754	-	-	10,583,754
Other Charges for Services	42,770	19,020	-	61,790
Culture/Recreation Charges for Services	-	-	341,073	341,073
Rents and Royalties	17,260	-	73,131	90,391
Other Revenue	717	6,994	178,688	186,399
Total Operating Revenues	<u>10,644,500</u>	<u>3,621,782</u>	<u>592,892</u>	<u>14,859,174</u>
<b>OPERATING EXPENSES:</b>				
Personnel Services-Salaries and Wages	279,655	-	215,777	495,432
Personnel Services-Employee Benefits	107,346	-	74,381	181,727
Purchased Professional & Technical Services	224,164	848,543	8,672	1,081,380
Purchased Property Services	130,581	281,491	116,222	528,294
Other Operating Expenses	1,096,313	823,444	12,894	1,932,651
Supplies	6,954,974	891,573	164,521	8,011,067
Depreciation	104,441	584,944	145,994	835,379
Amort. of Premiums/Discounts-Bonds	-	3,115	-	3,115
Total Operating Expenses	<u>8,897,474</u>	<u>3,433,110</u>	<u>738,461</u>	<u>13,069,045</u>
Operating Income (Loss)	<u>1,747,026</u>	<u>188,672</u>	<u>(145,569)</u>	<u>1,790,129</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment Earnings	12,095	11,320	349	23,765
Other Funding Sources	-	-	81,970	81,970
Interest Expense - Non-Operating	-	(206,037)	(1,723)	(207,760)
Total Non-operating Rev (Expenses)	<u>12,095</u>	<u>(194,717)</u>	<u>80,596</u>	<u>(102,026)</u>
Income Before Transfers	1,759,121	(6,045)	(64,973)	1,688,104
Non-Operating Transfer In	-	1,441,927	99,814	1,541,741
Transfers Out	(1,636,904)	(634,320)	(9,170)	(2,280,394)
Change in Net Assets	122,217	801,563	25,671	949,451
Total Net Assets - Oct 1 (Beginning)	6,156,741	8,980,141	2,797,525	17,934,406
Prior Period Adjustment	-	93,921	-	93,921
Total Net Assets - Sept 30 (Ending)	<u>\$ 6,278,958</u>	<u>\$ 9,875,624</u>	<u>\$ 2,823,196</u>	<u>\$ 18,977,778</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, 2010

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water/ Wastewater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from User Charges	\$ 10,847,666	\$ 3,590,141	\$ 598,334	\$ 15,036,141
Cash Payments to Employees for Services	(654,654)	(133,978)	(294,621)	(1,083,253)
Cash Payments for Suppliers	(6,881,991)	(896,494)	(148,097)	(7,926,582)
Cash Payments for Other Op. Expenses	(1,454,255)	(1,959,846)	(126,227)	(3,540,328)
Net Cash Provided by Operating Activities	<u>1,856,766</u>	<u>599,823</u>	<u>29,389</u>	<u>2,485,978</u>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>				
Operating Transfer In (Out)	<u>(1,636,904)</u>	<u>807,607</u>	<u>172,614</u>	<u>(656,683)</u>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>				
Acquisition of Capital Assets	(14,711)	(1,539,700)	(15,312)	(1,569,723)
Interest Expense	-	(206,037)	(1,723)	(207,760)
Payments on Long-Term Debt	-	(230,000)	(105,412)	(335,412)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(14,711)</u>	<u>(1,975,737)</u>	<u>(122,447)</u>	<u>(2,112,895)</u>
<b><u>Cash Flows from Investing Activities:</u></b>				
Interest and Dividends on Investments	12,095	11,321	349	23,765
Net Increase/Decrease in Cash & Cash Equiv.	217,246	(556,986)	79,905	(259,835)
Cash & Cash Equiv. at Beginning of the Year:	<u>4,144,821</u>	<u>3,654,939</u>	<u>83,259</u>	<u>7,883,019</u>
Cash & Cash Equiv. at the End of the Year:	4,362,067	3,097,953	163,164	7,623,184
Prior Period Adjustment to Net Assets	-	(93,921)	-	(93,921)
Cash & Cash Equiv. on Balance Sheet:	<u>\$ 4,362,067</u>	<u>\$ 3,238,835</u>	<u>\$ 163,164</u>	<u>\$ 7,764,066</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>				
Operating Income (Loss):	\$ 1,747,026	\$ 188,672	\$ (145,569)	\$ 1,790,129
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	104,441	588,059	145,994	838,494
Effect of Increases/Decrease in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	203,166	15,320	5,442	223,928
Decrease (Increase) in Inventories	7,009	(16,045)	17,108	8,072
Increase (Decrease) in Accounts Payable	65,974	11,125	(684)	76,415
Increase (Decrease) in Payroll Deductions	(265,341)	(133,978)	95	(399,224)
Increase (Decrease) in Other Liabilities	-	(46,962)	7,003	(39,959)
Increase (Decrease) in Accrued Interest	(5,509)	(6,367)	-	(11,876)
Net Cash Provided by Operating Activities	<u>\$ 1,856,766</u>	<u>\$ 599,823</u>	<u>\$ 29,389</u>	<u>\$ 2,485,978</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, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

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

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

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

**Lampasas Economic Development Corporation (LEDC)** – Although the LEDC is legally separate from the City, the LEDC is reported as if it were part of the primary government because the City serves in an administrative capacity for the LEDC, and the LEDC provides services almost exclusively for the benefit of the primary government. The LEDC is authorized to act on behalf of the City in order to encourage the promotion and development of community, commercial, industrial and manufacturing enterprises within the area. The LEDC is funded primarily through a 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.

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

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

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

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

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

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

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

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

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

**D. FUND ACCOUNTING**

Basis of Accounting

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

The City reports the following major governmental funds:

1. **General Fund** – The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.
2. **580 Sports Park Fund** – The City uses this capital projects fund to account for the construction of a sports complex at F.M. 580.

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 \$221,946 in accrued compensated absences at September 30, 2010 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, 2010 for the City's proprietary fund activities was \$39,925.

**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, 2010, upon which the levy for the 2009-2010 fiscal year was based, was \$318,511,133. Taxes are delinquent if not paid by February 1<sup>st</sup> 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, 2010, to finance General Fund and Debt Service Fund operations were \$0.296363 and \$.093637, 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 2009-2010 fiscal year was \$1,242,193. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2010, were 98.5% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

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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, 2010, the carrying amount of the City’s deposits (cash, money market, and interest-bearing savings accounts included in temporary investments) was \$1,613,913 and the bank balance was \$1,580,184.

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, 2010. A summary of the investment balances is as follows:

	<u>Book</u> <u>Balance</u>	<u>Bank</u> <u>Balance</u>
TexPool	\$ 7,427,056	\$ 7,427,056
TexSTAR	3,578,314	3,578,314
First State Bank - CD's	323,237	323,185
	\$ 11,328,608	\$ 11,328,555

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, 2010, 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, 2010 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, 2010 consist of the following:

	Property Taxes (net)	Customer Receivables (net)	Other Receivables	Total Receivables
<b>Governmental Activities:</b>				
General Fund	\$ 41,571	\$ 132,185	\$ 24,693	\$ 198,449
580 Sports Park Fund	-	127,228	-	127,228
Non-major Governmental Funds	14,818	-	42,470	57,288
Total	<u>\$ 56,389</u>	<u>\$ 259,414</u>	<u>\$ 67,163</u>	<u>\$ 382,965</u>
<b>Proprietary Activities:</b>				
Electric Fund	\$ -	\$ 786,331	\$ -	\$ 786,331
Water/Wastewater Fund	-	210,561	-	210,561
Non-Major Proprietary Funds	-	8,431	-	8,431
Total	<u>\$ -</u>	<u>\$ 1,005,324</u>	<u>\$ -</u>	<u>\$ 1,005,324</u>

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Payables at September 30, 2010 consist of the following:

	Accounts Payable	Salaries and Benefits	Sales Tax Payable	Deferred Revenues	Other Current Liabilities	Total
<b>Governmental Activities:</b>						
General Fund	\$ 400,126	\$ 220,632	\$ 5,569	\$ 63,028	\$ -	\$ 689,356
580 Sports Park Fund	107,748	-	-	-	-	107,748
Non-Major Gov. Funds	30,153	492	-	14,818	2,004	47,467
Total	<u>\$ 538,027</u>	<u>\$ 221,124</u>	<u>\$ 5,569</u>	<u>\$ 77,846</u>	<u>\$ 2,004</u>	<u>\$ 844,570</u>
<b>Proprietary Activities:</b>						
Electric Fund	\$ 675,974	\$ 33,459	\$ 23,007	\$ -	\$ 272,913	\$1,005,353
Water/Wastewater Fund	215,940	-	-	-	386,956	602,895
Non-Major Prop Funds	13,716	24,699	1,438	-	12,069	51,923
Total	<u>\$ 905,629</u>	<u>\$ 58,158</u>	<u>\$ 24,445</u>	<u>\$ -</u>	<u>\$ 671,938</u>	<u>\$1,660,171</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. 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:

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	Transfers In	Transfers Out
<b>Governmental Funds</b>		
General Fund		
Municipal Court Tech Fund	\$ -	\$ 40,446
Lampasas Higher Education	-	25,000
Disaster Grant Fund	-	6,882
580 Sports Park Fund	-	355,000
Golf Course Fund	-	60,000
Electric Fund	1,500,000	-
Water/Wastewater Fund	446,938	-
G/F Capital Reserve Fund	30,848	-
Cemetary Trust & Agency	761	-
Library Grant Fund	4	-
G/F Capital Reserve Fund		
General Fund	-	30,848
Total General Fund	<u>1,978,551</u>	<u>518,176</u>
Special Revenue Funds		
Municipal Court Tech Fund		
General Fund	40,446	-
Lampasas Higher Education Fund		
General Fund	25,000	-
Lampasas EDC	25,000	-
Unemployment Compensation Fund		
Economic Development Fund	-	27,686
Employee Benefit Accrual Fund		
Economic Development Fund	-	1,898
Golf Course Fund	-	10,230
Total Special Revenue Funds	<u>90,446</u>	<u>39,814</u>
Debt Service Fund		
Airport Fund	9,170	-
Electric Fund	136,904	-
Water/Wastewater Fund	137,382	-
Total Debt Service Fund	<u>283,456</u>	<u>-</u>
Capital Projects Funds		
580 Sports Park Fund		
General Fund	355,000	-
Library Grant Fund		
General Fund	-	4
Cemetary Fund		
General Fund	-	761
2009/2010 CDBG Grant Fund		
2006/2007 CDBG Grant Fund	15,398	-
Water/Wastewater Fund	50,000	214,174
CDBG Disaster Relief Fund		
General Fund	6,882	-
Water/Wastewater Fund	-	267,473
2006/2007 CDBG Grant Fund		
2009/2010 CDBG Grant Fund	-	15,398
Water/Wastewater Fund	-	158,404
Series 2007 Cert. of Obligation Projects		
Key Avenue Fund	-	1,544,534
Water/Wastewater Fund	-	54,639
Key Avenue Fund		
Series 2007 Cert. of Obligation Projects	1,544,534	
Water/Wastewater Fund	-	747,238
Total Capital Projects Funds	<u>1,971,814</u>	<u>3,002,624</u>
Total Governmental Funds Transfers In/Out	<u>\$ 4,324,266</u>	<u>\$ 3,560,614</u>

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	Transfers In	Transfers Out
<b>Proprietary Funds</b>		
G/F Economic Development Fund		
Unemployment Compensation Fund	\$ 27,686	\$ -
Employee Benefit Accrual Fund	1,898	-
Total G/F Economic Development Fund	<u>29,584</u>	<u>-</u>
Aviation Fund		
Debt Service Fund	-	9,170
Total Aviation Fund	<u>-</u>	<u>9,170</u>
Golf Course Fund		
General Fund	60,000	-
Employee Benefit Accrual Fund	10,230	-
Total Golf Course Fund	<u>70,230</u>	<u>-</u>
Electric Fund		
General Fund	-	1,500,000
Debt Service	-	136,904
Total Electric Fund	<u>-</u>	<u>1,636,904</u>
Water/Wastewater Fund		
General Fund	-	446,938
Debt Service	-	137,382
Key Avenue Fund	747,238	-
Series 2007 Cert. of Obligation Projects	54,639	-
2009/2010 CDBG Grant Fund	214,174	50,000
CDBG Disaster Relief Fund	267,473	-
2006/2007 CDBG Grant Fund	158,404	-
Total Water/Wastewater Fund	<u>1,441,927</u>	<u>634,320</u>
Total Proprietary Funds Transfers In/Out	<u>\$ 1,541,741</u>	<u>\$ 2,280,394</u>

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**E. FIXED ASSETS**

Capital asset activity for the City of Lampasas for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<b>Governmental Activities:</b>					
Land	\$ 967,284	\$ -	\$ -	\$ -	\$ 967,284
Buildings and Improvements	5,622,144	458,080	-	-	6,080,224
Machinery and Equipment	2,521,978	130,839	(34,784)	-	2,618,033
Construction in Progress	488,073	2,197,392	(199,650)	(93,921)	2,391,894
Totals at Historical Cost	<u>9,599,479</u>	<u>2,786,311</u>	<u>(234,434)</u>	<u>(93,921)</u>	<u>12,057,435</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(2,393,055)	(238,723)	-	-	(2,631,778)
Machinery and Equipment	(1,881,762)	(217,030)	34,787	-	(2,064,005)
Total Accum. Depreciation	<u>(4,274,817)</u>	<u>(455,753)</u>	<u>34,787</u>	<u>-</u>	<u>(4,695,783)</u>
Governmental Activities Capital Assets, net	<u>\$ 5,324,662</u>	<u>\$ 2,330,558</u>	<u>\$ (199,647)</u>	<u>\$ (93,921)</u>	<u>\$ 7,361,652</u>
<b>Proprietary Activities:</b>					
Land	\$ 565,617	\$ -	\$ -	\$ -	\$ 565,617
Utility System	17,222,831	1,912,995	-	-	19,135,826
Buildings and Improvements	4,148,248	9,311	-	-	4,157,559
Machinery and Equipment	3,928,329	5,998	-	-	3,934,327
Construction in Progress	1,552,438	1,250,977	(1,624,431)	93,921	1,272,905
Totals at Historical Cost	<u>27,417,463</u>	<u>3,179,281</u>	<u>(1,624,431)</u>	<u>93,921</u>	<u>29,066,234</u>
Less Accumulated Depreciation:					
Utility System	(7,218,742)	(613,532)	-	-	(7,832,274)
Buildings and Improvements	(1,509,525)	(173,791)	-	-	(1,683,316)
Machinery and Equipment	(3,640,343)	(48,053)	-	-	(3,688,396)
Total Accum. Depreciation	<u>(12,368,610)</u>	<u>(835,376)</u>	<u>-</u>	<u>-</u>	<u>(13,203,986)</u>
Proprietary Activities Capital Assets, net	<u>\$ 15,048,853</u>	<u>\$ 2,343,905</u>	<u>\$ (1,624,431)</u>	<u>\$ 93,921</u>	<u>\$ 15,862,248</u>

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Depreciation expense was charged to the governmental activities as follows:

Department	Allocated Depreciation
General Government	\$ 39,464
Public Safety	124,571
Streets	45,097
Public Works	8,116
Utility Billing	7,366
Building and Planning	6,320
Economic Development	2,096
Data Processing	7,954
Cemetery	5,021
Non-Departmental	21,879
Sanitation	42,074
Culture and Recreation	145,796
Total	\$ 455,753

**F. LONG-TERM DEBT**

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2009	Additions	Deletions	Amounts Outstanding 9/30/2010	Due in One Year
<b>Governmental Activities:</b>							
<b>Bonds Payable</b>							
Maint. Tax Notes, Series 2006	4.19%	620,000	\$ 465,000	\$ -	\$110,000	\$ 355,000	\$115,000
Certificate of Obligation, Series 2007	4.50%	6,000,000	5,580,000	-	220,000	5,360,000	235,000
<b>Total Bonds Payable</b>			6,045,000	-	330,000	5,715,000	350,000
<b>Capital Leases</b>							
Emergency One - Fire Truck	4.95%	424,780	96,762	-	30,709	66,053	32,229
<b>Total Capital Leases</b>			96,762	-	30,709	66,053	32,229
<b>Promissory Note</b>							
Land Purchase		70,000	35,000	-	35,000	-	-
<b>Total Promissory Notes</b>			35,000	-	35,000	-	-
<b>Total Bonds, Capital Leases, and Notes Payable</b>			\$ 6,176,762	\$ -	\$395,709	\$ 5,781,053	\$382,229
<b>Other</b>							
Compensated Absences	n/a	n/a	199,601	22,345	-	221,946	
<b>Total Debt - Governmental Activities</b>			\$ 6,376,363	\$ 22,345	\$395,709	\$ 6,002,999	

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Future debt service requirements for governmental activities are as follows:

Year Ended September 30,	Bonds Payable			Capital Leases and Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
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	285,000	190,569	475,569	-	-	-
2016-2020	1,365,000	793,136	2,158,136	-	-	-
2021-2025	1,655,000	462,454	2,117,454	-	-	-
2026-2030	1,075,000	161,798	1,236,798	-	-	-
2031	190,000	7,923	197,923	-	-	-
	<u>\$ 5,715,000</u>	<u>\$ 2,493,184</u>	<u>\$ 8,208,184</u>	<u>\$ 66,054</u>	<u>\$ 4,944</u>	<u>\$ 70,998</u>

Long term debt for proprietary activities follows below:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/1/2009	Additions	Deletions	Amounts Outstanding 9/30/2010	Due in One Year
<b>Proprietary Activities:</b>							
<b>Utility Funds</b>							
<b>Bonds Payable - Water/Wastewater Fund</b>							
Certificate of Obligation - Series 1981		\$ 350,000	\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Certificate of Obligation - Series 2006	4.30%	1,020,000	1,000,000	-	85,000	915,000	85,000
Utility Rev. Bonds - Series 1997	4.50%	3,901,000	3,307,000	-	65,000	3,242,000	68,000
Certificate of Obligation - Series 1998	2.55-4.00%	1,040,000	595,000	-	55,000	540,000	55,000
<b>Total Bonds Payable - Water/Wastewater Fund</b>			<u>4,952,000</u>	<u>-</u>	<u>230,000</u>	<u>4,722,000</u>	<u>233,000</u>
<b>Other - Electric Fund</b>							
Compensated Absences	n/a	n/a	25,403	-	2,312	23,091	-
<b>Total Debt - Utility Funds</b>			<u>4,977,403</u>	<u>-</u>	<u>232,312</u>	<u>4,745,091</u>	<u>233,000</u>
<b>Golf Course Fund</b>							
<b>Capital Leases</b>							
Community Bank of Louisiana	5.00%	56,556	32,977	-	11,373	21,604	12,069
<b>Total Capital Leases</b>			<u>32,977</u>	<u>-</u>	<u>11,373</u>	<u>21,604</u>	<u>12,069</u>
<b>Notes Payable</b>							
Notes Payable - Electric Fund	3.00%	100,000	81,969	-	81,969	-	-
<b>Total Notes Payable</b>			<u>81,969</u>	<u>-</u>	<u>81,969</u>	<u>-</u>	<u>-</u>
<b>Other</b>							
Compensated Absences	n/a	n/a	17,961	-	1,127	16,834	-
<b>Total Debt Golf Course Fund</b>			<u>132,907</u>	<u>-</u>	<u>94,469</u>	<u>38,438</u>	<u>12,069</u>
<b>Grand Total - Proprietary Funds</b>			<u>\$ 5,110,310</u>	<u>\$ -</u>	<u>\$ 326,781</u>	<u>\$ 4,783,529</u>	<u>\$ 245,069</u>

CITY OF LAMPASAS, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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
2011	233,000	202,785	435,785	12,069	1,026	13,096
2012	221,000	193,599	414,599	9,535	287	9,822
2013	229,000	184,460	413,460	-	-	-
2014	237,000	174,965	411,965	-	-	-
2015	251,000	165,079	416,079	-	-	-
2016-2020	1,145,000	660,374	1,805,374	-	-	-
2021-2025	580,000	478,350	1,058,350	-	-	-
2026-2030	722,000	332,460	1,054,460	-	-	-
2031-2035	899,000	150,863	1,049,863	-	-	-
2036	205,000	18,248	227,860	-	-	-
	<u>\$ 4,722,000</u>	<u>\$ 2,561,181</u>	<u>\$ 7,287,794</u>	<u>\$ 21,604</u>	<u>\$ 1,313</u>	<u>\$ 22,917</u>

**G. 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](http://www.TMRS.com).

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

Plan Year	2007	2008	2009
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, 2010

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:

<b>1</b>	Actuarial valuation date	12/31/2007	12/31/2008	12/31/2009
<b>2</b>	Actuarial value of assets	5,961,634	6,510,343	6,955,524
<b>3</b>	Actuarial accrued liability (AAL)	9,052,420	9,859,724	10,766,188
<b>4</b>	Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	3,090,786	3,349,381	3,810,664
<b>5</b>	Funded ratio	65.9%	66.0%	64.6%
<b>6</b>	Annual covered payroll (actuarial)	3,044,350	3,446,679	3,654,580
<b>7</b>	UAAL or OAAL as % of covered payroll	101.5%	97.2%	104.3%

CITY OF LAMPASAS, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2010

The required contributions rates for fiscal year 2010 were determined by the December 31, 2008 actuarial valuation. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Actuarial Information

	2007	2008	2009
1 Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
2 Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
3 Amortization period	30 years - closed period	30 years - closed period	28 years - closed period
4 Asset valuation method	Amortized cost	Amortized cost	10-year smoothed Market
5 Assumptions			
Investment return	7.0%	7.5%	7.5%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1 (3.0% CPI)	2.1 (3.0% CPI)	2.1 (3.0% CPI)
6 City-specific assumptions			
Payroll growth assumption	3.0%	3.0%	3.0%
Withdrawal rates for Male/Female (low, mid/low, mid, mid/high, or high)	High/Mid-High	High/Mid-High	High/Mid-High

**H. HEALTH INSURANCE COVERAGE**

During the year ended September 30, 2010, 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.

**I. 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, 2010

	Homeland Security Grant	Police Seizures Fund	Municipal Court Tech Fund	Library Board Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 14,661	\$ 46,541	\$ 7,438
Investments - Current	-	-	-	23,237
Taxes Receivable	-	-	-	-
Allow. for Uncollectible Taxes (Credit)	-	-	-	-
Receivables (Net)	1,680	-	-	-
Intergovernmental Receivables	-	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ 1,680</u>	<u>\$ 14,661</u>	<u>\$ 46,541</u>	<u>\$ 30,676</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 1,680	\$ 1,058	\$ 60	\$ -
Wages and Salaries Payable	-	-	-	-
Deferred Revenue	-	-	-	-
Other Current Liabilities	-	2,004	-	-
Total Liabilities	<u>1,680</u>	<u>3,062</u>	<u>60</u>	<u>-</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Endowments	-	-	-	-
Other Specific Purposes	-	11,598	46,481	30,676
Capital Projects	-	-	-	-
Total Fund Balances	<u>-</u>	<u>11,598</u>	<u>46,481</u>	<u>30,676</u>
Total Liabilities and Fund Balances	<u>\$ 1,680</u>	<u>\$ 14,661</u>	<u>\$ 46,541</u>	<u>\$ 30,676</u>

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

Library Grant Fund	Hotel/ Motel Tax Fund	Unemployment Compensation Fund	Employee Benefit Accr. Fund	LCHEC Fund	Major Crimes Assistance Grant Fund	Total Nonmajor Special Revenue Fund
\$ -	\$ 19,535	\$ -	\$ -	\$ 19,256	\$ -	\$ 107,431
-	964,605	-	-	-	-	987,842
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	26,235	-	-	12,556	-	40,470
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,010,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,811</u>	<u>\$ -</u>	<u>\$ 1,135,743</u>
\$ -	\$ 11,205	\$ -	\$ -	\$ 3,981	\$ -	\$ 17,984
-	-	-	-	492	-	492
-	-	-	-	-	-	-
-	-	-	-	-	-	2,004
-	11,205	-	-	4,473	-	20,480
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	999,170	-	-	27,338	-	1,115,263
-	-	-	-	-	-	-
-	999,170	-	-	27,338	-	1,115,263
<u>\$ -</u>	<u>\$ 1,010,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,811</u>	<u>\$ -</u>	<u>\$ 1,135,743</u>

CITY OF LAMPASAS, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2010

	Debt Service Fund	CDBG Grant Fund	CDBG Water Grant	SECO Grant Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,521	\$ 14,543	\$ -	\$ -
Investments - Current	140,463	-	-	-
Taxes Receivable	17,432	-	-	-
Allow. for Uncollectible Taxes (Credit)	(2,615)	-	-	-
Receivables (Net)	-	-	-	-
Intergovernmental Receivables	-	-	-	10,169
Other Assets	-	-	-	-
Total Assets	<u>\$ 164,801</u>	<u>\$ 14,543</u>	<u>\$ -</u>	<u>\$ 10,169</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 10,169
Wages and Salaries Payable	-	-	-	-
Deferred Revenue	14,818	-	-	-
Other Current Liabilities	-	-	-	-
Total Liabilities	<u>14,818</u>	<u>-</u>	<u>-</u>	<u>10,169</u>
Fund Balances:				
Reserved For:				
Debt Service	149,983	-	-	-
Endowments	-	-	-	-
Other Specific Purposes	-	-	-	-
Capital Projects	-	14,543	-	-
Total Fund Balances	<u>149,983</u>	<u>14,543</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 164,801</u>	<u>\$ 14,543</u>	<u>\$ -</u>	<u>\$ 10,169</u>

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

Series 2007 Bond Issue Cap. Projects	Key Avenue Fund	CDBG Disaster Relief Fund	Total Nonmajor Capital Projects Fund	Cemetery Fund	Total Nonmajor Governmental Funds
\$ -	\$ 32,386	\$ 5,307	\$ 52,237	\$ 73,589	\$ 242,777
-	765,109	-	765,109	100,969	1,994,383
-	-	-	-	-	17,432
-	-	-	-	-	(2,615)
-	-	2,000	2,000	-	42,470
-	-	-	10,169	-	10,169
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 797,495</u>	<u>\$ 7,307</u>	<u>\$ 829,514</u>	<u>\$ 174,558</u>	<u>\$ 2,304,616</u>
\$ -	\$ -	\$ 2,000	\$ 12,169	\$ -	\$ 30,153
-	-	-	-	-	492
-	-	-	-	-	14,818
-	-	-	-	-	2,004
-	-	2,000	12,169	-	47,467
-	-	-	-	-	149,983
-	-	-	-	174,558	174,558
-	-	-	-	-	1,115,263
-	797,495	5,307	817,345	-	817,345
-	797,495	5,307	817,345	174,558	2,257,150
<u>\$ -</u>	<u>\$ 797,495</u>	<u>\$ 7,307</u>	<u>\$ 829,514</u>	<u>\$ 174,558</u>	<u>\$ 2,304,616</u>

CITY OF LAMPASAS, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Homeland Security Grant	Police Seizures Fund	Municipal Court Tech Fund	Library Board Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
General Sales and Use Taxes	-	-	-	-
Penalty and Interest on Taxes	-	-	-	-
Intergovernmental Revenue and Grants	28,613	-	-	-
Charges for Services	-	7,761	6,372	6,496
Investment Earnings	-	108	84	658
Contributions/Donations Private Sources	-	-	-	5,948
Other Revenue	-	-	-	-
Total Revenues	<u>28,613</u>	<u>7,869</u>	<u>6,456</u>	<u>13,102</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:	-	-	420	-
Public Safety	28,613	13,361	-	-
Economic Development	-	-	-	-
Cemetery	-	-	-	-
Non-Departmental	-	-	-	-
Culture and Recreation	-	-	-	11,163
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>28,613</u>	<u>13,361</u>	<u>420</u>	<u>11,163</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(5,491)</u>	<u>6,036</u>	<u>1,938</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer In	-	-	40,446	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>40,446</u>	<u>-</u>
Net Change in Fund Balances	-	(5,491)	46,481	1,938
Fund Balance - October 1 (Beginning)	-	17,090	-	28,737
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 11,598</u>	<u>\$ 46,481</u>	<u>\$ 30,676</u>

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

Library Grant Fund	Hotel/ Motel Tax Fund	Unemployment Compensation Fund	Employee Benefit Accr. Fund	LCHEC Fund	Major Crimes Assistance Grant Fund	Total Nonmajor Special Revenue Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	94,526	-	-	-	-	94,526
-	3,212	-	-	-	-	3,212
6,462	-	-	-	62,556	62,244	159,874
-	-	-	-	-	-	20,630
-	2,118	62	24	214	-	3,267
-	-	-	-	-	-	5,948
-	-	-	-	-	-	-
<u>6,462</u>	<u>99,855</u>	<u>62</u>	<u>24</u>	<u>62,769</u>	<u>62,244</u>	<u>287,456</u>
-	-	-	-	85,871	-	86,291
-	-	-	-	-	62,244	104,218
-	43,462	-	-	-	-	43,462
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,458	-	-	-	-	-	17,621
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>6,458</u>	<u>43,462</u>	<u>-</u>	<u>-</u>	<u>85,871</u>	<u>62,244</u>	<u>251,591</u>
<u>4</u>	<u>56,393</u>	<u>62</u>	<u>24</u>	<u>(23,101)</u>	<u>-</u>	<u>35,865</u>
-	-	-	-	50,000	-	90,446
(4)	-	(27,686)	(12,128)	-	-	(39,818)
(4)	-	(27,686)	(12,128)	50,000	-	50,628
(0)	56,393	(27,624)	(12,105)	26,899	-	86,492
-	942,776	27,624	12,105	440	-	1,028,771
<u>\$ (0)</u>	<u>\$ 999,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,338</u>	<u>\$ -</u>	<u>\$ 1,115,263</u>

CITY OF LAMPASAS, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Debt Service Fund	CDBG Grant Fund	CDBG Water Grant	SECO Grant Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 293,839	\$ -	\$ -	\$ -
General Sales and Use Taxes	-	-	-	-
Penalty and Interest on Taxes	6,033	-	-	-
Intergovernmental Revenue and Grants	-	163,320	118,673	10,169
Charges for Services	-	-	-	-
Investment Earnings	775	-	-	-
Contributions/Donations Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>300,647</u>	<u>163,320</u>	<u>118,673</u>	<u>10,169</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Public Safety	-	-	-	-
Economic Development	-	-	-	-
Cemetery	-	-	-	-
Non-Departmental	-	-	-	10,169
Culture and Recreation	-	-	-	-
Debt Service:				
Bond Principal	330,000	-	-	-
Bond Interest	252,169	-	-	-
Total Expenditures	<u>582,169</u>	<u>-</u>	<u>-</u>	<u>10,169</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(281,522)</u>	<u>163,320</u>	<u>118,673</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer In	283,456	65,398	-	-
Transfers Out (Use)	-	(214,174)	(173,802)	-
Total Other Financing Sources (Uses)	<u>283,456</u>	<u>(148,776)</u>	<u>(173,802)</u>	<u>-</u>
Net Change in Fund Balances	1,934	14,543	(55,128)	-
Fund Balance - October 1 (Beginning)	148,050	-	55,128	-
Fund Balance - September 30 (Ending)	<u>\$ 149,983</u>	<u>\$ 14,543</u>	<u>\$ -</u>	<u>\$ -</u>

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

Series 2007 Bond Issue Cap. Projects	Key Avenue Fund	CDBG Disaster Relief Fund	Total Nonmajor Capital Projects Fund	Cemetery Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,839
-	-	-	-	-	94,526
-	-	-	-	-	9,245
-	-	265,898	558,059	-	717,934
-	-	-	-	-	20,630
4,149	199	-	4,348	761	9,151
-	-	-	-	-	5,948
-	-	-	-	-	-
<u>4,149</u>	<u>199</u>	<u>265,898</u>	<u>562,407</u>	<u>761</u>	<u>1,151,271</u>
-	-	-	-	-	86,291
-	-	-	-	-	104,218
-	-	-	-	-	43,462
-	-	-	-	-	-
4,300	-	-	14,469	-	14,469
-	-	-	-	-	17,621
-	-	-	-	-	330,000
-	-	-	-	-	252,169
<u>4,300</u>	<u>-</u>	<u>-</u>	<u>14,469</u>	<u>-</u>	<u>848,229</u>
<u>(151)</u>	<u>199</u>	<u>265,898</u>	<u>547,938</u>	<u>761</u>	<u>303,042</u>
-	1,544,534	6,882	1,616,814	-	1,990,715
<u>(1,599,172)</u>	<u>(747,238)</u>	<u>(267,473)</u>	<u>(3,001,859)</u>	<u>(761)</u>	<u>(3,042,438)</u>
<u>(1,599,172)</u>	<u>797,296</u>	<u>(260,591)</u>	<u>(1,385,045)</u>	<u>(761)</u>	<u>(1,051,723)</u>
<u>(1,599,324)</u>	<u>797,495</u>	<u>5,307</u>	<u>(837,107)</u>	<u>-</u>	<u>(748,681)</u>
<u>1,599,324</u>	<u>-</u>	<u>-</u>	<u>1,654,452</u>	<u>174,558</u>	<u>3,005,830</u>
<u>\$ -</u>	<u>\$ 797,495</u>	<u>\$ 5,307</u>	<u>\$ 817,345</u>	<u>\$ 174,558</u>	<u>\$ 2,257,150</u>

CITY OF LAMPASAS, TEXAS  
 COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 SEPTEMBER 30, 2010

	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,288	\$ 47,131	\$ 8,609	\$ 57,027
Investments - Current	69,131	36,710	296	106,137
Accounts Receivable-Net of Allowance	-	5,367	3,064	8,431
Inventories	-	12,391	36,241	48,631
Total Current Assets	<u>70,419</u>	<u>101,598</u>	<u>48,209</u>	<u>220,226</u>
Noncurrent Assets:				
Capital Assets:				
Land Purchase and Improvements	-	141,292	341,030	482,322
Buildings	-	1,120,827	1,644,334	2,765,161
Accumulated Depreciation - Buildings	-	(362,397)	(554,586)	(916,983)
Machinery and Equipment	-	43,864	205,055	248,919
Accum Depreciation-Machine & Equip.	-	(43,864)	(77,751)	(121,615)
Infrastructure	345,016	-	-	345,016
Accum Depreciation-Infrastructure	(138,394)	-	-	(138,394)
Total Noncurrent Assets	<u>206,622</u>	<u>899,722</u>	<u>1,558,082</u>	<u>2,664,426</u>
Total Assets	<u>277,041</u>	<u>1,001,321</u>	<u>1,606,291</u>	<u>2,884,653</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	-	4,382	9,334	13,716
Wages and Salaries Payable	-	-	7,865	7,865
Compensated Absences Payable	-	-	16,834	16,834
Intergovernmental Payable	-	-	1,438	1,438
Current Portion of Long-Term Debt	-	-	12,069	12,069
Total Current Liabilities	<u>-</u>	<u>4,382</u>	<u>47,540</u>	<u>51,923</u>
NonCurrent Liabilities:				
Long-Term Debt	-	-	9,534	9,534
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>9,534</u>	<u>9,534</u>
Total Liabilities	<u>-</u>	<u>4,382</u>	<u>57,075</u>	<u>61,457</u>
<b>NET ASSETS</b>				
Investment in Capital Assets, Net of Debt	206,622	899,722	1,536,478	2,642,823
Unrestricted Net Assets	70,419	97,216	12,738	180,373
Total Net Assets	<u>\$ 277,041</u>	<u>\$ 996,939</u>	<u>\$ 1,549,216</u>	<u>\$ 2,823,196</u>

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

CITY OF LAMPASAS, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 SEPTEMBER 30, 2010

	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>				
Culture/Recreation Charges for Services	\$ -	\$ -	\$ 341,073	\$ 341,073
Rents and Royalties	-	48,431	24,700	73,131
Other Revenue	-	90,245	88,443	178,688
Total Operating Revenue	<u>-</u>	<u>138,676</u>	<u>454,216</u>	<u>592,892</u>
<b>OPERATING EXPENSES:</b>				
Personnel Services-Salaries and Wages	-	-	215,777	215,777
Personnel Services-Employee Benefits	-	-	74,381	74,381
Purchased Professional & Technical Services	8,336	336	-	8,672
Purchased Property Services	-	21,257	94,965	116,222
Other Operating Expenses	-	3,321	9,573	12,894
Supplies	-	73,694	90,827	164,521
Depreciation	11,960	45,118	88,916	145,994
Total Operating Expenses	<u>20,296</u>	<u>143,726</u>	<u>574,439</u>	<u>738,461</u>
Operating Income (Loss)	<u>(20,296)</u>	<u>(5,049)</u>	<u>(120,223)</u>	<u>(145,569)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment Earnings	118	231	-	349
Other Funding Sources	-	-	81,970	81,970
Interest Expense - Non-Operating	-	-	(1,723)	(1,723)
Total Non-operating Revs (Exps)	<u>118</u>	<u>231</u>	<u>80,247</u>	<u>80,596</u>
Income (Loss) Before Transfers	(20,178)	(4,819)	(39,976)	(64,973)
Non-Operating Transfer In	29,584	-	70,230	99,814
Transfers Out	-	(9,170)	-	(9,170)
Change in Net Assets	<u>9,406</u>	<u>(13,989)</u>	<u>30,254</u>	<u>25,671</u>
Total Net Assets-Oct 1 (Beginning)	267,635	1,010,927	1,518,962	2,797,525
Total Net Assets-Sept 30 (Ending)	<u>\$ 277,041</u>	<u>\$ 996,939</u>	<u>\$ 1,549,216</u>	<u>\$ 2,823,196</u>

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

CITY OF LAMPASAS, TEXAS  
 COMBINING SCHEDULE OF CASH AND CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 SEPTEMBER 30, 2010

	G/F Economic Development Fund	Aviation Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from User Charges	\$ -	\$ 143,352	\$ 454,982	\$ 598,334
Cash Payments to Employees for Services	-	(3,430)	(291,191)	(294,621)
Cash Payments for Suppliers	-	(55,205)	(92,892)	(148,097)
Cash Payments for Other Operating Expenses	(8,336)	(24,913)	(92,978)	(126,227)
Net Cash Provided by Operating Activities	(8,336)	59,804	(22,079)	29,389
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>				
Operating Transfer In (Out)	29,584	(9,170)	152,200	172,614
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>				
Acquisition of Capital Assets	-	(9,311)	(6,001)	(15,312)
Interest Expense	-	-	(1,723)	(1,723)
Payments on Long-Term Debt	-	-	(105,412)	(105,412)
Net Cash Provided by (Used for) Capital & Related Financing Activities	-	(9,311)	(113,136)	(122,447)
<b><u>Cash Flows from Investing Activities:</u></b>				
Interest and Dividends on Investments	118	231	-	349
Net Increase (Decrease) in Cash & Cash Equivs	21,366	41,554	16,985	79,905
Cash & Cash Equivs at Beginning of the Year:	49,053	42,287	(8,081)	83,259
Cash & Cash Equivalents at the End of the Year:	\$ 70,419	\$ 83,841	\$ 8,904	\$ 163,164
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>				
Operating Income (Loss):	\$ (20,296)	\$ (5,049)	\$ (120,223)	\$ (145,569)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	11,960	45,118	88,916	145,994
Effect of Increases/Decreases in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	-	4,676	766	5,442
Decrease (Increase) in Inventories	-	14,982	2,126	17,108
Increase (Decrease) in Accounts Payable	-	3,507	(4,191)	(684)
Increase (Decrease) in Payroll Deductions	-	-	95	95
Increase (Decrease) in Other Liabilities	-	(3,430)	10,433	7,003
Net Cash Provided by Operating Activities	\$ (8,336)	\$ 59,804	\$ (22,079)	\$ 29,389

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)

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

2005	2006	2007	2008	2009	2010
\$ 1,435,994	\$ 1,734,014	\$ 2,201,456	\$ 2,354,478	\$ 2,828,499	\$ 2,729,427
1,874,615	1,995,432	1,988,702	2,146,996	2,362,146	2,478,632
956,796	1,036,616	944,240	971,993	969,357	1,040,625
1,107,984	662,697	648,762	720,435	812,951	822,359
<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>	<u>\$ 7,071,043</u>

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

Fiscal Year	2001	2002	2003	2004
Property Taxes	\$ 359,205	\$ 373,874	\$ 420,995	\$ 488,141
General Sales and Use Taxes	740,507	723,680	727,783	812,362
Franchise Tax	1,663,602	1,735,723	1,765,077	1,785,414
Other Taxes	6,804	6,587	5,173	5,415
Licenses and Permits	15,900	34,724	50,360	32,635
Intergovernmental Revenues and Grants	-	-	-	-
Charges for Services	440,865	573,969	594,813	505,760
Fines	-	-	-	10,030
Special Assessments	-	-	-	185,041
Investment Earnings	-	-	-	55,445
Rents and Royalties	-	-	-	31,913
Contributions & Donations from Private Sources	-	-	-	12,355
Other Revenue	149,828	801,351	841,036	712,601
	<u>\$ 3,376,711</u>	<u>\$ 4,249,908</u>	<u>\$ 4,405,237</u>	<u>\$ 4,637,112</u>

	2005	2006	2007	2008	2009	2010
\$	563,194	\$ 638,933	\$ 699,809	\$ 811,486	\$ 906,432	\$ 928,995
	883,782	894,726	919,689	1,046,420	1,043,624	1,052,243
	1,751,355	442,189	458,737	842,124	957,880	914,549
	7,926	10,527	9,914	11,571	13,258	18,585
	38,086	32,365	8,803	26,314	29,447	34,457
	-	-	4,000	1,000	38,920	32,518
	430,559	1,142,380	1,843,984	1,973,727	2,259,788	2,505,725
	11,470	12,311	14,385	13,614	12,015	20,969
	186,999	-	-	191,114	190,307	191,252
	73,952	103,153	120,666	63,969	17,304	7,689
	34,932	43,936	12,683	15,607	19,942	22,867
	1,647	9,600	13,158	15,049	44,395	13,413
	728,481	337,747	295,557	127,204	162,200	98,054
\$	<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>	<u>\$ 5,841,316</u>

CITY OF LAMPASAS, TEXAS  
 FUND BALANCE BY FISCAL YEAR  
 LAST FIVE FISCAL YEARS  
 (Unaudited)

GENERAL FUND					
FUND BALANCE BY FISCAL YEAR					
(Excluding Inventories & Capital Assets)					
Fund Balance Components	05/06	06/07	07/08	08/09	09/10
	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds					
M&O Reserves	\$1,017,717	\$1,338,598	\$1,425,985	\$1,719,360	\$1,719,360
Reserved					
Endowments	18,290	18,290	18,290	18,290	18,290
Court (Technology)	22,893	27,194	32,629	44,492	-
Fire Hall	2,114	4,662	6,364	6,364	6,364
<b>Emergency &amp; Reserved Subtotal</b>	<b>1,061,014</b>	<b>1,388,744</b>	<b>1,483,268</b>	<b>1,788,506</b>	<b>1,744,014</b>
Designated Fund Balance					
Comprehensive Plan	12,584	12,584	-	12,584	12,584
Park Improvements	-	-	2,363	7,363	7,274
Capital Expenditures	88,708	80,957	93,060	-	-
Unreserved & Undesignated					
General Fund	817,974	258,398	507,769	283,119	565,089
<b>Designated &amp; Unreserved Subtotal</b>	<b>919,266</b>	<b>351,939</b>	<b>603,192</b>	<b>303,066</b>	<b>584,947</b>
<b>Fund Balance Totals (Cash &amp; Receivables)</b>	<b>1,980,280</b>	<b>1,740,683</b>	<b>2,086,460</b>	<b>2,091,572</b>	<b>2,328,961</b>
<b>Increase/(Decrease)</b>		<b>(239,597)</b>	<b>345,777</b>	<b>5,112</b>	<b>237,389</b>

MAJOR FUNDS					
COMBINED FUND BALANCE POSITIONS					
	05/06	06/07	07/08	08/09	09/10
	Audited	Audited	Audited	Audited	Audited
General Fund	\$1,980,280	\$1,740,683	\$2,086,460	\$2,091,572	\$2,328,961
Water/Sewer Fund	3,239,318	3,738,444	3,557,293	3,488,786	3,079,502
Electric Fund	3,412,232	3,987,821	3,997,946	3,924,090	4,143,045
<b>Total Major Funds</b>	<b>8,631,830</b>	<b>9,466,948</b>	<b>9,641,699</b>	<b>9,504,448</b>	<b>9,551,508</b>
Less Emergency & Reserved Funds	3,621,413	4,400,098	4,494,566	5,297,054	5,252,562
<b>Discretionary Fund Balance</b>	<b>5,010,417</b>	<b>5,066,850</b>	<b>5,147,133</b>	<b>4,207,394</b>	<b>4,298,946</b>
Total Increase/(Decrease)		835,118	174,751	(137,251)	47,060
Discretionary Increase/(Decrease)		56,433	80,283	(939,739)	91,552

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

WATER & WASTEWATER FUND					
NET ASSET POSITIONS BY FISCAL YEAR					
(Excluding Inventories & Capital Assets)					
Net Asset Components	05/06	06/07	07/08	08/09	09/10
	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds					
M&O Reserves	\$729,143	\$729,143	\$729,143	\$798,618	\$798,618
Restricted for Debt Service					
Bonds	241,870	235,094	235,038	234,932	234,932
<b>Emergency &amp; Restricted for Debt Service Subtotal</b>	<b>971,013</b>	<b>964,237</b>	<b>964,181</b>	<b>1,033,550</b>	<b>1,033,550</b>
Other Restricted Net Assets for:					
Plant Replacement	-	500,000	-	-	-
Construction & Equipment	1,579,229	1,079,229	1,584,943	1,584,943	1,584,943
Unrestricted Net Assets for:					
Water & Wastewater	689,076	1,194,978	1,008,169	870,293	461,009
<b>Restricted &amp; Unrestricted Subtotal</b>	<b>2,268,305</b>	<b>2,774,207</b>	<b>2,593,112</b>	<b>2,455,236</b>	<b>2,045,952</b>
<b>Net Assets Totals (Cash &amp; Receivables)</b>	<b>3,239,318</b>	<b>3,738,444</b>	<b>3,557,293</b>	<b>3,488,786</b>	<b>3,079,502</b>
<b>Increase/(Decrease)</b>		<b>499,126</b>	<b>(181,151)</b>	<b>(68,507)</b>	<b>(409,284)</b>

ELECTRIC FUND					
NET ASSET POSITIONS BY FISCAL YEAR					
(Excluding Inventories & Capital Assets)					
Net Asset Components	05/06	06/07	07/08	08/09	09/10
	Audited	Audited	Audited	Audited	Audited
	Balance	Balance	Balance	Balance	Balance
Emergency Funds					
M&O Reserves	\$1,589,386	\$2,047,117	\$2,047,117	\$2,474,998	\$2,474,998
Restricted for Debt Service					
No Restricted Funds	-	-	-	-	-
<b>Emergency &amp; Restricted for Debt Service Subtotal</b>	<b>1,589,386</b>	<b>2,047,117</b>	<b>2,047,117</b>	<b>2,474,998</b>	<b>2,474,998</b>
Other Restricted Net Assets for:					
System Improvements	510,000	510,000	510,000	510,000	510,000
Equipment	99,000	144,000	194,000	194,000	194,000
Unrestricted Net Assets for:					
Electric Fund	1,213,846	1,286,704	1,246,829	745,092	964,047
<b>Restricted &amp; Unrestricted Subtotal</b>	<b>1,822,846</b>	<b>1,940,704</b>	<b>1,950,829</b>	<b>1,449,092</b>	<b>1,668,047</b>
<b>Net Assets Totals (Cash &amp; Receivables)</b>	<b>3,412,232</b>	<b>3,987,821</b>	<b>3,997,946</b>	<b>3,924,090</b>	<b>4,143,045</b>
<b>Increase/(Decrease)</b>		<b>575,589</b>	<b>10,125</b>	<b>(73,856)</b>	<b>218,955</b>

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
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%
2010	1,242,193	1,196,684	96.3%	26,566	1,223,250	98.5%	67,923	5.5%

CITY OF LAMPASAS, TEXAS  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS  
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Bonded Debt</u>	<u>Less: Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
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
2010	7,465	318,511,133	5,715,000	149,983	5,565,017	1.75%	745

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
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%
2010	330,000	252,169	582,169	7,071,043	8.23%

CITY OF LAMPASAS, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
AS OF SEPTEMBER 30, 2010  
(Unaudited)

Actual assessed value at January 1, 2010 (100% of estimated market value)	\$ 318,511,133
Debt limit - approximate	25,000,000
Total general obligation bonded debt	5,715,000
Less: interest and sinking fund	<u>149,983</u>
Debt applicable to debt limit	5,565,017
Legal debt margin	<u><u>\$ 19,434,983</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
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%
2010	3,153	391,241	382,018	9,223	2.4%

\* 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		
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
2010	14,266,282	11,641,199	2,625,083	230,000	212,405	442,405	5.93

\* Does not include depreciation expense

OTHER INFORMATION REQUIRED BY GAO



**SINGLETON, CLARK**  
& COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2010, and have issued our report thereon dated February 14, 2011. 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.

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

Singleton, Clark & Company, PC  
Cedar Park, Texas

February 14, 2011



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, 2010. 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, 2010.

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.

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

Singleton, Clark & Company, PC  
Cedar Park, Texas

February 14, 2011

CITY OF LAMPASAS, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**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: Community Development Block Grant Cluster (CFDA#'s 14.255, 14.228).
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*.**

Fiscal Year 2009/2010 - None.

Fiscal Year 2008/2009 – None.

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

Fiscal Year 2009/2010 - None.

Fiscal Year 2008/2009 – None.

CITY OF LAMPASAS, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Contract#	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY				
<u>Passed Through the Texas Department of Public Safety</u>				
Homeland Security Grant		97.067		\$ 28,613
TOTAL DEPARTMENT OF TRANSPORTATION				<u>28,613</u>
DEPARTMENT OF JUSTICE				
Edward Byrne Memorial Justice Assistance Grant Program		16.738		62,244
TOTAL DEPARTMENT OF JUSTICE				<u>62,244</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<u>Passed Through the Texas Department of Rural Affairs</u>				
Community Development Block Grant	728540	14.255	728540	118,673
Community Development Block Grant - Recovery	R-729360	14.255	728540	163,320
Community Development Block Grant - Disaster Relief	727347	14.228	727347	265,898
Total Passed Through the Texas Department of Rural Affairs				<u>547,891</u>
TOTAL DEPT. OF HOUSING AND URBAN DEVELOPMENT				<u>547,891</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 638,748</u></u>

CITY OF LAMPASAS, TEXAS  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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.