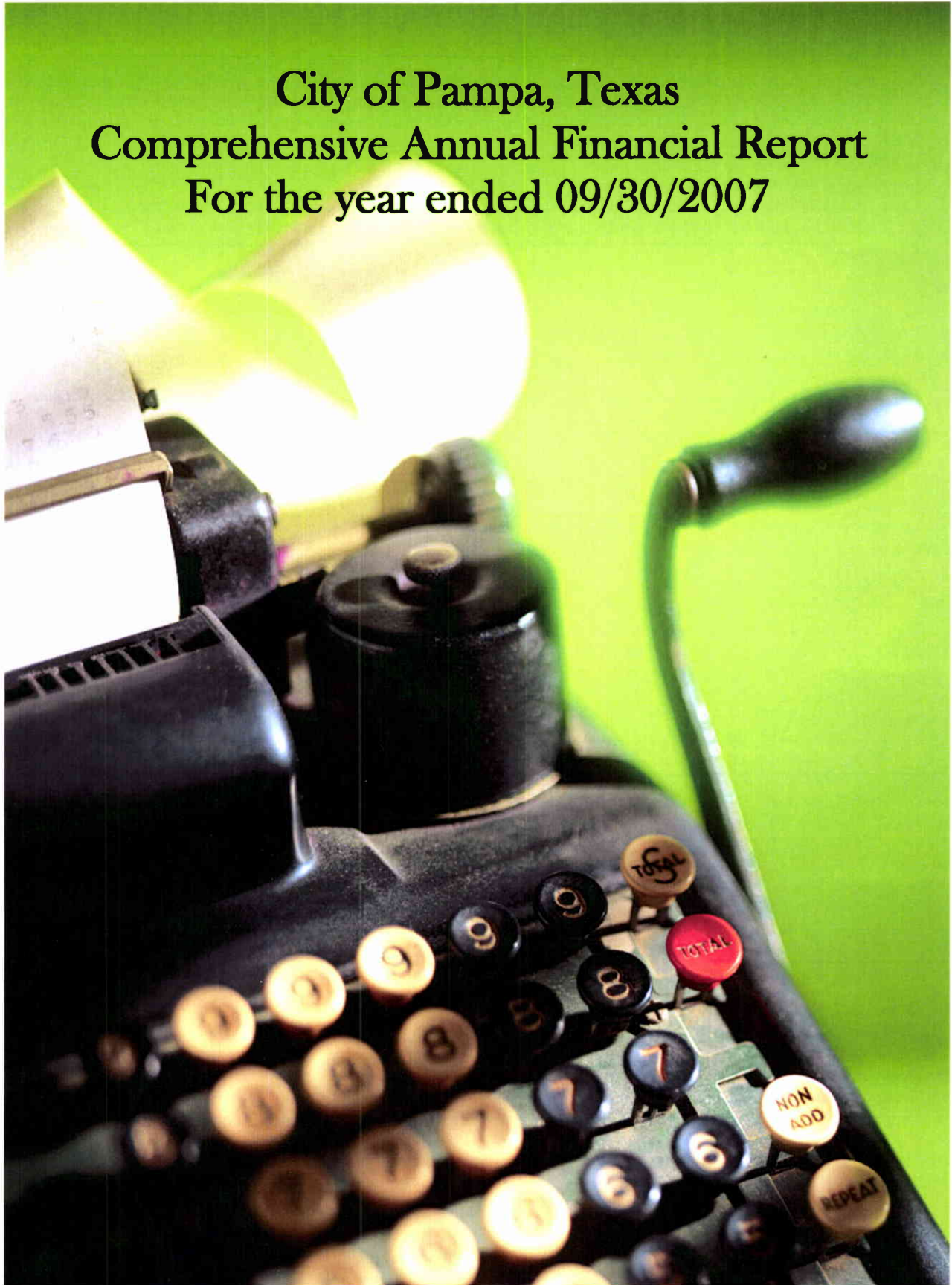


City of Pampa, Texas
Comprehensive Annual Financial Report
For the year ended 09/30/2007



CITY OF PAMPA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

Prepared by
Department of Finance

**CITY OF PAMPA, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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INTRODUCTORY SECTION

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City of Pampa
P. O. Box 2499
Pampa, Texas 79066-2499
www.cityofpampa.org

March 21, 2008

To the Honorable Mayor, City Commission
and Citizens of the City of Pampa:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principals (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Pampa for the fiscal year ended September 30, 2007.

This report consists of management's representations concerning the finances of the City of Pampa. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Pampa has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Pampa's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Pampa's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Pampa's financial statements have been audited by Brown, Graham and Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Pampa for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Pampa's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Pampa's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Pampa charter was approved by the voters in 1927. Located in the Panhandle of Texas in Gray County, the City of Pampa currently occupies a land area of 9 square miles and serves a population of approximately 19,000. The City of Pampa is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Pampa operates under the commission-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four commissioners. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing body, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Commission members serve two-year staggered terms, with two commissioners elected every two years. The mayor is also elected to serve a two-year term. The mayor and the commission members are elected at large.

The City of Pampa provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational activities and cultural events.

The annual budget serves as the foundation for the City of Pampa's financial planning and control. All departments of the City of Pampa are required to submit requests for appropriation to the government's manager. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of Pampa's fiscal year. The appropriated budget is prepared by fund and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 47 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 102.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Pampa operates.

Local economy. The City of Pampa has a diverse industrial base. The industries in the area include oil and gas production, various petroleum-based industries, cattle, and grain production. There are specialized chemical and carbon black plants as well as a carbon black research and development facility. There is also a state prison located one and one-half miles east of the City. The total labor force in Gray County is 11,279. The unemployment rate has decreased from 3.9% in January, 2007 to 3.5% as of March, 2008.

Long-term financial planning. Beginning with the 1986-87 fiscal year, the City instituted a five-year capital improvement and replacement plan as an enhancement of the annual operating budget and has continued the plan in subsequent years. City management has developed and implemented a program of soliciting citizen involvement and participation in formulating such plans, with a primary emphasis on citizen advisory boards.

The plan categorizes projects as (1) replacement, (2) expansion, or (3) unusual capital expenditures (improvements that enhance the quality of life in Pampa and are consistent with the City's goals, but cannot be categorized as essential for the provision of basic services or maintenance of life). Replacement projects are to be financed over the life of the improvement, with the annual debt service funded from current tax revenues. City policy directs that for unusual projects that it look to the ultimate beneficiaries of such projects in order to determine the source of the funding.

Risk management. The City has a self-insured dental insurance program for its employees. This program is accounted for as an internal service fund.

Other risk management activities are administered in the general fund. These activities include administering employee life, health, property and liability insurance, worker's compensation and unemployment and disability insurance programs. The City periodically performs safety inspections and when necessary implements procedural changes to insure a high degree of safety in the workplace. The City is developing new safety training programs in conjunction with the Texas Municipal League and is supporting its employees in employee implemented wellness programs.


The City is a member of the Texas Municipal Retirement System. The City's rate of contribution to the System for the benefit of its employees is computed by actuaries of the System. Unfunded prior service liabilities are being amortized over a period of 25 years.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Pampa for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2006. This was the 20th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

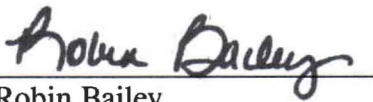
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Pampa's finances.

Respectfully submitted,



John Horst
City Manager



Robin Bailey
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pampa
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



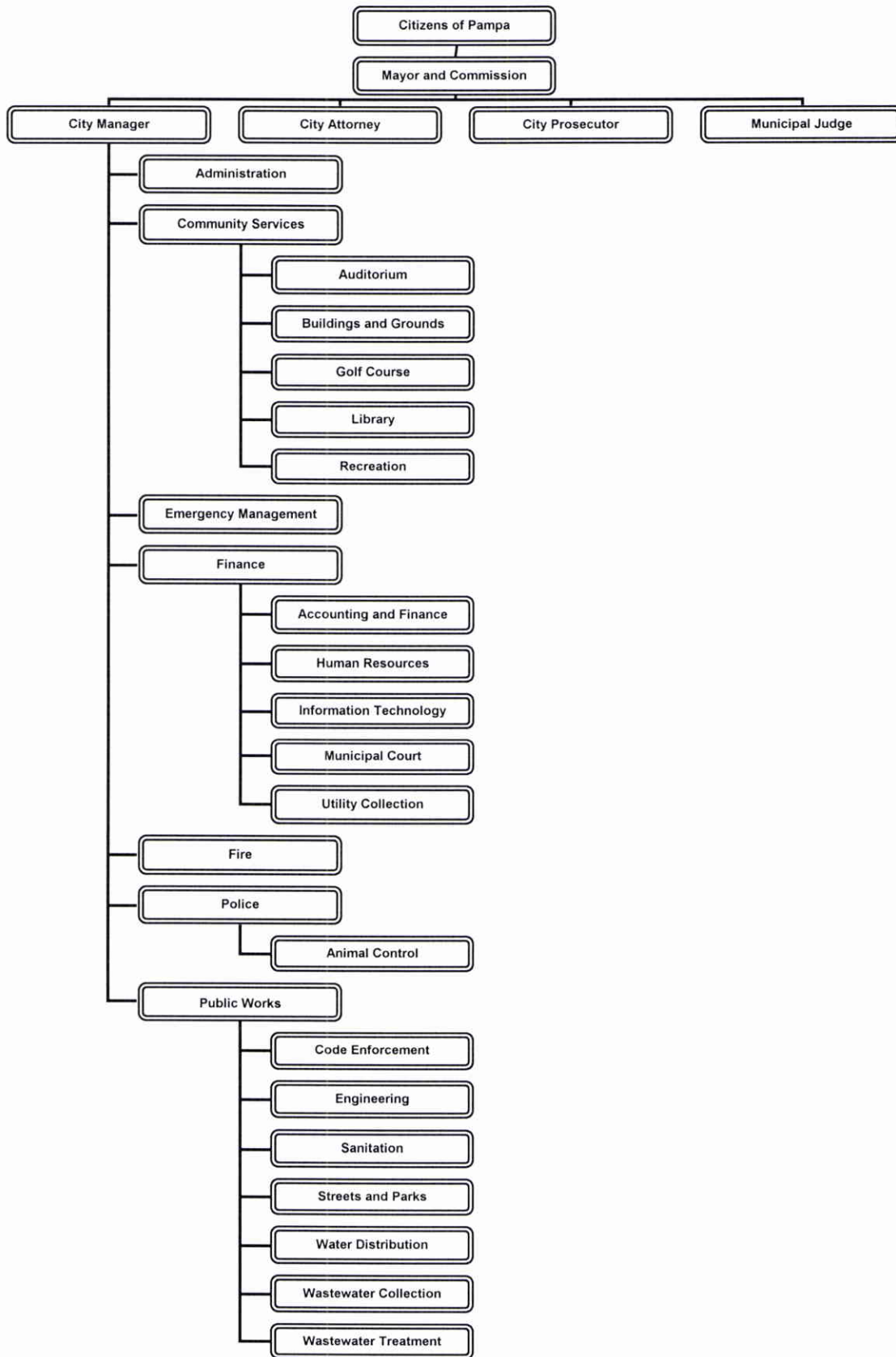
Charles S. Cox

President

Jeffrey R. Emen

Executive Director

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CITY OF PAMPA, TEXAS

LIST OF ELECTED AND APPOINTED OFFICIALS

GOVERNING BODY:

Lonny Robbins	Mayor
Brad Pingel	Commissioner, Ward 1
Bill Allison	Commissioner, Ward 2
Robert Dixon	Commissioner, Ward 3
Neil Fulton	Commissioner, Ward 4

OTHER PRINCIPAL OFFICIALS:

John Horst	City Manager
Karen Price	City Secretary
Robin Bailey	Director of Finance
Trevlyn Pitner	Police Chief
Kim Powell	Fire Chief
Shane Stokes	Director of Community Services
Richard Morris	Director of Public Works
Franklin McDonough	City Attorney
Kurt Kurfman	Municipal Court Judge

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FINANCIAL SECTION

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BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

3232 Hobbs • P.O. Box 9297 • 79105-9297
Amarillo, Texas 79105 • 806-355-8241 • FAX 806-355-6415

Independent Auditor's Report

Honorable Mayor Lonny Robbins and City Commission Pampa, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pampa, Texas (the "City"), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pampa, Texas, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, on our consideration of the City of Pampa, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Honorable Mayor Lonny Robbins and
City Commission

The management's discussion and analysis and schedule of funding progress for the Texas Municipal Retirement System on pages 23 through 31 and page 95 respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pampa, Texas basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brown, Maham + Company, P.C.

Amarillo, Texas
March 21, 2008

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City of Pampa
P. O. Box 2499
Pampa, Texas 79066-2499
www.cityofpampa.org

Management's Discussion and Analysis

As management of the City of Pampa, we offer readers of the City of Pampa's financial statements this narrative overview and analysis of the financial activities of the City of Pampa for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 7 of this report. Comparable totals on changes in net assets and other schedules in the Management's Discussion and Analysis have been presented for the fiscal year ended September 30, 2006 as well.

Financial Highlights

- The assets of the City of Pampa exceeded its liabilities at the close of the most recent fiscal year by \$21,403,272 (*net assets*). Of this amount, \$4,591,845 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Pampa's governmental funds reported combined ending fund balances of \$4,495,283. Approximately 60% of this total amount, \$2,695,252 is *available for spending* at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,085,383 or 20% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pampa's basic financial statements. The City of Pampa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Pampa's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the City of Pampa's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Pampa is improving or deteriorating.

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

Both of the government-wide financial statements distinguished functions of the City of Pampa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Pampa include general government, public safety, streets and traffic, solid waste management, economic development, and culture and recreation. The business-type activities of the City of Pampa include a water and sewer operation, landfill, a municipal golf course, and properties being leased to outside parties.

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

The government-wide financial statements can be found on pages 37-39 of this report.

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

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

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

The City of Pampa maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, all of which are considered to be major funds.

Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 42-47 of this report.

Proprietary funds. The City of Pampa maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Pampa uses enterprise funds to account for its water and sewer system, solid waste management, municipal golf course, and leased properties. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Pampa's various functions. The City of Pampa uses an internal service fund to account for its dental benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statement.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system, the solid waste management, the municipal golf course, and leased properties, all of which are considered to be major funds for the City of Pampa. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 48-50 of this report.

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

The basic fiduciary fund financial statements can be found on pages 51 and 109 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-92 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Pampa's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 95 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 98-112 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pampa, assets exceeded liabilities by \$21,403,272 at the close of the most recent fiscal year.

In comparison with the fiscal year ended September 30, 2006, the current year shows a growth in net assets in both the governmental and business-type activities. Overall net assets increased by \$1,308,819 or 7%. This increase is primarily due to increased sales and property taxes due to new business and population growth and closely controlling expenditures. By far the largest portion of the City of Pampa's net assets (68%) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Pampa uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Pampa's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Pampa's net assets (10%) represents resources subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$4,591,845 may be used to meet the government's ongoing obligations to citizens and creditors. This represents a 3% increase compared to the prior year which is attributable to increased revenues and decreased expenditures.

At the end of the current fiscal year, the City of Pampa is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Pampa's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Pampa's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Pampa. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,085,383, while total fund balance reached \$2,941,966. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20% of total general fund expenditures, while total fund balance represents 29% of that same amount. The 4% decrease in the general fund's liquidity ratios, particularly unreserved fund balance, is attributable to several factors. A major factor is the use of unrestricted funds to purchase equipment and an increased restricted account for equipment replacement, which is primarily for dumpsters.

The debt service fund has a total fund balance of \$585,156, all of which is reserved for the payment of debt service. It increased by \$194,609 due to the 2005 bond issue debt service needs.

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

Unrestricted net assets in the Water and Sewer System Fund at the end of the year amounted to \$1,311,642, those for the Solid Waste Management Fund amounted to (\$307,353), those for the Municipal Golf Course amounted to (\$8,039), and those for the Lease Properties Fund amounted to \$108,247.

Capital Assets and Debt Administration

Capital Assets. The City of Pampa's investment in capital assets for its governmental and business-type activities as of September 30, 2007 amounted to \$31,803,658, net of accumulated depreciation. This excludes the unamortized landfill permit costs of \$632,989. This investment in capital assets includes land, buildings and improvements, vehicles and equipment, park facilities, roads, bridges, and infrastructure assets.

Additional information on the City of Pampa's capital assets may be found on pages 69-71 of the CAFR under Note 6 to the Notes to the Financial Statements.

Long-term Debt. At the end of the current fiscal year, the City of Pampa had total bonded debt outstanding of \$16,586,456. Of this amount, \$4,624,510 comprises debt backed by the full faith and credit of the government. The remainder of the City of Pampa's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Pampa's overall long-term debt decreased by \$1,654,952, as compared to the prior year. Additional information concerning long-term debt is located in Note 8 to the Notes to the Financial Statements, on pages 73-81.

Economic Factors and Next Year's Budgets and Rates

The City of Pampa's unemployment rate, currently 3.5% as of March, 2008, continues to be below both the State and National unemployment rates. This rate, along with the other items discussed above, was considered in preparing the City of Pampa's budget for the 2007-2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Pampa's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Finance Director, P.O. Box 2499, Pampa, Texas, 79066-2499.

CITY OF PAMPA'S NET ASSETS

	Governmental	Business-type	Total
	Activities	Activities	
	2007	2007	2007
Current and other assets	\$ 5,443,570	\$ 5,087,390	\$ 10,530,960
Capital assets	<u>9,763,196</u>	<u>22,040,462</u>	<u>31,803,658</u>
Total assets	<u>15,206,766</u>	<u>27,127,852</u>	<u>42,334,618</u>
Long-term liabilities outstanding	4,677,013	14,618,385	19,295,398
Other liabilities	<u>600,531</u>	<u>1,035,417</u>	<u>1,635,948</u>
Total liabilities	<u>5,277,544</u>	<u>15,653,802</u>	<u>20,931,346</u>
Net assets:			
Invested in capital assets, net of related debt	5,481,656	9,105,903	14,587,559
Restricted	960,218	1,263,650	2,223,868
Unrestricted	<u>3,487,348</u>	<u>1,104,497</u>	<u>4,591,845</u>
Total net assets	\$ <u>9,929,222</u>	\$ <u>11,474,050</u>	\$ <u>21,403,272</u>

	Governmental	Business-type	Total
	Activities	Activities	
	2006	2006	2006
Current and other assets	\$ 5,374,489	\$ 5,519,542	\$ 10,894,031
Capital assets	<u>9,200,823</u>	<u>22,344,166</u>	<u>31,544,989</u>
Total assets	<u>14,575,312</u>	<u>27,863,708</u>	<u>42,439,020</u>
Long-term liabilities outstanding	5,285,464	15,664,885	20,950,349
Other liabilities	<u>451,066</u>	<u>943,152</u>	<u>1,394,218</u>
Total liabilities	<u>5,736,530</u>	<u>16,608,037</u>	<u>22,344,567</u>
Net assets:			
Invested in capital assets, net of related debt	4,290,099	8,279,157	12,569,256
Restricted	761,909	2,300,172	3,062,081
Unrestricted	<u>3,786,774</u>	<u>676,342</u>	<u>4,463,116</u>
Total net assets	\$ <u>8,838,782</u>	\$ <u>11,255,671</u>	\$ <u>20,094,453</u>

**CITY OF PAMPA'S CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)**

	<u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Business-type</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>2007</u>
Land	\$ 210,849	\$ 698,373	\$ 909,222
Water rights	-	4,181,120	4,181,120
Buildings and improvements	4,769,340	11,753,543	16,522,883
Vehicles and equipment	3,128,189	1,710,195	4,838,384
Surface water supply contracts	-	2,932,790	2,932,790
Roads	1,653,403	65,467	1,718,870
Construction in progress	1,415	698,974	700,389
Total	<u>\$ 9,763,196</u>	<u>\$ 22,040,462</u>	<u>\$ 31,803,658</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>
Land	\$ 202,699	\$ 698,372	\$ 901,071
Water rights	-	4,270,534	4,270,534
Buildings and improvements	4,216,117	12,677,913	16,894,030
Vehicles and equipment	2,742,396	1,624,595	4,366,991
Surface water supply contracts	-	2,996,546	2,996,546
Roads	1,562,480	74,441	1,636,921
Construction in progress	477,131	1,765	478,896
Total	<u>\$ 9,200,823</u>	<u>\$ 22,344,166</u>	<u>\$ 31,544,989</u>

**CITY OF PAMPA'S OUTSTANDING DEBT
GENERAL OBLIGATION AND REVENUE BONDS**

	<u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Business-type</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>2007</u>
General obligation bonds	\$ 4,624,510	\$ -	\$ 4,624,510
Revenue bonds	-	5,409,421	5,409,421
Total	<u>\$ 4,624,510</u>	<u>\$ 5,409,421</u>	<u>\$ 10,033,931</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>
General obligation bonds	\$ 5,228,435	\$ -	\$ 5,228,435
Revenue bonds	-	6,060,496	6,060,496
Total	<u>\$ 5,228,435</u>	<u>\$ 6,060,496</u>	<u>\$ 11,288,931</u>

CITY OF PAMPA CHANGES IN NET ASSETS

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
	<u>2007</u>	<u>2007</u>	<u>2007</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,170,894	\$ 6,922,769	\$ 10,093,663
Operating grants	148,947	-	148,947
Capital grants and contributions	81,195	-	81,195
General revenues:			
Property taxes	3,162,567	-	3,162,567
Sales taxes	3,725,658	-	3,725,658
Other taxes	1,448,350	-	1,448,350
Miscellaneous	198,205	350,990	549,195
Total revenues	<u>11,935,816</u>	<u>7,273,759</u>	<u>19,209,575</u>
Expenses:			
General government	1,625,296	-	1,625,296
Public safety	4,613,920	-	4,613,920
Streets and traffic	1,859,807	-	1,859,807
Solid waste management	1,091,092	-	1,091,092
Culture and recreation	1,329,075	-	1,329,075
Interest on long-term debt	156,840	-	156,840
Water and sewer	-	5,341,194	5,341,194
Solid waste management	-	1,364,944	1,364,944
Golf course	-	431,835	431,835
Leased properties	-	86,753	86,753
Total expenses	<u>10,676,030</u>	<u>7,224,726</u>	<u>17,900,756</u>
Change in net assets before transfers	1,259,786	49,033	1,308,819
Transfers	<u>(169,346)</u>	<u>169,346</u>	<u>-</u>
Change in net assets after transfers	1,090,440	218,379	1,308,819
Net assets - 10/1/2006	<u>8,838,782</u>	<u>11,255,671</u>	<u>20,094,453</u>
Net assets - 9/30/07	<u>\$ 9,929,222</u>	<u>\$ 11,474,050</u>	<u>\$ 21,403,272</u>

CITY OF PAMPA CHANGES IN NET ASSETS

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
	<u>2006</u>	<u>2006</u>	<u>2006</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,047,827	\$ 6,900,041	\$ 9,947,868
Operating grants	180,228	-	180,228
Capital grants and contributions	193,500	-	193,500
General revenues:			
Property taxes	2,882,932	-	2,882,932
Sales taxes	3,307,308	-	3,307,308
Other taxes	1,335,485	-	1,335,485
Miscellaneous	<u>162,297</u>	<u>274,178</u>	<u>436,475</u>
Total revenues	<u>11,109,577</u>	<u>7,174,219</u>	<u>18,283,796</u>
Expenses:			
General government	1,613,280	-	1,613,280
Public safety	4,246,117	-	4,246,117
Streets and traffic	2,511,235	-	2,511,235
Solid waste management	909,961	-	909,961
Culture and recreation	1,221,086	-	1,221,086
Interest on long-term debt	181,109	-	181,109
Water and sewer	-	5,355,617	5,355,617
Solid waste management	-	1,256,059	1,256,059
Golf course	-	437,110	437,110
Leased properties	<u>-</u>	<u>71,753</u>	<u>71,753</u>
Total expenses	<u>10,682,788</u>	<u>7,120,539</u>	<u>17,803,327</u>
Change in net assets before transfers	426,789	53,680	480,469
Transfers	(32,797)	32,797	-
Special item - Transfer of assets	<u>1,100,183</u>	<u>-</u>	<u>1,100,183</u>
Change in net assets after transfers	1,494,175	86,477	1,580,652
Net assets - 10/1/2005	7,344,607	13,340,339	20,684,946
Prior period adjustment	<u>-</u>	<u>(2,171,145)</u>	<u>(2,171,145)</u>
Net assets - 9/30/06	<u>\$ 8,838,782</u>	<u>\$ 11,255,671</u>	<u>\$ 20,094,453</u>

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	<u>Primary Government</u>			Component Unit: Pampa Economic Development Corporation
	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets:				
Cash and cash equivalents	\$ 984,802	\$ 928,644	\$ 1,913,446	\$ 311,265
Investments	1,967,000	432,000	2,399,000	875,859
Receivables, net of allowance for uncollectibles	1,157,860	729,096	1,886,956	98,176
Internal balances	43,913	(43,913)	-	-
Inventories	40,864	332,033	372,897	-
Prepaid items	39,004	-	39,004	1,385
Note receivable	41,664	-	41,664	65,247
Restricted assets:				
Temporarily Restricted:				
Cash and cash equivalents	813,300	1,345,272	2,158,572	-
Investments	-	578,000	578,000	-
Accrued interest	5,163	-	5,163	10,068
Receivable - CRMWA	-	153,269	153,269	-
Permanently Restricted:				
Investments	350,000	-	350,000	-
Capital assets, net of accumulated depreciation and amortization:				
Land	210,849	698,373	909,222	-
Water rights	-	4,181,120	4,181,120	-
Buildings and improvements	4,769,340	11,753,543	16,522,883	-
Vehicles and equipment	3,128,189	1,710,195	4,838,384	-
Surface water supply contracts	-	2,932,790	2,932,790	-
Roads	1,653,403	65,467	1,718,870	-
Construction in progress	1,415	698,974	700,389	-
Unamortized landfill permit costs	-	632,989	632,989	-
Total assets	<u>15,206,766</u>	<u>27,127,852</u>	<u>42,334,618</u>	<u>1,362,000</u>
Liabilities:				
Accounts payable	337,289	171,312	508,601	7,197
Accrued expenses	263,242	864,105	1,127,347	-
Non-current liabilities:				
Due within one year	658,552	946,949	1,605,501	-
Due in more than one year	4,018,461	13,671,436	17,689,897	-
Total liabilities	<u>5,277,544</u>	<u>15,653,802</u>	<u>20,931,346</u>	<u>7,197</u>
Net assets:				
Invested in capital assets, net of related debt	5,481,656	9,105,903	14,587,559	-
Restricted for debt service	585,156	1,263,650	1,848,806	-
Restricted for capital projects	16,770	-	16,770	-
Restricted for M.K. Brown Auditorium:				
Expendable	8,292	-	8,292	-
Nonexpendable	350,000	-	350,000	-
Unrestricted net assets	3,487,348	1,104,497	4,591,845	1,354,803
Total net assets	<u>\$ 9,929,222</u>	<u>\$ 11,474,050</u>	<u>\$ 21,403,272</u>	<u>\$ 1,354,803</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PAMPA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,625,296	\$ 868,156	\$ -	\$ -
Public safety	4,613,920	563,027	122,207	74,660
Streets and traffic	1,859,807	-	-	-
Solid waste management	1,091,092	1,626,841	-	-
Culture and recreation	1,329,075	112,870	26,740	6,535
Interest on long-term debt	<u>156,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>10,676,030</u>	<u>3,170,894</u>	<u>148,947</u>	<u>81,195</u>
Business activities:				
Water and sewer system	5,341,194	5,198,529	-	-
Solid waste management	1,364,944	1,406,146	-	-
Golf course	431,835	318,094	-	-
Leased properties	<u>86,753</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business activities	<u>7,224,726</u>	<u>6,922,769</u>	<u>-</u>	<u>-</u>
Total primary government	<u>17,900,756</u>	<u>10,093,663</u>	<u>148,947</u>	<u>81,195</u>
Component Unit:				
PEDC	<u>\$ 68,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes levied for general purposes
Property taxes levied for debt service
Sales taxes
Other taxes
Investment earnings
Miscellaneous revenues
Transfers in (out)

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government			Component Unit: Pampa Economic Development Corporation
Governmental Activities	Business-Type Activities	Total	
\$ (757,140)	\$ -	\$ (757,140)	\$ -
(3,854,026)	-	(3,854,026)	-
(1,859,807)	-	(1,859,807)	-
535,749	-	535,749	-
(1,182,930)	-	(1,182,930)	-
<u>(156,840)</u>	<u>-</u>	<u>(156,840)</u>	<u>-</u>
<u>(7,274,994)</u>	<u>-</u>	<u>(7,274,994)</u>	<u>-</u>
-	(142,665)	(142,665)	-
-	41,202	41,202	-
-	(113,741)	(113,741)	-
<u>-</u>	<u>(86,753)</u>	<u>(86,753)</u>	<u>-</u>
<u>-</u>	<u>(301,957)</u>	<u>(301,957)</u>	<u>-</u>
<u>(7,274,994)</u>	<u>(301,957)</u>	<u>(7,576,951)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,219)</u>
2,287,030	-	2,287,030	-
875,537	-	875,537	-
3,725,658	-	3,725,658	1,241,886
1,448,350	-	1,448,350	-
141,486	152,911	294,397	31,859
56,719	198,079	254,798	-
<u>(169,346)</u>	<u>169,346</u>	<u>-</u>	<u>-</u>
<u>8,365,434</u>	<u>520,336</u>	<u>8,885,770</u>	<u>1,273,745</u>
1,090,440	218,379	1,308,819	1,205,526
<u>8,838,782</u>	<u>11,255,671</u>	<u>20,094,453</u>	<u>149,277</u>
<u>\$ 9,929,222</u>	<u>\$ 11,474,050</u>	<u>\$ 21,403,272</u>	<u>\$ 1,354,803</u>

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FUND FINANCIAL STATEMENTS

CITY OF PAMPA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 408,943	\$ 67,586	\$ 4,716	\$ 491,083	\$ 972,328
Investments	1,486,000	469,000	12,000	-	1,967,000
Interest receivable	8,727	8,476	54	-	17,257
Receivables (net of allowance for uncollectibles)	949,716	81,300	-	109,587	1,140,603
Due from other funds	417	37,022	-	6,474	43,913
Inventories	40,864	-	-	-	40,864
Prepaid items	39,004	-	-	-	39,004
Note receivable	-	-	-	41,664	41,664
Restricted assets:					
Restricted cash	810,171	-	-	3,129	813,300
Restricted accrued interest	-	-	-	5,163	5,163
Restricted investments	-	-	-	350,000	350,000
Total assets	<u>\$ 3,743,842</u>	<u>\$ 663,384</u>	<u>\$ 16,770</u>	<u>\$ 1,007,100</u>	<u>\$ 5,431,096</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 299,110	\$ -	\$ -	\$ 34,339	\$ 333,449
Accrued expenditures	296,020	-	-	9,660	305,680
Deferred revenue	<u>206,746</u>	<u>78,228</u>	<u>-</u>	<u>11,710</u>	<u>296,684</u>
Total liabilities	<u>801,876</u>	<u>78,228</u>	<u>-</u>	<u>55,709</u>	<u>935,813</u>
Fund balances:					
Reserved for:					
Debt service	-	585,156	-	-	585,156
M.K. Brown Auditorium	-	-	-	358,292	358,292
Vehicle replacement	539,230	-	-	-	539,230
1997 bond proceeds	1,848	-	-	-	1,848
Inventories	40,864	-	-	-	40,864
Prepaid items	39,004	-	-	-	39,004
Dumpster replacement	190,481	-	-	-	190,481
Demolition	45,156	-	-	-	45,156
Unreserved, reported in:					
General fund	2,085,383	-	-	-	2,085,383
Capital projects fund	-	-	16,770	-	16,770
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>593,099</u>	<u>593,099</u>
Total fund balances	<u>2,941,966</u>	<u>585,156</u>	<u>16,770</u>	<u>951,391</u>	<u>4,495,283</u>
Total liabilities and fund balances	<u>\$ 3,743,842</u>	<u>\$ 663,384</u>	<u>\$ 16,770</u>	<u>\$ 1,007,100</u>	<u>\$ 5,431,096</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PAMPA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND'S BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Total fund balances - Governmental Funds	\$	4,495,283
<p>The City uses an internal service fund to charge the costs of providing dental benefits to its employees to appropriate functions in other funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets, but not in the Governmental Funds Balance Sheet. The net effect of this consolidation is to increase net assets.</p>		
		8,634
<p>Capital assets used in the 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 \$35,637,346 and the accumulated depreciation was \$26,436,523. 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. At the beginning of the year, the balance of long-term liabilities was \$5,207,801. 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 net assets.</p>		
		3,993,022
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they are reported as increases in capital assets and reductions in long-term debt in the government-wide financial statements. For the year ended September 30, 2007, the amount of capital outlays and debt principal payments were \$1,674,685 and \$630,882 respectively. The net effect of including the 2007 capital outlays and debt principal payments is to increase net assets.</p>		
		2,305,567
<p>The 2007 depreciation expense increased accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(1,075,977)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating inter-fund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications, eliminations, and recognitions is to increase net assets.</p>		
		202,693
Net assets of Governmental Activities	\$	<u>9,929,222</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PAMPA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Property taxes	\$ 2,110,369	\$ 847,521	\$ -	\$ 134,945	\$ 3,092,835
Sales taxes	3,725,658	-	-	-	3,725,658
Other taxes	1,160,485	-	-	287,865	1,448,350
Penalties and interest on taxes	85,434	949	-	4,746	91,129
Licenses and permits	59,120	-	-	-	59,120
Intergovernmental	186,245	-	-	5,000	191,245
Charges for services	2,701,080	-	-	71,403	2,772,483
Fines	370,030	-	-	10,718	380,748
Investment earnings	90,932	30,810	419	19,325	141,486
Contributions and donations	30,436	-	-	8,413	38,849
Other revenue	97,826	-	-	46	97,872
	<u>10,617,615</u>	<u>879,280</u>	<u>419</u>	<u>542,461</u>	<u>12,039,775</u>
Total revenues					
Expenditures:					
Current:					
General government	1,331,432	-	-	9,249	1,340,681
Public safety	4,455,111	-	-	9,851	4,464,962
Streets and traffic	1,503,454	-	-	-	1,503,454
Solid waste management	1,036,806	-	-	-	1,036,806
Culture and recreation	561,206	-	-	593,346	1,154,552
Capital outlay	1,379,430	-	-	295,255	1,674,685
Debt service:					
Principal retirement	26,957	603,925	-	-	630,882
Interest and fiscal charges	4,585	132,368	-	-	136,953
	<u>10,298,981</u>	<u>736,293</u>	<u>-</u>	<u>907,701</u>	<u>11,942,975</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>318,634</u>	<u>142,987</u>	<u>419</u>	<u>(365,240)</u>	<u>96,800</u>
Other financing sources (uses):					
Transfers in	35,150	51,622	-	443,135	529,907
Transfers out	<u>(681,753)</u>	<u>-</u>	<u>-</u>	<u>(17,500)</u>	<u>(699,253)</u>
	<u>(646,603)</u>	<u>51,622</u>	<u>-</u>	<u>425,635</u>	<u>(169,346)</u>
Total other financing sources (uses)					
Net change in fund balances	(327,969)	194,609	419	60,395	(72,546)
Fund balances at beginning of year	<u>3,269,935</u>	<u>390,547</u>	<u>16,351</u>	<u>890,996</u>	<u>4,567,829</u>
Fund balances at end of year	<u>\$ 2,941,966</u>	<u>\$ 585,156</u>	<u>\$ 16,770</u>	<u>\$ 951,391</u>	<u>\$ 4,495,283</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PAMPA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND'S STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

Total net changes in fund balances - Governmental Funds	\$	(72,546)
The City uses an internal service fund to charge the costs of providing dental benefits to its employees to appropriate functions in other funds. The net loss of the internal service fund is reported with governmental activities in the Statement of Activities. The net effect of this consolidation is to increase net assets.		9,494
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increase in capital assets and reductions in long-term debt in the government-wide financial statements. For the year ended September 30, 2007, the amount of capital outlays and debt principal payments were \$1,674,685 and \$630,882 respectively. The net effect of including the 2007 capital outlays and debt principal payments is to increase net assets.		2,305,567
The 2007 depreciation expense increased accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,075,977)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating inter-fund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications, eliminations, and recognitions is to decrease net assets.		(76,098)
Change in net assets of Governmental Activities	\$	<u>1,090,440</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF PAMPA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 2,035,000	\$ 2,035,000	\$ 2,110,369	\$ 75,369
Sales taxes	2,950,000	3,330,000	3,725,658	395,658
Other taxes	958,500	958,500	1,160,485	201,985
Penalties and interest on taxes	45,000	45,000	85,434	40,434
Licenses and permits	34,750	34,750	59,120	24,370
Intergovernmental	79,000	173,860	186,245	12,385
Charges for services	2,593,658	2,593,658	2,701,080	107,422
Fines	318,500	318,500	370,030	51,530
Investment earnings	67,050	67,050	90,932	23,882
Contributions and donations	25,500	25,500	30,436	4,936
Other revenue	<u>17,500</u>	<u>19,300</u>	<u>97,826</u>	<u>78,526</u>
Total revenues	<u>9,124,458</u>	<u>9,601,118</u>	<u>10,617,615</u>	<u>1,016,497</u>
Expenditures:				
Current:				
General government	1,343,603	1,372,727	1,331,432	41,295
Public safety	4,393,518	4,547,549	4,455,111	92,438
Streets and traffic	1,598,318	1,599,318	1,503,454	95,864
Solid waste management	770,980	826,335	1,036,806	(210,471)
Culture and recreation	551,923	554,201	561,206	(7,005)
Capital outlay	1,210,544	1,518,987	1,379,430	139,557
Debt service:				
Principal retirement	24,088	24,088	26,957	(2,869)
Interest and fiscal charges	<u>4,007</u>	<u>4,007</u>	<u>4,585</u>	<u>(578)</u>
Total expenditures	<u>9,896,981</u>	<u>10,447,212</u>	<u>10,298,981</u>	<u>148,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(772,523)</u>	<u>(846,094)</u>	<u>318,634</u>	<u>1,164,728</u>
Other financing sources (uses):				
Transfers in	35,150	35,150	35,150	-
Transfers out	<u>(381,257)</u>	<u>(381,257)</u>	<u>(681,753)</u>	<u>(300,496)</u>
Total other financing sources (uses)	<u>(346,107)</u>	<u>(346,107)</u>	<u>(646,603)</u>	<u>(300,496)</u>
Net change in fund balances	(1,118,630)	(1,192,201)	(327,969)	864,232
Fund balances at beginning of year	<u>3,269,935</u>	<u>3,269,935</u>	<u>3,269,935</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,151,305</u>	<u>\$ 2,077,734</u>	<u>\$ 2,941,966</u>	<u>\$ 864,232</u>

The accompanying notes are an integral part of these financial statements.

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

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water and Sewer System	Solid Waste Management	Municipal Golf Course	Leased Properties	Total Enterprise Funds	Internal Service Fund
Assets:						
Current assets:						
Cash and cash equivalents	\$ 580,401	\$ 237,868	\$ -	\$ 110,375	\$ 928,644	\$ 12,474
Investments	-	432,000	-	-	432,000	-
Restricted assets - current:						
Cash and cash equivalents	1,200,505	144,767	-	-	1,345,272	-
Investments	578,000	-	-	-	578,000	-
Receivable - CRMWA	153,269	-	-	-	153,269	-
Interest receivable - investments	4,782	3,406	-	-	8,188	-
Receivables - net of uncollectible allowance	649,008	67,146	4,754	-	720,908	-
Inventories	332,033	-	-	-	332,033	-
Total current assets	3,497,998	885,187	4,754	110,375	4,498,314	12,474
Non-current assets:						
Note receivable	-	-	-	-	-	-
Capital assets:						
Land	99,734	53,125	545,514	-	698,373	-
Water rights	4,384,700	-	-	-	4,384,700	-
Buildings and improvements	22,258,153	3,815,363	1,166,869	731,965	27,972,350	-
Vehicles and equipment	2,439,947	2,134,932	252,231	-	4,827,110	-
Surface water supply contracts	5,419,278	-	-	-	5,419,278	-
Roads	-	215,295	-	-	215,295	-
Construction in progress	536,809	162,165	-	-	698,974	-
Less: accumulated depreciation and amortization	(17,080,860)	(4,233,572)	(674,829)	(186,357)	(22,175,618)	-
Unamortized landfill permit costs	-	632,989	-	-	632,989	-
Total non-current assets	18,057,761	2,780,297	1,289,785	545,608	22,673,451	-
Total assets	21,555,759	3,665,484	1,294,539	655,983	27,171,765	12,474
Liabilities:						
Current liabilities:						
Accounts payable	133,438	24,026	11,720	2,128	171,312	-
Accrued expenses	26,085	8,488	1,073	-	35,646	-
Claims and judgments payable	-	-	-	-	-	3,840
Due to other funds	38,423	5,490	-	-	43,913	-
Accrued interest payable	444,406	55,200	-	-	499,606	-
Consumer deposits	328,853	-	-	-	328,853	-
Bonds payable - current:						
Revenue bonds and certifications of obligation	383,002	-	-	-	383,002	-
CRMWA obligations	284,199	-	-	-	284,199	-
Capital leases payable - current	15,182	183,101	30,803	-	229,086	-
Compensated absences	44,246	6,416	-	-	50,662	-
Total current liabilities	1,697,834	282,721	43,596	2,128	2,026,279	3,840
Non-current liabilities:						
Revenue bonds and certificates of obligation (net)	4,004,339	1,270,666	-	-	5,275,005	-
CRMWA obligations (net)	6,352,075	-	-	-	6,352,075	-
Capital leases payable	32,319	363,598	15,275	-	411,192	-
Compensated absences	11,058	2,139	-	-	13,197	-
Landfill closure liability	-	1,619,967	-	-	1,619,967	-
Total non-current liabilities	10,399,791	3,256,370	15,275	-	13,671,436	-
Total liabilities	12,097,625	3,539,091	58,871	2,128	15,697,715	3,840
Net assets:						
Invested in capital assets, net of related debt	6,986,645	329,943	1,243,707	545,608	9,105,903	-
Restricted for debt service	1,159,847	103,803	-	-	1,263,650	-
Unrestricted	1,311,642	(307,353)	(8,039)	108,247	1,104,497	8,634
Total net assets	\$ 9,458,134	\$ 126,393	\$ 1,235,668	\$ 653,855	\$ 11,474,050	\$ 8,634

The accompanying notes are an integral part of these financial statements.

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

	<u>Business-type activities - Enterprise Funds</u>				<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer System</u>	<u>Solid Waste Management</u>	<u>Municipal Golf Course</u>	<u>Leased Properties</u>		
Operating revenues:						
Charges for services	\$ 5,198,529	\$ 1,406,146	\$ 318,094	\$ -	\$ 6,922,769	\$ 59,605
Other revenues	<u>133,008</u>	<u>50,350</u>	<u>332</u>	<u>-</u>	<u>183,690</u>	<u>-</u>
Total operating revenues	<u>5,331,537</u>	<u>1,456,496</u>	<u>318,426</u>	<u>-</u>	<u>7,106,459</u>	<u>59,605</u>
Operating expenses:						
Personnel services	922,224	288,616	-	-	1,210,840	-
Contractual services	1,858,090	229,081	255,917	49,066	2,392,154	5,232
Supplies and materials	249,654	180,208	74,295	6,219	510,376	-
Depreciation and amortization	847,922	493,594	63,847	29,049	1,434,412	-
Bad debts	21,270	(550)	6	-	20,726	-
Intercity charges	876,948	46,000	29,300	-	952,248	-
Insurance and claims	<u>10,292</u>	<u>5,360</u>	<u>2,851</u>	<u>2,419</u>	<u>20,922</u>	<u>44,916</u>
Total operating expenses	<u>4,786,400</u>	<u>1,242,309</u>	<u>426,216</u>	<u>86,753</u>	<u>6,541,678</u>	<u>50,148</u>
Operating income (loss)	<u>545,137</u>	<u>214,187</u>	<u>(107,790)</u>	<u>(86,753)</u>	<u>564,781</u>	<u>9,457</u>
Non-operating revenues (expenses):						
Investment earnings	125,332	23,544	3	4,032	152,911	37
Sale of materials and equipment	22,789	-	(8,400)	-	14,389	-
Interest and fiscal charges	<u>(554,794)</u>	<u>(122,635)</u>	<u>(5,619)</u>	<u>-</u>	<u>(683,048)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(406,673)</u>	<u>(99,091)</u>	<u>(14,016)</u>	<u>4,032</u>	<u>(515,748)</u>	<u>37</u>
Income (loss) before transfers	138,464	115,096	(121,806)	(82,721)	49,033	9,494
Transfers in	-	-	129,590	74,906	204,496	-
Transfers out	<u>(35,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,150)</u>	<u>-</u>
Change in net assets	103,314	115,096	7,784	(7,815)	218,379	9,494
Total net assets - beginning of year	<u>9,354,820</u>	<u>11,297</u>	<u>1,227,884</u>	<u>661,670</u>	<u>11,255,671</u>	<u>(860)</u>
Total net assets - end of year	<u>\$ 9,458,134</u>	<u>\$ 126,393</u>	<u>\$ 1,235,668</u>	<u>\$ 653,855</u>	<u>\$ 11,474,050</u>	<u>\$ 8,634</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PAMPA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Business-type Activities - Enterprise Funds					Governmental
	Water and Sewer System	Solid Waste Management	Municipal Golf Course	Leased Properties	Total	Activities Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 5,285,698	\$ 1,455,448	\$ 315,361	\$ -	\$ 7,056,507	\$ -
Receipts from inter-fund services provided	38,423	5,490	-	-	43,913	59,605
Payments to employees	(904,142)	(293,186)	-	-	(1,197,328)	-
Payments to insurance claims	-	-	-	-	-	(46,567)
Payments to suppliers	(2,176,979)	(333,238)	(338,405)	(55,576)	(2,904,198)	(5,232)
Payments for inter-fund services used	<u>(876,948)</u>	<u>(46,000)</u>	<u>(29,300)</u>	<u>-</u>	<u>(952,248)</u>	<u>-</u>
Net cash flows from operating activities	<u>1,366,052</u>	<u>788,514</u>	<u>(52,344)</u>	<u>(55,576)</u>	<u>2,046,646</u>	<u>7,806</u>
Cash flows from non-capital financing activities:						
Transfers from other funds	-	-	129,590	74,906	204,496	-
Transfers to other funds	<u>(35,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,150)</u>	<u>-</u>
Net cash flows from non-capital financing activities	<u>(35,150)</u>	<u>-</u>	<u>129,590</u>	<u>74,906</u>	<u>169,346</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Note payments received	-	-	-	63,732	63,732	-
Acquisition and construction of capital assets	(700,869)	(410,400)	(21,000)	-	(1,132,269)	-
Sale of materials and equipment	22,789	-	-	-	22,789	-
Principal paid on capital debt	(663,686)	(395,463)	(29,522)	-	(1,088,671)	-
Interest paid on capital debt	<u>(518,692)</u>	<u>(165,073)</u>	<u>(6,791)</u>	<u>-</u>	<u>(690,556)</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(1,860,458)</u>	<u>(970,936)</u>	<u>(57,313)</u>	<u>63,732</u>	<u>(2,824,975)</u>	<u>-</u>
Cash flows from investing activities:						
Purchase of investments (net of redemptions of investments)	1,341,000	(302,000)	-	-	1,039,000	-
Interest and dividends received	<u>133,898</u>	<u>22,720</u>	<u>3</u>	<u>4,032</u>	<u>160,653</u>	<u>37</u>
Net cash flows from investing activities	<u>1,474,898</u>	<u>(279,280)</u>	<u>3</u>	<u>4,032</u>	<u>1,199,653</u>	<u>37</u>
Net increase (decrease) in cash and cash equivalents	945,342	(461,702)	19,936	87,094	590,670	7,843
Cash and cash equivalents at beginning of year	<u>835,564</u>	<u>844,337</u>	<u>(19,936)</u>	<u>23,281</u>	<u>1,683,246</u>	<u>4,631</u>
Cash and cash equivalents at end of year	<u>\$ 1,780,906</u>	<u>\$ 382,635</u>	<u>\$ -</u>	<u>\$ 110,375</u>	<u>\$ 2,273,916</u>	<u>\$ 12,474</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$ 545,137	\$ 214,187	\$ (107,790)	\$ (86,753)	\$ 564,781	\$ 9,457
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	847,922	493,594	63,847	29,049	1,434,412	-
Changes in assets & liabilities:						
(Increase) decrease in:						
Receivables	(70,038)	(1,598)	(3,059)	-	(74,695)	-
Inventories	(63,710)	-	-	-	(63,710)	-
Increase (decrease) in:						
Accounts payable	46,432	12,465	2,180	2,128	63,205	(1,651)
Accrued expenses	1,030	(2,522)	(7,522)	-	(9,014)	-
Due to other funds	38,423	5,490	-	-	43,913	-
Consumer deposits	3,804	-	-	-	3,804	-
Compensated absences	17,052	(2,048)	-	-	15,004	-
Landfill closure liability	<u>-</u>	<u>68,946</u>	<u>-</u>	<u>-</u>	<u>68,946</u>	<u>-</u>
Total adjustments	<u>820,915</u>	<u>574,327</u>	<u>55,446</u>	<u>31,177</u>	<u>1,481,865</u>	<u>(1,651)</u>
Net cash provided (used) by operating activities	<u>1,366,052</u>	<u>788,514</u>	<u>(52,344)</u>	<u>(55,576)</u>	<u>2,046,646</u>	<u>7,806</u>
Reconciliation of total cash and cash equivalents:						
Cash and cash equivalents on balance sheet	580,401	237,868	-	110,375	928,644	12,474
Restricted cash and cash equivalents on balance sheet	<u>1,200,505</u>	<u>144,767</u>	<u>-</u>	<u>-</u>	<u>1,345,272</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 1,780,906</u>	<u>\$ 382,635</u>	<u>\$ -</u>	<u>\$ 110,375</u>	<u>\$ 2,273,916</u>	<u>\$ 12,474</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PAMPA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007**

	<u>Agency Fund</u> <u>Municipal Court</u> <u>Bail Bond</u>
Assets:	
Cash and cash equivalents	\$ 710
	<hr/>
Total assets	\$ <u>710</u>
Liabilities:	
Deposits	\$ <u>710</u>
Total liabilities	\$ <u>710</u>

The accompanying notes are an integral part of these financial statements.

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**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Pampa, Texas (the City) operates under a Commission-Manager form of government and provides the following services, as authorized by its charter adopted in 1927: police and fire protection, streets and traffic control, planning and code enforcement and general administrative services. In addition, the City maintains the water and sewer system and a solid waste management operation, the operations of which are accounted for as enterprise funds. The City also operates a municipal golf course which was opened on May 15, 1990 and is accounted for as an enterprise fund, and leases various properties which are also accounted for in an enterprise fund.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The Financial Reporting Entity

The City of Pampa is a municipality governed by an elected five member commission made up of the Mayor and four other commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Pampa (the primary government) and its component units. The components units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the City.

Individual Component Unit Disclosures

Blended component units:

The Economic Development Special Revenue Fund accounts for the remaining activities of a prior Economic Development Corporation (the "Prior EDC") that has ceased operations. Originally established by charter in April, 1993, the Prior EDC had been in operation until voters of the City approved the dissolution of the Prior EDC in November, 2001. The Prior EDC had been governed by a separate board of directors up until March, 2005, when the board of directors voted to approve the final dissolution and to transfer all remaining assets and liabilities to the City. The City is the fiscal agent for the remaining activities of the Prior EDC, which includes maintaining and investing remaining funds, care and upkeep of capital assets previously owned by the Prior EDC, which were transferred to the City during the prior year, and the servicing of a grant payable to a local business as further discussed in Note 10. Once the remaining grant commitment to the local business has been satisfied, all remaining funds will be transferred to other funds within the City. In previous years, the City had reported the activities of the Prior EDC as a discretely presented component unit, but since the City now controls the activities of the Prior EDC, it is now being shown as a blended component unit, specifically reported as a special revenue fund.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

A.Reporting Entity (continued)

Individual Component Unit Disclosures (continued)

Discretely presented component units:

The component unit column in the government-wide financial statements includes the financial data of a new 4B Economic Development Corporation (the "4BEDC") which was established by voters in the City in November, 2005. This new 4BEDC was established for the promotion of business and economic development in and around the City, and is being funded by a ½ cent sales tax also approved by the voters of the City. In December, 2005, the City appointed a separate seven member board of directors that have the responsibility of managing the activities of the 4BEDC. The board of directors adopted a resolution approving the articles of incorporation, and adopted and approved the corporate bylaws of the 4BEDC in February, 2006. The 4BEDC also began its operations during the prior year, and began receiving the ½ cent sales tax which will be used to fund future operations of the 4BEDC. The City is responsible for approving the operating budget of the 4BEDC as adopted by the seven member board of directors. The 4BEDC has elected to not prepare separate financial statements for the year ended September 30, 2007.

Related Organizations

The City Commission is also responsible for appointing one of the five board members of the Gray County Appraisal District and has the ability to suggest changes to the District's budget. The District assesses property valuations for all the taxing entities in Gray County. The City remits a fee to the Gray County Appraisal District for its services. The City has no authority over the District or accountability beyond that mentioned above.

Jointly Governed Organizations

The Canadian River Municipal Water Authority ("CRMWA") is a water district that was created in 1953 by the Texas Legislature to construct a dam, water reservoir and aqueduct system for the purpose of supplying water to surrounding municipalities. Its geographic area includes the surface water in the Texas Panhandle known as Lake Meredith, and the aqueduct system which supplies eleven cities. The affairs of CRMWA are governed by a board of nineteen individual members. The City, as one of the eleven cities, appoints two members. Prior to construction, each city contracted to purchase surface water and was allotted a portion of the water rights together with a proportional amount of the construction costs. On May 15, 1996, the City, along with other members, entered into a contract for the purchase and construction of a conjunctive use ground water supply, as more fully described in notes 8 and 11. Except for these contractual obligations the City has no other responsibility for the liabilities of CRMWA. The City does not appoint a significant portion of the governing board, designate management, nor have the ability to significantly influence operations. A copy of the annual financial statements may be obtained by contacting CRMWA at P.O. Box 9, Sanford, Texas, 79078.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the *primary government* is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Agency funds, unlike all other funds, do not have a measurement focus; rather, agency funds report only assets and liabilities.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

The City reports the following major proprietary funds:

The Water and Sewer System Fund - The Water and Sewer System Fund is used to account for the provision of water and sewer services to residents and commercial enterprises of the City and proximate area. In accordance with the City's accounting policies, the City maintains a number of departments within this fund to account for water and sewer billing and collection, maintenance and operations, extensions and improvements, and consumer deposits, all of which have been consolidated for the financial statement presentation.

The Solid Waste Management Fund - The Solid Waste Management Fund is used to account for the operation of the City's solid waste landfill.

The Municipal Golf Course Fund - The Municipal Golf Course Fund is used to account for the operation of the City's public golf course known as Hidden Hills.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Leased Properties Fund - The Leased Properties Fund is used to account for the activities of various property owned by the City that is being leased to outside parties.

The Dental Benefits Internal Service Fund - The Dental Benefits Fund is used to account for dental benefits provided to the City's employees that are charged to the various departments of the City on a cost reimbursement basis.

Additionally, the City reports the following fund types:

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than the Permanent Fund or Capital Projects Fund) that are legally restricted to specific purposes. The City's Special Revenue Funds are as follows:

Controlled Substances - To account for cash or marketable properties seized during arrests. Under state statutes, such property is allowed to be used for local law enforcement activities related to the particular type of crime.

M.K. Brown Auditorium - To account for revenues derived from a 7% tax levied on gross hotel/motel receipts which may be spent on conventions, convention promotion or convention center facilities. The fund also accounts for transfers from the M.K. Brown Auditorium Permanent Fund to be used for maintenance of and improvements to the auditorium.

Lovett Memorial Library - To account for ad valorem taxes levied for the maintenance and support of the Lovett Memorial Library.

Economic Development - To account for the activities of the prior Economic Development Corporation, which is a blended component unit discussed previously in Note 1.

Permanent Fund - The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the M.K. Brown Auditorium.

Agency Fund - The City has one Agency Fund, the Municipal Court Bail Bond Fund, which is used to account for bail bonds received from various individuals, with the City acting only in a fiduciary capacity for these funds being held.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow subsequent private-sector guidance.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets

As provided by state law, the City follows these procedures in establishing the annual budgetary data reflected in the financial statements:

At least 30 days prior to the time when the City Commission makes its tax levy for the upcoming fiscal year beginning October 1, the City Manager, as budget officer, files a proposed operating budget, including proposed expenditures and the means of financing them. Such budget is available for the inspection of any taxpayer and public hearings are conducted no less than 15 days subsequent to the time of filing. The City Commission has authority to make such changes in the budget as it deems warranted. Prior to October 1, the budget is legally enacted through passage of an ordinance.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Budgets (continued)

The City's Executive Budget, Annual Operating Budget and Program of Services, are prepared annually for all governmental funds on a detailed account level (line-item) basis. However, the legal level of budgetary control is directed at total expenditures at the individual fund level. The account level basis of the annual Executive Budget is intended purely as a management planning and control device. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures on an individual fund basis require the City Commission's approval. Although not legally required by state or local law, the City adopts budgets for all proprietary funds to aid management in planning and internal control. The budget-to-actual comparisons in the combined financial statements are presented on a function level basis to provide information concerning the City's performance as it relates to the Executive Budget.

The City uses a flow of current financial resources method to budget for governmental funds and a flow of economic resources method to budget for proprietary funds. Governmental fund budgets are substantially on a basis consistent with GAAP. Proprietary fund budgets are not on a basis consistent with GAAP in that depreciation expense is not budgeted and capital asset purchases and debt principal payments are shown as expenses in the budget. The budgeted amounts reflected in the financial statements are as last amended by the City Commission. Appropriations lapse at year-end.

E. Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are a common budgetary control device, used in conjunction with a formally integrated budget to insure that appropriations are not exceeded. Encumbrance accounting has not been employed in the financial records of the City.

F. Cash and Investments

As permitted by State statute and City ordinance, required reserves and funds held pending expenditures are invested in obligations of the U.S. Treasury as well as in certificates of deposit, savings accounts, insured money market accounts and/or NOW Accounts in the official City depository.

The City maintains a cash pool that is used to transact a substantial majority of cash transactions for all funds. Interest income earned by the cash pool is allocated monthly to funds based on relative balances (of positive accounts only) at month end.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

F. Cash and Investments (continued)

For purposes of the statement of cash flows for proprietary and similar trust funds, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at cost which approximates fair value.

G. Receivables

Management provides an allowance for uncollectible receivables based on an estimate of the amounts that will ultimately be uncollectible.

H. Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet until such time as cash is transferred in payment of these accounts.

I. Inventories

Inventories of materials and supplies are maintained in the General Fund and are managed by the central stores department of the General Fund. The Water and Sewer System maintains an inventory of pipeline and related stores. These inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when requisitioned by the various funds and departments of the City (the consumption method).

J. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Deposits from consumers which are to be applied to customer accounts that become uncollectible or otherwise refunded upon termination of utility service are also classified as restricted assets. Other cash funds which have been designated for a particular use are also classified as restricted assets.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Building improvements	10-50
Public domain infrastructure	20
System infrastructure	30-80
Vehicles and small equipment	5-30
Furniture and fixtures	7
Surface water supply contract	85

L. Compensated Absences

The City provides annual vacation leave of two to five weeks (depending upon years of service). Employees accumulate up to forty-five days of vacation which will be paid upon termination or retirement. Vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Employees are provided twelve days of sick leave per year. Sick leave accumulates up to ninety days, and is paid out at termination only upon qualified retirement. Sick pay is accrued in the government-wide, governmental, proprietary, and fiduciary funds only when a liability is matured, i.e. for those employees who have reached retirement age.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized bond issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

O. Grants to Businesses

Grants to businesses are recognized as an expense when the Prior EDC makes a grant to a business that is, in substance, unconditional. Additionally, grants are considered unconditional if the chances of not meeting the specified conditions are remote.

Grants that are for reimbursement of expenses are not recorded by the Prior EDC as an expense until the recipient actually incurs a reimbursable expense.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 2. STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY:

Other Individual Fund Disclosures

The following funds had an excess of expenses/expenditures over appropriations (exclusive of depreciation) for the year ended September 30, 2007:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures Excluding Depreciation</u>	<u>Excess of Actual Expenditures Over Budgeted Expenditures</u>
Enterprise Funds:			
Leased Properties	42,200	57,705	15,505
Special Revenue:			
Controlled Substances	-	9,851	9,851
M.K. Brown Auditorium	255,664	469,043	213,379

The Leased Properties Fund had higher utility and maintenance costs than what had been anticipated during the budget process.

The Controlled Substances Special Revenue Fund was not budgeted because expenditures were not anticipated for the year.

The M.K. Brown Auditorium Fund had more capital outlays for the year than what the City anticipated.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 3. DEPOSITS AND INVESTMENTS:

Legal and Contractual Provisions Governing Deposits and Investments

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.

Throughout the year, as permitted by State statute and the City Charter, required reserves and funds held pending expenditures were invested in either certificates of deposit or a Federal Home Loan Bank bond. At September 30, 2007 all of the City's investments, as shown below, are reflected at cost, which approximates fair value.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, and to meet the reporting requirements of the Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, the City has disclosed the following information:

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has adopted the following in response to interest rate risk:

- Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell investments on the open market prior to maturity.
- Investing operating funds primarily in shorter-term investments.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 3. DEPOSITS AND INVESTMENTS (continued):

Policies Governing Deposits and Investments (continued)

Credit risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has adopted the following in response to mitigate its credit risk:

Limiting investments to the safest types of investments. The City's investment policy allows the following types of investments:

- U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations.
- Certificates of deposit.
- Savings and Loan Association deposits.
- Investment-grade obligations of State, Provincial, and Local Governments and Public Authorities.
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of domestic securities.
- Statewide investment pools.

Concentration of credit risk - This is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has adopted the following in response to its concentration of credit risk:

- Investment will be diversified by security type and institution, unless the investment is fully collateralized.
- To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than 5 years from the date of purchase. The maximum average weighted maturity of the composite portfolio shall not exceed one year.
- Reserve funds may be invested in investments exceeding 5 years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Custodial credit risk - deposits - This is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. The City has a policy of requiring that all deposits are collateralized by either the Federal Deposit Insurance Corporation (the "FDIC") or by pledged securities that are in the name of the City.

Custodial credit risk - investments - For an investment, 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 is in the possession of an outside party. The City has adopted the following policies to address this risk:

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 3. DEPOSITS AND INVESTMENTS (continued):

Policies Governing Deposits and Investments (continued)

- Financial institutions must be approved by the City to sell investments to the City. The City has requirements that address minimum capital requirements as well as a minimum number of years the institution must have been in operation.
- Financial institutions who desire to become a qualified bidder for the City must supply information to the City as required in the City's investment policies.
- An annual review of all qualified bidders must be conducted by the Director of Finance of the City.
- All trades of investments, where applicable, will be executed by delivery vs. payment, which will help to ensure that securities are deposited in the eligible financial institution prior to the release of funds.
- Investments will be held by a third party custodian as evidence by safekeeping receipts.

Foreign currency risk - This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City is not exposed to foreign currency risk, as the City's investment policy prohibits the investment in foreign investments.

Investments Held

At September 30, 2007, the carrying amounts of the City's investments are shown below. The City did not invest in any other types of investments other than those shown below for the year ended September 30, 2007.

<u>Primary Government</u>	<u>Credit Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of Deposit	N/A	\$ <u>2,977,000</u>	\$ <u>2,977,000</u>
Federal Home Loan Bank bond Matures May, 2009	Moody's Aaa	\$ <u>350,000</u>	\$ <u>349,125</u>

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 4. RECEIVABLES:

Receivables as of year end for the government's individual major funds and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities:	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise Funds</u>	<u>M.K. Brown Permanent Fund</u>	<u>Total</u>
Receivables:							
Property taxes	\$ 329,504	\$ 22,032	\$ 150,262	\$ -	\$ -	\$ -	\$ 501,798
Other taxes	476,129	95,877	-	-	-	-	572,006
Accounts	200,956	2,000	-	-	727,737	-	930,693
Grants from federal, state, and local sources	99,857	-	-	-	-	-	99,857
Interest	8,727	-	8,476	54	8,188	5,163	30,608
CRMWA	-	-	-	-	153,269	-	153,269
Note receivable	-	41,664	-	-	-	-	41,664
Total Receivables	1,115,173	161,573	158,738	54	889,194	5,163	2,329,895
Less Allowance for uncollectibles	<u>156,730</u>	<u>10,322</u>	<u>68,962</u>	<u>-</u>	<u>6,829</u>	<u>-</u>	<u>242,843</u>
Total Net Receivables	\$ <u>958,443</u>	\$ <u>151,251</u>	\$ <u>89,776</u>	\$ <u>54</u>	\$ <u>882,365</u>	\$ <u>5,163</u>	\$ <u>2,087,052</u>

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 and become delinquent after January 31. The taxes accrue interest beginning February 1. Current year property taxes are collected from the levy date October 1 through June 30, at which time the taxes are classified as delinquent and assessed penalties beginning July 1. The delinquent taxes receivable account represents past years uncollected tax levies. The allowance for estimated uncollectible amounts is 46.85% of the total delinquent taxes receivable at September 30, 2007. The City contracts with Gray County to perform the collection of its property taxes. The City's cost of this contract is accounted for in the general fund as a contractual service.

According to Article V, Section I of the City Charter, the maximum tax levy is \$2.50 per \$100 of assessed valuation; any in excess of \$1.50 is limited to debt service. The combined tax rate of the 2006 tax roll for the 2006-2007 fiscal year was \$.6950 per \$100 of assessed valuation, of which \$.473271 was designated to finance general governmental services, \$.191729 was designated for debt service and \$.03 was for the maintenance and support of the Lovett Memorial Library. The resulting tax levy was \$3,100,752 on an assessed value of \$446,150,936 (after exemptions).

Notes receivable at September 30, 2007 consisted of loans made by the Prior EDC and the 4BEDC to various enterprises to enhance economic development for Pampa, Texas. The loans are further discussed in Note 19.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 5. RESTRICTED ASSETS, LIABILITIES AND RESERVES:

The Water and Sewer System Fund maintains the following separate accounts including accrued interest payable for revenue bond debt service and CRMWA debt service, unused revenue bond proceeds and consumer utility deposits:

	Assets	Liabilities	Balances
Revenue bond debt service	\$ 469,287	\$ 379,759	\$ 89,528
CRMWA debt service	153,269	63,315	89,954
Construction and capital acquisition	980,365	-	980,365
Water and sewer utility deposits	328,853	328,853	-
	\$ 1,931,774	\$ 771,927	\$ 1,159,847

The Water and Sewer System Fund construction and capital acquisition account relates to unexpended funds from three separate debt issues. \$1,480 relates to the 1999 Certificates of Obligation, \$9,518 relates to the 2001 Certificates of Obligation, and the remaining \$969,367 in the construction and capital acquisition account relates to the 2005 Certificates of Obligation. The 1999 issue is for the renovation of the waste water treatment plant and the painting of the elevated water storage tanks; the 2001 issue is for the renovation of the water treatment plant, and the 2005 issue is for improvements to the water and sewer system and for the purchase of machinery and equipment.

The CRMWA debt service account relates to cash transferred to CRMWA on a monthly basis and held by CRMWA until payment is due on the City's portion of the CRMWA debt.

The water consumer utility deposits from customers are applied to customer accounts that become uncollectible or are refunded upon termination of utility services.

The Solid Waste Management Fund maintains the following separate accounts including accrued interest payable for Certificates of Obligation debt service and unused certificate proceeds:

	Assets	Liabilities	Balances
Certificates of obligation			
debt service	\$ 15,315	\$ 40,964	\$ (25,649)
Construction and capital acquisition	129,452	-	129,452
	\$ 144,767	\$ 40,964	\$ 103,803

The net balances of these accounts of \$103,803 have been restricted in the net assets of the Solid Waste Management Fund. The construction and capital acquisition account relates to unexpended funds from the 1997 Certificates of Obligation issue.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 5. RESTRICTED ASSETS, LIABILITIES AND RESERVES (continued):

The City has a reserved fund balance in the general fund of \$856,583 relating to prepaid costs of \$39,004, inventory of \$40,864, and cash set aside by the City for specific projects of \$776,715. The City has a reserved fund balance of \$358,292 in the M. K. Brown Permanent Trust Fund because its use is restricted to providing future maintenance for the auditorium.

NOTE 6. CAPITAL ASSETS:

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

Primary Government:

Governmental activities:	Balance Oct 1, 2006	Additions	Sales, Retirements, and Transfers	Balance Sept. 30, 2007
Capital assets, not being depreciation	\$	\$	\$	\$
Land	202,699	8,150	-	210,849
Construction in progress	477,131	-	475,716	1,415
Total capital assets, not being depreciated	<u>679,830</u>	<u>8,150</u>	<u>475,716</u>	<u>212,264</u>
Capital assets being depreciated:				
Roads	17,907,624	403,133	-	18,310,757
Buildings and improvements	8,301,286	803,353	73,422	9,031,217
Vehicles and equipment	8,748,606	937,178	539,679	9,146,105
Total capital assets, being depreciated	<u>34,957,516</u>	<u>2,143,664</u>	<u>613,101</u>	<u>36,488,079</u>
Less accumulated depreciation for:				
Roads	16,345,145	312,209	-	16,657,354
Buildings and improvements	4,085,169	242,788	66,080	4,261,877
Vehicles and equipment	6,006,209	520,980	509,273	6,017,916
Total accumulated depreciation	<u>26,436,523</u>	<u>1,075,977</u>	<u>575,353</u>	<u>26,937,147</u>
Total capital assets, being depreciated, net	<u>8,520,993</u>	<u>1,067,687</u>	<u>37,748</u>	<u>9,550,932</u>
Total Governmental Activities capital assets, net	<u>\$ 9,200,823</u>	<u>\$ 1,075,837</u>	<u>\$ 513,464</u>	<u>\$ 9,763,196</u>

Construction in progress in the governmental activities consists of costs incurred related to park improvements.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 6. CAPITAL ASSETS (continued):

Business-type activities:	Balance		Sales,		Balance
	Oct 1, 2006	Additions	Retirements,	Adjustments	Sept. 30, 2007
			& Transfers		
Capital assets, not being depreciation					
Land	\$ 698,372	\$ 1	\$ -	\$ -	\$ 698,373
Construction in progress	1,765	697,209	-	-	698,974
Total capital assets, not being depreciated	<u>700,137</u>	<u>697,210</u>	<u>-</u>	<u>-</u>	<u>1,397,347</u>
Capital assets being depreciated:					
Roads	215,295	-	-	-	215,295
Buildings and improvements	27,892,160	80,190	-	-	27,972,350
Vehicles and equipment	4,777,620	354,867	305,377	-	4,827,110
Water rights	4,384,700	-	-	-	4,384,700
Surface water supply contracts	5,419,278	-	-	-	5,419,278
Total capital assets, being depreciated	<u>42,689,053</u>	<u>435,057</u>	<u>305,377</u>	<u>-</u>	<u>42,818,733</u>
Less accumulated depreciation for:					
Roads	140,854	8,974	-	-	149,828
Buildings and improvements	15,214,247	1,004,560	-	-	16,218,807
Vehicles and equipment	3,153,025	260,867	296,977	-	3,116,915
Water rights	114,166	89,414	-	-	203,580
Surface water supply contracts	2,422,732	63,756	-	-	2,486,488
Total accumulated depreciation	<u>21,045,024</u>	<u>1,427,571</u>	<u>296,977</u>	<u>-</u>	<u>22,175,618</u>
Total capital assets, being depreciated, net	<u>21,644,029</u>	<u>(992,514)</u>	<u>8,400</u>	<u>-</u>	<u>20,643,115</u>
Total Business-type Activities capital assets, net	<u>\$ 22,344,166</u>	<u>\$ (295,304)</u>	<u>\$ 8,400</u>	<u>\$ -</u>	<u>\$ 22,040,462</u>

Construction in progress in the business-type activities consists of costs incurred related to improvements of the City's water and sewer system and landfill that were not complete as of 9/30/07.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 6. CAPITAL ASSETS (continued):

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

Governmental activities:

General government	\$ 310,514
Public safety	146,231
Streets and traffic	347,080
Solid waste management	54,917
Culture and recreation	<u>217,235</u>

Total depreciation expense - governmental activities \$ 1,075,977

Business activities:

Water and sewer	\$ 847,922
Solid waste management	486,753
Municipal golf course	63,847
Lease properties	<u>29,049</u>

Total depreciation expense - business-type activities \$ 1,427,571

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 7. LEASE OBLIGATIONS:

Capital Leases

The City has leased certain equipment under non-cancellable capital leases. The following summarizes the City's obligations under capital leases:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Water & Sewer System</u>	<u>Solid Waste Management</u>	<u>Municipal Golf Course</u>
2008	\$ 31,480	\$ 17,192	\$ 206,052	\$ 32,645
2009	31,480	17,192	202,332	12,644
2010	<u>20,293</u>	<u>17,192</u>	<u>183,718</u>	<u>3,161</u>
Total	83,253	51,576	592,102	48,450
Less: Amount representing interest at 3.72% to 5.2%	<u>5,863</u>	<u>4,075</u>	<u>45,403</u>	<u>2,372</u>
Present Value of Lease Payments	<u>\$ 77,390</u>	<u>\$ 47,501</u>	<u>\$ 546,699</u>	<u>\$ 46,078</u>

The following summarizes the assets acquired under capital leases:

Cost of equipment	\$ 125,246	\$ 76,682	\$ 913,443	\$ 155,461
Accumulated depreciation	<u>36,225</u>	<u>25,561</u>	<u>243,198</u>	<u>76,227</u>
Net leased equipment	<u>\$ 89,021</u>	<u>\$ 51,121</u>	<u>\$ 670,245</u>	<u>\$ 79,234</u>

Operating Leases

The City is obligated under certain leases for office equipment which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the assets being leased under the lease agreements are not reflected in the City's capital assets. The minimum lease payments under non-cancelable operating leases are:

<u>Year Ending September 30,</u>	<u>General Fund</u>
2008	\$ 12,600
2009	<u>6,300</u>
	<u>\$ 18,900</u>

Rental expenditures under all operating leases for the City have been recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$13,534.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 8. LONG-TERM DEBT:

General Obligation Bonds, Certificates of Obligation, and Revenue Bonds:

General Obligation Bonds and Certificates of Obligation are direct obligations and pledged by the full faith and credit of the City, and the principal thereof and interest thereon are typically payable from the proceeds of a continuing, direct annual ad valorem tax levied upon all taxable property within the City. Revenue Bonds also constitute direct obligations of the City, and are typically payable from an annual ad valorem tax levied against all taxable property in the City, and are secured by lien on and pledge of the surplus net revenues derived from the operation and ownership of the City's Waterworks and Sewer System or are secured by lien on and pledge of the surplus net revenues derived from the operation and ownership of the City's Solid Waste Collection and Disposal System, both of which are after payment of operation and maintenance expenses of these systems.

In January, 1997, the City issued \$4,315,000 of Tax and Solid Waste Surplus Revenue Certificates of Obligation, Series 1997, (the "1997 Obligations"), that were used for a new sanitary landfill, closing of an existing landfill site, purchasing equipment for various purposes, and for making renovations and improvements to various City assets. Proceeds from the 1997 Certificates were allocated between the General Fund, Water and Sewer Fund, and the Solid Waste Management Fund in the amounts of \$1,000,000, \$260,000, and \$3,055,000 respectively. The 1997 Obligations were paid in full during the year.

In December, 1999, the City issued \$2,470,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 1999, (the "1999 Obligations"), that were used for improvements to the City's Waterworks and Sewer System. Up until the year ended September, 2004, the City serviced these 1999 Obligations from the surplus revenues of the Waterworks and Sewer System. During the year ended September 30, 2004, the City began servicing these 1999 Obligations from annual ad valorem taxes assessed on all of the taxable property within the City. To more properly account for the retirement of the remaining balance of these 1999 Obligations, the City transferred the outstanding balance of the 1999 Obligations out of the Water and Sewer Fund.

In October, 2001, the City issued \$2,848,931 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2001, (the "2001 Obligations"), that were used for improvements and renovations to the City's Waterworks and Sewer System and to improve and renovate portions of the City's streets. Proceeds from the 2001 Obligations were allocated between the General Fund and the Water and Sewer Fund in the amounts of \$400,000 and \$2,448,931 respectively.

In October 2001, the City also issued \$2,775,000 of General Obligation Refunding Bond Series 2001, (the "2001 Refunding Bonds") that were used by the City to provide funds for the discharge and final payment of \$2,640,000 of the City's General Obligation Bonds, Series 1992, (the "1992 Bonds"). Cash and securities sufficient to fund the 1992 Bonds were transferred into an irrevocable trust, and therefore, an in-substance defeasance of these obligations occurred. Accordingly, the 1992 Bonds are no longer reflected in the City's financial statements. The 1992 Bonds have subsequently been paid by the fiscal agent and no longer remain outstanding.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 8. LONG-TERM DEBT (continued):

General Obligation Bonds, Certificates of Obligation, and Revenue Bonds (continued):

In October, 2002, the City issued \$1,955,000 of Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, Series 2002, (the "2002 Refunding Bonds") that were used by the City to provide funds for the payment of \$2,335,000 of the City's Waterworks and Sewer System Revenue Refunding Bonds, Series 1992, (the "1992 Refunding Bonds"). Cash and securities sufficient to fund the 2003 through 2010 maturities of the 1992 Refunding Bonds were transferred into an irrevocable trust, and therefore, an in-substance defeasance of these bonds occurred. Accordingly, the 1992 Refunding Bonds are no longer reflected in the City's financial statements. The 1992 Bonds have subsequently been paid by the fiscal agent and no longer remain outstanding.

In October, 2005, the City issued \$2,180,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2005, (the "2005 Obligations"), that were used for improvements and renovations to the City's Waterworks and Sewer System, to purchase machinery and equipment for the water and sewer, street and public safety departments, and to add improvements to the M.K. Brown auditorium. Proceeds from the 2005 Obligations were allocated between the General Fund, the M.K. Brown Special Revenue Fund and the Water and Sewer Fund in the amounts of \$150,000, \$300,000 and \$1,730,000 respectively.

In October 2005, the City also issued \$3,280,000 of Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds, (the "2005 Refunding Bonds") that were used by the City to provide funds for the discharge and final payment of \$1,560,000 of the City's Tax and Solid Waste Revenue Certificates of Obligation, Series 1997, and \$1,625,000 of the City's Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 1999. Cash and securities sufficient to fund the 1997 Obligations and the 1999 Obligations were transferred into an irrevocable trust, and therefore, an in-substance defeasance of these obligations occurred. Accordingly, the portion of the 1997 Obligations and the 1999 Obligations refunded are no longer reflected in the City's financial statements. The 1997 Obligations have subsequently been paid by the fiscal agent and no longer remain outstanding.

The 2005 Refunding Bonds bear interest at rates ranging from 3.5% to 4.0% payable on June 1 and December 1 of each year. The 1997 Obligations being refunded were the 2008 through the 2017 maturities, with interest rates ranging from 5.0% to 5.5%. The 1999 Obligations being refunded were the 2011 through the 2020 maturities, with interest rates ranging from 5.2% to 5.7%. As a result of the advance refunding, the City reduced its total general obligation debt service requirements by \$8,784, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$144,695, which was recognized in the prior year.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 8. LONG-TERM DEBT (continued):

General Obligation Bonds, Certificates of Obligation, and Revenue Bonds (continued):

Governmental Activities general obligation bonds and certificates of obligation outstanding at year end that are currently being serviced with tax revenues are as follows:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
1999 certificates of obligation, callable at par beginning June 1, 2010	5.50% - 7.00%	2010	\$ 340,000
2001 general obligation refunding, callable at par beginning June 1, 2011	3.50% - 4.00%	2012	1,525,000
2001 certificates of obligation, callable at par beginning June 1, 2011	3.50% - 4.00%	2011	238,560
2005 certificates of obligation, not subject to redemption prior to maturity	3.50% - 4.00%	2016	450,000
2005 revenue refunding bonds, callable at par beginning June 1, 2016	3.50% - 4.00%	2016	2,070,950
			<u>\$ 4,624,510</u>

Interest is payable semi-annually at various dates for the respective issues. The City is required by the bond covenants to maintain a sinking fund sufficient to pay each annual installment of principal as it becomes due together with the current interest thereon. Annual debt service requirements to maturity for Governmental Activities general obligation debt are as follows:

<u>Fiscal year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 526,998	\$ 107,689	\$ 634,687
2009	535,618	87,304	622,922
2010	440,480	62,550	503,030
2011	383,512	105,869	489,381
2012	398,212	90,847	489,059
2013 - 2017	1,154,690	278,151	1,432,841
2018 - 2022	<u>1,185,000</u>	<u>97,900</u>	<u>1,282,900</u>
	<u>\$ 4,624,510</u>	<u>\$ 830,310</u>	<u>\$ 5,454,820</u>

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 8. LONG-TERM DEBT (continued):

General Obligation Bonds, Certificates of Obligation, and Revenue Bonds (continued):

Business-Type Activities revenue bonds and certificates of obligation outstanding at year end that are currently being serviced with surplus net revenues from the City's Waterworks and Sewer System or the City's Solid Waste Collection and Disposition System are as follows:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
2001 certificates of obligation, callable at par beginning June 1, 2011	3.50% - 4.00%	2015	\$ 2,285,371
2002 revenue refunding bonds not subject to redemption prior to maturity	3.00%	2008	185,000
2005 certificates of obligation, not subject to redemption prior to maturity	3.50% - 4.00%	2016	1,730,000
2005 revenue refunding bonds, callable at par beginning June 1, 2016	3.50% - 4.00%	2016	1,209,050
			<u>\$ 5,409,421</u>

Interest is payable semi-annually at various dates for the respective issues. The Business-Type Activities revenue bonds and certificate of obligations currently being serviced by net surplus revenues service requirements to maturity are as follows:

<u>Fiscal year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 383,002	\$ 271,556	\$ 654,558
2009	409,378	254,721	664,099
2010	544,518	241,993	786,511
2011	621,486	158,329	779,815
2012	436,608	344,230	780,838
2013 - 2017	<u>3,014,429</u>	<u>1,064,044</u>	<u>4,078,473</u>
	<u>\$ 5,409,421</u>	<u>\$ 2,334,873</u>	<u>\$ 7,744,294</u>

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 8. LONG-TERM DEBT (continued):

Canadian River Municipal Water Authority Obligations:

Dam and Aqueduct System Obligation. The City entered into a contract with CRMWA to reimburse it for a portion of the cost of the Canadian River Dam and Aqueduct System, completed in 1968, in exchange for surface water rights. The City's allocation of the project cost was \$5,419,278 plus interest at 2.632% per annum, which was being paid over a period of 50 years that began in 1969. On October 29, 1999, CRMWA was allowed to prepay its debt to the United States Bureau of Reclamation at a reduced amount by an act of Congress. This resulted in a reduction of the City's debt to CRMWA of \$1,461,084 which was recorded as contributed capital in previous years in the water and sewer fund. The balance owed to CRMWA on the new contract at September 30, 2007, excluding interest, was \$1,222,780. The terms of the contract specify that these payments are to be made solely out of the water system revenues and are not a general obligation of the City. For further explanation of this relationship, see Note 11.

Conjunctive Use Groundwater Project Obligation. The City entered into a contract with CRMWA to reimburse it for a portion of the cost of acquiring water rights on 42,765 acres of land in Hutchinson and Roberts counties in the Texas Panhandle, developing a well field of 29 wells to produce underground water from these water rights, and constructing an aqueduct from these wells to the existing aqueduct. This project will allow for the blending of underground water with Lake Meredith water to produce a higher quality water supply.

In 1999 CRMWA issued debt to refund the 1996 debt that was used to purchase water rights and to provide funding for the completions of the conjunctive use groundwater project. The City is obligated to CRMWA for their portion of the project. The original portion of the 1999 debt that the City is obligated for was \$2,353,354. During the year ended September 30, 2005, a portion of this debt was refunded by the issuance of new debt, as described below. The balance of this obligation at September 30, 2007 is \$449,286. This is a twenty-year debt with interest at 3.8% to 5.75%. The terms of the contract specify that these payments are to be made solely out of the water system revenues and are not a general obligation of the City.

During the year ended September 30, 2005, CRMWA issued new debt, the Canadian River Municipal Water Authority Contract Revenue Bonds, Series 2005 for the purpose of acquiring additional water rights for its member cities. Each of the member cities has a proportional interest in the debt, with the City's portion of the debt issuance being \$1,725,438, which is 5.720% of the total. The bonds were issued at a premium, with the City's portion being \$116,869, which along with issuance costs of \$22,136, are being amortized by the City over the life of the bonds using the effective interest method. The balance of the bonds as of September 30, 2007 was \$1,725,438.

Also during the year ended September 30, 2005, CRMWA issued the Canadian River Municipal Water Authority Contract Revenue Refunding Bonds, Series 2005, (the "2005 Refunding Bonds") to refund a portion of the 2010 through 2020 maturities of the Canadian River Municipal Water Authority Contract Revenue and Refunding Bonds, Series 1999, (the "1999 Refunding Bonds"), in order to achieve debt service savings and to pay costs related to the issuance of the bonds. The 2005 Refunding Bonds bear interest at a rate of 3% to 5%, payable beginning in 2006 through 2020. The City's portion of the 2005

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 8. LONG-TERM DEBT (continued):

Canadian River Municipal Water Authority Obligations (continued):

Refunding Bonds was 4.455%, which amounted to \$1,258,983. The bonds were issued at a premium of \$99,701 to the City, which along with issuance costs of \$17,121 are being amortized over the life of the bonds using the effective interest method. The City's portion of the amount contributed by CRMWA to advance refund the debt was \$24,503. The net difference in the carrying amount of the refunded debt and the newly issued debt was a loss of \$115,594, which is also being amortized over the life of the bonds using the effective interest method. Cash and securities sufficient to fund the 1999 Refunding Bonds have been transferred into an irrevocable trust, and therefore, an in-substance defeasance of these obligations has occurred. Accordingly, the 1999 Refunding Bonds that were advance refunded are no longer reflected on the City's financial statements. This advance refunding resulted in a reduction of future debt service payments to the City of \$84,305, and resulted in an economic gain of \$67,083. The balance of the 2005 refunding bonds as of September 30, 2007 was \$1,255,419.

During the year ended September 30, 2006, CRMWA issued new debt, the Canadian River Municipal Water Authority Contract Revenue Bonds, Series 2006 (the "2006 Revenue Bonds") for the purpose of acquiring additional water rights for its member cities. Each of the member cities has a proportional interest in the debt, with the City's portion of the debt issuance being \$1,804,488, which is 3.677% of the total. The bonds were issued at a premium, with the City's portion being \$68,316, which along with issuance costs of \$34,303, are being amortized by the City over the life of the bonds using the effective interest method. The balance of the 2006 Revenue Bonds as of September 30, 2007 was \$1,804,488.

Lake Meredith Salinity Control Project. The City entered into a contract with CRMWA to reimburse it for a portion of the cost of a salinity control project for Lake Meredith water. The City's original portion of this project is \$275,758 plus interest at 3.20% to 4.40% per annum. This debt is payable over a 10 year period. The balance of this obligation at September 30, 2007 is \$95,114. The terms of the contract specify that these payments are to be made solely out of the water system revenues and are not a general obligation of the City. For further explanation of this relationship, see Note 11.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 8. LONG-TERM DEBT (continued):

Canadian River Municipal Water Authority Obligations (continued):

The following is a summary of the Business-Type Activities CRMWA long term debt maturities:

Fiscal year ending September 30	Principal	Interest	Total
2008	\$ 284,199	\$ 318,546	\$ 602,745
2009	296,988	305,628	602,616
2010	310,669	291,931	602,600
2011	289,874	278,792	568,666
2012	303,199	265,429	568,628
2013 - 2017	1,771,842	1,090,178	2,862,020
2018 - 2022	1,754,362	623,791	2,378,153
2023 - 2027	<u>1,541,392</u>	<u>151,881</u>	<u>1,693,273</u>
	<u>\$ 6,552,525</u>	<u>\$ 3,326,176</u>	<u>\$ 9,878,701</u>

As discussed above as CRMWA issues Revenue Bonds in its name for the various stages of the project each member city will be obligated to CRMWA for their portion of the bond. This obligation will be payable over a 20 year life plus interest. At September 30, 2007, the estimated additional cost to the City is \$0 based on current available data.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 8. LONG-TERM DEBT (continued):

Long-term liability activity for the year ended September 30, 2007 was as follows:

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2007</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 5,228,435	\$ -	\$ 603,925	\$ 4,624,510	\$ 526,998
Add: Unamortized bond premiums	100,016	-	-	100,016	-
Less: Deferred gain (loss) on refunding	(439,394)	-	-	(439,394)	-
Less: Unamortized bond issuance costs	(82,680)	-	(1,698)	(80,982)	-
Capital leases	104,347	-	26,957	77,390	28,233
Compensated absences	<u>374,740</u>	<u>395,473</u>	<u>374,740</u>	<u>395,473</u>	<u>103,321</u>
Total governmental activities long-term liabilities	<u>\$ 5,285,464</u>	<u>\$ 395,473</u>	<u>\$ 1,003,924</u>	<u>\$ 4,677,013</u>	<u>\$ 658,552</u>
Business type activities:					
Bonds payable:					
Revenue bonds and Certificates of obligation	\$ 6,060,496	\$ -	\$ 651,075	\$ 5,409,421	\$ 383,002
CRMWA obligations	6,770,570	-	218,045	6,552,525	284,199
Add: Unamortized bond premiums	437,932	-	45,650	392,282	-
Less: Deferred gain (loss) on refunding	149,140	-	24,490	124,650	-
Less: Unamortized bond issuance costs	<u>(212,958)</u>	<u>-</u>	<u>(28,361)</u>	<u>(184,597)</u>	<u>-</u>
Total bonds payable	13,205,180	-	910,899	12,294,281	667,201
Landfill closure liability	1,551,021	68,946	-	1,619,967	-
Capital leases	859,829	-	219,551	640,278	229,086
Compensated absences	<u>48,856</u>	<u>63,859</u>	<u>48,856</u>	<u>63,859</u>	<u>50,662</u>
Total business-type activities long-term liabilities	<u>\$ 15,664,886</u>	<u>\$ 132,805</u>	<u>\$ 1,179,306</u>	<u>\$ 14,618,385</u>	<u>\$ 946,949</u>

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 8. LONG-TERM DEBT (continued):

In prior years, compensated absences have been typically liquidated by the General Fund for governmental activities and by the Proprietary Fund in which the liability has been incurred for all business activities. The City does not anticipate any changes in the future for liquidation of these types of liabilities from how they have been liquidated in the past.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances as of September 30, 2007, is as follows:

Receivable Fund	Payable Fund		
	Water and Sewer	Solid Waste	Total
General Fund	\$ 417	\$ -	\$ 417
M.K. Brown Auditorium	6,474	-	6,474
Debt Service	<u>31,532</u>	<u>5,490</u>	<u>37,022</u>
	<u>\$ 38,423</u>	<u>\$ 5,490</u>	<u>\$ 43,913</u>

Outstanding balances between funds result mainly from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Inter-fund transfers:

	General	Debt Service	M.K. Brown Auditorium	Lovett Library	Municipal Golf Course	Leased Properties	M.K. Brown Auditorium Permanent Fund	Total
Governmental activities:								
Transfers out:								
General fund	\$ -	\$ 51,622	\$ 135,840	\$ 284,721	\$ 129,590	\$ 74,906	\$ 5,074	\$ 681,753
M.K. Brown Auditorium Permanent fund	-	-	17,500	-	-	-	-	17,500
Water and Sewer fund	<u>35,150</u>	-	-	-	-	-	-	<u>35,150</u>
Total	<u>\$ 35,150</u>	<u>\$ 51,622</u>	<u>\$ 153,340</u>	<u>\$ 284,721</u>	<u>\$ 129,590</u>	<u>\$ 74,906</u>	<u>\$ 5,074</u>	<u>\$ 734,403</u>

Inter-fund transfers were done in order to supplement the operations of the Lovett Memorial Library, M.K. Brown Auditorium, the Municipal Golf Course, and Leased Properties; to transfer funds in order to fund debt service payments; and to transfer funds to clear out inter-fund receivables and payables between various funds.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 10. COMMITMENTS AND CONTINGENCIES:

At September 30, 2007, the Prior PEDC had the following commitments and contingencies:

On July 6, 2000 the Prior EDC approved a grant based on employment for a business that relocated to Pampa, Texas. The grant is for an eight year period beginning January 1, 2001. Prior EDC is to make quarterly payments to the business of \$10,000 per quarter for the first forty employees and an additional \$250 per quarter per employee for the next ten employees and an additional \$125 per quarter per employee for employees over the first fifty. During the year ended September 30, 2007, the business receiving the grant did not meet the minimum employment requirements of the grant; consequently, no grant payments were made to the business during the year. In addition, the City does not expect the business to meet the minimum employment requirements for the remainder of the grant period. As a result, the anticipated grant payments for the remainder of the grant are zero.

At September 30, 2007, the 4BEDC had the following commitments and contingencies:

On March 5, 2007, the 4BEDC approved a grant based on employment for a business that relocated to Pampa, Texas. The grant is for a three year period beginning October 1, 2006 through September 30, 2009. The maximum amount of the grant has been set at \$141,000. For the initial six month period of the grant, the 4BEDC is to make a grant payment based upon eligible hours worked by the business's employees. The formula used is total eligible employee hours divided by a factor of 1,040 hours multiplied by \$3,000. For each subsequent six month period, the 4BEDC is to make a grant payment to the business using a formula of total eligible employee hours for the six month period ended in excess of the highest number of eligible employee hours during any prior reporting period divided by 1,040 hours multiplied by \$3,000. For any subsequent six month period after the initial six month period, if the number of eligible employee hours does not exceed the highest number of eligible hours for any previous reporting period, no grant payment is due. To date, the business has only employed contract employees, which are not allowable under the grant agreement. Management of the 4BEDC believes the likelihood of the business using the grant is remote unless the business hires employees that are eligible under the terms of the grant.

On August 10, 2007, the 4BEDC entered into a loan agreement with a limited partnership whereby the 4BEDC will loan the limited partnership funds to be used to help finance the construction of 76 single-family rental units in the City. Under the terms of the agreement, the 4BEDC has agreed to loan up to \$525,000 for a term of two years at an interest rate of 4.5%. The loan proceeds will be advanced to the limited partnership upon certification by the Gray County Appraisal District that at least 80% of the proposed improvements upon the property have been completed. The limited partnership has an option to extend the term of the loan agreement for an additional six month period upon notice to the 4BEDC. The loan agreement will be secured by a Deed of Trust on the property to be constructed. As of September 30, 2007, no funds had been advanced to the limited partnership, as construction on the facilities was still in process. Management of the 4BEDC has been notified by the management of the limited partnership that the loan funds will probably not be utilized.

CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 10. COMMITMENTS AND CONTINGENCIES (continued):

During the year ended September 30, 2007, the 4BEDC approved a \$9,000 grant to be paid to the City for 5 entrance signs to be placed at various locations in the City. As of September 30, 2007, no disbursements had been made under this grant, as construction of the signs was still pending. It is anticipated the funds will be disbursed to the City in February, 2008.

NOTE 11. SURFACE WATER SUPPLY CONTRACT:

The City's water is supplied by a series of underground wells and surface water purchased from CRMWA. As discussed in Note 1, CRMWA is a water district created in 1953 by the State of Texas to construct and operate a dam, water reservoir, and aqueduct system to supply water to surrounding municipalities. Prior to construction, the municipalities contracted to purchase surface water and were allotted a portion of the water rights and construction costs. The debt related to these rights is owed to the U.S. Bureau of Reclamation and the City's share is reported as long-term debt within the Water and Sewer System enterprise fund. According to the terms of the contract, payments are to be made solely out of water system revenues and are not a general obligation of the City. The City's rights under this arrangement are recorded in the same fund as part of the utility plant and are being amortized over 85 years, which is the estimated useful life of the major facilities, including the water basin. The City sells part of its rights under the contract to other member cities, as allowed under the contract, and records the revenue in the water and sewer system fund.

NOTE 12. EMPLOYEE RETIREMENT SYSTEM:

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 municipalities currently administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by contacting TMRS at Post Office Box 149153, Austin, Texas 78714-9153.

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 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 employees' accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 12. EMPLOYEE RETIREMENT SYSTEM (continued):

Plan Description (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Members can retire at ages 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City.

Contributions

Under the State law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2006 valuation is effective for rates beginning January, 2008).

The City's fiscal year payroll and contribution information:

Fiscal year	<u>9/30/07</u>	<u>9/30/06</u>	<u>9/30/05</u>
Total payroll	\$ <u>5,229,614</u>	\$ <u>4,960,739</u>	\$ <u>4,604,369</u>
Covered payroll	\$ <u>5,056,611</u>	\$ <u>4,801,105</u>	\$ <u>4,417,778</u>
Employees contributions (5%)	\$ <u>252,831</u>	\$ <u>240,055</u>	\$ <u>220,889</u>
City's contributions	\$ <u>712,738</u>	\$ <u>685,522</u>	\$ <u>652,221</u>

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 12. EMPLOYEE RETIREMENT SYSTEM (continued):

Contributions (continued)

	<u>Calendar Year 2006</u>	<u>Calendar Year 2005</u>	<u>Calendar Year 2004</u>
Actuarial determined contribution rates:			
Percentage to cover normal costs of the plan	5.98%	6.19%	6.46%
Percentage to cover the amortization of any unfunded actuarial liability	<u>8.25%</u>	<u>8.22%</u>	<u>7.83%</u>
Total contribution rate	<u><u>14.23%</u></u>	<u><u>14.41%</u></u>	<u><u>14.29%</u></u>

Schedule of Actuarial Liabilities and Funding Progress:

Actuarial valuation date	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/04</u>
Actuarial value of assets	\$ <u>8,572,667</u>	\$ <u>8,850,675</u>	\$ <u>9,521,192</u>
Actuarial accrued liability	\$ <u>15,389,182</u>	\$ <u>15,222,288</u>	\$ <u>15,618,041</u>
Percentage funded	<u>55.71%</u>	<u>58.14%</u>	<u>60.96%</u>
Unfunded (over-funded) actuarial accrued liability (UAAL)	\$ <u>6,816,515</u>	\$ <u>6,371,613</u>	\$ <u>6,096,849</u>
Annual covered payroll	\$ <u>4,756,521</u>	\$ <u>4,450,556</u>	\$ <u>4,058,618</u>
UAAL as a percentage of covered payroll	<u>143.31%</u>	<u>143.16%</u>	<u>150.22%</u>
Net pension obligation (NPO) at beginning of period	\$ -	\$ -	\$ -
Annual pension cost:			
Annual required contribution (ARC)	712,738	685,522	652,221
Interest on NPO	-	-	-
Adjustment to the ARC	<u>-</u>	<u>-</u>	<u>-</u>
Contributions made	<u>712,738</u>	<u>685,522</u>	<u>652,221</u>
Increase in NPO	<u>-</u>	<u>-</u>	<u>-</u>
NPO at the end of the period	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 12. EMPLOYEE RETIREMENT SYSTEM (continued):

Contributions (continued)

Actuarial Assumptions

	<u>Calendar Year 2006</u>	<u>Calendar Year 2005</u>	<u>Calendar Year 2004</u>
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level Percent	Level Percent	Level Percent
Remaining amortization period	25 years - open	25 years - open	25 years - open
Asset valuation method	Amortized	Amortized	Amortized
Investment rate of return	7%	7%	7%
Projected salary increases	None	None	None
Includes inflation at	3.5%	3.5%	None
Cost-of-living adjustments	None	None	None

NOTE 13. PRIOR YEAR DEFEASANCE OF DEBT:

In prior years, the City defeased certain general obligation bonds by purchasing government securities with proceeds from the new bonds and placing them in an irrevocable trust to provide all future debt service payments on the old bond issue together with legal, escrow and paying agent fees. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

As of September 30, 2007, the amount of general obligation defeased debt outstanding but removed from the City's financial statements amounted to \$1,625,000, which was the 1999 Obligations. It is anticipated that the 1999 Obligations will be redeemed on June 1, 2010.

NOTE 14. OTHER POSTEMPLOYMENT BENEFIT DISCLOSURES:

In addition to the pension benefits described in Note 12, the City provides post-employment health care benefits, in accordance with the City's Health Benefits Plan, to all employees who retire at age 55 or older with a minimum 15 years of service or to an employee who retires at any age and has had a minimum of 25 years of service. As of September 30, 2007, 26 retirees meet those eligibility requirements. The City is also required to provide health insurance coverage to employees who are separated from service (other than retirement) under the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under COBRA an employee has coverage on himself and dependents for up to eighteen months and dependents only that lose coverage due to separation of employee from service up to thirty-six months. Those employees who separate from the City while disabled are covered for up to twenty-nine months under the COBRA provisions. As of September 30, 2007, one former employee was covered under the COBRA provisions.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 14. OTHER POSTEMPLOYMENT BENEFIT DISCLOSURES (continued):

The City finances the post-employment health care benefits on a pay-as-you-go basis. Participants who receive post-employment benefits are required to pay 100% of the premiums for themselves and dependent coverage based on rates set by the City. To help ease the burden of providing these benefits to retirees, the City has adopted a policy where retirees eligible for Medicare are provided a Medicare supplement insurance policy in place of the previous coverage. The costs of these benefits for the fiscal year are:

	<u>Expenditures</u>	<u>Retiree Reimbursements</u>	<u>Net Cost to City</u>
Retirees	\$ <u>71,778</u>	\$ <u>42,098</u>	\$ <u>29,680</u>

NOTE 15. RISK MANAGEMENT:

The City's risk management activities consist of administering employee life, health, property and liability insurance, worker's compensation and unemployment and disability insurance programs. All risk management activities are managed by the general fund except the City's self-insured dental insurance program, which is accounted for in an internal service fund.

All risk management programs of the general fund with inherent risk of significant loss are covered by commercial insurance funded through general fund operations. There have not been any settlements in excess of commercial insurance coverage for the current fiscal year or in any of the past three fiscal years.

On October 1, 1993, the City converted workers' compensation exposure from self-insured back to fully insured. Exposure to prior claims under the self-insured program has been significantly reduced in the current year and prior years.

Beginning October 1, 2004, the City began contracting with Blue Cross Blue Shield to provide health insurance benefits for its employees. Under the terms of the contract, the City's liability is limited to the monthly premiums for its employees. For employees electing the standard plan option, the City pays 100% of the employee's premium. For employees choosing the health insurance plan with increased benefits, the employee is liable for the difference between the higher plan and the standard plan. Employees must also pay 100% of the premiums for dependent coverage.

Prior to August 1, 1996, the City self-insured its employees, and their covered dependents for health benefits.

The City self-insures its employees and their covered dependents for dental benefits under an "administrative services" contract with an independent insurance company. Dental benefits are fully self-insured with a \$1,000 per year, per individual limit on benefits.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 15. RISK MANAGEMENT (continued):

Premiums paid by employees and the City for dental coverage are recorded as revenues (charges for services) in the internal service fund. Benefit disbursements and claims are recorded as expenses. The City records an estimated claims liability for dental claims and workers' compensation claims against the City. The accrued liability for estimated claims is based on estimates of the eventual loss on claims arising and reported prior to year end, and an estimate of claims incurred but not reported based on historical experience.

In previous years the City had recorded liabilities for anticipated claims resulting from its self-insured worker's compensation plan that is no longer in existence. During 2004, the City's management determined these estimated liabilities are no longer owed by the City. Consequently, these liabilities were written off in prior years.

Unpaid claims liabilities are recorded in the general fund for worker's compensation claims and in the dental benefit internal service fund for dental care claims. The following represents the changes in estimated aggregate liabilities for the City from October 1, 2005 to September 30, 2007:

	<u>Dental Benefits</u>
Liability balance, October 1, 2005	\$ 2,000
Claims and changes in estimates	58,039
Claims payments	<u>(54,548)</u>
Liability balance, September 30, 2006	5,491
Claims and changes in estimates	45,517
Claims payments	<u>(47,168)</u>
Liability balance, September 30, 2007	\$ <u><u>3,840</u></u>

NOTE 16. DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City funds all amounts of compensation deferred under the Plan, at the direction of the covered employee, through various types of funds concentrating on investments in growth stocks, bonds, fixed rate securities, etc. as underwritten by the International City Manager Association (ICMA) Retirement Corporation, or by Hartford.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 16. DEFERRED COMPENSATION PLAN (continued):

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by ICMA or Hartford for the exclusive benefit of the participating employees and are not accessible by the City or its creditors.

Since the assets are held in trust for the exclusive benefit of the participating employees and not the City or its general creditors, none of the assets are reported in the City's financial statements, in accordance with GASB Statement No. 32.

NOTE 17. LANDFILL PERMIT:

The City was approved for additional permitting for the City's landfill with the State of Texas on December 29, 1995. The additional permitting should increase capacity of the City's landfill to a level which will meet the needs of the City well into the 21st century. The City has incurred costs to date to obtain the permit of \$690,786. On October 8, 1998 the new landfill opened and the City began to amortize the costs as a charge to operations based on an estimate of capacity used to total capacity of the new landfill. The estimated usage to date is 8.3669%, resulting in \$57,797 of permit costs being amortized through September 30, 2007.

NOTE 18. LANDFILL CLOSURE AND POSTCLOSURE CARE COST AND RELATED FINANCIAL ASSURANCE:

In response to criteria adopted by the U.S. Environmental Protection Agency which established closure requirements for all municipal solid waste landfills that receive solid waste after October 9, 1993, the Governmental Accounting Standards Board has issued Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs." New state and federal laws and regulations require the City to place a final cover on its existing landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the new GASB Statement 18 requires the City to report a portion of these closure and post-closure care costs as an operating expense in each period the landfill is open based on landfill capacity used as of each balance sheet date.

The City has estimated the total current closure and post-closure care costs of the old landfill to be \$1,417,494 and has accrued this amount of closure and post-closure care costs as of September 30, 2007 based on an estimated 100 percent cumulative use of the landfill. These amounts are based on what it would cost to perform all closure and post-closure care in 2007. The City expects to close the landfill in the near future. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has estimated the total closure and post-closure care costs of the new landfill to be \$2,419,931. As of September 30, 2007, the City has estimated that 8.3669% of the landfill capacity has been used. Accordingly, a landfill closure liability in the amount of \$202,473 has been recorded.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 18. LANDFILL CLOSURE AND POSTCLOSURE CARE COST AND RELATED FINANCIAL ASSURANCE (continued):

The City is required by state and federal laws and regulations to meet certain financial responsibility requirements in connection with the City's exposure to liability for the closure and post-closure care costs.

The City has elected to meet financial assurance responsibility by complying with one option called the Local Government Financial Test and Government Guarantee. To meet this test the City must satisfy three components:

- 1) To meet specific ratio or bond rating criteria.
- 2) Public notice of the financial assurance costs.
- 3) Record keeping and reporting requirements.

The City has met the financial component (1) listed above by maintaining an "A" bond rating on its general obligation bonds and having a ratio of current estimated closure and post-closure costs as compared to total revenue of less than or equal to .43. The financial assurance costs required by the State of Texas to be identified and reported in the accompanying financial statements have been obtained by Emcon, Inc. of Fort Worth, Texas (environmental engineers) and can be summarized as follows:

Type of Expenditure	Cost Estimate		
	Old Landfill	New Landfill	Total
Closure costs	\$ 804,526	\$ 390,637	\$ 1,195,163
Post-closure care costs	612,968	2,029,294	2,642,262
	\$ 1,417,494	\$ 2,419,931	\$ 3,837,425

The City's financial ratio is as follows:

Total closure and post-closure costs	3,837,425	=	0.1987
Total City revenue	19,313,534		

The public notice component (2) listed above has been met by the City through disclosure in this footnote of the required financial assurance costs and related information. The record keeping and reporting component (3) listed above will be met through submittal to the State of Texas of required documentation including:

- 1) A letter signed by the City's chief financial officer which certifies that the City has met the conditions of the test.
- 2) Copy of the City's independently audited year-end financial statements.
- 3) A special report from the independent certified public accountant.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 19. NOTES RECEIVABLE:

In November, 1997, the Prior EDC had entered into a loan agreement with an individual to loan the individual a sum of \$100,000, payable in monthly installments of principal with interest at 5%. In August, 1998, the loan was extended, with principal and interest at 5% being payable in monthly installments of \$755. As of September 30, 2007, the outstanding balance of the loan was \$41,664. Based upon the terms of the note, the loan is expected to be repaid to the Prior EDC as follows:

Fiscal year ending September 30	Principal	Interest	Total
2008	\$ 7,142	\$ 1,921	\$ 9,063
2009	7,508	1,555	9,063
2010	7,892	1,171	9,063
2011	8,296	767	9,063
2012	8,720	343	9,063
2013	2,106	14	2,120
	<u>\$ 41,664</u>	<u>\$ 5,771</u>	<u>\$ 47,435</u>

On May 1, 2007, the 4BEDC entered into a loan agreement with a limited liability company (the "LLC"). Under the terms of the note agreement, the 4BEDC has loaned the LLC \$75,000 at an interest rate of 9.25%. Payments on the note began on June 1, 2007, and are to be paid monthly in the amount of \$2,988 until September 30, 2009 at which time the entire amount of principal and accrued, unpaid interest are due. As of September 30, 2007, the unpaid principal portion of the note was \$65,247. Based upon the terms of the note, the loan is expected to be repaid to the 4BEDC as follows:

Fiscal year ending September 30	Principal	Interest	Total
2008	\$ 31,121	\$ 4,738	\$ 35,859
2009	34,126	1,734	35,860
	<u>\$ 65,247</u>	<u>\$ 6,472</u>	<u>\$ 71,719</u>

NOTE 20. SUBSEQUENT EVENTS:

During December, 2007, the City and the 4BEDC entered into an agreement whereby the 4BEDC agreed to match up to \$50,000 of the City's contributions for the purchase, shipment, and installation of a marquee sign to be erected in the general vicinity of the M.K. Brown Auditorium. Under the terms of the agreement, the City and the 4BEDC agreed to the joint use of the sign, with ownership residing with the City. The agreement is expected to be funded on or after February 11, 2008.

**CITY OF PAMPA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

NOTE 20. SUBSEQUENT EVENTS (continued):

On March 1, 2008, the City issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2008, (the "2008 Obligations"). Proceeds from the sale of the 2008 Obligations will be used for the purpose of paying contractual obligations to be incurred for (a) the construction of public works, which includes: (1) System improvements and extensions, (2) street improvements, (3) park improvements, (4) golf course improvements and (5) constructing and equipping police facilities, including a crime scene building and (b) costs of issuance and professional services rendered in relation to such projects. Interest on the 2008 Obligations will be from 3.5 to 4.0%, with maturities ranging from 2009 to 2021. The City expects to finance the debt service requirements of the 2008 Obligations from an annual ad valorem tax levied against all taxable property in the City, and is further secured by a pledge of the net revenues derived from the operation of the City's Waterworks and Sewer System. After paying closing costs, issuance fees, etc. the City has estimated the net proceeds available to be approximately \$2,100,000. Of the net proceeds, the City anticipates using approximately \$315,000 for governmental activities, and the remaining \$1,785,000 for business-type activities. Based upon these facts, the City anticipates the following total debt service requirements after the 2008 Obligations have been issued:

Governmental Activities:

Fiscal year ending September 30	Principal	Interest	Total
2008	\$ 526,998	\$ 107,689	\$ 634,687
2009	541,618	103,048	644,666
2010	446,480	74,936	521,416
2011	389,512	118,045	507,557
2012	404,212	102,812	507,024
2013 - 2017	1,216,190	334,827	1,551,017
2018 - 2022	<u>1,414,500</u>	<u>125,127</u>	<u>1,539,627</u>
	<u>\$ 4,939,510</u>	<u>\$ 966,484</u>	<u>\$ 5,905,994</u>

Business-Type Activities (Revenue Bonds and Certificates of Obligation Only):

Fiscal year ending September 30	Principal	Interest	Total
2008	\$ 383,002	\$ 271,556	\$ 654,558
2009	443,378	343,938	787,316
2010	578,518	312,176	890,694
2011	655,486	227,322	882,808
2012	470,608	412,034	882,642
2013 - 2017	3,362,929	1,385,213	4,748,142
2018 - 2022	<u>1,300,500</u>	<u>154,289</u>	<u>1,454,789</u>
	<u>\$ 7,194,421</u>	<u>\$ 3,106,528</u>	<u>\$ 10,300,949</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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**CITY OF PAMPA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS**

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll (4)/(5)
2007	\$ 8,572,667	\$ 15,389,182	55.7%	\$ 6,816,515	\$ 4,756,521	143.3%
2006	8,850,675	15,222,288	58.1%	6,371,613	4,450,556	143.2%
2005	9,521,192	15,618,041	61.0%	6,096,849	4,058,614	150.2%
2004	9,660,372	15,615,024	61.9%	5,954,652	3,972,995	149.9%
2003	9,525,566	14,810,780	64.3%	5,285,214	3,676,983	143.7%
2002	9,602,655	14,564,941	65.9%	4,962,286	3,739,277	132.7%
2001	9,620,592	14,235,199	67.6%	4,614,607	3,924,646	117.6%
2000	9,208,309	13,844,109	66.5%	4,635,800	4,265,335	108.7%
1999	7,876,111	12,971,380	60.7%	5,095,269	4,322,110	117.9%
1998	7,240,015	12,158,298	59.5%	4,918,283	4,058,921	121.2%

As of December 31, of the preceding year, the date of the actuarial valuation.

Actuarial value of net assets on December 31, of the preceding year.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND
SCHEDULE**

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

	Special Revenue Funds			
	Controlled Substances	M.K. Brown Auditorium	Lovett Memorial Library	Economic Development
Assets:				
Cash and cash equivalents	\$ 9,321	\$ 2,609	\$ 115,676	\$ 363,477
Receivables, net of allowance for uncollectibles	-	95,877	11,710	2,000
Due from other funds	-	6,474	-	-
Restricted cash	-	-	-	-
Restricted accrued interest	-	-	-	-
Restricted investments	-	-	-	-
Note receivable	-	-	-	41,664
	-	-	-	41,664
 Total assets	\$ 9,321	\$ 104,960	\$ 127,386	\$ 407,141
 Liabilities and Fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ 31,929	\$ 2,410	\$ -
Accrued expenditures	-	1,110	8,550	-
Deferred revenue	-	-	11,710	-
	-	-	11,710	-
 Total liabilities	-	33,039	22,670	-
 Fund balances:				
Reserved:				
M.K. Brown Auditorium	-	-	-	-
Fund balances - unreserved and undesignated:				
Reported in special revenue funds	9,321	71,921	104,716	407,141
 Total fund balances	9,321	71,921	104,716	407,141
 Total liabilities and fund balances	\$ 9,321	\$ 104,960	\$ 127,386	\$ 407,141

Total Nonmajor Special Revenue Funds	M.K. Brown Permanent Fund	Total Nonmajor Governmental Funds
\$ 491,083	\$ -	\$ 491,083
109,587	-	109,587
6,474	-	6,474
-	3,129	3,129
-	5,163	5,163
-	350,000	350,000
<u>41,664</u>	<u>-</u>	<u>41,664</u>
<u>\$ 648,808</u>	<u>\$ 358,292</u>	<u>\$ 1,007,100</u>
\$ 34,339	\$ -	\$ 34,339
9,660	-	9,660
<u>11,710</u>	<u>-</u>	<u>11,710</u>
<u>55,709</u>	<u>-</u>	<u>55,709</u>
-	358,292	358,292
<u>593,099</u>	<u>-</u>	<u>593,099</u>
<u>593,099</u>	<u>358,292</u>	<u>951,391</u>
<u>\$ 648,808</u>	<u>\$ 358,292</u>	<u>\$ 1,007,100</u>

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

	Special Revenue Funds			
	Controlled Substances	M.K. Brown Auditorium	Lovett Memorial Library	Economic Development
Revenues:				
Taxes:				
Property taxes	\$ -	\$ -	\$ 134,945	\$ -
Other taxes	-	287,865	-	-
Penalties and interest on taxes	-	-	4,746	-
Intergovernmental	-	-	5,000	-
Charges for services	-	32,118	285	39,000
Fines	-	-	10,718	-
Investment earnings	91	29	1,229	2,269
Contributions and donations	4,362	-	4,051	-
Other revenue	-	-	46	-
Total revenues	<u>4,453</u>	<u>320,012</u>	<u>161,020</u>	<u>41,269</u>
Expenditures:				
Current:				
General government	-	-	-	9,249
Public safety	9,851	-	-	-
Culture and recreation	-	197,218	396,128	-
Capital outlay	-	271,825	23,430	-
Total expenditures	<u>9,851</u>	<u>469,043</u>	<u>419,558</u>	<u>9,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,398)</u>	<u>(149,031)</u>	<u>(258,538)</u>	<u>32,020</u>
Other financing sources (uses):				
Transfers in	-	153,340	284,721	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>153,340</u>	<u>284,721</u>	<u>-</u>
Net change in fund balances	(5,398)	4,309	26,183	32,020
Fund balances at beginning of year	<u>14,719</u>	<u>67,612</u>	<u>78,533</u>	<u>375,121</u>
Fund balances at end of year	<u>\$ 9,321</u>	<u>\$ 71,921</u>	<u>\$ 104,716</u>	<u>\$ 407,141</u>

Total Nonmajor Special Revenue Funds	M.K. Brown Permanent Fund	Total Nonmajor Governmental Funds
\$ 134,945	\$ -	\$ 134,945
287,865	-	287,865
4,746	-	4,746
5,000	-	5,000
71,403	-	71,403
10,718	-	10,718
3,618	15,707	19,325
8,413	-	8,413
46	-	46
<u>526,754</u>	<u>15,707</u>	<u>542,461</u>
9,249	-	9,249
9,851	-	9,851
593,346	-	593,346
<u>295,255</u>	<u>-</u>	<u>295,255</u>
<u>907,701</u>	<u>-</u>	<u>907,701</u>
<u>(380,947)</u>	<u>15,707</u>	<u>(365,240)</u>
438,061	5,074	443,135
-	(17,500)	(17,500)
<u>438,061</u>	<u>(12,426)</u>	<u>425,635</u>
57,114	3,281	60,395
<u>535,985</u>	<u>355,011</u>	<u>890,996</u>
<u>\$ 593,099</u>	<u>\$ 358,292</u>	<u>\$ 951,391</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Property taxes	\$ 827,647	\$ 827,647	\$ 847,521	\$ 19,874
Penalties and interest on taxes	500	500	949	449
Interest	<u>2,100</u>	<u>2,100</u>	<u>30,810</u>	<u>28,710</u>
Total revenues	<u>830,247</u>	<u>830,247</u>	<u>879,280</u>	<u>49,033</u>
Expenditures:				
Debt service:				
Principal retirement	603,925	603,925	603,925	-
Interest and fiscal charges	<u>224,222</u>	<u>224,222</u>	<u>132,368</u>	<u>91,854</u>
Total expenditures	<u>828,147</u>	<u>828,147</u>	<u>736,293</u>	<u>91,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,100</u>	<u>2,100</u>	<u>142,987</u>	<u>140,887</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>51,622</u>	<u>51,622</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>51,622</u>	<u>51,622</u>
Net change in fund balances	2,100	2,100	194,609	192,509
Fund balance at beginning of year	<u>390,547</u>	<u>390,547</u>	<u>390,547</u>	<u>-</u>
Fund balance at end of year	<u>\$ 392,647</u>	<u>\$ 392,647</u>	<u>\$ 585,156</u>	<u>\$ 192,509</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Investment earnings	\$ <u>25</u>	\$ <u>25</u>	\$ <u>419</u>	\$ <u>394</u>
Total revenues	<u>25</u>	<u>25</u>	<u>419</u>	<u>394</u>
Expenditures:				
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25	25	419	394
Fund balances at beginning of year	<u>16,351</u>	<u>16,351</u>	<u>16,351</u>	<u>-</u>
Fund balances at end of year	\$ <u><u>16,376</u></u>	\$ <u><u>16,376</u></u>	\$ <u><u>16,770</u></u>	\$ <u><u>394</u></u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTROLLED SUBSTANCES
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Contributions and donations	\$ -	\$ -	\$ 4,362	\$ 4,362
Investment earnings	-	-	91	91
	<u>-</u>	<u>-</u>	<u>4,453</u>	<u>4,453</u>
Total revenues	<u>-</u>	<u>-</u>	<u>4,453</u>	<u>4,453</u>
Expenditures:				
Current:				
Public safety	-	-	9,851	(9,851)
	<u>-</u>	<u>-</u>	<u>9,851</u>	<u>(9,851)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>9,851</u>	<u>(9,851)</u>
Net change in fund balances	-	-	(5,398)	(5,398)
Fund balances at beginning of year	<u>14,719</u>	<u>14,719</u>	<u>14,719</u>	<u>-</u>
Fund balances at end of year	<u>\$ 14,719</u>	<u>\$ 14,719</u>	<u>\$ 9,321</u>	<u>\$ (5,398)</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - M.K. BROWN AUDITORIUM
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes	\$ 150,000	\$ 150,000	\$ 287,865	\$ 137,865
Charges for services	25,000	25,000	32,118	7,118
Investment earnings	<u>25</u>	<u>25</u>	<u>29</u>	<u>4</u>
Total revenues	<u>175,025</u>	<u>175,025</u>	<u>320,012</u>	<u>144,987</u>
Expenditures:				
Current:				
Culture and recreation	218,064	234,514	197,218	37,296
Capital outlay	<u>35,000</u>	<u>21,150</u>	<u>271,825</u>	<u>(250,675)</u>
Total expenditures	<u>253,064</u>	<u>255,664</u>	<u>469,043</u>	<u>(213,379)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,039)</u>	<u>(80,639)</u>	<u>(149,031)</u>	<u>(68,392)</u>
Other financing sources (uses):				
Transfers in	<u>51,150</u>	<u>51,150</u>	<u>153,340</u>	<u>102,190</u>
Total other financing sources (uses)	<u>51,150</u>	<u>51,150</u>	<u>153,340</u>	<u>102,190</u>
Net change in fund balances	(26,889)	(29,489)	4,309	33,798
Fund balances at beginning of year	<u>67,612</u>	<u>67,612</u>	<u>67,612</u>	<u>-</u>
Fund balances at end of year	<u>\$ 40,723</u>	<u>\$ 38,123</u>	<u>\$ 71,921</u>	<u>\$ 33,798</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - LOVETT MEMORIAL LIBRARY
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>Budget Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Taxes:				
Property taxes	\$ 130,757	\$ 130,757	\$ 134,945	\$ 4,188
Penalties and interest on taxes	2,500	2,500	4,746	2,246
Intergovernmental	5,000	5,000	5,000	-
Charges for services	500	500	285	(215)
Fines	11,000	11,000	10,718	(282)
Investment earnings	200	200	1,229	1,029
Contributions and donations	42,000	42,200	4,051	(38,149)
Other revenue	-	-	46	46
	<u>191,957</u>	<u>192,157</u>	<u>161,020</u>	<u>(31,137)</u>
Total revenues				
Expenditures:				
Current:				
Culture and recreation	452,236	457,436	396,128	61,308
Capital outlay	<u>60,500</u>	<u>55,500</u>	<u>23,430</u>	<u>32,070</u>
	<u>512,736</u>	<u>512,936</u>	<u>419,558</u>	<u>93,378</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(320,779)</u>	<u>(320,779)</u>	<u>(258,538)</u>	<u>62,241</u>
Other financing sources (uses):				
Transfers in	<u>284,721</u>	<u>284,721</u>	<u>284,721</u>	<u>-</u>
Total other financing sources (uses)	<u>284,721</u>	<u>284,721</u>	<u>284,721</u>	<u>-</u>
Net change in fund balances	(36,058)	(36,058)	26,183	62,241
Fund balances at beginning of year	<u>78,533</u>	<u>78,533</u>	<u>78,533</u>	<u>-</u>
Fund balances at end of year	<u>\$ 42,475</u>	<u>\$ 42,475</u>	<u>\$ 104,716</u>	<u>\$ 62,241</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ -	\$ -	\$ 39,000	\$ 39,000
Investment earnings	-	-	2,269	2,269
	<u>-</u>	<u>-</u>	<u>41,269</u>	<u>41,269</u>
Total revenues				
Expenditures:				
Current:				
General government	50,000	50,000	9,249	40,751
	<u>50,000</u>	<u>50,000</u>	<u>9,249</u>	<u>40,751</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(50,000)	32,020	82,020
	<u>(50,000)</u>	<u>(50,000)</u>	<u>32,020</u>	<u>82,020</u>
Net change in fund balances	(50,000)	(50,000)	32,020	82,020
	<u>(50,000)</u>	<u>(50,000)</u>	<u>32,020</u>	<u>82,020</u>
Fund balances at beginning of year	375,121	375,121	375,121	-
	<u>375,121</u>	<u>375,121</u>	<u>375,121</u>	<u>-</u>
Fund balances at end of year	\$ 325,121	\$ 325,121	\$ 407,141	\$ 82,020
	<u>\$ 325,121</u>	<u>\$ 325,121</u>	<u>\$ 407,141</u>	<u>\$ 82,020</u>

CITY OF PAMPA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - M.K. BROWN PERMANENT FUND
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ <u>17,500</u>	\$ <u>17,500</u>	\$ <u>15,707</u>	\$ <u>(1,793)</u>
Total revenues	<u>17,500</u>	<u>17,500</u>	<u>15,707</u>	<u>(1,793)</u>
Expenditures:				
Current:				
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,500</u>	<u>17,500</u>	<u>15,707</u>	<u>(1,793)</u>
Other financing sources (uses):				
Transfers in	-	-	5,074	5,074
Transfers out	<u>(17,500)</u>	<u>(17,500)</u>	<u>(17,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(17,500)</u>	<u>(17,500)</u>	<u>(12,426)</u>	<u>5,074</u>
Net change in fund balances	-	-	3,281	3,281
Fund balances at beginning of year	<u>355,011</u>	<u>355,011</u>	<u>355,011</u>	<u>-</u>
Fund balances at end of year	<u>\$ 355,011</u>	<u>\$ 355,011</u>	<u>\$ 358,292</u>	<u>\$ 3,281</u>

CITY OF PAMPA, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MUNICIPAL COURT BAIL BOND AGENCY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2007</u>
Municipal Court Bail Bond Fund:				
Assets:				
Cash and cash equivalents	\$ <u>1,010</u>	\$ <u>2,250</u>	\$ <u>2,550</u>	\$ <u>710</u>
Total assets	\$ <u><u>1,010</u></u>	\$ <u><u>2,250</u></u>	\$ <u><u>2,550</u></u>	\$ <u><u>710</u></u>
Liabilities:				
Deposits	\$ <u>1,010</u>	\$ <u>2,250</u>	\$ <u>2,550</u>	\$ <u>710</u>
Total liabilities	\$ <u><u>1,010</u></u>	\$ <u><u>2,250</u></u>	\$ <u><u>2,550</u></u>	\$ <u><u>710</u></u>

CITY OF PAMPA, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
SEPTEMBER 30, 2007

Governmental funds capital assets (net of accumulated depreciation):	
Land	\$ 210,849
Roads	1,653,403
Buildings & improvements	4,769,340
Equipment	3,128,189
Construction in progress	<u>1,415</u>
Total governmental activities capital assets, net	<u>\$ 9,763,196</u>
Investment in governmental activities capital assets by source (net of accumulated depreciation):	
General fund	\$ 6,957,866
M.K. Brown Auditorium special revenue fund	1,694,744
Lovett Memorial Library special revenue fund	619,973
PEDC special revenue fund	<u>490,613</u>
Total investment in governmental activities capital assets by source (net of accumulated depreciation)	<u>\$ 9,763,196</u>

CITY OF PAMPA, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2007

	<u>Land</u>	<u>Roads</u>	<u>Buildings & Improvements</u>	<u>Construction in Progress</u>	<u>Equipment</u>	<u>Total</u>
General government:						
Mayor and commission	\$ 3,306	\$ -	\$ -	\$ -	\$ -	\$ 3,306
Administrative services	-	-	-	-	35,515	35,515
Building & grounds	2,163	-	2,696,377	-	308,963	3,007,503
Data processing	-	-	-	-	183,084	183,084
Purchasing & central stores	-	-	4,632	-	19,047	23,679
Central garage	-	-	150,198	-	2,571,909	2,722,107
Subtotal	<u>5,469</u>	<u>-</u>	<u>2,851,207</u>	<u>-</u>	<u>3,118,518</u>	<u>5,975,194</u>
Culture and recreation:						
Parks	43,360	-	348,185	1,415	343,895	736,855
Recreation	-	151,789	1,538,693	-	349,435	2,039,917
M.K. Brown Auditorium	-	-	2,837,189	-	236,711	3,073,900
Lovett Memorial Library	-	-	857,581	-	111,574	969,155
Subtotal	<u>43,360</u>	<u>151,789</u>	<u>5,581,648</u>	<u>1,415</u>	<u>1,041,615</u>	<u>6,819,827</u>
Solid waste collection	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,744</u>	<u>378,744</u>
Streets and traffic:						
Planning and engineering	-	-	-	-	70,844	70,844
Streets & traffic control	<u>-</u>	<u>18,158,968</u>	<u>-</u>	<u>-</u>	<u>1,991,659</u>	<u>20,150,627</u>
Subtotal	<u>-</u>	<u>18,158,968</u>	<u>-</u>	<u>-</u>	<u>2,062,503</u>	<u>20,221,471</u>
Public safety:						
Animal control	-	-	18,019	-	37,844	55,863
Police	-	-	14,926	-	780,868	795,794
Fire suppression	-	-	140,268	-	1,238,701	1,378,969
Fire prevention	-	-	-	-	21,602	21,602
Dispatch	-	-	-	-	74,069	74,069
Emergency management & civil defense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,641</u>	<u>391,641</u>
Subtotal	<u>-</u>	<u>-</u>	<u>173,213</u>	<u>-</u>	<u>2,544,725</u>	<u>2,717,938</u>
Blended component unit	<u>162,020</u>	<u>-</u>	<u>425,149</u>	<u>-</u>	<u>-</u>	<u>587,169</u>
Total governmental activities capital assets	210,849	18,310,757	9,031,217	1,415	9,146,105	36,700,343
Less: accumulated depreciation	<u>-</u>	<u>16,657,354</u>	<u>4,261,877</u>	<u>-</u>	<u>6,017,916</u>	<u>26,937,147</u>
Total governmental activities capital assets net of accumulated depreciation	<u>\$ 210,849</u>	<u>\$ 1,653,403</u>	<u>\$ 4,769,340</u>	<u>\$ 1,415</u>	<u>\$ 3,128,189</u>	<u>\$ 9,763,196</u>

CITY OF PAMPA, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2007

	Governmental Fund Capital Assets Oct. 1, 2006	Additions	Deletions and Transfers	Governmental Fund Capital Assets Sept. 30, 2007
General government:				
Mayor and commission	\$ 3,306	\$ -	\$ -	\$ 3,306
Administrative services	35,515	-	-	35,515
Building & grounds	2,803,640	203,863	-	3,007,503
Data processing	152,873	30,211	-	183,084
Purchasing & central stores	23,679	-	-	23,679
Central garage	<u>2,481,162</u>	<u>363,791</u>	<u>(122,846)</u>	<u>2,722,107</u>
Subtotal	<u>5,500,175</u>	<u>597,865</u>	<u>(122,846)</u>	<u>5,975,194</u>
Culture and recreation:				
Parks	735,174	21,058	(19,377)	736,855
Recreation	2,025,550	34,806	(20,439)	2,039,917
M.K. Brown Auditorium	2,802,075	271,825	-	3,073,900
Lovett Memorial Library	<u>1,019,147</u>	<u>23,430</u>	<u>(73,422)</u>	<u>969,155</u>
Subtotal	<u>6,581,946</u>	<u>351,119</u>	<u>(113,238)</u>	<u>6,819,827</u>
Solid waste collection	<u>534,198</u>	<u>56,338</u>	<u>(211,792)</u>	<u>378,744</u>
Streets and traffic:				
Planning and engineering	70,844	-	-	70,844
Streets & traffic control	<u>19,693,607</u>	<u>457,020</u>	<u>-</u>	<u>20,150,627</u>
Subtotal	<u>19,764,451</u>	<u>457,020</u>	<u>-</u>	<u>20,221,471</u>
Public safety:				
Animal control	55,863	-	-	55,863
Police	679,866	191,208	(75,280)	795,794
Fire suppression	1,448,107	-	(69,138)	1,378,969
Fire prevention	21,602	-	-	21,602
Code enforcement	19,394	-	(19,394)	-
Dispatch	52,934	21,135	-	74,069
Emergency management & civil defense	<u>391,641</u>	<u>-</u>	<u>-</u>	<u>391,641</u>
Subtotal	<u>2,669,407</u>	<u>212,343</u>	<u>(163,812)</u>	<u>2,717,938</u>
Blended component unit	<u>587,169</u>	<u>-</u>	<u>-</u>	<u>587,169</u>
Total governmental activities capital assets	<u>\$ 35,637,346</u>	<u>\$ 1,674,685</u>	<u>\$ (611,688)</u>	<u>\$ 36,700,343</u>

STATISTICAL DATA

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Statistical Section Summary:

This part of the City of Pampa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information about the City's overall financial condition.

Contents	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116 - 123
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue, the property tax.	125 - 129
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	130 - 137
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	138 - 139
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	140 - 142

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years. The City implemented GASB Statement 34 for the fiscal year ending September 30, 2003; schedules presenting government-wide information include information beginning in that year.

City of Pampa, Texas
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 3,681,389	\$ 2,948,557	\$ 3,327,459	\$ 4,290,099
Restricted	469,413	512,832	545,083	761,909
Unrestricted	<u>2,939,947</u>	<u>3,799,603</u>	<u>3,472,065</u>	<u>3,786,774</u>
Total governmental activities net assets	<u>7,090,749</u>	<u>7,260,992</u>	<u>7,344,607</u>	<u>8,838,782</u>
Business-type activities				
Invested in capital assets, net of related debt	10,190,376	11,252,454	11,137,640	8,279,157
Restricted	370,206	398,668	1,046,052	2,300,172
Unrestricted	<u>1,899,967</u>	<u>1,349,691</u>	<u>1,156,647</u>	<u>676,342</u>
Total business-type activities net assets	<u>12,460,549</u>	<u>13,000,813</u>	<u>13,340,339</u>	<u>11,255,671</u>
Primary government:				
Invested in capital assets, net of related debt	13,871,765	14,201,011	14,465,099	12,569,256
Restricted	839,619	911,500	1,591,135	3,062,081
Unrestricted	<u>4,839,914</u>	<u>5,149,294</u>	<u>4,628,712</u>	<u>4,463,116</u>
Total primary government net assets	<u>\$ 19,551,298</u>	<u>\$ 20,261,805</u>	<u>\$ 20,684,946</u>	<u>\$ 20,094,453</u>

Note: Under GASB Statement Number 44, the City is required to show the above information for ten years prospectively beginning with their fiscal year ending September 30, 2006. However, the City has chosen to report retroactively back to the year GASB Statement Number 34 was implemented, which was the fiscal year ending September 30, 2003. As more years become available, the City will continue to add additional years to this schedule until the required full ten years is presented.

2007

\$ 5,481,656
960,218
3,487,348

9,929,222

9,105,903
1,263,650
1,104,497

11,474,050

14,587,559
2,223,868
4,591,845

\$ 21,403,272

City of Pampa, Texas

Changes in Net Assets - Last Five Fiscal Years (accrual basis of accounting)

Expenses:	2003	2004	2005	2006
Governmental activities:				
General government	\$ 1,339,565	\$ 1,363,422	\$ 1,422,179	\$ 1,613,280
Public safety	3,516,613	3,616,906	3,947,074	4,246,117
Streets and traffic	2,357,384	2,490,111	2,703,528	2,511,235
Solid waste	653,535	688,313	790,163	909,961
Culture and recreation	1,039,549	1,078,459	1,135,171	1,221,086
Interest on long-term debt and bond costs	375,404	235,964	256,866	181,109
Total governmental activities expenses	<u>9,282,050</u>	<u>9,473,175</u>	<u>10,254,981</u>	<u>10,682,788</u>
Business-type activities:				
Water and sewer system	4,618,236	4,550,176	4,788,747	5,355,617
Solid waste management	858,489	755,331	774,484	1,256,059
Golf course	396,431	391,951	445,262	437,110
Leased properties	6,139	32,086	32,683	71,753
Total business-type activities expenses	<u>5,879,295</u>	<u>5,729,544</u>	<u>6,041,176</u>	<u>7,120,539</u>
Total primary government expenses	<u>\$ 15,161,345</u>	<u>\$ 15,202,719</u>	<u>\$ 16,296,157</u>	<u>\$ 17,803,327</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 846,967	\$ 825,094	\$ 840,715	\$ 840,787
Public safety	442,400	600,624	540,642	556,804
Streets and traffic	-	-	-	-
Solid waste	1,419,246	1,446,030	1,516,195	1,559,405
Culture and recreation	111,373	118,795	97,498	90,831
Operating grants and contributions	235,753	267,486	360,395	180,228
Capital grants and contributions	-	-	201,162	193,500
Total governmental activities program revenues	<u>3,055,739</u>	<u>3,258,029</u>	<u>3,556,607</u>	<u>3,421,555</u>
Business-type activities:				
Charges for services:				
Water and sewer system	4,235,610	4,471,049	4,643,795	5,334,033
Solid waste management	1,170,788	1,141,091	1,160,473	1,239,269
Golf course	280,053	296,505	283,943	326,739
Leased properties	3,150	33,270	-	-
Operating grants and contributions	-	131,368	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>5,689,601</u>	<u>6,073,283</u>	<u>6,088,211</u>	<u>6,900,041</u>
Total primary government program revenues	<u>\$ 8,745,340</u>	<u>\$ 9,331,312</u>	<u>\$ 9,644,818</u>	<u>\$ 10,321,596</u>
Net (Expense) Revenue				
Governmental activities	\$ (6,226,311)	\$ (6,215,146)	\$ (6,698,374)	\$ (7,261,233)
Business-type activities	(189,694)	343,739	47,035	(220,498)
Total primary government net (expense) revenue	<u>\$ (6,416,005)</u>	<u>\$ (5,871,407)</u>	<u>\$ (6,651,339)</u>	<u>\$ (7,481,731)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 2,768,969	\$ 2,848,745	\$ 2,881,006	\$ 2,882,932
Sales taxes	2,091,778	2,401,756	2,764,192	3,307,308
Other taxes	1,083,456	1,102,590	1,186,675	1,335,485
Investment earnings	37,401	42,115	76,227	115,536
Miscellaneous revenues	(23,349)	25,919	(45)	46,761
Transfers in (out)	(2,460,229)	(35,736)	(126,066)	(32,797)
Special items - transfers of assets	-	-	-	1,100,183
Total governmental activities	<u>3,498,026</u>	<u>6,385,389</u>	<u>6,781,989</u>	<u>8,755,408</u>
Business-type activities:				
Investment earnings	23,932	18,564	27,644	73,862
Miscellaneous revenues	-	142,225	63,286	200,316
Transfers in (out)	2,945,869	35,736	126,066	32,797
Total business-type activities	<u>2,969,801</u>	<u>196,525</u>	<u>216,996</u>	<u>306,975</u>
Total primary government	<u>\$ 6,467,827</u>	<u>\$ 6,581,914</u>	<u>\$ 6,998,985</u>	<u>\$ 9,062,383</u>
Change in Net Assets				
Governmental activities	\$ (2,728,285)	\$ 170,243	\$ 83,615	\$ 1,494,175
Business-type activities	2,780,107	540,264	264,031	86,477
Total primary government	<u>\$ 51,822</u>	<u>\$ 710,507</u>	<u>\$ 347,646</u>	<u>\$ 1,580,652</u>

Note: Under GASB Statement Number 44, the City is required to show the above information for ten years prospectively beginning with their fiscal year ending September 30, 2006. However, the City has chosen to report retroactively back to the year GASB Statement Number 34 was implemented, which was the fiscal year ending September 30, 2003. As more years become available, the City will continue to add additional years to this schedule until the required full ten years is presented.

Exhibit B-2

<u>2007</u>	
\$	1,625,296
	4,613,920
	1,859,807
	1,091,092
	1,329,075
	<u>156,840</u>
	<u>10,676,030</u>
	5,341,194
	1,364,944
	431,835
	<u>86,753</u>
	<u>7,224,726</u>
\$	<u><u>17,900,756</u></u>
\$	868,156
	563,027
	-
	1,626,841
	112,870
	148,947
	<u>81,195</u>
	<u>3,401,036</u>
	5,198,529
	1,406,146
	318,094
	-
	-
	-
	<u>6,922,769</u>
\$	<u><u>10,323,805</u></u>
\$	(7,274,994)
	<u>(301,957)</u>
\$	<u><u>(7,576,951)</u></u>
\$	3,162,567
	3,725,658
	1,448,350
	141,486
	56,719
	<u>(169,346)</u>
	<u>-</u>
	<u>8,365,434</u>
	152,911
	198,079
	<u>169,346</u>
	<u>520,336</u>
\$	<u><u>8,885,770</u></u>
\$	1,090,440
	<u>218,379</u>
\$	<u><u>1,308,819</u></u>

City of Pampa, Texas
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General fund:				
Reserved	\$ 80,549	\$ 255,179	\$ 503,405	\$ 534,385
Unreserved	<u>2,477,294</u>	<u>1,858,246</u>	<u>1,516,095</u>	<u>1,556,036</u>
Total general fund	<u>2,557,843</u>	<u>2,113,425</u>	<u>2,019,500</u>	<u>2,090,421</u>
All other governmental funds:				
Reserved for:				
Debt service fund	163,079	118,677	55,990	47,201
M.K. Brown Auditorium	364,053	368,318	379,837	368,589
Unreserved, reported in :				
Capital projects fund	252,228	125,345	22,846	23,089
Special revenue funds	<u>173,856</u>	<u>93,753</u>	<u>98,990</u>	<u>169,029</u>
Total all other governmental funds	<u>953,216</u>	<u>706,093</u>	<u>557,663</u>	<u>607,908</u>
Total all governmental funds	<u>\$ 3,511,059</u>	<u>\$ 2,819,518</u>	<u>\$ 2,577,163</u>	<u>\$ 2,698,329</u>

Exhibit B-3

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 558,604	\$ 719,768	\$ 972,075	\$ 1,075,448	\$ 943,694	\$ 856,583
<u>1,915,721</u>	<u>2,274,400</u>	<u>2,556,061</u>	<u>2,335,395</u>	<u>2,326,241</u>	<u>2,085,383</u>
<u>2,474,325</u>	<u>2,994,168</u>	<u>3,528,136</u>	<u>3,410,843</u>	<u>3,269,935</u>	<u>2,941,966</u>
37,728	95,184	136,518	171,695	390,547	585,156
357,816	357,998	360,070	357,114	355,011	358,292
217,479	16,231	16,244	137,146	16,351	16,770
<u>109,265</u>	<u>118,130</u>	<u>364,164</u>	<u>16,274</u>	<u>535,985</u>	<u>593,099</u>
<u>722,288</u>	<u>587,543</u>	<u>876,996</u>	<u>682,229</u>	<u>1,297,894</u>	<u>1,553,317</u>
<u>\$ 3,196,613</u>	<u>\$ 3,581,711</u>	<u>\$ 4,405,132</u>	<u>\$ 4,093,072</u>	<u>\$ 4,567,829</u>	<u>\$ 4,495,283</u>

City of Pampa, Texas
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues				
Taxes	\$ 5,484,350	\$ 5,183,181	\$ 5,258,575	\$ 5,848,549
Charges for services	2,573,391	2,662,263	2,592,570	2,291,163
Fines & forfeitures	268,107	210,202	182,536	204,021
Interest	171,898	106,146	103,378	91,071
Intergovernmental	164,190	168,775	119,226	246,216
Licenses & permits	45,106	23,987	23,447	33,360
Miscellaneous	313,533	794,812	122,305	131,050
Total revenues	<u>9,020,575</u>	<u>9,149,366</u>	<u>8,402,037</u>	<u>8,845,430</u>
Expenditures				
General government	1,838,454	1,830,273	1,618,891	1,552,110
Public safety	3,140,105	3,296,490	3,056,216	3,230,111
Streets & traffic	969,850	846,180	865,040	1,166,801
Solid waste management	794,229	729,762	645,185	701,653
Culture & recreation	824,585	869,422	963,472	665,732
Capital outlay	1,779,882	1,554,790	532,021	336,998
Debt service:				
Interest and fiscal charges	407,760	360,133	588,495	303,474
Principal	651,413	788,691	623,040	801,437
Total expenditures	<u>10,406,278</u>	<u>10,275,741</u>	<u>8,892,360</u>	<u>8,758,316</u>
Excess of revenues over (under) expenditures	<u>(1,385,703)</u>	<u>(1,126,375)</u>	<u>(490,323)</u>	<u>87,114</u>
Other Financing Sources (Uses)				
Proceeds from borrowing	271,867	388,623	250,000	114,531
Payments to escrow agent	-	-	-	-
Sale of assets	15,451	16,947	39,652	1,107
Transfers in	503,545	490,000	335,619	343,272
Transfers out	(399,602)	(460,736)	(377,303)	(424,858)
Total other financing sources (uses)	<u>391,261</u>	<u>434,834</u>	<u>247,968</u>	<u>34,052</u>
Special item - Transfer of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (994,442)</u>	<u>\$ (691,541)</u>	<u>\$ (242,355)</u>	<u>121,166</u>
Debt service as a percentage of non-capital expenditures	<u>12.28%</u>	<u>13.17%</u>	<u>14.49%</u>	<u>13.12%</u>

Exhibit B-4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	5,836,287	\$ 5,990,229	\$ 6,338,042	\$ 6,760,822	\$ 7,542,429	\$ 8,357,972
	2,376,750	2,443,732	2,468,371	2,585,039	2,683,810	2,772,483
	219,465	300,203	355,330	344,555	390,166	380,748
	48,360	37,401	42,115	76,227	115,536	141,486
	228,055	213,434	353,293	327,518	283,696	191,245
	24,895	19,555	43,494	46,982	40,261	59,120
	57,474	117,352	94,881	293,878	125,718	136,721
	<u>8,791,286</u>	<u>9,121,906</u>	<u>9,695,526</u>	<u>10,435,021</u>	<u>11,181,616</u>	<u>12,039,775</u>
	1,539,367	1,085,722	1,149,982	1,142,833	1,330,461	1,340,681
	3,087,272	3,393,357	3,489,623	3,829,780	4,123,268	4,464,962
	1,367,860	1,248,727	1,418,593	1,655,490	1,532,716	1,503,454
	652,149	651,578	688,353	768,086	895,823	1,036,806
	665,332	905,365	951,259	996,433	1,087,183	1,154,552
	687,658	384,365	196,499	1,455,714	1,900,327	1,674,685
	265,432	323,359	289,548	262,095	210,925	136,953
	<u>1,005,686</u>	<u>710,672</u>	<u>662,502</u>	<u>649,696</u>	<u>683,364</u>	<u>630,882</u>
	<u>9,270,756</u>	<u>8,703,145</u>	<u>8,846,359</u>	<u>10,760,127</u>	<u>11,764,067</u>	<u>11,942,975</u>
	<u>(479,470)</u>	<u>418,761</u>	<u>849,167</u>	<u>(325,106)</u>	<u>(582,451)</u>	<u>96,800</u>
	3,731,920	-	-	139,113	2,604,237	-
	(2,768,935)	-	-	-	(2,102,414)	-
	76,505	2,073	9,989	-	-	-
	299,150	292,736	424,736	352,085	674,900	529,907
	<u>(360,886)</u>	<u>(328,472)</u>	<u>(460,472)</u>	<u>(478,151)</u>	<u>(707,788)</u>	<u>(699,253)</u>
	<u>977,754</u>	<u>(33,663)</u>	<u>(25,747)</u>	<u>13,047</u>	<u>468,935</u>	<u>(169,346)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(511,911)</u>	<u>-</u>
\$	<u>498,284</u>	<u>\$ 385,098</u>	<u>\$ 823,420</u>	<u>\$ (312,059)</u>	<u>\$ (625,427)</u>	<u>\$ (72,546)</u>
	<u>14.81%</u>	<u>12.43%</u>	<u>11.01%</u>	<u>9.80%</u>	<u>9.07%</u>	<u>7.48%</u>

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City of Pampa, Texas

Exhibit C-1

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Tax Roll For Year Jan. 1	Fiscal Year	Assessed Value			Total Direct Tax Rate
		Real Property Value	Personal Property Value	Total Value*	
1997	1998	\$ 345,054,286	\$ 50,655,454	\$ 395,709,740	0.6367
1998	1999	324,944,008	70,466,985	395,410,993	0.6367
1999	2000	366,255,658	26,585,502	392,841,160	0.6367
2000	2001	355,545,403	51,116,235	406,661,638	0.6500
2001	2002	362,546,049	53,990,600	416,536,649	0.6950
2002	2003	374,543,737	63,903,951	438,447,688	0.6950
2003	2004	396,255,464	81,826,491	478,081,955	0.6950
2004	2005	371,746,415	53,397,117	425,143,532	0.6950
2005	2006	366,575,796	77,971,814	444,547,610	0.6950
2006	2007	391,654,982	81,921,180	473,576,162	0.6950

Note: Above assessed values reflected are before allowable exemptions are applied. Tax rates are per \$1,000 of assessed value.

* Taxes assess on October 1 of each year based on January 1 valuations.

City of Pampa, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed property)

Exhibit C-2

Fiscal Year	City of Pampa Direct Rates				Overlapping Rates*	
	General Maintenance	Debt Service	Library Maintenance	Total Direct	Pampa Independent School District	Gray County
1998	0.407300	0.199400	0.030000	0.636700	1.455	0.450240
1999	0.401300	0.205400	0.030000	0.636700	1.475	0.439940
2000	0.398700	0.208000	0.030000	0.636700	1.475	0.459918
2001	0.396000	0.224000	0.030000	0.650000	1.525	0.427238
2002	0.443100	0.221900	0.030000	0.695000	1.545	0.475833
2003	0.458300	0.206700	0.030000	0.695000	1.554	0.495631
2004	0.462500	0.202500	0.030000	0.695000	1.561	0.522267
2005	0.459500	0.205500	0.030000	0.695000	1.556	0.488926
2006	0.466700	0.198300	0.030000	0.695000	1.435	0.445623
2007	0.473271	0.191729	0.030000	0.695000	1.325	0.473260

Note: Analysis indicates approximately 38.4% of assessed values of Gray County are within the City Limits.

The maximum tax rate provided by City charter is \$2.50 of which the amount to be used for general purposes and the maintenance of streets is restricted to \$1.50

Taxes are assessed and collected by the Gray County Tax Assessor/Collector. Taxes are due October 1, and become delinquent February 1. Delinquent taxes are subject to 12% interest per annum plus a penalty of 6% to 12% in accordance with statutes.

City of Pampa, Texas
Principal Property Tax Payers
Current year and nine years ago

Exhibit C-3

Taxpayer	2007			1998		
	Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Value
Pampa Regional Medical Center	\$ 15,369,430	1	3.44%	\$ 9,520,660	1	2.41%
Xcel Energy (Formerly Southwestern Public Service)	6,827,390	2	1.53%	7,459,850	3	1.89%
Wal-Mart Stores East	6,814,378	3	1.53%	5,318,030	4	1.34%
Wal-Mart Real Estate	6,465,060	4	1.45%			
SBC Texas	4,636,708	5	1.04%	7,864,010	2	1.99%
Terry Blumenfeld	2,567,330	6	0.58%			
Atmos Energy Corporation (Formerly Energas)	2,518,146	7	0.56%	2,079,650	7	0.53%
United Corporate Office	2,232,976	8	0.50%			
BNSF Railway Company	2,123,228	9	0.48%			
POGO	2,107,070	10	0.47%			
Nickle's Industrial				4,255,760	5	1.08%
Daniel Weingarten				2,324,430	6	0.59%
Pampa Supermarket, LP				2,075,290	8	0.52%
A, T, & SF Railway				2,017,656	9	0.51%
John Hancock Mutual Life				1,834,910	10	0.46%
Total	\$ 51,661,716		11.58%	\$ 44,750,246		11.31%

Source: Gray County Appraisal District

City of Pampa, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years

Roll Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections
1997	\$ 2,329,938	\$ 2,238,887	96.1%	\$ 70,401
1998	2,323,089	2,204,059	94.9%	79,880
1999	2,339,425	2,228,233	95.2%	69,578
2000	2,449,568	2,298,619	93.8%	114,920
2001	2,689,947	2,570,985	95.6%	86,820
2002	2,803,641	2,693,355	96.1%	71,602
2003	2,803,611	2,699,492	96.3%	80,172
2004	2,788,311	2,660,991	95.4%	87,857
2005	2,897,766	2,754,962	95.1%	84,870
2006	3,100,752	2,963,548	95.6%	129,387

Exhibit C-4

<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
\$ 2,309,288	99.1%	\$ 449,804	19.3%
2,283,939	98.3%	471,276	20.3%
2,297,811	98.2%	493,659	21.1%
2,413,539	98.5%	454,910	18.6%
2,657,805	98.8%	430,184	16.0%
2,764,957	98.6%	463,271	16.5%
2,779,664	99.1%	487,380	17.4%
2,748,848	98.6%	499,807	17.9%
2,839,832	98.0%	539,381	18.6%
3,092,935	99.7%	501,798	16.2%

City of Pampa, Texas
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		
	General Obligation Bonds	Capital Leases	Revenue Bonds & Certificates of Obligation	CRMWA Obligations	Capital Leases
1998	\$ 5,795,000	\$ 411,630	\$ 6,715,000	\$ 4,087,430	\$ 270,530
1999	5,235,000	571,600	6,310,000	2,900,313	199,731
2000	4,640,000	567,610	8,350,000	4,420,507	177,266
2001	4,020,000	500,704	7,890,000	4,253,570	110,308
2002	3,880,000	723,922	9,783,931	4,079,668	151,420
2003	5,830,000	463,280	6,463,931	3,899,400	102,020
2004	5,355,000	275,779	5,908,931	3,711,393	130,040
2005	4,850,000	270,196	5,328,931	5,175,545	1,028,215
2006	5,228,435	104,347	6,060,496	6,770,570	859,829
2007	4,624,510	77,390	5,409,421	6,552,525	640,278

(1) Source: United States Census

Exhibit D-1

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita (1)</u>
\$ 17,279,590	n/a	\$ 866
15,216,644	n/a	762
18,155,383	n/a	910
16,774,582	n/a	938
18,618,941	n/a	1,041
16,758,631	n/a	937
15,381,143	n/a	860
16,652,887	n/a	931
19,023,677	n/a	1,064
17,304,124	n/a	967

City of Pampa, Texas
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Exhibit D-2

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Resources Restricted for paying Debt Service</u>	<u>Net General Obligation Bonds Outstanding</u>	<u>Assessed Taxable Value</u>	<u>Ratio of Net General Obligation Bonds Outstanding to Assessed Taxable Value</u>	<u>Net General Obligation Bonds Outstanding Per Capita</u>
1998	\$ 5,795,000	\$ 163,079	\$ 5,631,921	\$ 395,709,740	1.42%	\$ 282
1999	5,235,000	118,675	5,116,325	395,410,993	1.29%	256
2000	4,640,000	55,990	4,584,010	392,841,160	1.17%	230
2001	4,020,000	47,201	3,972,799	406,661,638	0.98%	222
2002	3,880,000	37,728	3,842,272	416,536,649	0.92%	215
2003	5,830,000	95,184	5,734,816	438,447,688	1.31%	321
2004	5,355,000	136,518	5,218,482	478,081,955	1.09%	292
2005	4,850,000	171,695	4,678,305	425,143,532	1.10%	262
2006	5,228,435	390,547	4,837,888	444,547,610	1.09%	270
2007	4,624,510	585,156	4,039,354	446,150,936	0.91%	226

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Exhibit C-1 for property value data.

City of Pampa, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2007

Exhibit D-3

	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable*</u>	<u>Applicable Debt Outstanding</u>
Pampa Independent School District	\$ 52,735,000	48%	\$ 25,312,800
Gray County	1,225,000	35%	<u>428,750</u>
Total overlapping debt			25,741,550
City of Pampa			<u>4,624,510</u>
Total direct and overlapping debt			\$ <u><u>30,366,060</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Gray County Appraisal District. Debt outstanding was provided by each government.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* For debt repair with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value

City of Pampa, Texas
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Assessed value, before exemptions	\$ <u>395,709,740</u>	\$ <u>395,410,993</u>	\$ <u>392,841,160</u>	\$ <u>406,661,638</u>
Legal debt limit (10% of assessed value, before exemptions)	\$ <u>39,570,974</u>	\$ <u>39,541,099</u>	\$ <u>39,284,116</u>	\$ <u>40,666,164</u>
General obligation bonds	\$ 5,795,000	\$ 5,235,000	\$ 4,640,000	\$ 4,020,000
Less: Resources restricted for paying debt service	<u>163,079</u>	<u>118,675</u>	<u>55,990</u>	<u>47,201</u>
Total net general obligation bonds outstanding applicable to the limit	\$ <u>5,631,921</u>	\$ <u>5,116,325</u>	\$ <u>4,584,010</u>	\$ <u>3,972,799</u>
Computation of legal debt margin:				
Legal debt limit	\$ 39,570,974	\$ 39,541,099	\$ 39,284,116	\$ 40,666,164
Less: Net general obligation bonds outstanding	<u>5,631,921</u>	<u>5,116,325</u>	<u>4,584,010</u>	<u>3,972,799</u>
Legal debt margin	\$ <u>33,939,053</u>	\$ <u>34,424,774</u>	\$ <u>34,700,106</u>	\$ <u>36,693,365</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>14.23%</u>	<u>12.94%</u>	<u>11.67%</u>	<u>9.77%</u>

Exhibit D-4

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ <u>416,536,649</u>	\$ <u>438,447,688</u>	\$ <u>478,081,955</u>	\$ <u>425,143,532</u>	\$ <u>444,547,610</u>	\$ <u>446,150,936</u>
\$ <u>41,653,665</u>	\$ <u>43,844,769</u>	\$ <u>47,808,196</u>	\$ <u>42,514,353</u>	\$ <u>44,454,761</u>	\$ <u>44,615,094</u>
\$ 3,880,000	\$ 5,830,000	\$ 5,355,000	\$ 4,850,000	\$ 5,228,435	\$ 4,624,510
<u>37,728</u>	<u>95,184</u>	<u>136,518</u>	<u>171,695</u>	<u>390,547</u>	<u>585,156</u>
\$ <u>3,842,272</u>	\$ <u>5,734,816</u>	\$ <u>5,218,482</u>	\$ <u>4,678,305</u>	\$ <u>4,837,888</u>	\$ <u>4,039,354</u>
\$ 41,653,665	\$ 43,844,769	\$ 47,808,196	\$ 42,514,353	\$ 44,454,761	\$ 44,615,094
<u>3,842,272</u>	<u>5,734,816</u>	<u>5,218,482</u>	<u>4,678,305</u>	<u>4,837,888</u>	<u>4,039,354</u>
\$ <u>37,811,393</u>	\$ <u>38,109,953</u>	\$ <u>42,589,714</u>	\$ <u>37,836,048</u>	\$ <u>39,616,873</u>	\$ <u>40,575,740</u>
<u>9.22%</u>	<u>13.08%</u>	<u>10.92%</u>	<u>11.00%</u>	<u>10.88%</u>	<u>9.05%</u>

City of Pampa, Texas
Pledged Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses Before Debt Service (2)</u>	<u>Net Revenues Available for Debt Service</u>
<u>Water & Sewer Fund</u>			
1998	\$ 4,074,072	\$ 2,853,808	\$ 1,220,264
1999	3,764,613	2,959,753	804,860
2000	4,061,333	3,162,200	899,133
2001	4,265,185	3,118,628	1,146,557
2002	4,370,855	3,206,040	1,164,815
2003	4,284,074	3,562,637	721,437
2004	4,589,754	3,492,506	1,097,248
2005	4,682,357	3,742,448	939,909
2006	5,517,515	4,018,369	1,499,146
2007	5,479,658	3,938,478	1,541,180
<u>Solid Waste Fund</u>			
1998	\$ 1,069,969	\$ 655,668	\$ 414,301
1999	1,120,396	593,689	526,707
2000	999,516	573,360	426,156
2001	1,087,180	613,981	473,199
2002	1,154,108	569,151	584,957
2003	1,181,315	575,111	606,204
2004	1,182,799	529,876	652,923
2005	1,195,582	606,206	589,376
2006	1,301,233	641,924	659,309
2007	1,480,040	748,715	731,325

Note: (1) Total revenue including interest, miscellaneous, and sales of materials and equipment.
(2) Expenses before debt service include total operating expenses exclusive of depreciation, amortization, interest, and fiscal charges.

Details regarding the City's debt can be found in the notes to the financial statements.

Exhibit D-5

	Debt Service			Times Coverage
	Principal	Interest	Total	
\$	235,000	\$ 230,654	\$ 465,654	2.6
	265,000	222,256	487,256	1.7
	285,000	321,191	606,191	1.5
	305,000	395,741	700,741	1.6
	390,000	367,095	757,095	1.5
	365,000	137,635	502,635	1.4
	370,000	121,251	491,251	2.2
	380,000	111,199	491,199	1.9
	437,485	182,914	620,399	2.4
	431,075	165,956	597,031	2.6
\$	70,000	\$ 239,583	\$ 309,583	1.3
	140,000	161,534	301,534	1.7
	145,000	152,459	297,459	1.4
	155,000	146,042	301,042	1.6
	165,000	132,393	297,393	2.0
	175,000	122,060	297,060	2.0
	185,000	111,386	296,386	2.2
	200,000	118,726	318,726	1.8
	210,000	144,607	354,607	1.9
	220,000	133,872	353,872	2.1

City of Pampa, Texas
Demographic and Economic Statistics
Last Ten Calendar Years

Exhibit E-1

Year	* Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	21,919	\$ 440,550	\$ 20,099	39.0	3,400	3.5%
2006	21,393	\$ 601,549	\$ 28,119	38.9	3,368	3.2%
2005	21,393	\$ 601,549	\$ 28,119	38.9	3,340	3.7%
2004	21,393	\$ 601,549	\$ 28,119	38.9	3,269	4.6%
2003	21,641	\$ 567,540	\$ 26,225	38.9	3,257	5.3%
2002	21,892	\$ 554,305	\$ 25,320	38.9	3,325	5.6%
2001	22,178	\$ 565,130	\$ 25,482	38.9	3,462	4.7%
2000	22,586	\$ 555,395	\$ 24,590	38.9	3,504	4.0%
1999	23,213	\$ 537,398	\$ 23,157	39.9	3,583	N/A
1998	23,527	\$ 555,010	\$ 23,590	39.9	3,623	N/A
1997	23,589	\$ 534,551	\$ 22,661	39.9	3,633	N/A

* Population includes the City of Pampa and the surrounding area in Gray County

Sources: Pampa Chamber of Commerce, the Pampa Independent School District, and the Texas Workforce Commission.

City of Pampa, Texas
Principal Employers
Current year

Exhibit E-2

<u>2007</u>			
<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pampa Independent School District	502	1	4.45%
National Oilwell	430	2	3.81%
Celanese	330	3	2.93%
Pampa Regional Medical Center	307	4	2.72%
Halliburton	300	5	2.66%
Wal-mart	278	6	2.46%
Pampa's West Texas Landscape	217	7	1.92%
Hudson Drilling Company	190	8	1.68%
Texas Department of Criminal Justice	185	9	1.64%
City of Pampa	<u>149</u>	10	<u>1.32%</u>
	<u><u>2,888</u></u>		<u><u>25.61%</u></u>

Source: Pampa Chamber of Commerce

Note: GASB 44 requires that this information be present for both the current year and nine years ago. The City has been unable to come up with the information from nine years ago. The City is still attempting to obtain this data, and when it become available, will be added to this Exhibit.

City of Pampa, Texas
Employees by Function/Program
Last Ten Fiscal Years

Exhibit F-1

FUNCTION/PROGRAM	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
GENERAL FUND										
Administrative Services	4	3	3	3	3	3	4	4	5	3
Financial Services	5	5	4	4	4	4	4	5	5	5
Municipal Court	1	1	1	1	1	1	3	2	2	2
Police Services										
Officers	25	25	24	24	25	25	24	27	32	27
Civilians	4	4	4	4	2	2	2	3	4	4
Fire										
Firefighters and officers	28	28	28	28	28	28	28	28	30	30
Civilians	0	0	0	0	0	0	1	1	1	1
Planning & Engineering	2	2	2	2	2	2	2	2	2	2
Street & Traffic Control **	17	16	16	16	16	16	17	9	10	10
Parks Department **	0	0	0	0	0	0	0	9	9	9
Recreation Department	3	2	2	2	2	2	2	2	2	2
Buildings & Grounds	1	0	0	0	0	0	2	2	2	2
Community Services	0	0	0	1	1	1	1	1	1	1
Code Enforcement	2	1	1	1	1	1	1	2	2	2
Animal Control	3	3	2	2	2	2	3	3	3	3
Dispatching Services	8	8	8	8	8	8	7	8	8	7
Emergency Management	1	1	1	1	1	1	1	1	1	1
Data Processing	1	1	1	1	1	1	1	1	1	1
Purchasing	0	0	0	1	1	1	1	2	2	2
Central Stores	0	0	0	0	0	0	0	0	1	1
Central Garage	0	0	0	0	0	0	1	4	4	5
Solid Waste Collection	6	5	6	6	6	6	6	7	7	7
Risk Management	0	0	0	0	0	0	0	0	0	1
SPECIAL REVENUE FUNDS										
M. K. Brown Auditorium	1	1	1	1	1	1	1	1	1	1
Lovett Memorial Library	7	6	8	8	8	8	8	8	8	8
ENTERPRISE FUNDS										
Municipal Utilities	10	9	9	9	9	9	12	10	10	10
Water Distribution	9	9	9	9	9	9	9	9	9	9
Wastewater Collection	5	5	5	5	5	5	5	5	5	4
Landfill Composting	0	0	0	0	0	0	1	1	1	1
Solid Waste Landfill	6	5	5	5	5	5	6	6	6	6
Golf Course	0	0	0	0	0	0	0	0	3	3
TOTAL	149	140	140	142	141	141	153	163	177	170

** These two departments merged together in the 2000-2001 budget year

City of Pampa, Texas
Operating Indicators by Function/Program
Last Ten Fiscal Years

Exhibit F-2

Function/Program	Fiscal Year									
	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
Police										
Physical arrests	1,183	1,353	1,043	1,272	1,430	991	905	990	816	942
Parking violations	-	-	-	-	-	-	1	-	-	-
Traffic violations	4,214	5,785	3363	3252	1229	2574	3361	3240	3160	2722
Fire										
Emergency responses	914	898	824	846	817	951	962	844	876	877
Fires extinguished	136	203	118	154	137	191	199	182	173	170
Inspections	20	20	20	20	20	20	20	20	20	20
Refuse Collection										
Refuse collected (tons per day)	79	62	62	62	62	62	62	62	62	61
Number of Customers	7,513	7,486	7,459	7,400	7,486	7,515	7,594	7,845	8,080	8,000
Other Public Works										
Street resurfacing (sq. yards)	241,784	219,646	417,944	310,273	291,214	200,000	138,527	202,798	168,000	165,000
Potholes repaired	855	582	715	302	481	500	510	640	600	500
Parks and Recreation										
Number of City Parks	41	41	41	41	41	41	41	41	39	38
Acres Maintained	332	332	332	332	332	332	332	332	325	320
Number of Softball Leagues	8	6	6	6	6	6	7	7	7	7
Number of Volleyball Leagues	4	4	4	4	4	2	2	2	2	2
Library										
Volumes in collection	69,072	70,401	72,320	77,421	83,631	82,189	86,642	86,642	86,024	87,684
Total volumes borrowed	238	272	273	322	321	510	539	539	328	450
Water										
Number of customers	8,199	8,170	8,112	8,050	8,147	8,173	8,247	8,328	8,319	8,330
Average daily consumption (thousands of gallons)	2,414	2,765	2,411	2,411	2,649	2,417	2,838	3,266	3,148	3,275
Wastewater										
Number of customers	7,533	7,510	7,459	7,480	7,524	7,541	7,617	7,692	8,112	8,000
City Landfill										
Solid Wasted Collected (tons/day)	192	242	242	231	231	155	155	155	155	155
Memorial Civic Center										
Auditorium Rentals	77	45	30	45	62	59	59	59	59	57

Source: Various City Departments

City of Pampa, Texas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Exhibit F-3

FUNCTION/PROGRAM	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse Collections										
Collection Trucks	3	3	3	3	3	3	3	3	3	3
Other Public Works										
Streets	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9
Street Lights	1460	1460	1460	1460	1460	1460	1460	1460	1460	1460
Traffic Signals	12	12	12	12	12	12	12	12	12	12
Parks and Recreation										
Acreage	332	332	332	332	332	332	332	332	325	320
Playgrounds	39	39	39	39	39	39	39	39	39	39
Baseball/softball diamonds	13	13	13	13	13	13	13	13	13	13
Community Center	1	1	1	1	1	1	1	1	1	1
Jogging Trails (miles)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Water										
Water mains (miles)	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5
Fire Hydrants	600	600	600	600	600	600	600	600	600	600
Storage capacity (million gallons)	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Wastewater										
Sanitary Sewers	115	115	115	115	115	115	115	115	115	115
Treatment capacity (mil. gallons)	3	3	3	3	3	3	3	3	3	3
Golf Courses	3	3	3	3	3	3	3	3	3	3

Source: Various City Departments

**INTERNAL CONTROL
AND
COMPLIANCE REQUIREMENTS**

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BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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Amarillo, Texas 79105 • 806-355-8241 • FAX 806-355-6415

**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 Auditor's Report

**Honorable Mayor Lonny Robbins and City Commission
Pampa, Texas**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pampa, Texas (the "City"), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items one and two to be significant deficiencies in internal control over financial reporting.

Honorable Mayor Lonny Robbins and City Commission
Pampa, Texas

Internal Control Over Financial Reporting (continued)

A material weakness is a significant deficiency, or combination of 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 City's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item one to be a material weakness.

Compliance

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*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Mayor and City Commission, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brown, Graham + Company, P.C.

Amarillo, Texas
March 21, 2008

**CITY OF PAMPA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the City of Pampa, Texas is an unqualified opinion.
- b. Significant deficiencies in internal control were disclosed by the audit of the financial statements, one of which was identified as a material weakness.
- c. Noncompliance which is material to the financial statements: None.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards*:

Item One – Accounting Procedures and Controls:

During the audit, it was noted that various accounts on the general ledger needed to be adjusted in order for the financial statements to be materially correct in accordance with generally accepted accounting principles. The adjusting entries proposed during the audit of the City of Pampa, Texas included but were not limited to the following: adjusting negative cash balances in cash pool accounts, adjusting prepaid expenditure accounts, adjusting various receivable and payable accounts, adjusting various capital outlay and capital asset accounts, adjusting various accounts related to long-term debt, reclassifying various revenue and expenditure amounts, recording accrued vacation and sick leave expected to be paid within the next twelve months on the governmental fund financial statements, recording accreted interest on capital appreciation bonds, adjusting various accounts pertaining to the landfill closure liability, and the various entries needed to convert the fund financial statements to the government-wide financial statements in accordance with Governmental Accounting Standards Board Statement Number 34.

We understand that the City has utilized our firm's assistance and expertise in recommending various adjusting and reclassifying journal entries that should be posted to the City's general ledger for the financial statements to be materially correct. However, under current generally accepted auditing standards, the City is still required to take the ultimate responsibility for the financial statements to be materially correct. As a part of that process, the City is expected to have the controls in place internally as well as the skills and competencies necessary to prevent, detect, and correct material misstatements. This process does not stop at the general ledger; rather, it extends on to the preparation of the City's financial statements and related notes. Unfortunately, the City cannot assign this duty to the independent auditor.

We recognize that many of the entries discussed above are needed only at year end to prepare the City's annual financial statements in accordance with generally accepted accounting principles as applicable to a governmental entity. We also recognize that due to time constraints on the City's personnel, it has been a matter of convenience that the City utilizes our firm to assist in the preparation of the financial statements and to propose adjusting and reclassifying journal entries. It is basically a decision by the City's management of weighing the costs verses the benefits of using the independent auditor's assistance in preparing the financial statements and proposing the necessary journal entries needed. We are happy to continue to provide these services to the City in addition to the basic audit of the financial statements.

**CITY OF PAMPA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards* (continued):

Item One – Accounting Procedures and Controls (continued):

Management’s Response:

The City has for many years utilized the audit firm’s assistance to make adjusting entries to our financials and preparing our CAFR. As mentioned in the auditor’s report, the City’s management decided to do so after careful consideration of costs, personnel time constraints, and the audit firm’s expertise in financial preparation. Due to changing audit standards, the practice of using the audit firm’s expertise will need to be modified.

While changes in the audit standards dictate changes in our procedures, and since our staff has worked with the audit staff and is knowledgeable of the controls needed and entries required, we will work with the audit firm to determine responsibility. The City’s finance staff has decreased the number of adjusting entries the auditors prepare over the last few years and will continue to implement new schedules and procedures to prepare the year end entries. We will strive to continue absorption of the entries we have relied on the audit firm for, and to prepare our staff for constant changes in audit and financial preparation standards.

As far as the actual CAFR preparation, it is still in the best interest of the City to use the firm to prepare this statement. It is increasingly time consuming and requires ever-changing software technology to compile all the data to present such a report.

We are happy the audit firm will continue to prepare our financial statements.

Item Two – Excess of Expenditures over Budgeted Amounts:

We noted that at year end, the overall expenditures exceeded the final amended budget for the Leased Properties Fund, the Controlled Substances Fund, and the M.K. Brown Auditorium Fund. The causes of these variances were due in part to higher costs being incurred that what were anticipated during the budget process, and the failure to budget expenditures at all for the Controlled Substances Fund.

Internal controls should be in place that provide reasonable assurance that expenditures are being made only after being approved by an appropriate level of management of the City, and that the budget is being properly amended as needed throughout the year. Because of a failure to properly amend the budget or to exceed the approved budgeted expenditures, expenditures may be made or incurred that do not have the approval of the City’s commission, which is a violation of state law. Procedures should be implemented to strengthen existing budgetary controls to ensure that the final actual expenditures do not exceed the final amended budget. Overall, it appears the City has a good system in place pertaining to the budget process. These few instances appear to be isolated in nature and do not appear to be a systematic problem throughout the City.

CITY OF PAMPA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards* (continued):

Item Two – Excess of Expenditures over Budgeted Amounts (continued):

Management's Response:

The Controlled Substances Fund and the Leased Properties Fund are both funds for which there is no historical trending to be used for the purposes of budgeting. The Controlled Substances Fund is restricted on what expenditures can be made, but should still be tracked and the budget amended prior to expenditures being made. The M.K. Brown Auditorium had higher costs which were budgeted in previous budget years and finished in this year. We have budgetary controls in place and the overages are the exceptions. We have and will continue to implement tighter control over expenditures made at the departmental level, including more extensive budget compliance monitoring.

**CITY OF PAMPA
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

There were no reportable conditions or findings reported in the prior year audit.