



City of Lubbock, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2014



Comprehensive Annual Financial Report
List of Elected and Appointed Officials
For the Fiscal Year Ended September 30, 2014

City Council

Glen C. Robertson	Mayor
Jim Gerlt	Mayor Pro Tem - District 4
Victor Hernandez	Council Member - District 1
Floyd Price	Council Member - District 2
Jeff Griffith	Council Member - District 3
Karen Gibson	Council Member - District 5
Latrell Joy	Council Member - District 6

Appointed Officials

James Loomis	City Manager
Chad Weaver	City Attorney
Rebecca Garza	City Secretary

Finance Staff

Pamela Moon, CPA	Executive Director of Finance
Cheryl Brock	Executive Director of Fiscal Policy
Brack Bullock	Accounting Supervisor
Linda Cuellar, CPA	Accounting Supervisor
Deborah Hansard	Senior Accountant
Bill Sullivan, CPA	Senior Accountant
Veronica Valderaz	Senior Accountant
Zane Graham	Grant Accountant
Andy Burcham	Chief Financial Officer LP&L
Chad Sales	Financial Planning & Analysis Manager LP&L

**City of Lubbock, Texas
 Comprehensive Annual Financial Report
 Year Ended September 30, 2014**

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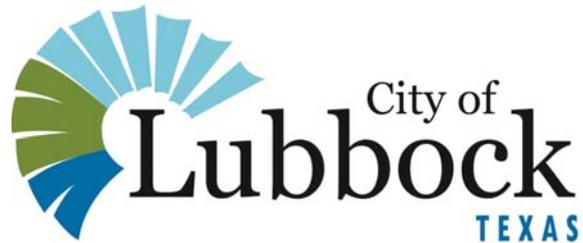
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(806) 775-0000 • Fax (806) 775-0001**

February 16, 2015

Honorable Mayor, City Council, and Citizens of Lubbock, Texas:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Lubbock, Texas for the fiscal year ended September 30, 2014. The purpose of the CAFR is to provide accurate and meaningful information concerning the City's financial condition and performance. In addition, independent auditors have opined that the City has fairly presented its financial position, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

The CAFR satisfies Section 103.001 of the Texas Local Government Code requiring annual audits of all municipalities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the financial position and results of the City. We also believe all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed: 1) to protect the City's assets from loss, theft, or misuse; and 2) to compile sufficient, reliable information for the preparation of the City's financial statements, in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City'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.

The City's financial statements have been audited by BKD, LLP, a licensed certified public accountants' firm. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves:

- examining evidence on a test basis that supports 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.

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The independent accountants have concluded that the City's financial statements are in conformity with GAAP, are fairly presented, and there is a reasonable basis for providing an unmodified opinion. The independent auditor's report is presented as the first component of the financial section of this report.

The independent accountants' audit of the City's financial statements is part of a broader, federally mandated "Single Audit," which is designed to meet the special needs of federal granting agencies. These reports are available in the City's CAFR. The standards governing Single Audit engagements require the independent auditor to report on several facets of the City's financial processes and controls:

- Fair presentation of the financial statements,
- Internal controls over financial reporting and the administration of federal awards, and
- Compliance with legal and grant requirements.

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

CITY OVERVIEW

Description of the City

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1909, and first adopted its Home Rule Charter in 1917. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The Mayor is elected at-large for a two-year term ending in an even-numbered year. Each of the six members of the City Council is elected from a single-member district for a four-year term of office. City Council elections are held every two years, with elections for Council members in Districts 1, 3, and 5 being staggered with elections for Council members in Districts 2, 4, and 6. The City Manager is the chief administrative officer of the City.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically as the City Council deems appropriate. The 2010 Census population for the City was 229,573; the estimated 2014 population is 238,706. The City covers approximately 122.8 square miles.¹ The organizational chart of the City is shown following the transmittal letter.

In accordance with generally accepted accounting principles and Codification of Governmental Accounting Standards, Section 2100, "*Defining the Financial Reporting Entity*," these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationship with the City. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included. West Texas Municipal Power Agency (WTMPA) is a blended component unit. Discretely presented component units include Urban Renewal Agency (URA), Civic Lubbock, Inc., Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc., Lubbock Economic Development Alliance, and the Vintage Township Public Facilities Corporation.

¹ City of Lubbock GIS Department.

Additional information on the component units can be found in the notes.

City Services

The City provides a full range of services including public safety (police and fire protection), electric, water, wastewater, storm water, solid waste, public transportation (airport and transit), health and social services, cultural and recreation, highways and streets, planning and zoning, and general administrative services.

Public Safety: The Police Department serves and protects the public by conducting criminal investigations and enforcing laws governing public safety and order. As part of an effort to reach the goal of two officers for every 1,000 residents, the Police Department hired 51 new police recruits in FY 2014. As of September 30, 2014, the department was staffed with 387 sworn officers. In FY 2014, the Police Department responded to 236,773 primary and backup dispatched calls for service with an average response time to Priority 1 calls of 4.47 minutes.

The Lubbock Fire Department is dedicated to providing unparalleled emergency response and life safety services for the City. As of September 30, 2014, the Fire Department operated 18 fire stations and was staffed with 411 sworn firefighters. Three new fire stations were approved in the 2009 bond election: Fire Stations 16, 18, and 19. The construction of Fire Station 16 began in January 2011 and was completed in January 2012. The construction of Fire Station 18 began in November 2011 and was completed in February 2013. The construction of Fire Station 19 began in October 2013 and is scheduled to be complete in December 2014. The relocation and construction of Fire Station 1 is currently in the design and engineering phase, and expected to be released for construction bid in early 2015. Many improvements continued to be made to citywide fire stations as a result of funding for fire station renovations being appropriated in the FY 2013 and FY 2014 budgets. We will continue to improve and renovate our facilities with \$300,000 being allocated for FY 2015. In FY 2014, the Fire Department responded to 33,543 calls, or an average of 91.89 calls per day, approximately double the number of calls answered in FY 2013. The increase in the number of calls is a result of improvements to the 911 call transfer system in late 2012, and increase in population due to both land annexation and normal growth.

Electric Utility: Electric service in the City is provided by *Lubbock Power and Light* (LP&L) and South Plains Electric Cooperative. LP&L is the municipally operated electric provider with 102,034 meters, an average daily consumption of 7,056,681 kWh, 37 substations, 7,115 total miles of primary and secondary distribution lines, and approximately 105 miles of transmission lines. On November 2, 2004, Lubbock voters elected to amend the City Charter to provide for a governing Electric Utility Board (EUB), which governs, manages, and operates LP&L today. The City Council retains authority for appointment of board members, approval of the operating and capital budget, approval of rates for electric service, eminent domain, and approval of debt financing.

In 1983, the cities of Lubbock, Brownfield, Floydada, and Tulia, created the West Texas Municipal Power Agency (WTMPA) as a joint power agency. WTMPA is a municipal power agency that was created to enhance the negotiating strength of the individual cities in obtaining favorable electric power contracts and in coordinating joint planning for additional generation. WTMPA provides electricity to its four member cities. WTMPA is governed by an eight-member Board of Directors. The board consists of two directors from each participating city. Each member city appoints two members to the WTMPA board; however, an affirmative vote of the "majority in interest" is required to approve the operating budget, approve capital projects, approve debt issuance, and approve any amendments to WTMPA rules and regulations. One member is elected as the president who presides over monthly meetings. Directors serve without compensation. WTMPA has no employees and instead contracts for services to meet its general operating needs. WTMPA may engage in the business of generation, transmission, sale, and

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exchange of electric energy to its four members. WTMPA may also participate in power pooling and power exchange agreements with other entities. The City maintains the “majority in interest” vote based on kilowatt purchases and consequently has majority voting control. As the City purchases approximately 95.2 percent of the electricity brokered, WTMPA provides services almost exclusively to the City and is therefore presented as a blended enterprise fund. Separate audited financial statements may be obtained through the City.

Water Utility: The City’s most current Strategic Water Supply Plan was adopted by the City Council in February 2013. This Plan includes an emphasis on water conservation strategies and includes strategies for supplying Lubbock for the next 100-years. The City also works closely with the Region O Water Planning Group in contributing to the preparation of a portion of the State Water Plan, which includes the City’s water supply needs and alternatives.

The City used a total of 12.85 billion gallons of water in FY 2014. The City’s water conservation goal for FY 2014 was 156 gallons per capita per day (gpcd). The City exceeded this goal by reducing its consumption to 145 gpcd during FY2014. The peak capacity of the City’s water supply and treatment was 80 million gallons per day, with an average utilization of 35.2 million gallons per day.

The City currently receives its water from four different sources: Roberts County Well Field, Lake Meredith, Bailey County Well Field, and Lake Alan Henry. The Roberts County Well Field and Lake Meredith are owned by the Canadian River Municipal Water Authority (CRMWA). Lubbock is one of CRMWA’s eleven member cities. The Bailey County Well Field and Lake Alan Henry are owned by the City.

The City obtained 7.52 billion gallons of its annual water supply from CRMWA in FY 2014. CRMWA used Lake Meredith for a short time during the end of the summer for the first time in two years. At the beginning of FY 2012, the Lake had reached its lowest level and was no longer usable. Lake Meredith water levels began rising over the past 12 months. Consequently, CRMWA is now using ground water from the Ogallala Aquifer in Roberts County supplemented by some surface water from Lake Meredith to help meet the needs of member cities. CRMWA owns 407,566 acres of ground water rights with an estimated 22 million acre-feet of water within those rights. CRMWA can deliver up to 65,000 acre-feet of water to its member cities each year from the Roberts County Well Field. They can also supply additional water from Lake Meredith during the summer months to increase peak capacity by 10 million gallons per day. The aqueduct supplying water to the southern cities cannot be filled with the existing well field infrastructure and water supplied from Lake Meredith. Therefore, CRMWA is currently securing easements for a new pipeline route so a second transmission line (CRMWA II) can be constructed from the well field to the aqueduct. This will allow for the full utilization of the aqueduct to the southern cities. The project is estimated to be completed after 2020.

The Bailey County Well Field contains 175 active water wells with 83,305 acres of water rights, providing 2.80 billion gallons of the City’s annual water supply in FY 2014. In October 2011, the City completed the construction of eight additional wells to maintain the well field production rates. The City is currently planning to add additional wells to the Bailey County Well Field to maintain well field production rates.

The City finished construction on Lake Alan Henry in 1993. In 2010, the City began construction on Phase I of the Lake Alan Henry project: two new pump stations, a 51-mile raw water pipeline from the Lake to the City, a new South Water Treatment Plant with membrane technology, and 19 miles of treated water transmission lines. Phase I of the Lake Alan Henry project was completed in August 2012 and is capable of providing 15 million gallons of water per day to the City. Lake Alan Henry supplied 2.53 billion gallons of the City’s annual water supply in FY 2014. The South Water Treatment Plant includes a 225 million gallon terminal storage reservoir and a high service pump station to transfer the treated water

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into the City's distribution system.

The City provides water service to over 82,261 meters through 1,625 miles of distribution lines. The City also provides treated water to Shallowater, Ransom Canyon, Buffalo Springs Lake, Reese Redevelopment Authority, Lubbock Cooper ISD, and Roosevelt ISD.

Wastewater Utility: Wastewater collection and treatment is provided within the city limits to residential, commercial, and industrial customers. As of December 31, 2014, the collection system consisted of approximately 1,127 miles of sanitary sewer lines and 34 lift stations. The wastewater treatment plant has a permitted capacity of 31.5 million gallons per day and an average utilization of approximately 18 million gallons per day. The peak utilization of the wastewater treatment plant is 25 million gallons per day. The treated wastewater is disposed of or reused in various ways. In 2014, approximately 64 percent of the wastewater was used to irrigate crops at the Lubbock Land Application Site and at the Hancock Land Application Site. In addition, Xcel Energy used approximately 10 percent of the treated wastewater and 26 percent was discharged into the North Fork of the Double Mountain Fork of the Brazos River. Currently, dewatered solids generated during the wastewater treatment process are hauled and disposed of at the City's regional solid waste landfill in Abernathy, Texas.

As part of the City's Strategic Water Supply Plan, projects are underway to improve the quality of the treated wastewater so it can be reused in beneficial ways. The City has completed Phase I, Phase II, and the Digester Upgrade of Phase III of a four-phase project to upgrade the Southeast Water Reclamation Plant. Phase I included upgrades and improvements to the influent lift station. Phase II included upgrades to Plant 3 for filtration and ultraviolet disinfection, and Plant 4 for biological nutrient removal, filtration, and ultraviolet disinfection. Phase III includes design and construction improvements to anaerobic digesters and the solids handling facility. The upgrades to digesters No. 8 and No. 9 were completed in May 2013. The upgrades included new covers, new mixing system, new heating system, and gas piping. Construction began in May 2014, on the upgrades to the solids handling facility. The upgrades include new sludge thickening and dewatering equipment, sludge holding tank upgrades, odor control for the solids handling facility and influent lift station, and new sludge loading facilities. Phase IV will include upgrades to Plant 3 for biological removal. These efforts will improve the quality of the City's effluent discharge and prepare it for possible future reuse. The high quality effluent will be discharged into the North Fork.

The 2008 Wastewater Master Plan recommended several improvements to the collection system in order to meet population growth as well as aging infrastructure replacement needs. The South Lubbock Sanitary Sewer System Expansion Phase I is currently under construction and Phase II is under design. The project consists of engineering design and construction of large diameter sanitary sewer interceptors for the expansion of the existing sanitary sewer system. This will relieve the surcharge of sewer mains currently servicing multiple sewer sheds in south Lubbock. In addition, the Canyon Lakes Interceptor Rehab project is under design to rehabilitate and replace deteriorated line and manholes to improve aging infrastructure. Construction of the Northwest Water Reclamation Plant will begin in the early part of 2015. This new plant will be used to relieve the surcharge of sewer mains serving north Lubbock. The project will include a new membrane filtration reclamation plant, new raw wastewater diversion pipeline and lift station, new solids wastewater line, and new outfall line, with anticipated completion in 2017.

Storm Water Utility: The City's storm water run-off is primarily conveyed through the City's street system that discharges into 146 playa lakes. The subsurface drainage, via storm sewer pipes with curb inlets, conveys water to two small intermittent streams (Blackwater Draw and Yellowhouse Draw) which both converge at the upper reaches of the North Fork of the Double Mountain Fork of the Brazos River. The City's municipal separate storm sewer system (MS4) is made up of approximately 1,156 miles of paved and unpaved streets, 559 linear miles of paved and unpaved alleys, 1,239 storm sewer inlets, 93.4

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miles of subsurface storm sewer pipe, six detention basins, 146 playa lakes, and one pump station. Maintenance of all of the storm sewers, including street cleaning, is funded through storm water fees. During FY 2014, a primary focus of the Storm Water Utility was to complete construction of Phase 1 of the Northwest Lubbock Drainage Improvements Project. The project will connect six playa lakes to a new drainage system to help reduce the risk of flooding in the northwest region of Lubbock. Another major focus was to implement the way the storm water utility fee is charged to customers. Finally, continued compliance with both the City's MS4 Permit and the comprehensive Storm Water Ordinance is being emphasized.

Solid Waste Utility: The City provides garbage collection and disposal services to 70,209 residential customers and 2,964 commercial customers. One of the City's two landfill sites is designated as the Caliche Canyon Landfill and includes a citizen transfer station. The second site is the West Texas Regional Disposal Facility located in Abernathy, Texas, which opened in 1999, one of the largest permitted areas for a landfill in the State of Texas. With 1,260 acres, the expected useful life of this landfill is 119 years.

Public Transportation: A key component of Lubbock's transportation system is the Lubbock Preston Smith International Airport, located seven miles north of the City's central business district on 3,000 acres of land adjacent to Interstate 27. The Airport is operated as a department of the City, with the guidance of an advisory board, and includes a 220,000 square foot passenger terminal building. The Airport has two commercial service runways, 11,500 and 8,000 feet in length. The Airport's third general aviation runway is 2,869 feet in length. Air traffic control services include a 24-hour Federal Aviation Administration control tower and a full range of instrument approaches. The Airport is served by three major passenger airlines and two major cargo airlines. It facilitates over 40 commercial flights per day. A project to extend and rehabilitate the 8,000 foot runway in order to eliminate the intersection of the two runways and to enhance the capacity of the Airport was completed in FY 2012. A project to rehabilitate the 11,500 foot runway is underway. The estimated cost of the project is \$50 million and is funded by federal grant entitlements and Passenger Facility Charges.

Citibus provides public transportation for the City and is managed by McDonald Transit Associates, Inc. Transit services provided by Citibus include Fixed Route, CitiAccess (paratransit), Evening (NiteRide), in addition to other special services. There are nine fixed routes that circulate throughout the City. The Citibus evening service is designed to meet the needs of CitiAccess and fixed route passengers who make use of public transportation. CitiAccess is a curb-to-curb service for passengers in the community who are unable to utilize the regular fixed route service. A majority of evening service passengers work at night and utilize the service for afterhours transportation to and from their jobs. In addition to the above transportation services, Citibus provides route service to Texas Tech University with 35 buses. Citibus is also the contracted agent for passenger sales and freight shipping and receiving for Greyhound Lines, Inc., which operates from the Citibus Downtown Transfer Plaza.

Health and Social Services: The City has a housing and community development program implemented and administered through funding from the federal Community Development Block Grant (CDBG) Program, HOME Investment Partnership Program, and Emergency Shelter Grant (ESG) Program. With these programs, the City completed work on 234 houses in FY 2014 through the use of CDBG and HOME funds and assisted 3,050 individuals through the ESG Program with emergency shelter and essential homeless prevention services.

The City also received funding from the Texas Department of Housing and Community Affairs. These funds allow the City to offer additional programs to its citizens. Through these programs in FY 2014, 423 households received assistance in repairing the heating and/or cooling systems in their homes; 1,231 households received utility assistance; 54 individuals graduated from the Self-Sufficiency Program.

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Cultural and Recreation Activities: Cultural and recreation services are provided by the City through four libraries, 81 parks, and 60 playgrounds. Other recreational facilities include four swimming pools, 61 tennis courts, 51 baseball and softball fields, 49 soccer fields, three disc golf courses, a cultural arts center, five community centers, and five senior centers. To further enhance quality of life and to provide support to tourism, the City operates the Memorial Civic Center, the City Bank Coliseum and Auditorium, the Buddy Holly Center, the Wells Fargo Amphitheatre, and the Silent Wings Museum.

The City is financially accountable for a legally separate civic services corporation (Civic Lubbock, Inc.), which is reported separately within the City's financial statements as a discretely presented component unit. Additional information on this legally separate entity can be found in the notes to the financial statements.

Highways and Streets: The City is responsible for the construction and maintenance of 1,095 miles of paved streets, 57 miles of unpaved streets, and 559 miles of paved and unpaved alleys.

In 2004, the City Council established the Gateway Streets Program. The program, funded with 40 percent franchise fees, opens areas of the City for development through thoroughfare construction. The Gateway Streets Program consists of the Northwest Passage, City thoroughfare streets and Texas Department of Transportation (TxDOT) improvements in northwest Lubbock, as well as other thoroughfare improvements located in southwest Lubbock.

The City thoroughfare streets that have recently been completed include: Indiana Avenue from 103rd Street to FM 1585, Quaker Avenue from 98th Street to 114th Street, Quaker Avenue from 114th Street to FM 1585, Frankford Avenue from 98th Street to 114th Street, Slide Road from Marshall Street to US 84, 34th Street from Indiana Avenue to Avenue Q and Milwaukee Avenue from 94th Street to 114th Street.

Other major street improvement projects under construction or recently completed include the following:

- 34th Street reconstruction from Indiana Avenue to Avenue Q (2009 Bond Election) was completed in 2013. The reconstruction of 34th Street from Indiana Avenue through Quaker Avenue began in early 2014.
- The continuation of the City-wide 10-year street maintenance program.
- 98th Street sanitary sewer remediation, reconstruction of the street between Albany Avenue and Huron Avenue with seven-lane concrete pavement was completed in 2014.
- The design on 98th Street between University Avenue and SH 87 was awarded in early 2014 with construction to begin in FY 2015.
- 98th Street from Frankford Avenue was widened to three lanes of strip paving.
- The City is participating in several TxDOT Projects including Quaker, Erskine TTU Blvd. and Loop 289 Interchange along with Phase 5 of the Marsha Sharp Freeway, and the widening of Slide Road from 98th Street to FM 1585.

Annual Budget Process

The annual operating budget serves as the foundation of the City's financial planning and control. All City departments submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing the proposed Operating Budget and Capital

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Program. The City Manager then presents the proposed Operating Budget and Capital Program to the City Council for review, as required by City Charter. The City Council is required to hold a public hearing on the proposed Operating Budget and Capital Program and to adopt it no later than September 30, the close of the City's fiscal year. The adopted Operating Budget and Capital Program appropriates funding at the departmental level in the General Fund, at the fund level in the other funds, and at the project level in the Capital Program.

The General Fund Operating Budget is adopted on a basis other than GAAP, with the main difference being that capital lease proceeds and related capital outlays are not budgeted. Budgetary control is maintained at the department level. Management may make administrative transfers and increases or decreases between accounts below the department level without City Council approval. However, any transfer of funds between departments, the legal level of control, or higher level shall be presented to City Council for approval by ordinance before such funds can be transferred between departments or expended. All annual operating appropriations lapse at the end of the fiscal year. Capital Project and grant appropriations do not lapse at fiscal year end, but remain in effect until the project or grant is completed and closed.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered within the context of the City's economy. The following information is provided to highlight a broad range of economic forces that support the City's operations.

Local Economy

Improvements in national, state, and local economic measures suggest that the economy is recovering and, in the case of Lubbock, has recovered from recessionary pressures. Most relevant measures of the economy have returned to pre-downturn 2008 levels and continue to improve. Core economic indicators, including sales tax receipts, construction activity, and unemployment, all suggest that Lubbock will continue to see solid expansion in the future.²

Lubbock has a stable economy with historically consistent and steady growth. Over the past twenty years, Lubbock's agriculturally-based economy has diversified, which has minimized the effects of business cycles experienced by individual sectors.

The Southern High Plains District, comprised of 16 counties surrounding Lubbock, is one of the most productive agricultural areas in the United States. In 2014, 16.8 percent of the nation's upland cotton crop and 43.3 percent of the state's upland cotton crop were produced by farmers in the Southern High Plains District. The Southern High Plains production was 2,576,000 bales, up 52.4 percent from the 1,690,000 bales in 2013.³

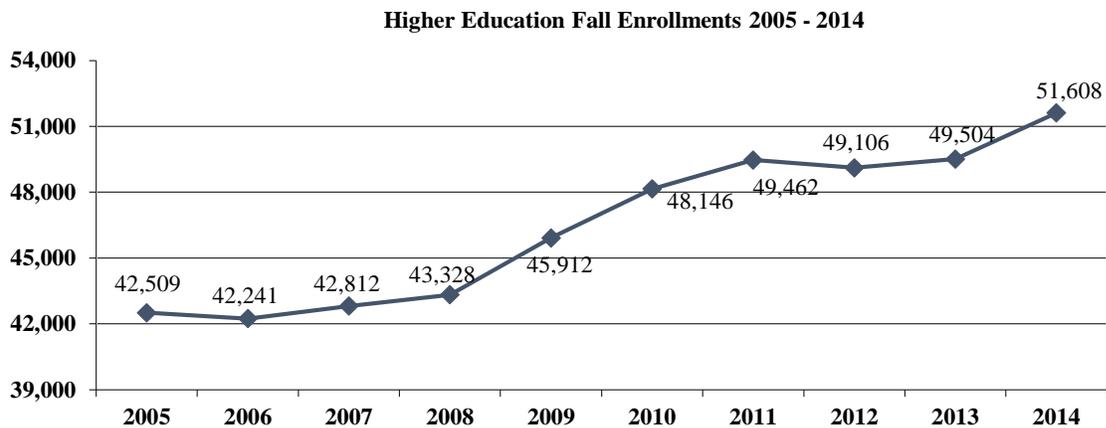
The City has strong manufacturing, wholesale and retail trade services, health care, education, and government sectors. Manufacturing includes a diverse group of employers who support approximately

² Ingham Economic Reporting, September-2014, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham.

³ United States Department of Agriculture, National Agriculture Statistics Service, retrieved from http://www.nass.usda.gov/Quick_Stats/.

4,900 workers.⁴ A central location and access to transportation have contributed to Lubbock's development as a regional warehousing and distribution center. Lubbock serves as the major retail trade center for a 26-county retail trade area of more than a half million people.

Lubbock is home to three universities and one community college: Texas Tech University, Lubbock Christian University, Wayland Baptist University – Lubbock Center, and South Plains College. Fall 2014 enrollment for all higher education institutions in Lubbock was 51,608, an increase of 4.3 percent from the Fall 2013 enrollment of 49,461. The increase was due to enrollment increases South Plains College, Texas Tech and Texas Tech Health Science Center experienced which offset the decreases experienced at Lubbock Christian University and Wayland Baptist University.⁵ Texas Tech has set a goal to reach enrollment of 40,000 students by 2020. The availability of graduates in the City is an added advantage to local industries as the universities and colleges continue to produce a ready source of qualified labor.



The health care and social assistance sector is also a vital component of the Lubbock economy, with 22,331 employees and payroll of approximately \$899 million.⁶ Lubbock is home to several medical facilities including: University Medical Center, Covenant Medical Center, The Lubbock Heart Hospital, and Grace Medical Center. The Texas Tech University Health Sciences Center also provides health care as well as training and research opportunities for health care professionals.

Lubbock Economic Index: The Lubbock Economic Index is designed to represent the general condition of the Lubbock economy by tracking local economic indicators. The base year for the index was 1996, when the index was set at 100. The economic index for September 2014 was 142.7, which represents an increase of 3.4 percent from the September 2013 level of 138.0.

Due to the impact of the nation recession, the Lubbock Economic Index declined from October 2008 to August 2011. In September 2011, the trend reversed and the economic index began to show signs of recovery until it finally reached the pre-downturn level in January 2013 and continued to rise throughout the year. In September 2014, auto sales numbers were extraordinary with inflation-adjusted spending on new and used motor vehicles up by 21 percent compared to September of a year ago.⁷ Housing prices

⁴ Texas Workforce Commission, *MSA Employment and Unemployment Data*.

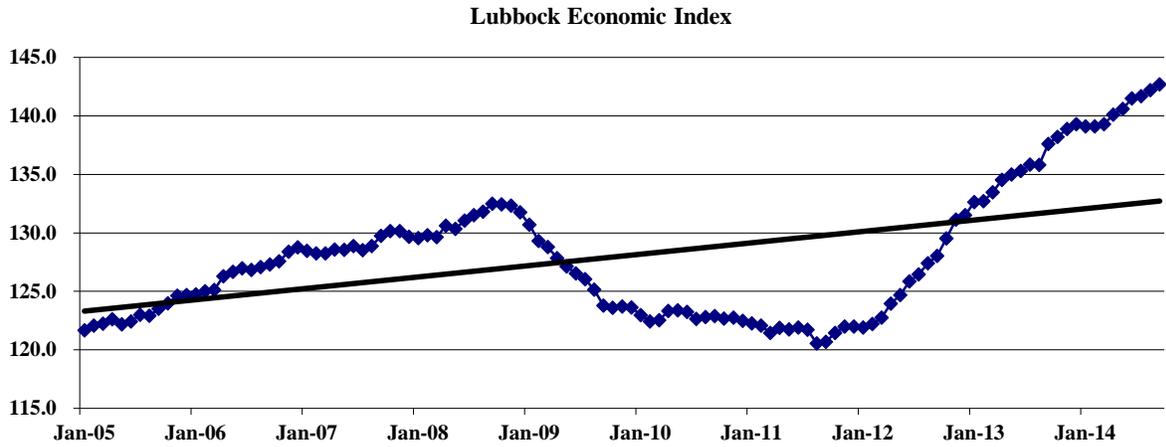
⁵ City of Lubbock Finance Department survey of enrollments at higher education facilities.

⁶ U.S. Census Bureau, *2012 County Business Patterns*, retrieved from <http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl> (2-year delay in publication).

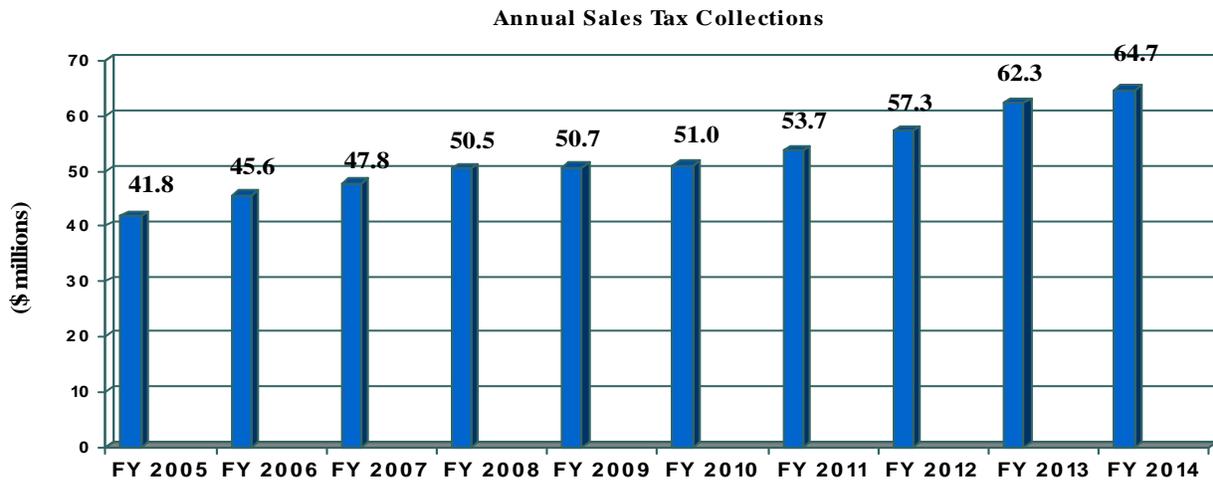
⁷ Ingham Economic Reporting, September-2014, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham.

Honorable Mayor, City Council,
 And Citizens of the City of Lubbock, Texas
 February 16, 2015

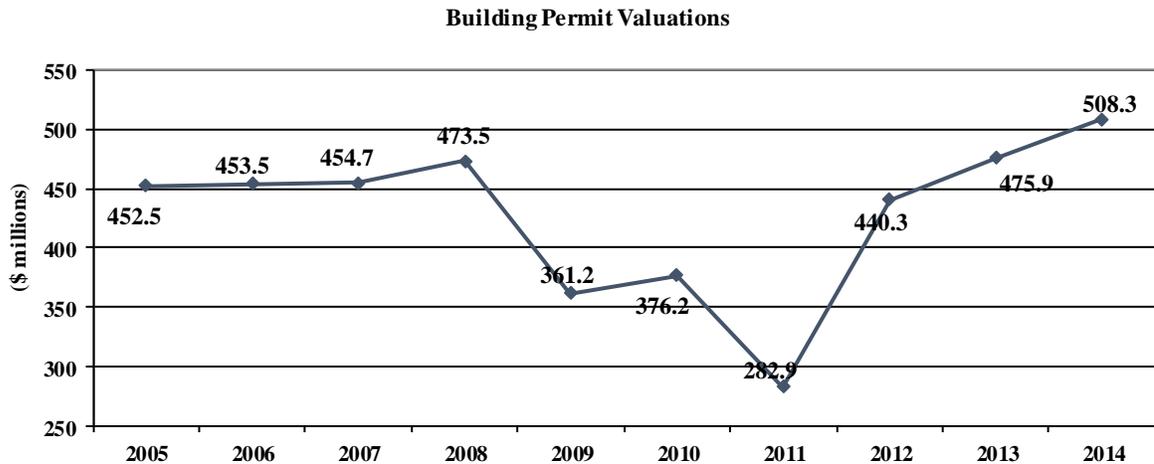
continued to increase at a steady pace and existing home sales were down a bit in 2014 compared to record numbers in 2013.



Sales Tax Collections: Sales tax collections for FY 2014, totaling \$64,650,937 were 3.9 percent higher than collections through the same period in FY 2013.

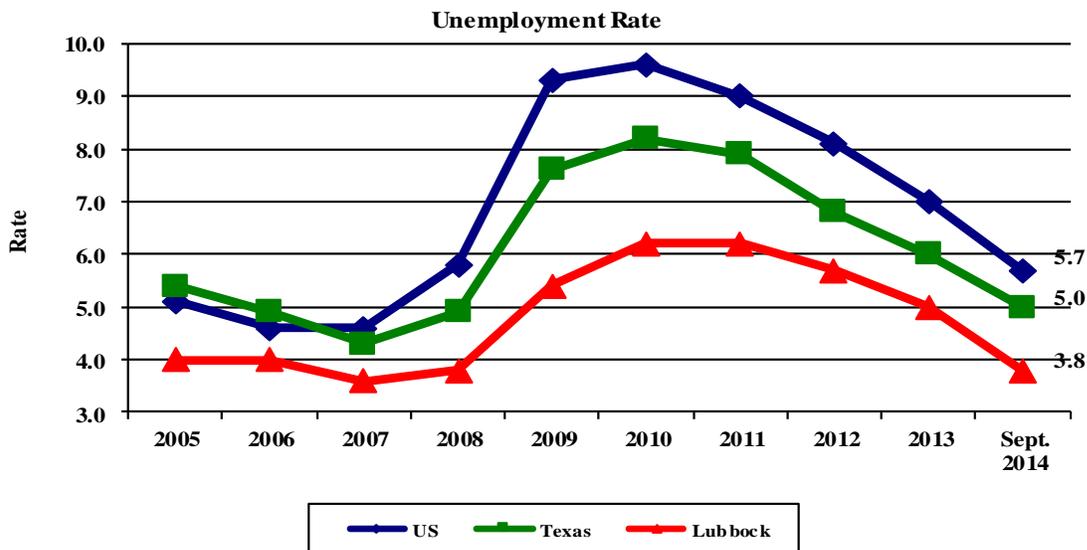


Building Permit Valuations: The construction sector experienced an increase during 2014, with the value of all building permits issued through December up 6.8 percent from the same period in 2013. The \$508.3 million in building permits issued through December 2014 is a significant increase from the \$282.9 million issued through December 2011. The yearly comparison is below:



New residential permits decreased in 2014 with the total number issued through December. The total new residential valuations were \$259.7 million, 5.8 percent lower than the same time period in 2013.⁸ The average home sales price for FY 2014 was \$163,400, an increase of 5.6 percent over FY 2013.⁹

Employment: The total non-agricultural employment estimate for September 2014 was 137,300, an increase of 3.4 percent from the September 2013 estimate of 132,800. The unemployment rate for the Lubbock Metropolitan Statistical Area in September 2014 was 3.8 percent, the fourth lowest in the State of Texas. Historically, Lubbock has had a low rate of unemployment that is well below the national and state unemployment rates.¹⁰



⁸ (

⁹ Texas A&M University Real Estate Center, *Lubbock MLS Housing Activity Report*, retrieved from <http://recenter.tamu.edu/data/datahs.html>.

¹⁰ Texas Workforce Commission, LMCI Economic Profiles, retrieved from: <http://www.tracer2.com/cgi/dataanalysis/AreaSelection.asp?tableName=Laborforce>. Note: The Lubbock MSA includes both Lubbock and Crosby Counties.

ECONOMIC DEVELOPMENT

In 1995, the City Council created Market Lubbock, Inc. (MLI), a non-profit corporation to oversee economic development for the City. MLI is funded with .02705 cents of the property tax allocation. In October 2004, the Lubbock Economic Development Alliance (LEDA), an economic development sales tax corporation, assumed responsibility for economic development. LEDA program strategies include business retention, business recruitment, workforce development, foreign trade zone, and the bioscience initiative. LEDA is funded by a 1/8 cent economic development sales tax. Total allocated tax revenues for MLI and LEDA for FY 2014 were \$8,860,771. During the last year, through their business retention, expansion, and attraction programs, LEDA assisted 8 companies by incenting the creation of 134 new jobs with an annual payroll of \$1.92 million and capital investment of \$24.3 million.

The City's Finance Department is responsible for tracking and maintaining economic and demographic information for the City, assisting with city-related business issues, the enterprise zone and tax abatement programs, three Tax Increment Financing Reinvestment Zones, and all Public Improvement Districts.

Lubbock Business Park: The Lubbock Business Park (Park) is a 586-acre tract of land located off of Interstate 27, approximately one mile south of Lubbock Preston Smith International Airport. The Park is being developed by LEDA as a recruitment tool to assist in the recruitment of new businesses to the area. The Park has shovel ready lots available for businesses who would like to relocate to Lubbock or expand an existing business.

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that will assist in funding the public infrastructure necessary to develop the Park. According to the latest Project and Finance Plan for the Lubbock Business Park Tax Increment Financing Reinvestment Zone (LBP Zone), there are planned expenditures of approximately \$45.2 million for public infrastructure improvements, which will result in an increase in taxable value of approximately \$208.7 million over the LBP Zone's 30-year life. The 2014 appraised value of the LBP Zone was \$48.2 million with a net taxable value of \$36.3 million, which is a \$35.9 million increase over the 2009 base year value.

Overton Park: Overton Park, a former blighted area called North Overton, is a 300-acre revitalization project adjacent to the downtown area of Lubbock. Projects that have been constructed in Overton Park since the beginning of the redevelopment include: seven student-oriented apartment complexes; The Centre, an apartment complex built over upscale retail; City Bank; Super Wal-Mart; The Overton Hotel and Conference Center; Racer Car Wash; condominiums; and many small specialty restaurants and retail establishments. In FY 2014, the construction of the Potbelly Sandwich Shop and Nicks Sports Grill and Lounge were completed.

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that has funded the replacement of the 80-year old infrastructure. According to the latest Project and Finance Plan for the North Overton Tax Increment Financing Reinvestment Zone (Overton Zone), there were planned expenditures of \$40.4 million, of which \$40.2 million has been expended as of September 30, 2014, for the replacement and upgrade of public improvements including roads, water, sewer, relocation underground of the electric infrastructure, lighting, and landscaping in the parkway. These improvements will result in an increase of taxable value of approximately \$373.9 million over the Overton Zone's 30-year life. The 2014 appraised value of the Overton Zone was \$361.1 million, which is a \$334.1 million increase over the 2002 base year value.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 16, 2015

North and East Lubbock Community Development Corporation: The Lubbock community, at-large, has experienced growth throughout the last 5-plus decades. However, the north and east Lubbock communities have experienced population destabilization, economic instability, and housing deterioration during the last 50-plus years. North and east Lubbock also has experienced an out-migration of people resulting in the 2012 population of 18,523, down 46 percent from the 2000 population of 34,416. In response to the deterioration of north and east Lubbock, the City created the North and East Lubbock Community Development Corporation (NELCDC) in 2004 to oversee and promote development in the area. The City provided funding to the NELCDC from 2004-2008, and has recently reinstated such funding during FY 2013 and FY 2014. In FY 2014, the City funded North and East Lubbock CDC from the General Fund, but the City Council passed a resolution on May 9, 2013, to create the North and East Lubbock Neighborhood and Infrastructure Fund to provide a source of funding for downtown redevelopment, neighborhood and infrastructure projects, and other community development projects. The revenue for the fund is 90 percent of the oil and gas revenues that historically went to the General Fund. These revenues will now fund downtown redevelopment and the North and East Lubbock CDC. The funding will begin to be distributed in FY 2014-15.

King's Dominion, a new single-family housing development in North and East Lubbock, is a project of the NELCDC and consists of twenty-seven homes. The NELCDC has also placed 155 families into scattered site developments. As collaboration between the public and private sectors, the NELCDC partnered with G.S. Gill, M.D. to revitalize an older neighborhood, and in 2010 concluded the venture with the completion of a 21,000 square-foot shopping center on Parkway Drive. The self-sufficient shopping center has more than 75% of its leasable space occupied or committed to future tenants. To-date, Premier Health Care, the Parkway (MLK) Pharmacy, and Community Dental are tenants of Parkway Place.

Downtown Redevelopment: The City of Lubbock Central Business District (CBD) has developed over the years with traditional office, retail, and governmental agency uses. As with many cities in the last ten to twenty years, retail has moved to shopping areas and other areas outside the CBD, and office development has stagnated. In an effort to reverse the trend, the City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District created a Tax Increment Financing Reinvestment Zone to assist in the redevelopment of downtown in December 2001, with a termination date of December 31, 2020. On September 24, 2009, the City Council approved an extension of the termination date to December 31, 2040 in order to provide additional funding to implement the project and finance plan. According to the latest Project and Finance Plan for the Central Business District Tax Increment Financing Reinvestment Zone (CBD Zone), there are planned expenditures of approximately \$40.1 million for public infrastructure improvements, which will result in an increase in taxable value of approximately \$170.3 million over the CBD Zone's 40-year life. The 2014 appraised value of the CBD Zone was \$191.1 million, which is a \$85.3 million increase over the 2001 base year value.

A Revitalization Action Plan for downtown Lubbock was completed in FY 2008. The Plan was approved by the Planning and Zoning Commission and the City Council. In 2008, the City Council contracted with McDougal Land Company, LT to provide Consulting/Master Developer services to implement the Plan, and approved a five-year extension to the agreement in FY 2014. The implementation of the Plan is underway with the first phase of the relocation of overhead utilities completed, and the design of the second phase completed in FY 2014. The construction of Phase II should begin in early 2015. The City Council approved a master zoning case for the downtown area on December 15, 2010, with a revision on September 13, 2012. The zoning case will assist in implementing design standards for exterior renovations of current buildings as well as for new development in downtown.

FINANCIAL INFORMATION

Long-term financial planning

The City uses ten-year rate models for long-range planning in all major enterprise funds as a basis for budget discussion and policy decision-making. These models are based on current projects and policies and are continually monitored and updated throughout the year. The rates in the models are calculated to provide financially sound net position reserves, as established by City Council Policy.

The City Council has approved goals for the General Fund unrestricted fund balance, which is set at a minimum of an amount equal to 20 percent of operating revenues to meet unanticipated contingencies and fluctuations in revenue. Enterprise funds also have appropriable net position reserve policies, ranging from 8 to 25 percent of operating revenue. LP&L must maintain three months gross retail electric revenue, as determined by taking the average monthly gross retail electric revenue from the previous fiscal year. Water and Wastewater funds maintain appropriable net position in an amount equal to 25 percent of operating revenues. The Solid Waste, Airport, and Storm Water funds maintain appropriable net position of 15 percent of operating revenues. Appropriable net position has a slightly different definition than GAAP unrestricted net position. Excesses and deficits are addressed in the subsequent year budget process.

Utility funds make payments in lieu of property taxes and franchise fees to the General Fund. The amount LP&L pays in lieu of property tax is based on one percent of gross revenues. The payment in lieu of property taxes for other utility funds is calculated by applying the property tax rate to the fixed assets of the fund.

AWARDS AND ACKNOWLEDGEMENTS

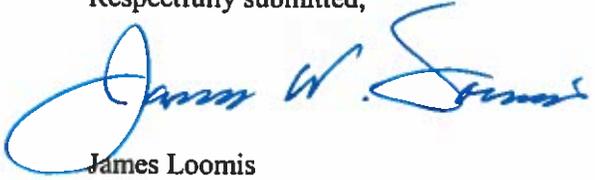
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2013. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report in which contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. The City of Lubbock has received this award for ten consecutive years.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program 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 Department. We would particularly like to thank the Accounting Supervisors, Senior Accountants, Accountants, Executive Director of Budget, and Senior Financial Analysts for their countless hours of work on this financial report. We express our appreciation to all members of City departments who assisted with and contributed to the preparation of this report. Credit is also given to the City Council and the Audit Committee for their interest and support in planning and conducting the operations of the City in a responsible manner.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 16, 2015

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "James W. Loomis".

James Loomis
City Manager

A handwritten signature in blue ink, appearing to read "Pamela Moon".

Pamela Moon, CPA
Executive Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lubbock
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



Independent Auditor's Report on Financial Statements and Supplementary Information

The Honorable Mayor and
Members of the City Council
City of Lubbock, Texas

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (City), as of and for the year ended September 30, 2014, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, component units of the City, which statements reflect total assets and program revenues of \$28,424,526 and \$17,813,774, respectively, and represent 85% and 99% of the aggregate discretely presented component units' total assets and program revenues, respectively, at September 30, 2014, and for the year then ended. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors. 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 from material misstatement. The financial statements of the component unit Civic Lubbock, Inc. and the major fund West Texas Municipal Power Agency, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, 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 units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas, as of September 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary and pension and other post-employment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining fund statements and schedules, the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and schedule of expenditures of State awards required by the state of Texas *Uniform Grants Management Standards*, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The accompanying information in the introductory and statistical sections as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
February 16, 2015



City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

The Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Lubbock for the fiscal year ended September 30, 2014.

Readers of the financial statements are encouraged to consider the information included in the transmittal letter and in the other sections of the Comprehensive Annual Financial Report (CAFR) e.g., combining statements and the statistical section in conjunction with the MD&A.

Financial Highlights

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS).

- The City's assets and deferred outflows exceeded its liabilities at September 30, 2014 by \$836.7 million (net position), of which \$107.3 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$37.6 million as a result of operations during the fiscal year.
- The ending unassigned fund balance for the General Fund was \$29.3 million, or 23.7 percent of total General Fund revenues, a decrease of \$4.5 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$93.3 million, of which \$26.5 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net position of \$727.7 million, of which \$115.5 million is available for spending at the City's discretion.
- During FY 2014, the City issued \$124.1 million in bonded debt, of which \$79.4 million was used for capital projects and the remaining refunded existing debt for debt service savings.

Overview of the Financial Statements

Basic Financial Statements: The MD&A is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-Wide Financial Statements (GWFS), 2) Fund Financial Statements (FFS), and 3) Notes to Basic Financial Statements (Notes). The CAFR contains other supplementary information in addition to the BFS.

Government-Wide Financial Statements: The GWFS, shown on pages 39-41 of the CAFR, contain the *Statement of Net Position* and the *Statement of Activities*, described below:

The *Statement of Net Position* presents information on the City's assets, liabilities (including capital assets and short- and long-term liabilities), and deferred inflows/outflows of resources with the difference reported as *net position* using the accrual basis of accounting. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each of the City's functions or programs. Direct expenses are specifically associated with an activity and are

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program. Program revenues also include grants and contributions restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

Governmental activities (activities principally supported by taxes and intergovernmental revenues) of the City include administrative services as well as general government, community services, cultural and recreation, economic and business development, fire, health, police, other public safety, and streets and traffic. Business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include Electric, Water, Wastewater, Solid Waste, Storm Water, Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry Recreation. Electric includes Lubbock Power and Light (LP&L) and West Texas Municipal Power Agency (WTMPA). All changes in net position are reported as soon as the underlying event occurs (accrual basis), regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as uncollected taxes and earned, but unused vacation leave.

Component Units: The GWFS include the City (the “primary government”), and five legally separate entities (the “component units”) for which the City is financially accountable. The component units consist of: Urban Renewal Agency (URA), Market Lubbock Economic Development Corporation, d/b/a Market Lubbock, Inc., Lubbock Economic Development Alliance, Civic Lubbock, Inc., and Vintage Township Public Facilities Corporation. The component units provide community services, economic development services, arts and cultural activities, and public improvement financing for the City. Financial information for the component units is reported separately in the GWFS to differentiate them from the City’s financial information.

Fund Financial Statements: A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The principal role of funds in the financial reporting model is to demonstrate fiscal accountability. The City, as with other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the FFS is on major funds. Major funds are those that meet minimum criteria (a percentage of assets, liabilities, revenue, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), or those that the City chooses to report as major funds given their qualitative significance. Non-major funds are aggregated and shown in a single column in the appropriate financial statements. Combining schedules of nonmajor funds are included in the CAFR following the Required Supplementary Information (RSI) and Other Supplementary Information (OSI). All funds of the City can be divided into two categories: *governmental funds* and *proprietary funds*.

Governmental FFS: Governmental funds are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, governmental FFS focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the City’s fiscal year. Such information is useful in evaluating the City’s near-term financing requirements.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 29 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 and Governmental Capital Projects Fund, which are considered to be major funds. The governmental FFS can be found on pages 42-45 of the CAFR. Data for the other 27 governmental funds are combined into a single, aggregated presentation.

The City adopts a budget annually for the General Fund and most other funds. In the RSI section, a budgetary comparison statement for the General Fund has been provided to demonstrate compliance with the budget.

Proprietary FFS: The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the GWFS. Enterprise FFS provide the same type of information as the GWFS, only in more detail. The City uses enterprise funds to account for LP&L, Water, Wastewater, WTMPA, Storm Water, Transit, Solid Waste, Airport, Civic Centers, Cemetery, and Lake Alan Henry Recreation activities, of which the first five activities are considered to be major funds by the City and are presented separately. The latter six activities are considered non-major funds and are combined into a single aggregated presentation.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle service operations and fueling, central warehouse and printing services, information technology services, risk management, health benefits, and investment pool funds. The services provided by the internal service funds benefit both governmental and business-type activities, and accordingly, they have been included within governmental activities and business-type activities, as appropriate, in the GWFS. All internal service funds are combined into a single aggregated presentation in the proprietary FFS. Reconciliations are provided for the proprietary fund statement of net position and the proprietary fund statement of revenues, expenses, and changes in fund net position for comparison between enterprise funds and business-type activities. The proprietary FFS can be found on pages 46-57 of the CAFR.

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 58-98 of the CAFR.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the City's progress in funding its obligation to provide pension and post retirement benefits to its employees and retirees. The General Fund budgetary comparison demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 99-103 of the CAFR.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014**

Combining Fund Statements and Schedules are included after RSI. This includes Nonmajor Funds and Nonmajor Discretely Presented Component Units. Certain special revenue funds and the debt service fund budgetary comparison schedule are presented in this section, demonstrating compliance at the legal level of budgetary control.

Government-Wide Financial Analysis

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities by \$836.7 million (*net position*) at the close of the fiscal year, compared to assets and deferred outflows exceeding liabilities and deferred inflows by \$799.1 million (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by \$37.6 million during the period.

**City of Lubbock Net Position
For the Year Ended September 30
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 134,719	\$ 135,897	\$ 409,140	\$ 383,660	\$ 543,859	\$ 519,557
Capital assets	377,286	354,347	1,305,615	1,280,927	1,682,901	1,635,274
Total assets	512,005	490,244	1,714,755	1,664,587	2,226,760	2,154,831
Total deferred outflows of resources	3,597	3,222	9,131	8,449	12,728	11,671
Current liabilities	21,079	23,113	52,459	39,176	73,538	62,289
Noncurrent liabilities	392,784	383,637	936,417	921,433	1,329,201	1,305,070
Total liabilities	413,863	406,750	988,876	960,609	1,402,739	1,367,359
Net position:*						
Net investment in capital assets	89,047	77,399	574,512	561,354	663,559	638,753
Restricted	26,791	11,035	39,069	35,740	65,860	46,775
Unrestricted	(14,099)	(1,718)	121,430	115,333	107,331	113,615
Total net position	\$ 101,739	\$ 86,716	\$ 735,011	\$ 712,427	\$ 836,750	\$ 799,143

Approximately 79.3 percent of the City's net position reflects its investment in capital assets, e.g., land, buildings, infrastructure, machinery and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net position totaling 7.9 percent of total net position, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants, passenger facility charges restricted for airport improvements, and special revenue funds restricted for specific purposes. The remaining balance of unrestricted net position of \$107.3 million may be used to meet the City's ongoing obligations.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

The City reports positive balances in all three categories of net position for the City as a whole, with negative unrestricted net position of \$14.1 million for governmental activities and positive \$121.4 million for business-type activities. The government-wide unrestricted net position decreased by \$6.3 million from FY 2013.

City of Lubbock Changes in Net Position
For the Years Ended September 30
(in thousands)

	Governmental Activities		Business- type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 10,262	\$ 10,535	\$ 401,035	\$ 388,730	\$ 411,297	\$ 399,265
Operating grants and contributions	6,863	7,221	8,408	8,243	15,271	15,464
Capital grants and contributions	12,025	21,260	13,288	16,324	25,313	37,584
General Revenues:						
Property taxes	69,083	65,362	-	-	69,083	65,362
Sales taxes	64,651	62,250	-	-	64,651	62,250
Other taxes	7,747	7,414	-	-	7,747	7,414
Franchise fees	9,270	9,127	-	-	9,270	9,127
Investment earnings	347	205	720	229	1,067	434
Other	3,745	5,843	1,553	1,774	5,298	7,617
Total revenues	183,993	189,217	425,004	415,300	608,997	604,517
Expenses:						
Administrative services/general govt.	13,842	13,287	-	-	13,842	13,287
Community services	5,905	6,983	-	-	5,905	6,983
Cultural and recreation	17,548	17,582	-	-	17,548	17,582
Economic and business development	15,738	16,258	-	-	15,738	16,258
Fire	45,294	42,646	-	-	45,294	42,646
Health	4,918	4,410	-	-	4,918	4,410
Police	61,580	59,262	-	-	61,580	59,262
Other public safety	6,485	6,803	-	-	6,485	6,803
Streets and traffic	25,346	22,367	-	-	25,346	22,367
Interest on long-term debt	12,006	13,058	-	-	12,006	13,058
Electric	-	-	216,616	202,251	216,616	202,251
Water	-	-	57,297	58,815	57,297	58,815
Wastewater	-	-	26,495	22,747	26,495	22,747
Solid Waste	-	-	18,591	18,067	18,591	18,067
Storm Water	-	-	11,155	11,252	11,155	11,252
Transit	-	-	13,379	12,905	13,379	12,905
Airport	-	-	13,671	14,111	13,671	14,111
Civic Centers	-	-	4,448	3,961	4,448	3,961
Cemetery	-	-	655	668	655	668
Lake Alan Henry	-	-	421	514	421	514
Total expenses	208,662	202,656	362,728	345,291	571,390	547,947
Change in net position before transfers	(24,669)	(13,439)	62,276	70,009	37,607	56,570
Transfers	39,692	36,973	(39,692)	(36,973)	-	-
Change in net position	15,023	23,534	22,584	33,036	37,607	56,570
Net position - beginning of year	86,716	63,182	712,427	679,391	799,143	742,573
Net position - end of year	\$ 101,739	\$ 86,716	\$ 735,011	\$ 712,427	\$ 836,750	\$ 799,143

Changes in Net Position: Details of the above summarized information can be found on pages 40-41 of the CAFR.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

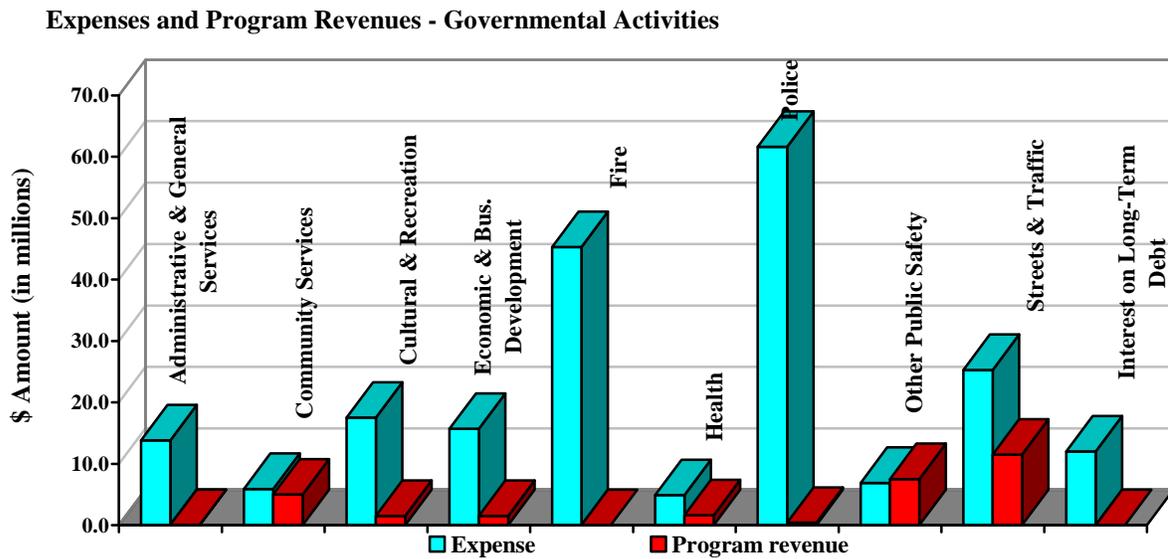
Governmental activities: The City's governmental activities experienced an increase in net position of \$15.0 million, compared to an increase of \$23.5 million during the prior fiscal year. Key elements of the operational increase compared to prior year include:

- Revenues decreased \$5.2 million, from \$189.2 million in FY 2013 to \$184.0 million in FY 2014.
 - The City experienced a \$9.9 million decrease in total program revenues from FY 2013 to FY 2014. Charges for services decreased \$0.3 million from FY 2013 to FY 2014 and operating grants and contributions decreased \$0.4 million. Capital grants and contributions decreased \$9.2 million from FY 2013 to FY 2014. In FY 2013, the City's component units, Lubbock Economic Development Alliance (LEDA) and Market Lubbock, Inc. (MLI), completed Phase I development of the Lubbock Business Park and the Lubbock Railport. LEDA and MLI contributed \$17.0 million to the City of Lubbock in streets, alleys, and avenues at the Lubbock Business Park and Railport. Developers contributed \$6.4 million more in donated streets in FY2014 than in FY2013. Both the Fire Department and Emergency Management were impacted by the discontinuation of the Metropolitan Medical Response System grant. Other grant reductions from the State and Federal governments include cuts to some of the Community Development grants and a reduction in the Public Health Sexually Transmitted Diseases grant. The Build America Bond Federal subsidy was reduced by 4.3 percent in FY 2013 and by an additional 3.0 percent in FY 2014.
 - Property tax revenue increased from \$65.4 million in FY 2013 to \$69.1 million in FY 2014. The property tax rate was increased from \$0.49211 per \$100 of assessed value in 2013 to \$0.50441 per \$100 of assessed value in 2014. Taxable assessed values increased from \$13.1 billion in 2013 to \$13.5 billion in 2014, as building permit valuations continued to climb.
 - Sales tax revenue totaled \$64.7 million, an increase of \$2.4 million from the prior year. In FY 2014, Lubbock experienced a 3.9 percent increase in sales tax. Since FY 2010, Lubbock has experienced a total increase in sales tax of 26.7 percent.
 - Franchise fees increased from \$9.1 million in FY 2013 to \$9.3 million in FY 2014, a minimal increase due to growth and increases in natural gas rates.
- Total expenses increased \$6.0 million, from \$202.7 million to \$208.7 million in FY 2014.
 - Employee compensation increased due to a 3.0 percent merit increase that was effective on October 1, 2013 and step increases in Fire and Police civil service positions. The Texas Municipal Retirement System (TMRS) contribution rate decreased slightly from 19.48 percent in FY 2013 to 19.02 percent in FY 2014 and the Lubbock Fire Pension Fund rate decreased from 23.02 percent in FY 2013 to 22.63 percent in FY 2014. Expenses related to benefits increased due to slight increases in health care costs.
 - Community services expenses decreased \$1.1 million in FY 2014 due to a decrease in federal funding.
 - Fire Department expenses increased \$2.6 million to \$45.3 million in FY 2014. The majority of the increase was due to additional salary and benefit cost.
 - Police services increased \$2.3 million to \$61.6 million in FY 2014. Depreciation on police assets increased \$0.4 million in FY 2014. Equipment maintenance cost increased \$0.3 million in FY 2014 and professional service cost increased by \$0.6 million.
 - Streets and traffic increased by \$3.0 million to \$25.3 million in FY 2014, with the increase due to an increase in depreciation expense. \$59.7 million in new street construction projects have begun depreciating in FY 2013 and FY 2014.
 - Interest expense decreased \$1.1 million to \$12.0 million from the prior year as a result of refunded debt at lower interest rates.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014**

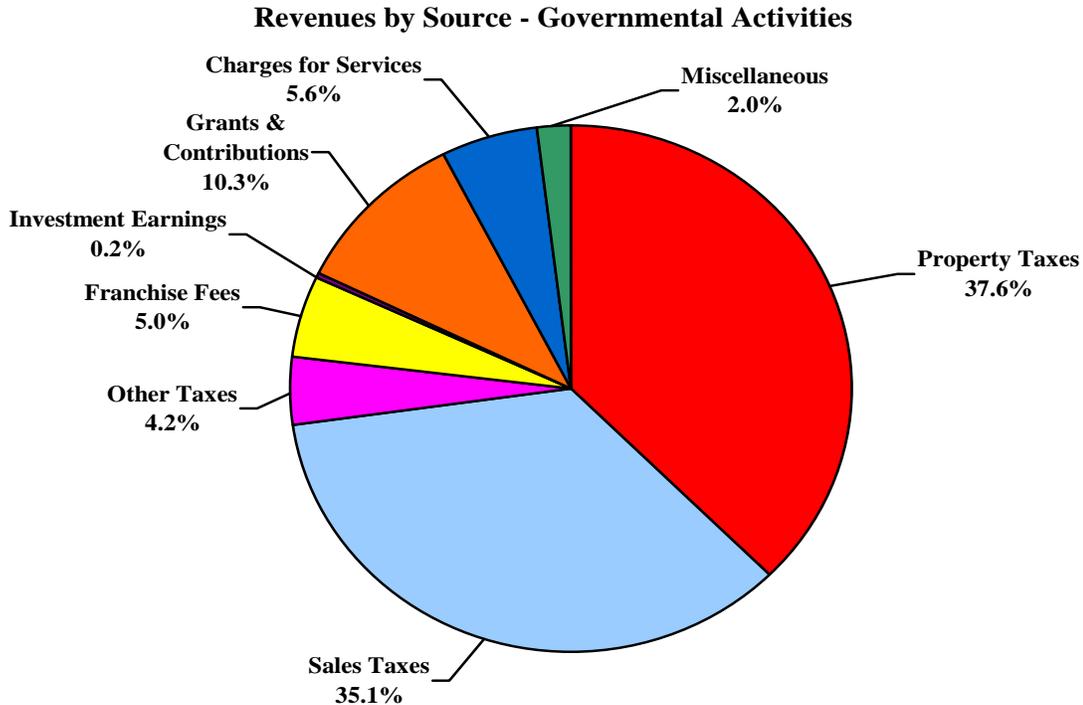
- Transfers from business-type activities during FY 2014 increased governmental activities' net position by \$39.7 million. During the prior fiscal year, the transfers increased governmental activities' net position by \$37.0 million.
 - Net transfers from business-type activities included payments in lieu of taxes, franchise fees, and indirect costs of operations for centralized services such as payroll and purchasing to governmental activities. Enterprise funds funded higher transfers to the General Fund for the following reasons: 1) continued construction of infrastructure increased payment in lieu of taxes and 2) increased metered sales in Electric, partially due to a full year of an increased base rate in FY 2014 and higher gas costs.

The following graph depicts the expenses and program revenues generated through the City's various governmental activities.



**City of Lubbock, Texas
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The following graph reflects the source of revenues and the percentage each source represents of the total.



Business-type activities: Revenues from the City's business-type activities totaled \$425.0 million, compared to \$415.3 million in FY 2013, an increase of \$9.7 million. Key elements of the revenue increase from operations include:

- Charges for services for business-type activities totaled \$401.0 million in FY 2014, an increase of \$12.3 million from the prior year.
 - Electric operations, which include LP&L and WTMPA, totaled \$234.7 million in FY 2014, an increase of \$14.6 million. The increase was related to an increase in the purchased power recovery factor necessary to cover higher purchased power pass-through costs. Also base electric rates increased an average 9.7 percent effective June 1, 2013.
 - Water operations totaled \$78.0 million in FY 2014, a decrease of \$3 million. Due to drought conditions, the City enacted Stage 2 in their water conservation program on June 1, 2014. Stage 2 required many new water restrictions that the citizens were not under in FY 2013. Water usage was 927.4 million gallons for FY 2014, down considerably from 1.3452 billion gallons in FY 2013. In 2014, Lubbock had rainfall of 22.56 inches compared to 12.61 inches in 2013.
 - Wastewater operations totaled \$33.7 million, an increase of \$.1 million. This was due to rates remaining flat on volume rates at \$2.25, and the base rates remaining flat at \$14.00 per month for the ¾" water meter customer and \$17.06 per month for the 1" water meter customer. The slight increase can be explained due to residential and commercial customer growth.

City of Lubbock, Texas
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- Storm Water operations totaled \$19.6 million, an increase of \$.3 million. While Storm Water residential rates remained flat at \$14.00 per month and as did the commercial rate at \$92.92 per month, the revenue increase was expected due to residential and commercial customer growth.
- Operating grants, capital grants and contributions produced \$21.7 million in revenue for business-type activities during FY 2014, down \$2.9 million from the prior year. Of that decrease, \$2.6 million is related to Airport capital grants and contributions, which decreased from \$5.2 million in FY 2013 to \$2.6 million in FY 2014. The decrease in the Airport Fund is due to the completion of a multi-phase rehabilitation grant funded project on one of its runways.

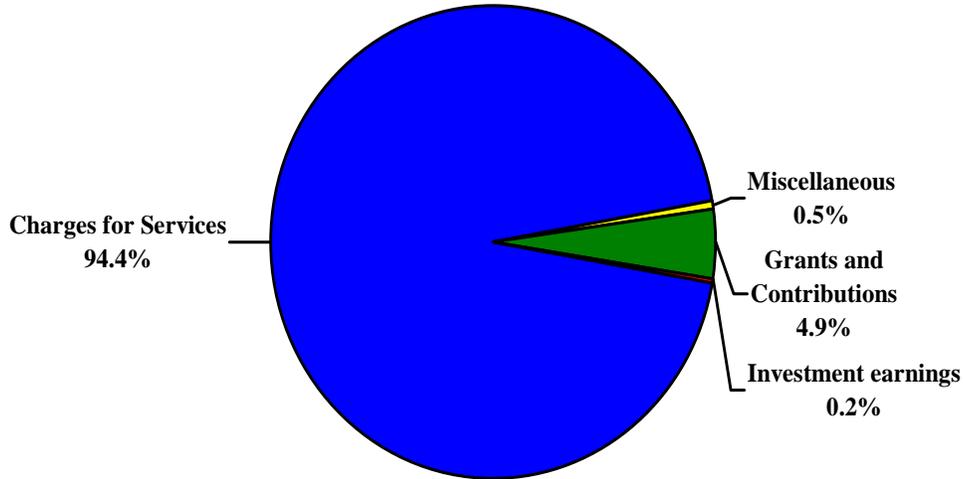
Expenses for business-type activities were \$362.7 million in FY 2014, an increase of \$17.4 million.

- Electric operating expenses were \$216.6 million, an increase of \$14.4 million from the prior year. A big driver in the operating expense increase is due to higher fuel costs, which are directly correlated to natural gas prices. Natural gas prices were \$3.79 per one million British thermal units (MMBtu) in October 2013, peaked at \$6.18 per MMBtu in February 2014, and ended FY 2014 at \$4.04 per MMBtu. Within total operating expenses, the purchased power cost, which increased \$16.6 million from \$136.6 million in FY 2013 to \$153.2 million, represented 74.6 percent of the total operating expense for FY 2014. Other factors contributing to the operating expense increase were higher labor and benefit costs. Partially offsetting the increases were lower maintenance costs.
- Expenses in the Water Fund were \$57.3 million in FY 2014, down \$1.5 million from FY 2013. This decrease was primarily due to lower interest expense caused by debt refunding. The interest expense decreased by \$1.2 million in FY 2014 to \$14.4 million. Other factors contributing to the decrease were lower billing office expense and minimal increases in personnel cost and maintenance.
- Expenses in the Wastewater Fund increased by \$3.7 million in FY 2014 to \$26.5 million. Interest expense in FY 2014 increased by \$0.8 million as a result of \$38.9 million of new debt issuances in FY 2013. Other services and charges increased by \$2.1 million in FY 2014 to a total of \$6.1 million. Included in this increase was cost of \$0.9 million in sludge disposal related to work on Digester 9 and \$0.5 million in sewer remediation work on a project on 98th street.
- Expenses for Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry were \$32.6 million, a \$0.4 million increase from FY 2013. Transit expenses increased \$.4 million in depreciation. The increase in depreciation was caused by an adjustment on asset lives based on updated asset lives. Civic Center expenses increased by \$.5 million in FY 2014 to \$4.4 million. The majority of the increase was due to architect designs for the Municipal Auditorium that became very unlikely would ever be used. Airport expenses decreased by \$.4 million in FY 2014 to \$13.7 million. In FY 2013 Airport had an airfield asphalt repair project that had \$.7 million in expenditures.

**City of Lubbock, Texas
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The following graph reflects the revenue sources generated by the business-type activities. As noted earlier, the activities include LP&L and WTMPA (Electric), Water, Wastewater, Storm Water, Solid Waste, Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry.

Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

Governmental funds: The focus of the City'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's financing requirements. The General Fund is the chief operating fund of the City.

The GASB has defined five types of fund balances, which, are more fully described in the notes to the financials. The City uses four of the five types of fund balances defined: nonspendable, restricted, committed, and unassigned. At the end of the year, the City's governmental funds reported combined ending fund balances of \$93.3 million, compared to \$94.4 million at the end of the prior fiscal year.

The unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year. In FY 2014 the General Fund had \$29.3 million unassigned fund balance compared to \$33.7 million unassigned fund balance in FY 2013. This is 31.4 percent of the ending governmental fund balance, compared to 35.7 percent of the ending governmental fund balance, at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it is useful to compare both the unassigned fund balance and total fund balance to total fund revenues. Unassigned fund balance represented 23.7 percent of total General Fund revenues compared to 28.0 percent of total General Fund revenue in the prior year.

The Governmental Capital Project Fund had a decrease in fund balance of \$3.3 million in FY 2014. Large outlay expenditures in projects that were financed with previous year debt caused the drop in fund

**City of Lubbock, Texas
Management's Discussion and Analysis
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balance to \$28.2 million. Long term debt of \$11.3 million was issued in FY 2014 to fund projects going forward.

Proprietary funds: The City's proprietary fund statements provide essentially the same type of information found in the GWFS, but in more detail. Unrestricted net position of the major proprietary funds at the end of September 30, 2014 and 2013 are as follows with amounts presented in thousands:

	<u>2014</u>	<u>2013</u>
LP&L	\$ 56,720	\$ 54,083
Water Fund	32,350	28,548
Wastewater Fund	9,466	13,264
WTMPA	1,824	1,877
Storm Water	793	(305)
	<u>\$ 101,153</u>	<u>\$ 97,467</u>

The LP&L Fund unrestricted net position increased by \$2.6 million, compared to an increase of \$3.4 million in the prior year. In FY 2013, LP&L retained a rate consultant to develop a long-term financial forecast, cost-of-service, and proposed rate design study. As a result, the Electric Utility Board and City Council approved a 9.7 percent increase in base rates, which became effective on June 1, 2013.

The Water Fund unrestricted net position increased by \$3.8 million compared to an increase of \$5.3 million in the prior year. Revenues decreased \$2.9 million in comparison to FY 2013. The City has been in a drought for several years and encouraged water conservation with a tiered rate design. The City has been in a Stage 1 water conservation program for a couple years, but on June 1, 2014 moved to a Stage 2 program, which had additional restrictions on water use. Water use went from 187 gallons per capita daily to 127 gallons per capita daily.

The Wastewater Fund unrestricted net position decreased by \$3.8 million compared to an increase of \$3.1 million in the prior year. Revenues were level in FY 2014 and FY 2013, however, expenses increased by \$2.1 million for a site remediation project and by \$.8 million for interest expense for additional debt issued for a new plant.

The WTMPA Fund unrestricted net position decreased by \$.05 million compared to an increase of \$0.3 million during the prior fiscal year. This fund has very little fluctuation in net position since operating revenues are set to break even with operating expenses.

The Storm Water Fund unrestricted net position increased by \$1.1 million compared to a \$2.8 million decrease in the prior fiscal year. The Storm Water Fund was budgeted to break even in FY 2014; however, unrestricted net position was negative in FY 2013 and management cut back on all non-essential expenses in FY 2014 in order to restore unrestricted net position to a positive balance.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014**

General Fund Budgetary Highlights

The Adopted Operating Budget for the General Fund, including transfers, totaled \$150.5 million.

The final adopted budget revenue for FY 2014, including transfers in, totaled \$151.5 million. An amendment was made to increase transfers from LP&L by \$1.0 million as a result of that fund's increased revenue due to an increase in purchased power cost recovery factors. Actual revenue was \$153.1 million. Revenue and transfers-in in the General Fund exceeded budget by \$1.6 million. The City's sales and mixed beverage tax revenue was \$1.0 million and \$.8 million over budget respectively. Licenses and permits were \$.3 million over budget as building permits continued to increase. Fees and fines were \$.3 million less than budget due to a 14.4 percent decrease in total violations from prior year, mostly in traffic, parking and state violations. The transfer from LP&L was \$.5 million less than budget due to an unusually cool summer that resulted in revenues being less than anticipated.

The original operating expenditure budget for the General Fund, including transfers out, totaled \$158.4 million. During FY 2014, an amendment was passed to increase funding in the capital project for major repairs to Fire Station No. 11 at Lubbock Preston Smith International Airport by \$.3 million. An amendment was also passed to appropriate \$1.4 million in non-departmental using fund balance to purchase the Omni building. This building was renamed to Citizen's Tower and will be used as a City Hall after renovations. In addition, there were various other amendments totaling \$.3 million that required use of fund balance such as 1) an increase in salary and benefits in City Manager department, 2) a decrease in the transfer from Airport, 3) an increase in the match to the Emergency Management Grant, and 4) lobbying the Railroad Commission rule-making proceedings. After supplements, the final General Fund expenditure budget totaled \$160.3 million.

The City ended the fiscal year with expenditures and transfers out totaling \$155.3 million, \$5.0 million less than budgeted. The Omni building purchase discussed above was not completed in FY 2014, so that budgeted amount was carried over to FY 2015. The Streets department was under budget by \$.6 million again in FY 2014 mostly due to being understaffed as they experience difficulty filling equipment operator positions. This is due to the oil field business attracting employees by offering higher wages. The Police department expenditures were under budget by \$1.9 million due to lower staffing levels due to the stringent requirements related to the positions. The Fire department was over budget by \$.4 million due to retirements which led to higher separation pay and also due to higher overtime and certification pay than budgeted.

The City budgets on a basis other than Generally Accepted Accounting Principles (GAAP), with the main difference being that capital lease proceeds and related capital outlay are not budgeted.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities at September 30, 2014 totaled \$1.683 billion, a \$47.6 million increase over the prior fiscal year's balance of \$1.635 billion. The investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

**City of Lubbock, Texas
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For the Year Ended September 30, 2014**

**City of Lubbock Capital Assets
(Net of Accumulated Depreciation)
September 30
(in thousands)**

	Governmental Activities		Business- type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 21,793	\$ 20,238	\$ 66,588	\$ 60,966	\$ 88,381	\$ 81,204
Buildings	29,376	30,695	107,445	107,896	136,821	138,591
Improvements other than buildings	277,244	238,824	894,130	898,501	1,171,374	1,137,325
Machinery and equipment	35,495	29,296	110,604	98,975	146,099	128,271
Construction in progress	13,378	35,294	126,848	114,589	140,226	149,883
Total	\$ 377,286	\$ 354,347	\$ 1,305,615	\$ 1,280,927	\$ 1,682,901	\$ 1,635,274

Major capital asset projects and purchases during the fiscal year included the following:

- Storm water infrastructure at Maxey Park, totaling \$10.5 million
- Transformers and overhead and underground electric lines for LP&L, totaling \$4.2 million
- Reconstruction of 34th Street Paving from Indiana Avenue to Avenue Q, totaling \$4.6 million
- Fire Station #19 construction, totaling \$2.5 million
- Bailey County Well Field supply line, totaling \$10.4 million
- Southeast Water Reclamation Plant improvements, totaling \$3.5 million
- Design and construction of a Northwest Water Reclamation Plant, totaling \$6.5 million

At the end of the fiscal year, the City had construction commitments of \$223.8 million. The design and construction of improvements to solids handling in the Southeast Water Reclamation Plant has over \$38 million in construction commitments. When completed this should allow the facility to produce a stream quality discharge into a portion of the Brazos river. More than \$13 million is committed to construct a new Northwest Water Reclamation Plant. The new plant will handle up to 5 million gallons of wastewater a day.

Additional information about the City's capital assets can be found on pages 73-75 of the CAFR.

Long-term debt: A summary of the City's total outstanding debt follows:

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 284,321	\$ 287,580	\$ 697,144	\$ 695,835	\$ 981,465	\$ 983,415
Revenue and contract bonds	-	-	136,566	131,588	136,566	131,588
Total	\$ 284,321	\$ 287,580	\$ 833,710	\$ 827,423	\$ 1,118,031	\$ 1,115,003

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation bonds debt service. The FY 2014 interest and sinking fund tax

City of Lubbock, Texas
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rate per \$100 of assessed valuation was \$0.11638, which is significantly below the maximum allowable tax rate.

As of September 30, 2014, the City's total outstanding debt has increased by \$3.0 million, or 0.3 percent from the prior fiscal year. The increase in outstanding debt is attributed to the issuance of \$124.1 million in debt, offset by the payment of scheduled principal payment totaling \$73.0 million and refunded debt of \$48.1 million.

During the fiscal year, the City issued the following bonds and certificates:

- \$62.9 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2014. These certificates were issued for the purpose of paying contractual obligations to be incurred for various public improvements and renovations including: 1) improvements to City streets, 2) utility improvements, public utility infrastructure in the Central Business District, 3) parks and recreation system improvements, 4) upgrading of public safety radio communication systems, 5) renovations and improvements to the Lubbock Preston Smith International Airport facilities, 6) construction and improvement of Fire Department facilities, 7) animal shelter expansion, 8) renovation and expansion of Solid Waste Department facilities, and 9) improvements to the City's Waterworks and Wastewater System, including Southeast Water Reclamation Plant and office warehouse facility improvements.
- \$16.2 million Electric Light and Power System Revenue Refunding and Improvement Bonds, Series 2014. These bonds will be used for the purpose of paying contractual obligations to be incurred for the purposes of acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities, and/or related infrastructure for the electric system.
- \$44.9 million General Obligation Refunding and Improvement Bonds, Series 2014. The proceeds were used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The bonds refunded \$48.1 million in outstanding debt, which resulted in a decrease of \$5.0 million in total debt service requirements.

In April 2014, all three rating agencies reaffirmed the City's bond rating of Aa2 from Moody's Investor Service, AA+ from Fitch Ratings, Inc., and AA+ from Standard and Poor's. Moody's, Fitch, and Standard and Poor's agencies also characterize the City's rating outlook as stable.

Additional information about the City's long-term debt can be found on pages 84-89 of the CAFR.

Economic Factors and the Next Fiscal Year's Budget and Rates

- In September 2014, the average unemployment rate for the Lubbock area was 3.8 percent, down from the rate of 5.2 percent in September of the previous year. The rate compares favorably to the state's unemployment rate of 5.0 percent and the national rate of 5.7 percent for September 2014.
- Taxable retail sales tax was \$64.7 million, a 3.9 percent increase in FY 2014. Sales tax revenue was \$62.3 million in FY 2013.
- The total value of all building permits issued for the calendar year 2014 was \$508.3 million, 6.8 percent increase from the value of building permits issued in 2013.

City of Lubbock, Texas
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- Hotel occupancy tax receipts increased to \$6.3 million in FY 2014 compared to \$6.1 million in FY 2013.

The following factors were considered in preparing the City's budget for FY 2015.

- The City has adopted an increased tax rate of 52.240 cents per \$100 valuation for FY 2015, which is a 1.799 cent property tax increase. .982 cent of the tax rate increase will cash fund capital projects. The remaining 0.817 cent tax rate increase will fund compensation increases. The property tax rate per \$100 valuation is broken down as follows: General Fund 38.500 cents; Debt Service Fund 11.425 cents; and Economic Development Fund 2.315 cents. Property tax revenues are expected to increase by \$4.9 million for FY 2015 related to the tax rate increase and increases in valuation.
- Sales tax revenues in FY 2015 are expected to increase 3.0 percent compared to the FY 2014 budget, based on projections by InghamEcon, LLC.
- Payments in lieu of franchise fees and property tax are expected to increase \$1.9 million. The increase in franchise fees is based on projected increases in revenues in the utility funds and the increase in property taxes is projected as the result of higher capital asset values due to utility fund capital improvements and the increased property tax rate.
- Compensation costs are expected to increase \$4.4 million or 5.5 percent in the General Fund in FY 2015. The budget includes the addition of 31 positions, including 15 firefighters for newly constructed Fire Station No. 19, movement of 11 positions from other funds to the General Fund, and 5 other new positions. Salaries for some employees were affected by a compensation study that brought salaries up to market value as of October 1, 2014. Workers that were not below market value did not receive a raise for FY 2015. Firefighters and police officers received step increases. Of the total \$4.4 million compensation increase for the General Fund, the increase for the Fire and Police Departments is expected to be \$2.7 million due to new positions and step increases.
- Health insurance is projected to increase \$.4 million due to the addition of new positions and pension benefits are projected to increase \$.6 million due to the increase in positions and salaries.
- The master lease program is expected to increase General Fund expenditures by \$0.6 million.
- The Storm Water Fund will have a new tiered rate structure effective January 1, 2015. Revenues are expected to increase \$4.6 million or 24.1 percent due to the change in rate structure.
- LP&L base rate increase was approved with a 5.75 percent increase that went into effect on October 1, 2014.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Requests for Information

The financial report is designed to provide a general overview of the City of Lubbock's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Executive Director of Finance, City of Lubbock, P.O. Box 2000, Lubbock, Texas, 79457.

City of Lubbock, Texas
Statement of Net Position
September 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 11,591,925	\$ 25,254,749	\$ 36,846,674	\$ 13,768,311
Investments	57,996,851	120,035,298	178,032,149	3,536,702
Receivables (net of allowance for uncollectibles)	13,592,923	47,603,950	61,196,873	1,065,210
Internal balances	(104,094)	104,094	-	-
Due from other governments	2,225,793	769,409	2,995,202	83,030
Due from others	2,209,860	262,240	2,472,100	-
Inventories	134,027	3,392,854	3,526,881	130,724
Prepaid expenses	2,402,214	2,108,163	4,510,377	12,147
Restricted assets:				
Cash and cash equivalents	-	-	-	397,407
Investments	42,086,950	208,015,640	250,102,590	-
Leases receivable	2,582,479	-	2,582,479	-
Investment in property	-	-	-	178,228
Mortgage receivables	-	-	-	4,654,393
Goodwill	-	1,593,906	1,593,906	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	35,170,815	193,436,479	228,607,294	9,337,400
Depreciable	342,114,843	1,112,178,934	1,454,293,777	93,595
Total assets	<u>512,004,586</u>	<u>1,714,755,716</u>	<u>2,226,760,302</u>	<u>33,257,147</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	3,597,410	9,130,570	12,727,980	-
Total deferred charge on refunding	<u>3,597,410</u>	<u>9,130,570</u>	<u>12,727,980</u>	<u>-</u>
LIABILITIES				
Accounts payable	9,389,099	36,272,305	45,661,404	3,282,594
Accrued liabilities	3,675,945	2,909,744	6,585,689	76,374
Accrued interest payable	1,846,360	6,066,136	7,912,496	77,548
Due to other governments	-	-	-	50,666
Customer deposits	2,720,939	7,206,714	9,927,653	-
Unearned revenues	3,446,772	3,766	3,450,538	302,162
Noncurrent liabilities due within one year:				
Compensated absences	8,533,457	3,787,921	12,321,378	-
Accrued insurance claims	1,465,986	1,010,024	2,476,010	-
Contracts and leases payable	5,503,009	5,137,986	10,640,995	1,627,058
Bonds and notes payable	20,204,908	55,012,379	75,217,287	8,000
Noncurrent liabilities due in more than one year:				
Compensated absences	16,887,117	2,905,026	19,792,143	-
Post employment benefits	33,718,733	16,701,361	50,420,094	-
Net pension obligation	7,546,259	4,641,609	12,187,868	-
Accrued insurance claims	162,282	2,049,582	2,211,864	-
Landfill closure and postclosure care	-	5,271,506	5,271,506	-
Contracts and leases payable	17,824,388	15,001,684	32,826,072	1,639,917
Bonds and notes payable	<u>280,937,467</u>	<u>824,897,955</u>	<u>1,105,835,422</u>	<u>2,095,000</u>
Total liabilities	<u>413,862,721</u>	<u>988,875,698</u>	<u>1,402,738,419</u>	<u>9,159,319</u>
DEFERRED INFLOW OF RESOURCES				
Unearned revenues	-	-	-	1,400
NET POSITION				
Net investment in capital assets	89,047,071	574,511,584	663,558,655	9,430,995
Restricted for:				
Passenger facility charges	-	1,309,624	1,309,624	-
Debt service	5,855,765	37,759,841	43,615,606	-
Special revenue	14,499,516	-	14,499,516	4,832,621
Capital projects	6,435,493	-	6,435,493	-
Primary government agreement	-	-	-	100,000
Unrestricted	<u>(14,098,570)</u>	<u>121,429,539</u>	<u>107,330,969</u>	<u>9,732,812</u>
Total net position	<u>\$ 101,739,275</u>	<u>\$ 735,010,588</u>	<u>\$ 836,749,863</u>	<u>\$ 24,096,428</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2014

	<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:				
Administrative services and general government	\$ 13,842,443	\$ 24,596	\$ -	\$ 31,185
Community services	5,904,999	-	4,986,876	-
Cultural and recreation	17,548,024	1,310,187	197,366	-
Economic and business development	15,737,748	1,070,928	-	476,158
Fire	45,293,942	29,619	-	-
Health	4,918,230	568,687	978,058	-
Police	61,580,048	195,039	142,411	101,783
Other public safety	6,484,824	6,936,464	558,280	-
Streets and traffic	25,346,304	126,950	-	11,415,855
Interest on long-term debt	12,006,271	-	-	-
Total governmental activities	<u>208,662,833</u>	<u>10,262,470</u>	<u>6,862,991</u>	<u>12,024,981</u>
Business-type activities:				
Electric	216,615,556	234,136,509	9,941	9,222
Water	57,296,443	78,027,115	1,480,215	4,792,486
Wastewater	26,494,889	33,703,945	47,827	3,079,260
Solid Waste	18,590,913	19,716,606	8,640	76,448
Storm Water	11,155,160	19,606,904	481,091	2,290,052
Transit	13,379,227	5,763,642	4,027,778	296,303
Airport	13,671,449	8,471,833	2,351,715	2,587,162
Civic Centers	4,448,109	691,871	-	130,000
Cemetery	654,949	450,267	-	26,812
Lake Alan Henry	420,804	466,343	-	-
Total business-type activities	<u>362,727,499</u>	<u>401,035,035</u>	<u>8,407,207</u>	<u>13,287,745</u>
Total primary government	<u>\$ 571,390,332</u>	<u>\$ 411,297,505</u>	<u>\$ 15,270,198</u>	<u>\$ 25,312,726</u>
Component units:				
Urban Renewal Agency (URA)	\$ 144,081	\$ -	\$ -	\$ -
Civic Lubbock, Inc.	2,433,146	2,035,741	345,191	-
Market Lubbock, Inc.	6,100,169	82,708	6,746,043	-
Lubbock Economic Development Alliance	3,114,705	-	8,604,091	-
Vintage Township Public Facilities Corporation	152,985	-	-	253,476
Total component units	<u>\$ 11,945,086</u>	<u>\$ 2,118,449</u>	<u>\$ 15,695,325</u>	<u>\$ 253,476</u>
General revenues:				
Property taxes				
Sales taxes				
Occupancy taxes				
Other taxes				
Franchise taxes				
Investment earnings				
Miscellaneous				
Transfers, net				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

See accompanying Notes to Basic Financial Statements

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (13,786,662)	\$ -	\$ (13,786,662)	\$ -
(918,123)	-	(918,123)	-
(16,040,471)	-	(16,040,471)	-
(14,190,662)	-	(14,190,662)	-
(45,264,323)	-	(45,264,323)	-
(3,371,485)	-	(3,371,485)	-
(61,140,815)	-	(61,140,815)	-
1,009,920	-	1,009,920	-
(13,803,499)	-	(13,803,499)	-
(12,006,271)	-	(12,006,271)	-
<u>(179,512,391)</u>	<u>-</u>	<u>(179,512,391)</u>	<u>-</u>
-	17,540,116	17,540,116	-
-	27,003,373	27,003,373	-
-	10,336,143	10,336,143	-
-	1,210,781	1,210,781	-
-	11,222,887	11,222,887	-
-	(3,291,504)	(3,291,504)	-
-	(260,739)	(260,739)	-
-	(3,626,238)	(3,626,238)	-
-	(177,870)	(177,870)	-
-	45,539	45,539	-
<u>-</u>	<u>60,002,488</u>	<u>60,002,488</u>	<u>-</u>
<u>(179,512,391)</u>	<u>60,002,488</u>	<u>(119,509,903)</u>	<u>-</u>
-	-	-	(144,081)
-	-	-	(52,214)
-	-	-	728,582
-	-	-	5,489,386
-	-	-	<u>100,491</u>
-	-	-	<u>6,122,164</u>
69,083,591	-	69,083,591	-
64,650,937	-	64,650,937	-
6,252,188	-	6,252,188	-
1,494,361	-	1,494,361	-
9,270,352	-	9,270,352	-
346,953	720,378	1,067,331	1,811
3,745,458	1,552,742	5,298,200	-
<u>39,692,321</u>	<u>(39,692,321)</u>	<u>-</u>	<u>-</u>
<u>194,536,161</u>	<u>(37,419,201)</u>	<u>157,116,960</u>	<u>1,811</u>
15,023,770	22,583,287	37,607,057	6,123,975
86,715,505	712,427,301	799,142,806	17,972,453
<u>\$ 101,739,275</u>	<u>\$ 735,010,588</u>	<u>\$ 836,749,863</u>	<u>\$ 24,096,428</u>

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2014

	<u>General Fund</u>	<u>Governmental Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,277,147	\$ 1,315,269	\$ 3,263,442	\$ 8,855,858
Investments	21,399,468	6,580,570	16,327,690	44,307,728
Taxes receivable (net)	11,591,276	-	1,348,072	12,939,348
Accounts receivable (net)	551,557	11,518	41,778	604,853
Interest receivable	25,653	-	11,135	36,788
Due from other funds	615,937	-	-	615,937
Due from other governments	-	-	2,225,793	2,225,793
Due from others	736,009	-	1,467,627	2,203,636
Inventory	127,283	-	-	127,283
Restricted investments	-	23,088,148	18,608,606	41,696,754
Leases receivable	-	-	2,582,479	2,582,479
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 39,324,330</u>	<u>\$ 30,995,505</u>	<u>\$ 45,876,622</u>	<u>\$ 116,196,457</u>
LIABILITIES				
Accounts payable	\$ 3,900,145	\$ 2,707,777	\$ 1,593,317	\$ 8,201,239
Accrued liabilities	3,513,048	599	56,343	3,569,990
Customer deposits	-	-	2,720,939	2,720,939
Due to other funds	-	-	3,370,529	3,370,529
Unearned revenue	82,301	121,921	3,242,550	3,446,772
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>7,495,494</u>	<u>2,830,297</u>	<u>10,983,678</u>	<u>21,309,469</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,218,020	-	383,798	1,601,818
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>1,218,020</u>	<u>-</u>	<u>383,798</u>	<u>1,601,818</u>
FUND BALANCES				
Nonspendable	127,283	-	-	127,283
Restricted	-	23,088,148	24,525,023	47,613,171
Committed	-	5,077,060	12,743,501	17,820,561
Assigned	1,232,042	-	-	1,232,042
Unassigned	29,251,491	-	(2,759,378)	26,492,113
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>30,610,816</u>	<u>28,165,208</u>	<u>34,509,146</u>	<u>93,285,170</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,324,330</u>	<u>\$ 30,995,505</u>	<u>\$ 45,876,622</u>	<u>\$ 116,196,457</u>

City of Lubbock, Texas
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2014

Total fund balance - governmental funds \$ 93,285,170

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 377,285,658

Internal service funds (ISF's) are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The portion of the assets and liabilities of the ISF's primarily serving governmental funds are included in governmental activities in the statement of Net Position as follows:

Net Position	11,268,050
General obligation bonds	6,081,453
Net book value of capital assets	(7,646,200)
Capital leases payable	1,893,690
Compensated absences	728,433
Post employment benefits	1,183,718
Net pension obligation	357,064
Amounts due from business-type ISF's for amounts undercharged	2,650,498

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities are as follows:

General obligation bonds	(284,321,252)
Capital leases payable	(23,327,397)
Compensated absences	(25,420,574)
Post employment benefits	(33,718,733)
Net pension obligation	(7,546,259)
Accrued interest on general obligation bonds	(1,786,965)
Environmental remediation	(7,398)

Bond premiums and deferred charges on refunding are recognized as an other financing source in the fund statements. In the government wide statements premiums and deferred charges on refunding are amortized over the life of the bonds. Unamortized balances as of fiscal year end equal premiums \$16,821,123 and deferred charges on refunding \$3,597,410. (13,223,713)

Actual City contributions to the firefighter's pension trust fund is greater than the actuarially determined required contribution. This will reduce future funding requirements and is not recognized as an asset at the fund level but is a prepaid expense in the Statement of Net Position. 2,402,214

Revenue earned but unavailable in the funds is deferred. 1,601,818

Net Position of governmental activities \$ 101,739,275

City of Lubbock, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Governmental Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 107,092,546	\$ -	\$ 34,385,377	\$ 141,477,923
Franchise taxes	5,200,398	-	4,069,954	9,270,352
Special assessments	-	-	885,509	885,509
Fees and fines	3,067,738	-	287,659	3,355,397
Licenses and permits	2,821,135	-	-	2,821,135
Intergovernmental	530,454	-	6,967,889	7,498,343
Charges for services	3,049,776	-	135,430	3,185,206
Interest	118,262	21,749	61,934	201,945
IRS Build America Bond Subsidy	-	-	425,858	425,858
Miscellaneous	1,341,893	76,413	2,182,505	3,600,811
Total revenues	<u>123,222,202</u>	<u>98,162</u>	<u>49,402,115</u>	<u>172,722,479</u>
EXPENDITURES				
Current:				
Administrative services and general government	12,605,166	-	-	12,605,166
Community services	-	-	5,449,045	5,449,045
Cultural and recreation	13,151,427	309,075	100,228	13,560,730
Economic and business development	444,513	-	13,473,789	13,918,302
Health	3,338,590	-	1,085,846	4,424,436
Fire	42,039,679	537,844	376	42,577,899
Police	55,646,951	-	786,884	56,433,835
Other public safety	5,161,058	120,728	750,212	6,031,998
Streets and traffic	6,881,852	68,018	280,154	7,230,024
Intergovernmental	-	-	80,292	80,292
Debt service:				
Principal	5,060,072	-	19,438,434	24,498,506
Interest and other charges	545,121	101,604	12,460,416	13,107,141
Capital outlay	6,644,611	20,104,337	1,430,814	28,179,762
Total expenditures	<u>151,519,040</u>	<u>21,241,606</u>	<u>55,336,490</u>	<u>228,097,136</u>
Revenues under expenditures	<u>(28,296,838)</u>	<u>(21,143,444)</u>	<u>(5,934,375)</u>	<u>(55,374,657)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	11,300,000	21,415,000	32,715,000
Bond premium	-	1,718,754	3,600,889	5,319,643
Payment to the refunded bond escrow agent	-	-	(20,768,374)	(20,768,374)
Capital leases issued	5,842,667	-	-	5,842,667
Transfers in	29,844,696	4,905,807	22,176,158	56,926,661
Transfers out	(10,616,342)	(35,509)	(15,097,923)	(25,749,774)
Net other financing sources	<u>25,071,021</u>	<u>17,889,052</u>	<u>11,325,750</u>	<u>54,285,823</u>
Net change in fund balances	<u>(3,225,817)</u>	<u>(3,254,392)</u>	<u>5,391,375</u>	<u>(1,088,834)</u>
Fund balances - beginning	<u>33,836,633</u>	<u>31,419,600</u>	<u>29,117,771</u>	<u>94,374,004</u>
Fund balances - end of year	<u>\$ 30,610,816</u>	<u>\$ 28,165,208</u>	<u>\$ 34,509,146</u>	<u>\$ 93,285,170</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2014

Net change in fund balances - total governmental funds	\$ (1,088,834)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$28,179,762 exceeded depreciation of \$26,961,122 in the current period.	1,218,640
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds of \$32,715,000 were exceeded by debt repayments of \$19,438,434, and debt defeasance of 19,379,999.	6,103,433
Capital lease transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. This is the amount by which proceeds of \$5,842,667 was more than repayments of \$5,060,072.	(782,595)
Bond premiums are recognized as an other financing source in the governmental funds, but are considered deferred assets on the Statement of Net Position. Premiums are amortized over the life of the bonds. This is the amount by which bond premium issued of \$5,319,643 exceeded deferred refunding charges of \$1,388,375 and amortization of \$1,512,809.	(2,418,459)
Estimated long-term liabilities, excluding internal service funds are recognized as expenses in the Statement of Activities as incurred, but are recognized when current financial resources are used in the governmental funds.	
Compensated absences	(923,353)
Post retirement benefits	(6,289,064)
Net pension obligation	(48,851)
Environmental remediation	71,919
Property taxes levied and court fines and fees earned, but not available, are deferred in the governmental funds, but are recognized when earned (net of estimated uncollectibles) in the Statement of Activities. This amount is the net change in deferred property taxes and court fines and fees for the year.	18,380
Actual City contributions to the firefighter's pension trust fund are greater than the actuarially determined Net Pension Obligation (NPO). This amount is recognized as an expenditure at the fund level but is accrued when overpaid and reduces expenses on the Statement of Activities.	609,825
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(291,405)
Accrued interest is recognized as expenses in the Statement of Activities as incurred, but is recognized when current financial resources are used in the governmental funds. This amount is the net change in the accrued interest this year.	(255,651)
Capital assets transactions include \$10,932,586 developer donated streets and parks, plus \$8,269,208 capital asset transfers in from business-type activities and less \$102,009 disposition of assets and use of property.	<u>19,099,785</u>
Change in net position of governmental activities	<u>\$ 15,023,770</u>

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2014

Enterprise Funds

	<u>LP&L</u>	<u>Water</u>	<u>Wastewater</u>	<u>WTMPA</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 10,463,109	\$ 5,812,646	\$ 2,339,231	\$ 945,194
Investments	52,349,133	29,081,891	11,703,665	404,069
Accounts receivable, net	29,337,541	8,147,858	3,381,423	1,119,941
Interest receivable	33,080	71,441	68,299	-
Due from others	-	2,811	98,253	-
Due from other funds	-	-	-	17,887,553
Due from other governments	-	62,192	124,526	-
Prepaid expenses	25,000	-	-	-
Inventories	119,296	240,380	-	-
Total current assets	<u>92,327,159</u>	<u>43,419,219</u>	<u>17,715,397</u>	<u>20,356,757</u>
Noncurrent assets:				
Restricted investments	25,420,350	68,917,922	91,554,366	-
Goodwill	1,593,906	-	-	-
Prepaid expenses	2,011,109	-	-	-
	<u>29,025,365</u>	<u>68,917,922</u>	<u>91,554,366</u>	<u>-</u>
Capital assets:				
Land	16,613,202	19,082,390	16,676,067	-
Construction in progress	16,074,101	24,623,463	33,382,956	-
Buildings	8,506,237	77,068,575	25,604,819	-
Improvements other than buildings	316,031,146	552,813,312	217,681,499	-
Machinery and equipment	68,872,059	39,023,702	38,030,483	25,200
Less accumulated depreciation	(198,444,436)	(176,830,815)	(103,017,691)	(25,200)
Total capital assets	<u>227,652,309</u>	<u>535,780,627</u>	<u>228,358,133</u>	<u>-</u>
Total noncurrent assets	<u>256,677,674</u>	<u>604,698,549</u>	<u>319,912,499</u>	<u>-</u>
Total assets	<u>\$ 349,004,833</u>	<u>\$ 648,117,768</u>	<u>\$ 337,627,896</u>	<u>\$ 20,356,757</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	<u>\$ 812,733</u>	<u>\$ 4,246,720</u>	<u>\$ 905,909</u>	<u>\$ -</u>
Total deferred outflows of resources	<u>\$ 812,733</u>	<u>\$ 4,246,720</u>	<u>\$ 905,909</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

<u>Storm Water</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 35,627	\$ 3,826,681	\$ 23,422,488	\$ 4,568,328
178,248	17,151,104	110,868,110	22,856,311
1,966,945	3,442,803	47,396,511	-
14,379	14,221	201,420	17,953
-	161,027	262,091	6,373
-	2,754,592	20,642,145	-
-	582,691	769,409	-
-	72,054	97,054	-
-	768,323	1,127,999	2,271,599
<u>2,195,199</u>	<u>28,773,496</u>	<u>204,787,227</u>	<u>29,720,564</u>
11,607,414	10,502,905	208,002,957	402,879
-	-	1,593,906	-
-	-	2,011,109	-
<u>11,607,414</u>	<u>10,502,905</u>	<u>211,607,972</u>	<u>402,879</u>
7,447,821	6,768,963	66,588,443	65,343
46,646,138	5,235,858	125,962,516	994,793
64,580	68,017,067	179,261,278	1,668,618
115,811,214	191,534,483	1,393,871,654	1,428,015
5,550,164	85,703,822	237,205,430	17,787,635
<u>(25,425,440)</u>	<u>(195,402,900)</u>	<u>(699,146,482)</u>	<u>(12,425,630)</u>
<u>150,094,477</u>	<u>161,857,293</u>	<u>1,303,742,839</u>	<u>9,518,774</u>
<u>161,701,891</u>	<u>172,360,198</u>	<u>1,515,350,811</u>	<u>9,921,653</u>
<u>\$ 163,897,090</u>	<u>\$ 201,133,694</u>	<u>\$ 1,720,138,038</u>	<u>\$ 39,642,217</u>
<u>\$ 2,798,970</u>	<u>\$ 366,238</u>	<u>\$ 9,130,570</u>	<u>\$ -</u>
<u>\$ 2,798,970</u>	<u>\$ 366,238</u>	<u>\$ 9,130,570</u>	<u>\$ -</u>

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2014

Enterprise Funds

	<u>LP&L</u>	<u>Water</u>	<u>Wastewater</u>	<u>WTMPA</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 454,485	\$ 7,585,991	\$ 4,964,812	\$ 18,532,977
Accrued liabilities	1,468,230	243,211	128,067	-
Accrued interest payable	1,738,112	1,925,853	1,466,274	-
Due to other funds	17,887,553	-	-	-
Customer deposits	6,899,663	217,038	-	-
Unearned revenue - other	-	-	-	-
Compensated absences	1,758,087	647,477	292,998	-
Accrued insurance claims	-	-	-	-
Leases payable	-	579,481	441,025	-
Bonds payable	13,555,805	24,339,888	9,563,239	-
Total current liabilities	<u>43,761,935</u>	<u>35,538,939</u>	<u>16,856,415</u>	<u>18,532,977</u>
Noncurrent liabilities:				
Accrued insurance claims	-	-	-	-
Landfill closure and post closure care	-	-	-	-
Compensated absences	1,459,521	537,519	243,240	-
Post employment benefits	6,176,464	3,387,090	1,575,531	-
Net pension obligation	2,182,421	772,240	484,130	-
Leases payable	-	2,067,108	2,279,672	-
Bonds payable	120,244,521	363,049,746	193,539,869	-
Total noncurrent liabilities	<u>130,062,927</u>	<u>369,813,703</u>	<u>198,122,442</u>	<u>-</u>
Total liabilities	<u>173,824,862</u>	<u>405,352,642</u>	<u>214,978,857</u>	<u>18,532,977</u>
NET POSITION				
Net investment in capital assets	109,449,829	198,313,648	107,435,685	-
Restricted for:				
Passenger facility charges	-	-	-	-
Debt service	9,822,504	16,348,678	6,653,009	-
Unrestricted	56,720,371	32,349,520	9,466,254	1,823,780
Total net position	<u>\$ 175,992,704</u>	<u>\$ 247,011,846</u>	<u>\$ 123,554,948</u>	<u>\$ 1,823,780</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,425,918	\$ 1,657,357	\$ 35,621,540	\$ 1,838,625
47,163	977,769	2,864,440	143,861
668,404	264,624	6,063,267	62,264
-	-	17,887,553	-
-	90,013	7,206,714	-
-	3,766	3,766	-
92,973	921,007	3,712,542	319,907
-	-	-	2,476,010
400,847	3,709,469	5,130,822	674,167
4,524,721	3,010,788	54,994,441	467,938
<u>8,160,026</u>	<u>10,634,793</u>	<u>133,485,085</u>	<u>5,982,772</u>
-	-	-	2,211,864
-	5,271,506	5,271,506	-
77,184	524,985	2,842,449	546,482
712,286	4,211,262	16,062,633	1,822,446
177,593	893,682	4,510,066	488,607
2,180,162	8,414,747	14,941,689	1,286,682
114,604,856	32,980,279	824,419,271	6,110,137
<u>117,752,081</u>	<u>52,296,461</u>	<u>868,047,614</u>	<u>12,466,218</u>
<u>125,912,107</u>	<u>62,931,254</u>	<u>1,001,532,699</u>	<u>18,448,990</u>
36,964,296	121,038,742	573,202,200	1,057,097
-	1,309,624	1,309,624	-
3,027,009	1,896,549	37,747,749	325,632
792,648	14,323,763	115,476,336	19,810,498
<u>\$ 40,783,953</u>	<u>\$ 138,568,678</u>	<u>\$ 727,735,909</u>	<u>\$ 21,193,227</u>



City of Lubbock, Texas
Reconciliation of the Statement of Net Position - Proprietary Funds
To the Statement of Net Position
September 30, 2014

Total net position - proprietary funds	\$ 727,735,909
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Amounts reported for business-type activities in the Statement of Net Position are different because:

Internal service funds (ISF's) are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The portion of assets and liabilities of the ISF's primarily serving enterprise funds are included in business-type activities in the Statement of Net Position as follows:

Net position of business-type ISF's	9,925,177
Amounts due to governmental ISF's for amounts overcharged	<u>(2,650,498)</u>
Net position of business-type activities	<u><u>\$ 735,010,588</u></u>

City of Lubbock, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended September 30, 2014

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
OPERATING REVENUES				
Charges for services (net)	\$ 227,244,632	\$ 78,027,115	\$ 33,703,945	\$ 159,996,588
Total operating revenues	<u>227,244,632</u>	<u>78,027,115</u>	<u>33,703,945</u>	<u>159,996,588</u>
OPERATING EXPENSES				
Personal services	20,958,925	9,381,550	4,772,846	-
Insurance and claims	-	-	-	-
Supplies	1,278,463	1,634,488	840,080	-
Materials	-	-	-	-
Maintenance	2,644,851	2,699,609	1,111,414	-
Purchase of fuel and power	153,230,408	-	-	159,929,346
Billing office expense	-	1,884,393	1,884,393	-
Other services and charges	7,908,213	11,516,298	6,098,695	507,940
Depreciation and amortization	19,284,465	15,882,250	7,258,311	-
Total operating expenses	<u>205,305,325</u>	<u>42,998,588</u>	<u>21,965,739</u>	<u>160,437,286</u>
Operating income (loss)	<u>21,939,307</u>	<u>35,028,527</u>	<u>11,738,206</u>	<u>(440,698)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	159,777	311,558	145,272	138
Passenger facility charges/Federal grants	-	-	461,166	-
Disposition of assets	104,950	30,273	161,006	-
Miscellaneous	696,253	335,100	87,185	-
IRS Build America Bond Subsidy	9,941	1,480,215	47,827	-
Interest expense	(4,281,770)	(14,369,800)	(4,802,791)	-
Net nonoperating revenues (expenses)	<u>(3,310,849)</u>	<u>(12,212,654)</u>	<u>(3,900,335)</u>	<u>138</u>
Income (loss) before contributions and transfers	18,628,458	22,815,873	7,837,871	(440,560)
Capital contributions/grants	9,222	4,792,486	3,079,260	-
Transfers in	299,111	-	78,870	387,407
Transfers out	(14,480,390)	(10,042,485)	(12,593,666)	-
Change in net position	<u>4,456,401</u>	<u>17,565,874</u>	<u>(1,597,665)</u>	<u>(53,153)</u>
Total net position - beginning of year	<u>171,536,303</u>	<u>229,445,972</u>	<u>125,152,613</u>	<u>1,876,933</u>
Total net position - end of year	<u>\$ 175,992,704</u>	<u>\$ 247,011,846</u>	<u>\$ 123,554,948</u>	<u>\$ 1,823,780</u>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds

Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>\$ 19,606,904</u>	<u>\$ 35,560,562</u>	<u>\$ 554,139,746</u>	<u>\$ 59,245,575</u>
<u>19,606,904</u>	<u>35,560,562</u>	<u>554,139,746</u>	<u>59,245,575</u>
1,945,272	18,469,897	55,528,490	6,315,276
-	-	-	32,872,919
175,821	4,204,836	8,133,688	100,384
-	-	-	12,321,587
324,745	4,027,670	10,808,289	3,063,180
-	-	313,159,754	-
779,108	779,108	5,327,002	-
1,442,302	6,081,619	33,555,067	3,772,901
2,802,674	16,078,169	61,305,869	1,267,053
<u>7,469,922</u>	<u>49,641,299</u>	<u>487,818,159</u>	<u>59,713,300</u>
<u>12,136,982</u>	<u>(14,080,737)</u>	<u>66,321,587</u>	<u>(467,725)</u>
21,359	58,497	696,601	168,785
-	6,379,493	6,840,659	-
(55,491)	(106,929)	133,809	21,267
15,090	1,087,052	2,220,680	228,588
19,925	8,640	1,566,548	-
<u>(3,622,043)</u>	<u>(1,411,698)</u>	<u>(28,488,102)</u>	<u>(177,593)</u>
<u>(3,621,160)</u>	<u>6,015,055</u>	<u>(17,029,805)</u>	<u>241,047</u>
8,515,822	(8,065,682)	49,291,782	(226,678)
2,290,052	3,116,725	13,287,745	31,185
-	5,076,764	5,842,152	509,683
<u>(4,904,497)</u>	<u>(4,422,950)</u>	<u>(46,443,988)</u>	<u>-</u>
<u>5,901,377</u>	<u>(4,295,143)</u>	<u>21,977,691</u>	<u>314,190</u>
<u>34,882,576</u>	<u>142,863,821</u>	<u>705,758,218</u>	<u>20,879,037</u>
<u>\$ 40,783,953</u>	<u>\$ 138,568,678</u>	<u>\$ 727,735,909</u>	<u>\$ 21,193,227</u>



City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Net Position - Proprietary Funds
To the Statement of Activities
For the Year Ended September 30, 2014

Net change in fund net position - total enterprise funds \$ 21,977,691

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds (ISF's) are used by management to charge the costs of certain activities such as fleet services, central warehousing activities, management information activities, etc. to individual funds. The net revenue (expense) of certain ISF's is reported with business-type activities.

605,595

Change in net position of business-type activities

\$ 22,583,287

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	Enterprise Funds			
	<u>LP&L</u>	<u>Water</u>	<u>Wastewater</u>	<u>WTMPA</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 228,838,563	\$ 79,653,484	\$ 33,823,556	\$ 154,356,839
Payments to suppliers	(158,633,202)	(12,221,795)	(5,963,564)	(155,261,206)
Payments to employees	(20,958,925)	(9,624,761)	(4,900,913)	-
Other receipts	706,194	1,815,315	135,012	-
Net cash provided (used) by operating activities	<u>49,952,630</u>	<u>59,622,243</u>	<u>23,094,091</u>	<u>(904,367)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	299,111	-	78,870	387,407
Transfers out to other funds	(14,480,390)	(10,042,485)	(12,593,666)	-
Short-term interfund borrowings	-	-	-	-
Operating grants	-	-	461,166	-
Net cash provided (used) by noncapital and related financing activities	<u>(14,181,279)</u>	<u>(10,042,485)</u>	<u>(12,053,630)</u>	<u>387,407</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(16,030,058)	(22,867,315)	(23,516,295)	-
Sale of capital assets	856,117	302,726	8,902,983	-
Principal paid on capital leases	(26,755)	(677,495)	(450,903)	-
Principal paid on bonds	(12,340,706)	(23,626,118)	(10,009,412)	-
Issuance of capital leases	-	103,564	393,136	-
Issuance of bonds	17,768,912	6,972,721	43,116,469	-
Bond issuance costs	(139,376)	(502,165)	(511,019)	-
Interest paid on bonds and capital leases	(5,168,924)	(15,345,005)	(5,307,543)	-
Capital grants and contributions	-	860,654	365,697	-
Net cash provided (used) by capital and related financing activities	<u>(15,080,790)</u>	<u>(54,778,433)</u>	<u>12,983,113</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	17,068,286	-	-
Purchase of investments	(20,364,578)	(11,760,911)	(24,514,260)	(138)
Interest earnings on cash and investments	148,604	294,416	114,611	138
Net cash provided (used) by investing activities	<u>(20,215,974)</u>	<u>5,601,791</u>	<u>(24,399,649)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	474,587	403,116	(376,075)	(516,960)
Cash and cash equivalents - beginning of year	9,988,522	5,409,530	2,715,306	1,462,154
Cash and cash equivalents - end of year	<u>\$ 10,463,109</u>	<u>\$ 5,812,646</u>	<u>\$ 2,339,231</u>	<u>\$ 945,194</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 21,939,307	\$ 35,028,527	\$ 11,738,206	\$ (440,698)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	19,284,465	15,882,250	7,258,311	-
Other income	706,194	1,815,315	135,012	-
Change in current assets and liabilities:				
Accounts receivable	1,593,931	1,626,369	119,611	(462,210)
Inventory	9,369	(72,251)	-	-
Prepaid expenses	-	-	-	-
Due from other governments	-	(18,607)	(122,310)	-
Accounts payable	(353,581)	4,530,422	3,696,939	5,176,080
Due to/from other funds	5,177,539	491	(36,605)	(5,177,539)
Other accrued expenses	(48,629)	43,217	15,900	-
Customer deposits	552,772	24,720	-	-
Change in compensated absences and retirement benefits	1,091,263	761,790	289,027	-
Net cash provided by operating activities	<u>\$ 49,952,630</u>	<u>\$ 59,622,243</u>	<u>\$ 23,094,091</u>	<u>\$ (904,367)</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	\$ 9,222	\$ 3,931,832	\$ 2,713,563	\$ -

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			
Storm Water	Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 19,550,828	\$ 35,587,070	\$ 551,810,340	\$ 59,624,804
(2,664,686)	(11,592,758)	(346,337,211)	(55,697,922)
(1,992,435)	(18,711,199)	(56,188,233)	(5,969,532)
35,015	1,095,692	3,787,228	245,937
<u>14,928,722</u>	<u>6,378,805</u>	<u>153,072,124</u>	<u>(1,796,713)</u>
-	5,076,764	5,842,152	509,683
(4,904,497)	(4,422,950)	(46,443,988)	-
-	(1,692,649)	(1,692,649)	-
-	6,379,493	6,840,659	-
<u>(4,904,497)</u>	<u>5,340,658</u>	<u>(35,453,826)</u>	<u>509,683</u>
(14,428,143)	(9,314,400)	(86,156,211)	(4,675,201)
18,500	579,986	10,660,312	21,267
(564,573)	(3,473,383)	(5,193,109)	(317,632)
(4,415,704)	(2,914,310)	(53,306,250)	(222,371)
17,119	3,364,644	3,878,463	1,156,381
281,116	3,215,557	71,354,775	3,514,440
(245,129)	(241,128)	(1,638,817)	-
(3,721,964)	(1,539,791)	(31,083,227)	(185,002)
-	2,883,465	4,109,816	31,185
<u>(23,058,778)</u>	<u>(7,439,360)</u>	<u>(87,374,248)</u>	<u>(676,933)</u>
-	2,933,867	20,002,153	4,132,269
12,910,214	(6,819,707)	(50,549,380)	(2,933,280)
23,602	54,713	636,084	163,495
<u>12,933,816</u>	<u>(3,831,127)</u>	<u>(29,911,143)</u>	<u>1,362,484</u>
(100,737)	448,976	332,907	(601,479)
136,364	3,377,705	23,089,581	5,169,807
<u>\$ 35,627</u>	<u>\$ 3,826,681</u>	<u>\$ 23,422,488</u>	<u>\$ 4,568,328</u>
\$ 12,136,982	\$ (14,080,737)	\$ 66,321,587	\$ (467,725)
2,802,674	16,078,169	61,305,869	1,267,053
35,015	1,095,692	3,787,228	228,588
(56,076)	26,508	2,848,133	379,229
-	37,459	(25,423)	(512,843)
-	1,559	1,559	-
-	2,883,897	2,742,980	-
(111,965)	(627,041)	12,310,854	(2,450,009)
-	(6,729)	(42,843)	96,726
5,798	90,626	106,912	(661,160)
-	(13,141)	564,351	-
116,294	892,543	3,150,917	323,428
<u>\$ 14,928,722</u>	<u>\$ 6,378,805</u>	<u>\$ 153,072,124</u>	<u>\$ (1,796,713)</u>
\$ 2,290,052	\$ 233,260	\$ 9,177,929	\$ -

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basic Financial Statements (BFS) of the City of Lubbock, Texas (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled *State and Local Governments*. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities related to business-type activities and enterprise funds, including component units, the City applies all applicable GASB pronouncements. The more significant accounting policies are described below.

A. REPORTING ENTITY

The City is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in 1909, is located in the northwestern part of the state. The City currently occupies a land area of 123.8 square miles and serves a population approximating 238,706. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City provides a full range of services including public safety (police and fire protection), electric, water and wastewater, storm water, solid waste, public transportation, health and social services, cultural-recreation, highways and streets, airport, planning and zoning, and general administrative services.

The BFS present the City and its component units and include all activities, organizations, and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's BFS are based upon and consistent with those set forth in the Codification of Governmental Accounting Standards, Section 2100, "*Defining the Financial Reporting Entity*." The criteria include the following:

- The organization is legally separate (can sue and be sued in its own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit or burden on the City; or
- There is fiscal dependency by the organization on the City.

As required by GAAP, the BFS present the reporting entity which consists of the City (the primary government), organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion could cause the City's BFS to be misleading or incomplete.

BLENDED COMPONENT UNIT

West Texas Municipal Power Agency (WTMPA) is a legally separate municipal corporation, a political subdivision of Texas, and body politic and corporate, formed in 1983, governed by an eight-member Board of Directors. The board consists of two directors from each participating city. One member is elected as the president who presides over monthly meetings. Directors serve without compensation. WTMPA has no employees and instead contracts for services to meet its general operating needs. WTMPA may engage in the business of generation, transmission, sale, and exchange of electric energy to the four participating public entities: Lubbock, Tulia, Brownfield, and Floydada. WTMPA may also participate in power pooling and power exchange agreements with other entities. WTMPA provides electricity to its four member cities with

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the City having a 95.7 percent interest in its operations. Each member city appoints two members to the WTMPA board; however an affirmative vote of the “majority in interest” is required to approve the operating budget, capital projects, debt issuance, and any amendments to WTMPA rules and regulations. The “majority in interest” relates to the following items: 1) WTMPA’s operating budget or any budget amendment(s); 2) capital projects; 3) certain energy sales or sale or exchange of property with a value in excess of \$20,000; and 4) any amendments to WTMPA rules and regulations requiring a quorum of seven voting board members, an affirmative vote of six voting board members, and an affirmative vote of the “majority in interest”. The “majority in interest” weighted vote is assigned according to kilowatt purchases by each city during the previous year. Lubbock has a 95.7 percent “majority in interest” vote since it accounts for 95.7 percent of WTMPA’s electrical sales. WTMPA provides services almost exclusively to the City and is therefore presented as a blended enterprise fund. Separate audited financial statements may be obtained through the City.

DISCRETELY PRESENTED COMPONENT UNITS

The financial data for the Component Units are shown in the Government-Wide Financial Statements. The Component Units are reported in a separate column to emphasize that they are legally separate from the City. The following Component Units are included in the reporting entity because the primary government is financially accountable, is able to impose its will on the organization, or can significantly influence operations and/or activities of the organization.

The **Urban Renewal Agency (URA)** is a legally separate entity that serves as an arm of the City. The URA is governed by State law and was formed to help eliminate slum and blight within the City. The URA board oversees loans made to businesses and citizens of Lubbock using funds accumulated by the City of Lubbock community development program. The URA also oversees the acquisition and disposition of real property. The URA manages the City of Lubbock Community Development loans and property program. The URA Board is composed of nine members appointed by the City Council. There are no separate financial statements available for the URA.

Civic Lubbock, Inc. is a legally separate entity that was organized to foster and promote the presentation of wholesome educational, cultural, and entertainment programs for the general moral, intellectual, physical improvement, and welfare of the citizens of Lubbock and the surrounding area. The eleven-member board is appointed by the City Council. The City Council reviews and accepts the annual budget. Separate audited financial statements for Civic Lubbock may be obtained from Civic Lubbock, Inc. at 1501 6th Street, Lubbock, Texas.

Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc. is a legally separate entity that was formed on October 10, 1995 by the City Council to create, manage, operate, and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the seven-member board and its operations are funded primarily through budgeted allocations of the City’s property and hotel occupancy taxes. Separate audited financial statements may be obtained from Market Lubbock, Inc. at 1500 Broadway, Sixth Floor, Lubbock, Texas.

Lubbock Economic Development Alliance, Inc. is a legally separate entity that was formed on June 1, 2004 by the City of Lubbock to create, manage, and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the seven-member board and its operations are funded primarily through budgeted allocations of the City’s sales and use taxes.

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Separate audited financial statements may be obtained from Lubbock Economic Development Alliance, Inc. at 1500 Broadway, Sixth Floor, Lubbock, Texas.

The Vintage Township Public Facilities Corporation is a legally separate entity that was formed in 2007 with the sole purpose to assist the City in financing, refinancing, providing, or otherwise assisting in the acquisition, construction, and maintenance of certain public facilities benefiting the Vintage Township Public Improvement District. The three-member board is appointed by the City Council. The City Council reviews and accepts the annual budget. Separate audited financial statements are not available.

RELATED ORGANIZATIONS

The City Council is responsible for appointing the board members of some other organizations, but the City's accountability for these organizations do not extend beyond the board appointments. The City Council is not able to impose its will on these entities and there is no financial benefit or burden relationship. Bonds issued by these organizations do not constitute indebtedness of the City. The following related organizations are not included in the reporting entity:

The **Lubbock Fire Pension Fund (LFPF)** operates under provisions of the Texas Local Fire Fighters' Retirement Act for purposes of providing retirement benefits for the City's firefighters. The Mayor's designee, the Accounting Supervisor, three firefighters elected by active firefighters and two at-large members elected by the LFPF Board, govern its affairs. The Pension Fund is funded by contributions from the firefighters and City matching contributions. As provided by enabling legislation, the City's responsibility to the LFPF is limited to matching bi-weekly contributions made by the members. Title to assets is vested in the LFPF and not the City. The Texas State Pension Review Board is mandated to oversee all Texas public retirement systems in regard to their actuarial soundness and compliance with state law. The City cannot significantly influence the Pension Fund's operations. Separate audited financial statements may be obtained from the LFPF or from the City.

The **Housing Authority of the City of Lubbock** is a legally separate entity. The Mayor appoints the five-member board.

The **Lubbock Health Facilities Development Corporation** promotes health facilities development. The City Council appoints the seven-member board.

The **Lubbock Housing Finance Corporation, Inc.** was formed pursuant to the Texas Housing Finance Corporation Act to finance the cost of decent, safe, and affordable residential housing. The City Council appoints the seven-member board.

The **North and East Lubbock Community Development Corporation (CDC)** was incorporated in February 2004 to effectuate change in North and East Lubbock. The North and East Lubbock CDC is a local entity that drives social change and promotes autonomy and empowerment by increasing the supply of quality and affordable housing, generating economic activity, and coordinating the efficient delivery of social services. The 12-member board is selected by a board-appointed nominating committee. City Council designates certain mineral interest revenue to be contributed to CDC and approves the portion of the budget that is spent using mineral interest funds.

The **Lubbock Education Facilities Authority, Inc.** is a non-profit corporation and instrumentality of the City and was created pursuant to the Higher Education Authority Act, Chapter 53 Texas Education Code, for the purpose of aiding institutions of higher education, secondary schools, and primary schools in providing educational facilities and housing facilities. The seven-member board is appointed by the City Council.

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B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-Wide Financial Statements (GWFS) (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its blended component unit as a whole. The discretely presented component units are also aggregately presented within these statements. The effect of interfund activity has been removed from these statements by allocation of the activities of the various internal service funds to the governmental and business-type activities on a fund basis based on the predominant users of the services. Interfund services are not eliminated in the process of consolidation. Governmental activities, which are primarily 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. All activities, both governmental and business-type, are reported in the GWFS using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The GWFS focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Government-Wide Statement of Net Position reports all financial and capital resources of the City. It is displayed in the format of assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources, plus net position, with the assets and liabilities shown in order of their relative liquidity. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Net investment in capital assets equals capital assets net of accumulated depreciation and is reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount. Restricted net position is those with constraints placed on their use as: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as net investment in capital assets or restricted, are shown as unrestricted. Reservations or designations of net position imposed by the City, whether by administrative policy or legislative actions of the City Council that do not otherwise meet the definition of restricted net position, are considered unrestricted in the GWFS.

The Government-Wide Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment is 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. The general revenues support the net costs of the functions and segments not covered by program revenues.

Fund Financial Statements (FFS) for governmental and proprietary funds are also part of the BFS. The focus of the FFS is on major funds, as defined by GASB Statement No. 34. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, i.e., a percentage of assets, liabilities, revenue, or expenditures/expenses of fund category and of the governmental and enterprise funds combined. However, it also gives governments the option of displaying other funds as major funds. The City can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental

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funds and major individual enterprise funds are reported as separate columns in the FFS. Other non-major funds are combined in a single column in the appropriate FFS.

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

The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary FFS. 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 have been met.

Because the enterprise funds are combined into a single business-type activities column on the GWFS, certain interfund activities between these funds are eliminated in the consolidation for the GWFS, but are included in the fund columns in the proprietary FFS. The effect of interfund activity has been eliminated from the GWFS. For instance, 95.7 percent of the operations of WTMPA representing transactions between WTMPA and Lubbock Power & Light (LP&L) have been eliminated for the GWFS presentation and for the electric business-type activities (BTA). Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental FFS are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is necessary: 1) to demonstrate legal and covenant compliance; 2) to demonstrate the sources and uses of liquid resources; and 3) to demonstrate how the City's actual revenues and expenditures conform to the annual budget. 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 government considers revenues to be available, generally, if they are collected within 45 days of the end of the current fiscal period. The City considers the grant availability period to be one year for revenue recognition. 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 the liability has matured. Because the governmental FFS are presented on a different basis of accounting than the GWFS, reconciliations are provided immediately following each fund statement. These reconciliations explain the adjustments necessary to convert the FFS into the governmental activities column of the GWFS.

Property taxes, sales taxes, franchise taxes, occupancy taxes, grants, licenses, court fines, 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 the City receives cash.

Fund Accounting

The City uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows, deferred inflows, liabilities, fund balance/net position, revenues, and expenditures/expenses.

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Governmental Funds are those through which most of the governmental functions of the City are financed. The City reports two major governmental funds:

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

The **Governmental Capital Projects Fund** accounts for financing and construction of government capital projects, except for North Overton and Central Business District Tax Increment Financing Reinvestment Zone (TIF) capital projects and Gateway Streets Fund capital projects. Projects include public safety improvements, park improvements, street improvements, purchase of and construction of municipal buildings, and major maintenance, repair, and replacement of public buildings and facilities.

Enterprise Funds are used to account for operations: 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City reports the following major enterprise funds:

The **LP&L Fund** accounts for the activities of the City-owned electric production and distribution system.

The **Water Fund** accounts for the activities of the City's water system.

The **Wastewater Fund** accounts for the activities of the City's sanitary wastewater system.

The **WTMPA Fund** accounts for the activities of power generation and power brokering to member cities. Member cities include Lubbock with 95.7 percent ownership, Tulia, Brownfield, and Floydada comprising the remaining 4.8 percent ownership.

The **Storm Water Fund** accounts for the activities of the storm water utility.

The City also reports the following non-major funds:

Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The **Debt Service Fund** is used to account for and report financial resources that are restricted to expenditures for principal and interest (other than debt service payments made by proprietary funds).

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays (other than those recorded in the proprietary funds).

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or 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 funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and

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services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Funds are used to account for services to outside users where the full cost of providing services, including capital, is to be recovered through fees and charges, e.g., Lubbock Preston Smith International Airport (Airport Fund), Citibus (Transit Fund), Solid Waste, Cemetery, Civic Centers and Lake Alan Henry Recreational Funds.

Internal Service Funds are used to account for services provided to other departments, agencies of the departments, or to other governments on a cost reimbursement basis (i.e., Fleet Maintenance, Print Shop and Warehouse, Information Technology, Risk Management, Health Benefits, and Investment Pool).

D. BUDGETARY ACCOUNTING

The City Manager submits a proposed operating budget and capital program to the City Council annually for the upcoming fiscal year. Annual budgets are adopted for the General Fund, Debt Service Fund, Enterprise Funds, Internal Service Funds, and certain Special Revenue Funds. Public hearings are conducted to obtain citizen comments, and the budget is legally enacted through passage of an ordinance by the Council. City Council action is also required for the approval of any supplemental appropriations.

All budget amounts presented in the General Fund Budgetary Comparison Schedule in the Required Supplementary Information (RSI) section reflect the original budget and the amended budget, which have been adjusted for legally authorized supplemental appropriations to the annual budget during the fiscal year. The operating budget is adopted on a basis other than GAAP for the General Fund, with the main difference being that capital lease proceeds and related capital outlay are not budgeted. Budgetary control is maintained at the department level in the General Fund in the following expenditure categories: compensation, benefits, supplies, maintenance, professional services/training, other charges, scheduled charges, and capital outlay/reimbursements. Management may make administrative transfers and increases or decreases between accounts below the department level without Council approval. However, to satisfy the legal level of control, any transfer of funds between departments shall be presented to the Council for approval by ordinance before such funds can be transferred between departments or expended. All annual operating appropriations lapse at the end of the fiscal year.

All budget amounts presented in the Special Revenue Funds and Debt Service Fund Budgetary Comparison Schedule in the Combining and Individual Fund Statements and Schedules section reflect the final budget amounts, which have been adjusted for legally authorized supplemental appropriations to the annual budget during the fiscal year. Budgetary control is maintained at the fund level, the legal level of control for Special Revenue Funds and Debt Service Fund. The following Special Revenue Funds have legally adopted budgets: Abandoned Motor Vehicle, Animal Assistance, Cable Services, Central Business District TIF, Community Development Grant, Criminal Investigation, Debt Service, Department of Justice Asset Sharing, Economic Development Incentive, Emergency Management Grant, Gateway Streets, Hotel Motel Tax, Lubbock Business Park TIF, Lubbock Economic Development Alliance, Municipal Court, North and East Lubbock Neighborhood and Infrastructure, North Overton PID, North Overton District TIF, North Point PID, Quincy Park PID, Valencia PID, and Vintage Township PID.

Capital budgets and grant budgets do not lapse at fiscal year end, but remain in effect until the project is completed and closed. The following funds have project length budgets: Donations, Community Services, Health, Police, and Other Grants Special Revenue Funds; and the Governmental, TIF, and Gateway Streets Capital Projects Funds.

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In addition to the tax levy for general operations, in accordance with State law, the City Council sets an ad valorem tax levy for a sinking fund (General Obligation and Certificate of Obligation Debt Service) which, with cash and investments in the fund, is sufficient to pay all debt service due during the fiscal year.

E. ENCUMBRANCES

At the end of the fiscal year, encumbrances for goods and services that have not been received are canceled except in the Capital Projects Fund. Management has authority, by ordinance, to re-appropriate any encumbrances that were open at the prior fiscal year end. At the beginning of the next fiscal year, management reviews all open encumbrances and approves needed encumbrances. In FY 2014, management approved reappropriation of funds to purchase the Citizen's Tower in the amount of \$1,232,042 (assigned fund balance). There are no other significant encumbrances at year end that have not been restricted, committed, or assigned.

F. ASSETS, LIABILITIES, AND FUND BALANCE/NET POSITION

Equity in Cash and Investments - The City pools the resources of the various funds in order to facilitate the management of cash and enhance investment earnings. Records are maintained which reflect each fund's equity in the pooled account. The City's investments are stated at fair value, which is based on quoted market prices as of the valuation date.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand and demand deposits.

Investments- Investments include securities in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Farm Credit Notes, and Municipal Bonds. Investments also include certificates of deposits and state investment pools. Restricted investments include investments that have been restricted for bond financed capital projects, funds that have been restricted by bond covenants for debt service requirements, and funds accumulated for passenger facility charges.

Property Tax Receivable - The value of all real and business property located in the City is assessed annually on January 1 in conformity with Subtitle E of the Texas Property Code. Property taxes are levied on October 1 on those assessed values and the taxes are due on receipt of the tax bill. On the following January 1, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The taxes are considered delinquent if not paid before February 1. Therefore, at fiscal year-end all property taxes receivable are delinquent, but are secured by a tax lien.

At the GWFS level, property tax revenue is recognized upon levy. In governmental funds, the City records property taxes receivable upon levy and defers tax revenue until the taxes are collected or available. For each fiscal year, the City recognizes revenue in the amount of taxes collected during the year plus an estimate of taxes to be collected in the subsequent 45 days. The City allocates property tax revenue between the General, certain Special Revenue, and Debt Service Funds based on tax rates adopted for the year of levy. The Lubbock Central Appraisal District assesses property values, bills, collects, and remits the property taxes to the City. The City adjusts the allowance for uncollectible taxes and deferred inflows of tax revenue at fiscal year-end based upon historical collection experience. To write off property taxes receivable, the City eliminates the receivable and reduces the allowance for uncollectible accounts.

Enterprise Funds Receivables - Within the LP&L, Water, Wastewater, Storm Water, and WTMPA Enterprise Funds, services rendered but not billed as of the close of the fiscal year are accrued. This amount is reflected in the accounts receivable balances of each fund. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts.

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Inventories - Inventories consist of expendable supplies held for consumption. Inventories are valued using the average cost method of valuation, and are accounted for using the consumption method of accounting, i.e., inventory is expensed when used rather than when purchased.

Prepaid Items - Prepaid items are accounted for under the consumption method.

Capital Assets and Depreciation - Capital assets, including public domain infrastructure (streets, bridges, sidewalks and other assets that are immovable and of value only to the City), are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. These capital assets are reported in the GWFS and the proprietary funds. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair value on the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Improvements Other Than Buildings	10-60 years
Buildings	15-50 years
Machinery and Equipment	3-15 years
Water Rights	85 years

Interest Capitalization – Because the City issues general-purpose capital improvement bonds, which are recorded within the proprietary funds, the City capitalizes interest costs for business-type activities and enterprise funds according to the FASB Accounting Standard 34 and 62, which was subsequently codified as FASB Codification 835 - Interest. The City capitalized interest of approximately \$5,232,405 net of interest earned, for the business-type activities and the enterprise funds during the current fiscal year.

Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has a deferred charge on a bond refunding, which is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred or amortized over the shorter of the life of the refunded and new debt.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City's deferred inflows include property taxes and municipal court fines in the governmental funds. The City has no items for reporting in that category in the proprietary funds.

Classification of Fund Equity - Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors, or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance, which is the highest action level by City Council. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the

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General Fund that have not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The proprietary funds and GWFS have three classifications of net position: 1) net investment in capital assets; 2) restricted net position; and 3) unrestricted net position. In the first category, capital assets are netted with bonded and capital lease debt. Restricted net position includes debt service, grantor, and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

The City Council has approved goals for the General Fund unrestricted fund balance, which is set at a minimum of an amount equal to twenty percent of operating revenues in order to meet unanticipated contingencies and fluctuations in revenue. Enterprise Funds also have appropriable net position reserve policies, ranging from 8 to 25 percent of operating revenue. The LP&L Fund maintains general reserves equal to three months gross revenue from all retail electric sales as determined by taking the average monthly retail electric sales from the previous fiscal year.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements along with reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. REVENUES, EXPENSES AND EXPENDITURES

Interest Income on pooled cash and investments is allocated monthly based on the percentage of a fund's pooled cash and investments monthly balance compared to the total city-wide monthly balance in pooled cash and investments. Bond funds and other separate non-pooled cash are distributed to the fund where the cash and investment is recorded.

Sales Tax Revenue for the City results from an allocation of 1.5 percent of the total sales tax levy of 8.25 percent, which is collected by the State of Texas and remitted to the City monthly. The tax is collected by the vendor and is required to be remitted to the State by the 20th of the month following collection. The tax is then paid to the City by the Friday following the second Wednesday of the subsequent month.

Grant Revenue from federal and state grants is recognized as revenue as soon as all eligibility requirements have been met. The availability period for grants is considered to be one year.

Interfund Transactions are accounted for as revenues, expenditures, expenses, or other financing sources or uses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from that fund that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. In addition, transfers are made between funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue.

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Compensated Absences consists of vacation leave, sick leave, and compensatory leave. Vacation leave of 10-20 days is granted to all regular employees dependent upon the date employed, years of service, and civil service status. Currently, up to 40 hours of vacation leave may be “carried over” to the next calendar year. The City is obligated to make payment upon retirement or termination for employees in good standing for any available, unused vacation leave.

Sick leave for employees is accrued at 1 1/4 days per month with a maximum accrual status of 200 days. After 15 years of continuous full-time service for non-civil service personnel, vested sick leave is paid on retirement or termination at the current hourly rate for up to 90 days. Upon retirement or termination, Police Civil Service Personnel are paid for up to 90 days accrued sick leave regardless of reason for leaving or time with the City. Firefighter Civil Service Personnel are paid for up to 90 days of accrued sick leave upon retirement or termination. The Texas Civil Service laws dictate certain benefits and personnel policies above and beyond the policies of the City.

In accordance with the Fair Labor Standards Act and City policy, non-exempt employees may accrue compensatory time off instead of receiving payment for overtime hours worked. Compensatory time may be accrued up to 45 hours (30 overtime hours at time and one half) and must be used within 26 pay periods. In order to be eligible for compensatory time, each employee is required to sign an agreement with the City.

The liability for the accumulated vacation, sick, and compensatory time off is recorded in the GWFS and in the FFS for proprietary fund employees when earned. The liability is recorded in the governmental FFS to the extent it is due and payable.

Post Employment Benefits for retirees of the City include the option to purchase health and life insurance with health insurance benefits at a subsidized premium. However, employees that retire with 15 or more years of service or Civil Service employees that retire who have a sick-leave balance in excess of 90 days will be able to elect to continue receiving medical coverage in full 30-day periods for the term of the balance of their sick leave. Amounts to cover premiums and administrative costs, with an incremental charge for reserve funding, are determined by the City’s health care administrator. Employer contributions are funded on a pay-as-you-go basis and approximated \$4.4 million for FY 2014. These contributions are included in the amount of insurance expense reflected in the financial activity reported in the Health Benefits Internal Service Fund.

H. NEW PRONOUNCEMENTS

In FY 2015 the City will implement GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The effects of implementing this statement is expected to have a material effect on net position. The City will be required to recognize the Net Pension Liability on the Statement of Net Position. This number is projected to be equal to the Unfunded Accrued Actuarial Liability based on the market value of the assets. The City will also be required to recognize a new measure of the pension expense, which will be different from our actuarially determined contributions (annual required contributions). Note disclosures and required supplementary information will be based on the new measures.

I. CHANGE IN ACCOUNTING PRINCIPLES

The City did not implement any new accounting principles in FY 2014.

City of Lubbock, Texas
Notes to Basic Financial Statements
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NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. RESTRICTED NET POSITION

Restricted net position is only used for its intended purpose. For the majority of projects funded by tax exempt debt proceeds, the debt proceeds are used first, followed by unrestricted resources.

B. GENERAL FUND BUDGET COMPARISON

The General Fund FY 2014 amended budgeted expenditures and transfers out were \$160,312,213, while actual budgetary basis expenditures and transfers out were \$155,336,669; a difference of \$4,975,544.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

On September 30, 2014, the bank balance of the City's deposits was \$35,787,548. The majority of the bank balances are covered by federal depository insurance or are fully collateralized. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas Public Funds Investment Act.

State law requires federal depository insurance or collateralization with the value of eligible securities having an aggregate value at least equal to the amount of the deposits. The City's Investment Policy requires the minimum collateral level to be 102.0 percent of the market value of principal and accrued interest.

On September 30, 2014, bank balances were exposed to custodial credit risk as follows:

Insured	\$ 750,000
Uninsured and collateral held by pledging financial institution in the City's name	34,342,354
Uninsured and uncollateralized*	<u>695,194</u>
	<u>\$ 35,787,548</u>

*The WTMPA deposits accounts were insured up to \$250,000, but the excess amounts were uncollateralized.

City of Lubbock, Texas
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On September 30, 2014, the City had the following investments and maturities:

<u>Type</u>	<u>September 30, 2014</u>		
	<u>Fair Value</u>	<u>Maturities in Years</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Federal Home Loan Bank (FHLB)	\$ 20,885,663	\$ 999,983	\$ 19,885,680
Federal Farm Credit Bank (FFCB)	14,984,316	2,000,894	12,893,422
Federal Home Loan Mortgage Corporation (FHLMC)	31,974,618		31,974,618
Federal National Mortgage Association (FNMA)	17,884,956	1,001,062	16,883,894
Municipal Bonds	4,089,599	924,158	3,165,441
Certificate of Deposit	610,006	610,006	
Money Market	95,885	95,885	
State Investment Pools *	337,609,696	337,609,696	
	<u>\$ 428,134,739</u>	<u>\$ 343,241,684</u>	<u>\$ 84,893,055</u>

*State Investment Pools are considered investments for financial reporting purposes.

Interest Rate Risk - As a means of limiting its exposure to fair value losses due to rising interest rates, the City's investment policy limits investments to those that can be held to maturity and by limiting final maturity to no more than five (5) years. The City uses the specific identification method for positions in fixed-rate securities. The investment pools have laddered out maturities within their funds, but are redeemable in full within one day to the governments investing in the pooled funds.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's policy allows investment in direct obligations of and other obligations guaranteed as to principal of the U.S. Treasury and U.S. agencies and instrumentalities with the exception of mortgage backed securities. It allows investment in obligations of the State of Texas or its agencies and obligations of states, agencies, counties, cities, and other political subdivisions rated not less than A or its equivalent. The City may also invest in fully collateralized repurchase agreements, fully collateralized certificates of deposit, commercial paper and bank acceptances with a stated maturity of 270 days or fewer from the date of issuance, AAA-rated, no-load money market mutual funds regulated by the Securities and Exchange Commission, and AAA-rated, constant dollar investment pools authorized by the City Council. On September 30, 2014, Standard & Poor's rated the investment pools AAAM. The senior unsecured debt for investments in, FHLB, FFCB, FHLMC, and FNMA are rated AA+ by Standard & Poor's and Aaa by Moody's.

Custodial Credit Risk - For an investment, custodial credit risk 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 investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the market value. FNMA, FFCB, FHLMC, FHLB and Municipal Bond investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a City depository. The City shall maintain a list of authorized broker/dealers and financial institutions, which are approved by the Audit and Investment Committee for investment purposes. The Certificate of Deposit is held in the name of Canadian River Municipal River Authority and the City's proportionate percentage is allocated to the City.

City of Lubbock, Texas
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Concentration of Credit Risk - The City places limits on the amount that may be invested in any one issuer with the exception of United States Treasury obligations. As of September 30, 2014, the City's investments constituted the following percentages of total investments:

<u>Investment</u>	<u>Percentage</u>
State Investment Pools	78.85
FHLMC	7.47
FHLB	4.88
FNMA	4.18
FFCB	3.50
Municipal Bonds	.96
Certificate of Deposit	.14
Money Market	.02

Foreign Currency Risk - This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The City has no foreign currency risk.

B. INTERFUND TRANSACTIONS

Interfund balances, specifically, the due to and due from other funds, are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements.

Interfund balances are loans to cover Council directed internal financing of certain projects. On September 30, 2014 the City had \$21,258,082 of internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

The following amounts due to other funds or due from other funds are included in the fund financial statements (all amounts in thousands):

<u>Interfund Payables:</u> <u>(in Thousands)</u>	<u>Interfund Receivables: (in Thousands)</u>				<u>Totals</u>
	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>WTMPA</u>	<u>Nonmajor Enterprise</u>	
Governmental Funds:					
Nonmajor Governmental	\$ 616	\$ -	\$ -	\$ 2,755	\$ 3,371
Proprietary Funds:					
LP&L	-	-	17,888	-	17,888
Nonmajor Enterprise	-	-	-	-	-
Totals	\$ 616	\$ -	\$ 17,888	\$ 2,755	\$ 21,259

Transfers include: 1) debt service payments made from the debt service fund, but funded from an operating fund; 2) subsidy transfers from unrestricted funds; and 3) transfers to move indirect cost allocations, payments in lieu of taxes (PILOT), and franchise fees to the general fund or other funds as appropriate.

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The following interfund transfers are reflected in the fund financial statements (all amounts in thousands):

Interfund Transfers Out: (in Thousands)	Interfund Transfers In: (in Thousands)								
	Governmental Funds								
	General	Govt. Capital	Nonmajor Govt.	Electric	Waste- water	WTMPA	Nonmajor Enterprise	Int. Svc. Fund	Totals
Governmental Funds:									
General Fund	\$ -	\$ 4,856	\$ 3,017	\$ -	\$ -	\$ -	\$ 2,493	\$ 250	\$ 10,616
Govt. Capital Projects	-	-	-	-	-	-	36	-	36
Nonmajor Govt.	430	-	12,251	-	-	-	2,417	-	15,098
Proprietary Funds:									
LP&L	9,535	-	4,240	-	-	387	-	-	14,162
Water	9,654	50	-	299	39	-	-	-	10,042
Wastewater	3,997	-	-	-	-	-	-	-	3,997
Stormwater	2,236	-	2,668	-	-	-	-	-	4,904
Nonmajor Enterprise	3,993	-	-	-	39	-	131	260	4,423
Totals	<u>\$ 29,845</u>	<u>\$ 4,906</u>	<u>\$ 22,176</u>	<u>\$ 299</u>	<u>\$ 78</u>	<u>\$ 387</u>	<u>\$ 5,077</u>	<u>\$ 510</u>	<u>\$ 63,278</u>

Net transfers on the GWFS amounted to \$39,692,321 from business activities to governmental-type activities. In September 2014, Wastewater contributed \$8,596,586 of streets and LP&L contributed \$318,680 of street lights to the Governmental Fund. Wastewater and LP&L reported the contribution to the General Fund as transfers out; however, the Government Funds do not record a transfer in because of the measurement focus. Hence, the Proprietary Funds statements are \$8,915,266 more than what is presented in the table.

C. PREPAID EXPENSES

The total prepaid expenses (noncurrent assets) of \$2,011,109 in the LP&L Enterprise Fund represents an advertising contract with the United Spirit Arena. The advertising (and amortization) began with the opening of the sports arena in FY 2000 and will continue for 30 years.

D. GOODWILL

The goodwill of \$1,593,906 in the LP&L Enterprise Fund represents the unamortized excess purchase price over the estimated value of capital assets related to the purchase of Southwestern Public Service Company (SPS) in 2011. The goodwill is being amortized over a 10-year period.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

Primary Government:

Governmental Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 20,237,676	\$ 1,554,917	\$ -	\$ 21,792,593
Construction in Progress	35,293,777	25,698,090	47,613,645	13,378,222
Total Capital Assets Not Depreciated	<u>55,531,453</u>	<u>27,253,007</u>	<u>47,613,645</u>	<u>35,170,815</u>
Capital Assets Depreciated:				
Buildings	56,776,098	326,903	140,708	56,962,293
Improvements Other than Buildings	424,904,490	60,687,004	728,851	484,862,643
Machinery and Equipment	86,591,304	11,773,475	6,056,758	92,308,021
Total Capital Assets Depreciated	<u>568,271,892</u>	<u>72,787,382</u>	<u>6,926,317</u>	<u>634,132,957</u>
Less Accumulated Depreciation:				
Buildings	26,080,518	1,643,321	137,976	27,585,863
Improvements Other than Buildings	186,080,645	21,629,042	90,982	207,618,705
Machinery and Equipment	57,295,597	5,312,214	5,794,265	56,813,546
Total Accumulated Depreciation	<u>269,456,760</u>	<u>28,584,577</u>	<u>6,023,223</u>	<u>292,018,114</u>
Total Capital Assets Depreciated, Net	<u>298,815,132</u>	<u>44,202,805</u>	<u>903,094</u>	<u>342,114,843</u>
Governmental Activities Capital Assets, Net	<u>\$ 354,346,585</u>	<u>\$ 71,455,812</u>	<u>\$ 48,516,739</u>	<u>\$ 377,285,658</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:

Administrative Services and General Government	\$ 502,960
Community Services	178,300
Cultural and Recreation Services	3,352,069
Economic and Business Development	1,798,561
Fire	1,086,541
Health	312,960
Other Public Safety	137,156
Police	1,810,815
Streets and Traffic	17,781,760
Internal Service Funds	1,194,034
Total Depreciation Expense - Governmental Activities	<u>28,155,156</u>
Transfer in of Accumulated Depreciation - Business-Type Activities	429,421
Increase in Accumulated Depreciation - Governmental Activities	<u>\$ 28,584,577</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
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Business Type Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 60,965,959	\$ 5,673,327	\$ 50,843	\$ 66,588,443
Construction in Progress	114,589,302	80,928,705	68,669,971	126,848,036
Total Capital Assets Not Depreciated	<u>175,555,261</u>	<u>86,602,032</u>	<u>68,720,814</u>	<u>193,436,479</u>
Capital Assets Depreciated:				
Buildings	178,534,855	4,877,581	2,542,540	180,869,896
Improvements Other than Buildings	1,360,261,027	47,930,440	14,309,163	1,393,882,304
Machinery and Equipment	222,838,795	26,025,527	10,374,681	238,489,641
Total Capital Assets Depreciated	<u>1,761,634,677</u>	<u>78,833,548</u>	<u>27,226,384</u>	<u>1,813,241,841</u>
Less Accumulated Depreciation:				
Buildings	70,639,226	4,988,440	2,202,951	73,424,715
Improvements Other than Buildings	461,759,811	42,833,574	4,840,810	499,752,575
Machinery and Equipment	123,888,990	13,706,327	9,709,700	127,885,617
Total Accumulated Depreciation	<u>656,288,027</u>	<u>61,528,341</u>	<u>16,753,461</u>	<u>701,062,907</u>
Total Capital Assets Depreciated, Net	<u>1,105,346,650</u>	<u>17,305,207</u>	<u>10,472,923</u>	<u>1,112,178,934</u>
Business Type Activities Capital Assets, Net	<u>\$1,280,901,911</u>	<u>\$ 103,907,239</u>	<u>\$ 79,193,737</u>	<u>\$1,305,615,413</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-Type Activities:	
LP&L	\$ 18,885,434
Water	15,882,250
Wastewater	7,258,311
Storm Water	2,802,674
Solid Waste	4,827,984
Airport	7,792,909
Transit	2,298,246
Civic Centers	1,119,431
Cemetery	36,147
Lake Alan Henry	3,452
Internal Service	73,019
Total Depreciation Expense - Business-Type Activities	<u>60,979,857</u>
Transfer in of Accumulated Depreciation - Governmental Activities	548,484
Increase in Accumulated Depreciation - Business-Type Activities	<u>\$ 61,528,341</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
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Construction Commitments

The City has active construction projects at fiscal year end.

<u>Projects</u>	<u>Original Commitments</u>	<u>Spent-to-Date</u>	<u>Remaining Commitments</u>
Governmental Capital Projects	\$ 105,738,453	\$ 79,411,773	\$ 26,326,680
TIF Capital Projects	4,747,031	643,041	4,103,990
Gateway Street Projects	22,162,055	14,249,287	7,912,768
LP&L	66,093,878	42,546,826	23,547,052
Water	139,618,396	98,447,385	41,171,011
Wastewater	187,081,878	107,295,759	79,786,119
Storm Water	98,995,899	93,404,594	5,591,305
Solid Waste	555,897	108,045	447,852
Airport	33,519,152	5,341,113	28,178,039
Civic Center	9,957,000	3,917,542	6,039,458
Cemetery	71,375	1,492	69,883
Internal Service Fund	7,809,283	7,146,557	662,726
Total	<u>\$ 676,350,297</u>	<u>\$ 452,513,414</u>	<u>\$ 223,836,883</u>

A project that authorized construction of a multi-company fire station and a building for a candidate physical ability testing is nearing completion. The fire station will serve the area south of 98th Street between Frankford Avenue and Alcove Avenue south of FM 1585.

Lubbock Power and Light is in the process of constructing the first phase of a 230 kv transmission loop. The first phase involves going from the Cooke Station to the new generation station on the City farm and then to Wadsworth Substation.

A new branch is being added to the Bailey County Well Field supply line, which will relocate the main system to pump station number 7 and by pass the aged Low Head B pump station. Work has begun to develop and install permanent stationary emergency electric generators with automatic switchover capabilities at the water booster pump stations. The generators will improve the reliability of the water pumping system during power outages due to severe weather and other emergencies.

Phase III is underway of a project that will improve the wastewater treatment facilities, so that they can produce a consistent supply of stream quality discharge into a portion of the Brazos river. Phase III includes the design and construction of improvements to solids handling.

Design and construction on a new Northwest Water Reclamation Plant has started. The reclamation plant will handle wastewater flow from Northwest Lubbock. The new plant will handle 5 million gallons of wastewater a day with the ability to expand to 15 million gallons.

F. CAPITAL LEASES

In FY 2009, the City constructed a \$23,662,637 conference center that is joined to the Overton Hotel and Conference Center. The City is the lessor of the conference center to the developer of the North Overton Hotel in a sales-type lease agreement in which the conference center has an estimated life of 50 years and was leased for a term of 40 years with two optional 20-year renewals. The City expects the lessee to lease the entire 80-year term; therefore, there is no expected residual value of the conference center to the City. Lease terms include the greater of \$65,000 per year or 15 percent of the excess of the net annual project cash

City of Lubbock, Texas
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flow, and one percent of the total daily collected net hotel room revenue. For years 2030 through 2050, there will be no lease payments.

The minimum lease payments (included in pledges and leases receivable on GWFS) are estimated as follows:

<u>Year</u>	<u>Fixed Lease</u>	<u>Variable Lease</u>	<u>Total Lease</u>
2015	\$ 65,000	\$ 105,702	\$ 170,702
2016	65,000	102,579	167,579
2017	65,000	99,542	164,542
2018	65,000	96,590	161,590
2019	65,000	93,719	158,719
2020-2024	325,000	428,178	753,178
2025-2029	325,000	681,169	1,006,169
Total	<u>\$ 975,000</u>	<u>\$ 1,607,479</u>	<u>\$ 2,582,479</u>

G. RETIREMENT PLANS

Each qualified employee is included in one of two retirement plans in which the City participates. These are the Texas Municipal Retirement System and the Lubbock Fire Pension Fund. The City does not maintain the accounting records, hold the investments, or administer either retirement plan.

Summary of significant data for each retirement plan follows:

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Plan Description

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

TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for TMRS. The report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.tmr.com.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee Deposit Rate	7.0%	7.0%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI	70% of CPI

City of Lubbock, Texas
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Contributions

Under the State law governing TMRS, the contribution rate for each city is determined annually by the actuary using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2013 valuation is effective for rates beginning January 1, 2015).

The annual pension cost and net pension obligation are as follows:

Annual Required Contribution	\$16,709,528
Interest on Net Pension Obligation	847,174
Adjustments to the ARC	<u>(761,786)</u>
Annual Pension Cost (APC)	16,749,916
Contributions Made	<u>(16,709,529)</u>
Increase in net pension obligation	85,387
Net Pension Obligation, beginning of year	<u>12,102,481</u>
Net Pension Obligation, end of year	<u><u>\$12,187,868</u></u>

Actuarial Assumptions

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest valuation, December 31, 2013, also follows:

Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.1 years; closed period	25.1 years; closed period	24.0 years; closed period

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<u>Valuation Date</u>	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increase	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/12	\$17,254,749	94.9	\$12,000,483
9/30/13	16,847,757	99.4	12,102,481
9/30/14	16,749,916	99.5	12,187,868

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 79.6 percent funded. The actuarial accrued liability for benefits was \$606.7 million, and the actuarial value of assets was \$482.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$123.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$86.2 million, and the ratio of the UAAL to the covered payroll was 143.6 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past experience and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

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LUBBOCK FIRE PENSION FUND (LFPF)

Plan Description

The Board of Trustees of the LFPF is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund. It is reported by the City as a related organization and is not considered to be a part of the City financial reporting entity. Firefighters in the Lubbock Fire Department are covered by the LFPF.

The LFPF provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. Employees may retire at age 50 with 20 years of service. A reduced early service retirement benefit is provided for employees who terminate employment with 20 or more years of service. The LFPF Plan, most recently amended on December 14, 2010, provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.9 percent of final 48-month average salary plus \$335 per month for each year of service in excess of 20 years.

A firefighter has the option to participate in a Retroactive Deferred Retirement Option Plan (RETRO DROP) which provides a lump sum benefit and a reduced annuity upon termination of employment. Firefighters must be at least 51 years of age with 21 years of service at the selected "RETRO DROP benefit calculation date" (which is prior to date of employment termination). Early RETRO DROP with benefit reductions is available at age 50 with 20 years of service for the selected "early RETRO DROP benefit calculation date." A Partial Lump Sum option is also available where a reduced monthly benefit is determined based on an elected lump sum amount such that the combined present value of the benefits under the option is actuarially equivalent to that of the normal form of the monthly benefit. Optional forms are also available at varying levels of surviving spouse benefits instead of the standard two-thirds form.

There is no provision for automatic post-retirement benefit increases. LFPF has the authority to provide, and has periodically provided for in the past, ad hoc post-retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighter's Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. Amending the plan requires approval of any proposed change by: a) an eligible actuary and b) a majority of the participating members of the fund.

Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City. While the actual contribution rates are not actuarially determined, State law requires that each plan of benefits adopted by LFPF be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, LFPF's normal cost contribution rate is determined as a percentage of payrolls. The excess of the total contribution rate over the normal cost contribution is used to amortize LFPF's unfunded actuarial accrued liability (UAAL), if any, and the number of years needed to amortize LFPF's unfunded actuarial liability, if any is determined using a level percentage of payroll method. The costs of administering the plan are financed by LFPF.

Annual Pension Cost

The City Annual Pension Cost (APC) for the LFPF was equal to \$5,626,672 as described in item 4 in the table on the following page. Based on the results of the January 1, 2013 actuarial valuation, the most recent biennial actuarial valuation, the Board's actuary found that the fund had an adequate financing arrangement

City of Lubbock, Texas
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based on the current level of the firefighter contribution rates and on the assumed average of City contribution rates. The funding policy of the fund requires firefighters to contribute 12.4 percent of pay. The City contributes based on a formula which causes the City's contribution rate to fluctuate from year to year. The January 1, 2013 actuarial valuation assumes that the City's contributions will average 22.63 percent of payroll in the future.

The Annual Required Contribution (ARC) by the City was based on the results of the actuarial valuations as of December 31, 2010 and January 1, 2013 using the entry age actuarial cost method and was determined to be in compliance with the GASB Statement No. 27 parameters. The actuarial methods and assumptions used for these two valuations were as follows:

<u>Valuation Date</u>	<u>12/31/2010</u>	<u>01/01/2013</u>
Actuarial Cost Method	Entry age	Entry age
Amortization Method	Level percent of payroll, open	Level percent of payroll, open
Amortization Period of ARC	30.0 years	30.0 years
Asset Valuation Method	5-year adjusted market value	5-year adjusted market value
Actuarial Assumptions:		
Investment Return	8.0%	8.0%
Projected Salary Increases	3% plus promotion and longevity	3% plus promotion and longevity
Inflation	3.0%	3.0%
Cost-of-Living Increase	0.0%	0.0%
Payroll Increases	4.0%	4.0%
ARC as Percent of Payroll	21.5%	20.5%

The following shows the development of the Net Pension Obligation (NPO asset):

1.	Annual Required Contributions (ARC)	\$ 5,672,104
2.	Interest on NPO	(143,391)
3.	Adjustment to ARC	97,959
4.	Annual Pension Cost (APC)	5,626,672
5.	Actual City Contributions Made	(6,236,497)
6.	Increase (Decrease) in NPO/(asset)	(609,825)
7.	NPO/(asset) at September 30, 2013	(1,792,389)
8.	NPO/(asset) at September 30, 2014	\$ (2,402,214)

Further details concerning the financial position of the LFPF and the latest actuarial valuation are available by contacting the Board of Trustees, LFPF, 15 Briercroft Office Park, Lubbock, TX 79412. A stand-alone financial report is available by contacting the LFPF.

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
9/30/12	\$4,957,216	111.6%	\$(1,161,310)
9/30/13	5,322,309	111.9%	(1,792,389)
9/30/14	5,626,672	110.8%	(2,402,214)

As of January 1, 2013, the most recent actuarial valuation date, the plan was 74.5 percent funded. The actuarial accrued liability for benefits was \$217.1 million, and the actuarial value of assets was \$161.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$55.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$24.7 million, and the ratio of the UAAL to the covered payroll was 223.8 percent.

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The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

H. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City sponsors and administers an informal single-employer health/dental plan. Texas statute provides that retirees from a municipality with a population of 25,000 or more and that receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the person and the person's dependents unless the person is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements for the health/dental plan. However, all required information is presented in this report.

Funding Policy

The contribution requirements of plan members are established by the City and may be amended as needed. Retiree medical/dental coverage levels for retirees are the same as coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan. Employees who retire with 15 or more years of service or Civil Service employees that retire who have a balance in excess of 90 days sick leave are eligible to continue receiving medical coverage in full 30-day periods for the term of their sick leave balance. Plan members may purchase retiree health/dental care coverage for eligible spouses and dependents at their own expense and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. The plan has 624 active participants who pay monthly premiums of \$362/\$22 (medical/dental) for single coverage and \$826/\$49 (medical/dental) for family coverage, pre-65. For post-65, monthly premiums are \$196/22 (medical/dental) for single coverage and \$587/\$49 (medical/dental) for family coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ended September 30, 2014 is as follows:

Annual Required Contribution (ARC)	\$13,959,085
Interest on Net OPEB Obligation	1,833,265
Adjustment to the ARC	<u>(1,698,500)</u>
Annual OPEB Cost	14,093,850
Total Annual Employer Contribution, pay-as-you-go	<u>(4,412,980)</u>
Increase in Net OPEB Obligation	9,680,870
Net OPEB Obligation – Beginning of Year	<u>40,739,224</u>
Net OPEB Obligation – End of Year	<u>\$50,420,094</u>

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Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2012	\$13,603,549	29.4%	\$30,613,509
09/30/2013	14,041,248	27.9%	40,739,224
09/30/2014	14,093,850	31.3%	50,420,094

Funded Status and Funding Progress: As of October 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$155,021,339, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$155,021,339. The covered payroll was \$110,942,802, and the ratio of the UAAL to the covered payroll was 139.7 percent.

Actuarial Methods and Assumptions: The projected unit credit actuarial cost method was used to calculate the GASB ARC for the City's health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation rate	3.0% per annum
Investment rate of return	4.5% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Inflation assumption	3.0% per year
Healthcare trend	Initial rate of 7.0% declining to an ultimate rate of 4.75% after 9 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time, relative to actuarial accrued liability for benefits.

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I. DEFERRED COMPENSATION

The City offers its employees six deferred compensation plans in accordance with Internal Revenue Code (“IRC”) Section 457. The plans, available to all City employees, permit 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 plans’ assets are held in trust for the exclusive benefit of the participants and their beneficiaries. The City does not provide administrative services or have any fiduciary responsibilities for these plans; therefore, they are not presented in the BFS.

J. SURFACE WATER SUPPLY

Canadian River Municipal Water Authority

The Canadian River Municipal Water Authority (CRMWA) is a Conservation and Reclamation Authority established by the Texas Legislature to construct a dam, water reservoir, and aqueduct system for the purpose of supplying water to surrounding cities. The Authority was created in 1953 and is comprised of eleven cities, including Lubbock. The budget, financing, and operations of the Authority are governed by a Board of Directors selected by the governing bodies of each of the member cities, each city being entitled to one or two members dependent upon population. At September 30, 2014, the Board was comprised of 18 members, two of which represented the City. The City contracted with the CRMWA to reimburse CRMWA for a portion of the cost of the Canadian River Dam and aqueduct system in exchange for surface water. The City's pro-rata share of annual fixed and variable operating and reserve assessments are recorded as an expense of obtaining surface water. The City has four contract revenue bonds to pay for the water rights. These assets and liabilities are recorded in the Water Enterprise Fund.

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K. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

<u>Interest Rate%</u>	<u>Dated</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding 09/30/14</u>
3.94	06/15/05	02/15/17	49,615,000	13,400,000
4.26	08/15/05	02/15/25	46,525,000	2,155,000
4.82	07/01/05	02/15/17	43,080,000	9,575,000
4.27	07/15/05	02/15/25	7,265,000	345,000
4.58	04/15/06	02/15/26	76,950,000	10,985,000
4.58	04/15/06	02/15/26	2,740,000	265,000
4.84	05/15/06	02/15/31	18,830,000	18,545,000
4.42	01/01/07	02/15/34	54,020,000	49,820,000
4.42	01/01/07	02/15/28	25,255,000	15,470,000
4.88	08/15/07	08/15/27	1,155,000	150,000
4.88	08/15/07	08/15/27	60,820,000	44,435,000
6.45	12/15/07	08/15/27	11,805,000	9,330,000
4.22	01/15/08	08/15/28	52,900,000	41,330,000
4.80	04/15/08	08/15/28	2,035,000	1,620,000
4.42	04/15/08	08/15/28	80,485,000	55,220,000
2.45	06/01/08	08/15/28	22,615,000	16,655,000
3.12	03/01/09	08/15/19	23,540,000	4,215,000
4.67	03/01/09	08/15/29	2,645,000	2,210,000
4.53	03/01/09	08/15/29	58,705,000	46,110,000
2.16	01/01/10	02/15/30	19,945,000	16,850,000
3.27	02/15/10	02/15/30	8,840,000	5,590,000
5.69	02/15/10	02/15/30	15,320,000	15,320,000
2.70	02/15/10	02/15/30	48,955,000	27,690,000
5.67	02/15/10	02/15/30	96,540,000	96,540,000
1.93	10/05/10	02/15/30	41,000,000	34,490,000
3.85	03/15/11	02/15/22	16,320,000	12,280,000
3.85	03/15/11	02/15/31	14,135,000	12,745,000
3.94	03/15/11	02/15/31	112,230,000	99,385,000
3.35	04/01/12	02/15/32	12,395,000	11,595,000
3.43	04/01/12	02/15/32	66,075,000	60,970,000
3.28	04/01/12	02/15/31	15,200,000	12,010,000
1.61	05/21/13	02/15/21	39,705,000	38,210,000
2.05	05/21/13	02/15/33	42,075,000	41,365,000
2.80	05/21/13	02/15/33	49,440,000	47,415,000
2.64	05/01/14	02/15/26	44,920,000	44,275,000
3.25	05/01/14	02/15/34	62,900,000	62,900,000
Total			<u>\$ 1,346,980,000</u>	<u>\$ 981,465,000(A)</u>

(A) Excludes net bond premiums and discounts – (\$35,066,892) business-type and (\$16,821,123) governmental. Additionally, this amount includes \$697,143,748 of bonds used to finance enterprise fund activities.

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At September 30, 2014, management of the City believes the City was in compliance with all financial bond covenants on outstanding general obligation bonded debt, certificates of obligation, electric revenue bonded debt, and water contract bonded debt.

LP&L REVENUE BONDS

<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 09/30/14</u>
2.45	10/15/10	4/15/20	73,295,000	46,555,000
1.90	5/21/13	4/15/24	16,570,000	14,960,000
3.09	5/01/14	4/15/34	16,245,000	16,245,000
Total			<u>\$ 106,110,000</u>	<u>\$ 77,760,000 *</u>

* Balance outstanding excludes (\$6,678,281) of net bond premiums and discounts.

CONTRACT BONDS

<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 09/30/14</u>
5.25	9/30/05	9/15/15	\$ 17,960,000	\$ 354,166
4.25 to 5.00	4/30/06	2/15/27	18,573,906	13,522,618
3.50 to 5.00	10/30/09	1/15/29	7,821,091	6,487,003
4.00 to 5.00	12/22/11	1/15/31	30,594,108	27,762,569
2.00 to 5.00	1/20/2013	9/15/25	10,970,000	10,680,000
Total			<u>\$ 85,919,105</u>	<u>\$ 58,806,356 *</u>

* Balance outstanding excludes (\$4,455,057) of bond premiums.

The annual requirements to amortize all outstanding debt of the City as of September 30, 2014 are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities			
	General Obligation Bonds		General Obligation Bonds		Revenue/Contract Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 20,204,908	\$ 12,634,718	\$ 42,465,092	\$ 29,950,955	\$ 12,547,287	\$ 6,039,179
2016	21,102,763	11,618,197	42,767,237	27,799,198	12,935,236	5,606,585
2017	20,781,013	10,793,928	44,638,987	26,129,532	13,501,534	5,022,597
2018	21,871,384	9,935,307	45,453,616	24,475,247	14,076,796	4,433,637
2019	21,663,441	9,044,076	44,876,559	22,874,895	14,721,841	3,767,233
2020-2024	97,706,295	31,220,378	206,638,705	88,227,679	42,938,726	11,067,313
2025-2029	64,906,886	10,825,123	193,723,114	40,534,398	19,466,687	3,736,612
2030-2034	16,084,562	991,345	76,580,438	6,048,142	6,378,249	557,914
Totals	<u>\$ 284,321,252</u>	<u>\$ 97,063,072</u>	<u>\$ 697,143,748</u>	<u>\$ 266,040,046</u>	<u>\$ 136,566,356</u>	<u>\$ 40,231,070</u>

City of Lubbock, Texas
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Capital leases were used to acquire equipment and vehicles. The interest rate on the leases ranged from 1.0 percent to 4.6 percent. The requirements on capital leases of the City as of September 30, 2014, including interest payments totaling \$3,430,391, are as follows:

Fiscal Year	Governmental Capital Lease Minimum Payment	Business-type Capital Lease Minimum Payment	Total Capital Lease Minimum Payment
2015	\$ 6,045,265	\$ 5,590,555	\$ 11,635,820
2016	5,045,063	4,442,857	9,487,920
2017	4,409,742	3,335,698	7,745,440
2018	3,442,487	2,405,771	5,848,258
2019	2,283,716	1,989,679	4,273,395
2020-2024	3,951,942	3,954,683	7,906,625
Less interest	(1,850,818)	(1,579,573)	(3,430,391)
Total	\$ 23,327,397	\$ 20,139,670	\$ 43,467,067

The carrying values on the leased assets of the City as of September 30, 2014 are as follows:

	Gross Value	Accumulated Depreciation	Net Book Value
Governmental Activities	\$ 38,310,688	\$ 9,730,966	\$ 28,579,722
Business-Type Activities	49,759,257	15,914,742	33,844,515
Total Leased Assets	\$ 88,069,945	\$ 25,645,708	\$ 62,424,237

City of Lubbock, Texas
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Long-term obligations for governmental and business-type activities for the year ended September 30, 2014 are as follows:

	Debt Payable 09/30/13	Additions	Deletions	Debt Payable 09/30/14	Due in one year
Governmental activities:					
Tax-Supported -					
Obligation Bonds	\$ 287,579,685	\$ 35,765,000	\$ 39,040,805	\$ 284,321,252	\$ 20,204,908
Bond Premiums	13,609,272	5,784,081	2,572,230	16,821,123	-
Capital Leases	21,698,987	6,999,047	5,370,637	23,327,397	5,503,009
Compensated Absences	24,501,418	9,500,665	8,581,509	25,420,574	8,533,457
Post Employment Benefits	27,193,337	9,442,878	2,917,482	33,718,733	-
Net Pension Obligation	7,494,575	10,412,849	10,361,165	7,546,259	-
Insurance Claims Payable	1,559,363	29,730,263	29,661,358	1,628,268	1,465,986
Total Governmental activities	\$ 383,636,637	\$ 107,634,783	\$ 98,505,186	\$ 392,783,606	\$ 35,707,360
Business-type activities:					
Self-Supported -					
Obligation Bonds	\$ 695,835,315	\$ 72,055,000	\$ 70,746,567	\$ 697,143,748	\$ 42,465,092
Revenue and Contract Bonds	131,588,412	16,245,000	11,267,056	136,566,356	12,547,287
Bond Premiums	38,682,045	12,715,588	5,197,403	46,200,230	-
Capital Leases	21,461,977	3,878,464	5,200,771	20,139,670	5,137,986
Closure/Post Closure	5,079,349	192,157	-	5,271,506	-
Compensated Absences	6,829,747	3,706,722	3,843,522	6,692,947	3,787,921
Post Employment Benefits	13,545,887	4,650,972	1,495,498	16,701,361	-
Net Pension Obligation	4,607,906	6,382,069	6,348,366	4,641,609	-
Insurance Claims Payable	3,802,229	3,142,656	3,885,279	3,059,606	1,010,024
Total Business-type activities	\$ 921,432,867	\$ 122,968,628	\$ 107,984,462	\$ 936,417,033	\$ 64,948,310

Payments on bonds payable for governmental activities are made in the Debt Service Fund. Bonded debt is subject to the applicability of federal arbitrage regulations. In FY 2014 the City did not have any outstanding federal arbitrage. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund and Special Revenue Funds. The Risk Management Internal Service Fund will liquidate insurance claims payable that pertain to governmental activities. Payments for the capital leases that pertain to the governmental activities will be liquidated by the General Fund and Special Revenue Funds.

The Risk Management Internal Service Fund will liquidate the other postemployment benefit obligation that pertains to governmental activities. The net pension obligation that pertains to the governmental activities will be liquidated mainly by the General Fund.

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The total long-term debt is reconciled to the total annual requirements to amortize long-term debt as follows:

Long-Term Debt - Governmental Activities	\$ 392,783,606	
Long-Term Debt - Business-Type Activities	936,417,029	
Interest	403,334,188	
Total Amount of Debt		\$ 1,732,534,823
Less: Bond Discounts/Premiums	(63,021,353)	
Less: Capital Leases	(43,467,067)	
Less: Closure/Post Closure	(5,271,506)	
Less: Compensated Absences	(32,113,521)	
Less: Post Employment Benefits	(50,420,094)	
Less: Net Pension Obligation	(12,187,868)	
Less: Insurance Claims Payable	(4,687,874)	
Total Other Debt		(211,169,283)
Total Future Bonded Debt Requirements		\$ 1,521,365,540

New Bond Issuance

In May 2014, the City issued \$62,900,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2014 (Certificates), with interest rates ranging from 3.00 percent to 5.00 percent. The Certificates were issued at a premium of \$9,560,131 and incurred issuance cost of \$621,137. The \$71,838,995 proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for various public improvements and renovations including: 1) improvements and extensions to City streets, including sidewalks, street lighting, traffic signals/controllers and traffic signal communication systems, signage, landscaping, utility improvements, extension, relocation and acquisition of land and rights-of-way in connection therewith, 2) relocation and upgrading of public utility infrastructure in the Central Business District, 3) park and recreation system improvements, 4) upgrading of public safety radio communication systems, 5), renovations and improvements to the Lubbock Preston Smith International Airport facilities, including runway improvements, 6) construction, improvement and equipment of fire department facilities, 7) animal shelter expansion, 8) renovation, improvement and expansion of Solid Waste Department facilities, 9) improvements, renovations, replacements, relocations and extensions to the City's Wastewater System, including Southeast Water Reclamation Plant and office warehouse facility, 10) improvements, renovations, replacements, relocations and extensions to the City's Waterworks System, and 11) payment of professional services of attorneys, financial advisors, engineers and other professionals in connection with projects and the issuance of the Certificates. The proceeds of the debt are recorded in the various Capital Projects Funds.

In May 2014 the City issued \$16,245,000 Electric Light and Power System Revenue Refunding and Improvement Bonds, Series 2014 (Bonds), with interest rates from 2.00 percent to 5.00 percent. The Bonds were issued at a premium of \$1,338,983 and incurred issuance costs of \$228,983. \$17,355,000 of the proceeds of the sale of the Bonds will be used for the purpose of paying contractual obligations to be incurred for the purposes of: 1) acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities, and/or related infrastructure for the electric system, and 2) paying the costs associated with the issuance of the Bonds.

City of Lubbock, Texas
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Advance Refunding

In May 2014, the City issued \$44,920,000 General Obligation Refunding Bonds, Series 2014 (Bonds), with interest rates ranging from 2.00 percent to 5.00 percent. The Bonds were issued at a premium of \$7,600,555 and incurred issuance cost of \$452,551. The \$52,068,004 bond proceeds were used to advance refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The net proceeds were deposited with the Escrow Agent in an amount necessary to accomplish, on their scheduled redemption date, the discharge and final payment on the Refunded Bonds. These funds will be held by the Escrow Agent in a special escrow fund and used to purchase direct obligations of the United States of America. Under the escrow agreements, between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refund Bonds. The bonds refunded \$48,070,000 of outstanding debt. As a result of the refunding, the City decreased total debt service requirements by \$4,980,642, which resulted in an accounting loss of \$3,001,087 and an economic gain of \$4,225,251, or a 8.79 percent savings on refunded bonds. The debt will be legally defeased in 2017.

In May 2013, the City issued \$39,705,000 General Obligation Refunding Bonds Taxable, Series 2013 (Bonds), with interest rates ranging from .25 percent to 3.00 percent. The Bonds were issued at a premium of \$29,955 and incurred issuance cost of \$318,737. The \$39,416,218 bond proceeds were used to advance refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The net proceeds were deposited with the Escrow Agent in an amount necessary to accomplish, on their scheduled redemption date, the discharge and final payment on the Refunded Bonds. These funds will be held by the Escrow Agent in a special escrow fund and used to purchase direct obligations of the United States of America. Under the escrow agreements, between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refund Bonds. The bonds refunded \$36,355,000 of outstanding debt. As a result of the refunding, the City decreased total debt service requirements by \$4,286,413, which resulted in an accounting loss of \$3,476,313 and an economic gain of \$3,718,896, or a 10.25 percent savings on refunded bonds. The debt will be legally defeased in 2015.

In May 2013, the City issued \$42,075,000 General Obligation Refunding and Improvement Bonds, Series 2013 (Bonds), with interest rates from 2.00 percent to 5.00 percent. The Bonds were issued at a premium of \$7,535,979 and incurred issuance cost of \$383,172. \$7,975,000 of the proceeds from the sale of the Bonds will be used for the purpose of paying contractual obligations for various public improvements including firefighting facilities and street improvements. The remaining \$41,252,807 of the proceeds were used to advance refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The net proceeds were deposited with the Escrow Agent in an amount necessary to accomplish, on their scheduled redemption date, the discharge and final payment on the Bonds. These funds will be held by the Escrow Agent in a special escrow fund and used to purchase direct obligations of the United States of America. Under the escrow agreements, between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refund Bonds. The bonds refunded \$37,515,000 of outstanding debt. As a result of the refunding, the City decreased total debt service requirements by \$4,684,940, which resulted in an accounting loss of \$3,289,846 and an economic gain of \$4,132,121, or an 11.01 percent savings on refunded bonds. The debt will be legally defeased in 2016.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

L. CONDUIT DEBT

In the past, the City has approved the issuance of Health Facilities Development Corporation Bonds and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of public facilities. The bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2014 there were four series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$174,245,000. The bonds were issued between 2002 and 2008. Also as of September 30, 2014, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$20,220,000. The bonds were issued in 2007.

M. SPECIAL ASSESSMENT DEBT

In FY 2008, the Vintage Township Public Facilities Corporation (PFC), a discretely presented component unit of the City, issued special assessment debt for the acquisition and construction of certain public facilities benefiting Vintage Township. The PFC had \$2,103,000 outstanding special assessment debt as of September 30, 2014. The City collects assessments and forwards the collections to the bondholders. The City is not obligated in any manner for special assessment debt and is not liable for repayment of the debt. As the PFC completes construction of certain public facilities, the assets are donated to the City. As of September 30, 2014, \$4,677,257 in completed construction costs was contributed to the City. The PFC has a deficit in unrestricted net position, which is a result of the debt held in the PFC name while the assets are donated to the City and held in the City's name.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

N. FUND BALANCE

The City classified governmental fund balances as follows:

Fund Balances	General Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 127,283	\$ -	\$ -	\$ 127,283
Restricted:				
Debt Service	-	-	5,898,356	5,898,356
Economic and Business Development	-	-	44,377	44,377
Tourism, Convention Centers, Arts	-	-	581,560	581,560
Animal Assistance	-	-	271,741	271,741
Tax Improvement Financing Areas	-	-	1,232,211	1,232,211
Public Improvement Districts	-	-	790,166	790,166
Cable Services to Public Buildings	-	-	1,135,362	1,135,362
Community Services Grants	-	-	140,313	140,313
Health Grants	-	-	31,341	31,341
Police Grants	-	-	126,351	126,351
Cultural and Recreation Grants	-	-	14,679	14,679
Law Enforcement Purposes	-	-	783,312	783,312
Court Technology	-	-	521,152	521,152
Donations for Community Services	-	-	51,173	51,173
Donations for Animal Services	-	-	21,719	21,719
Donations for Museums	-	-	165,957	165,957
Donations for Parks and Recreational	-	-	41,279	41,279
Donations for Fire Services	-	-	6,038	6,038
Donations for Health Services	-	-	100	100
Donations for Other Programs	-	-	806	806
Street Capital Projects	-	14,906,528	8,728,399	23,634,927
General Facility Capital Projects	-	3,573,796	-	3,573,796
Public Safety Capital Projects	-	1,890,491	-	1,890,491
Parks Capital Projects	-	2,717,333	-	2,717,333
TIF Capital Projects	-	-	3,938,631	3,938,631
Committed:				
Gateway Street Capital Projects	-	-	12,018,971	12,018,971
Infrastructure and neighborhood dev	-	-	724,530	724,530
Street Capital Projects	-	5,077,060	-	5,077,060
Assigned				
Governmental Use	1,232,042	-	-	1,232,042
Unassigned	29,251,491	-	(2,759,378)	26,492,113
Total Fund Balances	\$ 30,610,816	\$ 28,165,208	\$ 34,509,146	\$ 93,285,170

The North Overton TIF Special Revenue Fund has an unassigned deficit fund balance of \$2,759,378. Fund model projects that this TIF will have a deficit until FY 2021. It is expected that the growth in property tax assessments in the TIF fund will eventually eliminate this deficit.

The restricted special revenue fund balances are also restricted for GWFS net position.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

O. RISK MANAGEMENT

The Risk Management Fund was established to account for liability claims, workers' compensation claims, and premiums for property/casualty insurance coverage. The Risk Management Fund generates its revenue through charges to other departments, which are based on costs.

In April 1999, the City purchased workers' compensation coverage, with no deductible, from Texas Municipal League Intergovernmental Risk Pool (TML-IRP) with continuous coverage through September 30, 2009. Effective October 1, 2009 the City purchased workers' compensation coverage from Texas Political Subdivisions Joint Self-Insurance Fund (TPS). TPS operates as a self-insurance pool offering coverage to municipalities and other political subdivisions in accordance with the local government code and the terms of interlocal agreements among members. The City obtains workers' compensation coverage through a guaranteed-cost plan. Guaranteed-cost members combine their contributions to cover pooled losses and expenses. As required by interlocal agreement, TPS obtains specific excess of loss coverage over and above the self-insured retention stated in the agreement so that members will not have joint and several liabilities beyond their required contribution. Prior to April 1999 the City was self-insured for workers' compensation claims. Any claims outstanding prior to April 1999 continue to be the City's responsibility.

The City's self-insurance liability program is funded on a cash flow basis, which means that the servicing contractor processes, adjusts, and pays claims from a deposit account provided by the City. The City accounts for the liability program by charging premiums to replenish funds based upon losses, administrative fees, premiums, and reserve requirements. In order to control the risks associated with liability claims, the City purchases excess liability coverage with an \$18 million annual aggregate limit and is subject to a \$500,000 self-insured retention per claim.

For self-insured coverage, the Risk Management Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on complex factors such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for liability coverage. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to an expense account in the period in which they are incurred.

Additionally, property and boiler coverage is accounted for in the Risk Management Fund. The property insurance policy was purchased from an outside insurance carrier. The policy has a \$250,000 deductible per occurrence, and the boiler coverage insurance deductible is up to \$500,000, dependent upon the unit. Premiums are charged to funds based upon estimated premiums for the upcoming year. Departments that sustain property damage in excess of \$10,000 are eligible to request assistance from the Risk Management Fund for payment of those damages up to the \$250,000 policy deductible.

Other small insurance policies, such as surety bond coverage and miscellaneous floaters, are also accounted for in the Risk Management Fund. Funds are charged based on premium amounts and administrative charges. Settlements in the current year and preceding two years have not exceeded insurance coverage. The City accounts for all insurance activity in the Internal Service Funds.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

P. HEALTH INSURANCE

The City provides medical and dental insurance for all full-time employees and accounts for these activities in the Health Benefits Fund. Revenue for the health insurance program is generated from each cost center, based upon the number of active full-time employees. The City's plan is self-insured under an Administrative Services Only (ASO) Agreement. The City purchases excess coverage of \$350,000 per covered individual annually. Beginning on January 1, 2012 the City discontinued coverage that included an aggregate cap. The insurance vendor, based on medical trend, claims history, and utilization assists in the determination of the individual deductible. The actuarially determined calculation of the claim liability was \$1.63 million at September 30, 2014 for all health coverages including medical, prescription drugs, and dental.

The City also provides full-time employees basic term life insurance. The life insurance policy has a face value of \$10,000 per employee.

Full-time employees may elect to purchase medical insurance for eligible dependents at a reduced rate. The fund has paid for employee only dental coverage since January 1, 2013. Employees may elect to purchase dental insurance for eligible dependents. Employees may also elect, at their cost, to participate in several voluntary insurance programs such as a cancer policy, voluntary life, and personal accident insurance.

The Risk Management and Health Benefits Funds established a liability for self-insurance for both reported and unreported insured events, which included estimates of future payments of losses and related claim adjustment expenses.

The following represents changes in those aggregate liabilities for these funds during the past two years ended September 30:

	<u>FY 2014</u>	<u>FY 2013</u>
Workers' Compensation and Liability Reserves at Beginning of Fiscal Year	\$ 3,802,229	\$ 3,579,646
Claims Expenses	3,142,656	4,401,410
Claims Payments	<u>(3,885,279)</u>	<u>(4,178,827)</u>
Workers' Compensation and Liability Reserves at End of Fiscal Year	<u>3,059,606</u>	<u>3,802,229</u>
Medical and Dental Claims Liability at Beginning of Fiscal Year	1,559,363	1,747,807
Claims Expenses	29,730,263	27,037,884
Claims Payments	<u>(29,661,358)</u>	<u>(27,226,328)</u>
Medical and Dental Claims Liability at End of Fiscal Year	<u>1,628,268</u>	<u>1,559,363</u>
Total Self-Insurance Liability at End of Fiscal Year	<u>\$ 4,687,874</u>	<u>\$ 5,361,592</u>
Total Assets to Pay Claims at End of Fiscal Year	<u>\$ 24,194,899</u>	<u>\$ 24,252,809</u>
Accrued Insurance Claims Payable - Current	\$ 2,476,010	\$ 3,797,747
Accrued Insurance Claims Payable - Noncurrent	2,211,864	1,563,845
Total Accrued Insurance Claims	<u>\$ 4,687,874</u>	<u>\$ 5,361,592</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

Q. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place final covers on its landfill sites at closure and to perform certain maintenance and monitoring functions for 30 years thereafter. Although closure and post closure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure costs as operating expenses (and recognizes a corresponding liability) in each period based on landfill capacity used as of each statement of net position date.

The \$5,271,506 included in landfill closure and post closure care liability at September 30, 2014, represents the cumulative amount expensed by the City to date for its two landfills that are registered under TCEQ permit numbers 69 (Landfill 69) and 2252 (Landfill 2252), less amounts that have been paid. Approximately 96.2 percent of the estimated capacity of Landfill 69 has been used, with \$585,538 remaining to be recognized over the remaining closure period. Approximately 6.0 percent of the estimated capacity of Landfill 2252 has been used to date, with \$18,748,319 remaining to be recognized over the remaining closure period, estimated at over 46 years. Post closure care costs are based on prior estimates and have been adjusted for inflation. Actual costs may differ due to inflation, deflation, changes in technology, or other regulatory changes.

The City is required by state and federal laws and regulations to provide assurance that financial resources will be available for landfill closure, post closure care, and remediation or containment of environmental hazards. The City is in compliance with these requirements and has chosen the Local Government Financial Test mechanism for providing assurance. The City expects to finance costs through normal operations.

R. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENT

	Accounts Receivable Summary					Balance at 09/30/14
	Court Fines	Franchise Fees	Property Damage	Paving	Misc.	
Governmental Funds:						
General Fund	\$ 2,393,458	\$ 62,666	\$ 386,128	\$ 221,837	\$ 59,066	\$ 3,123,155
Capital Projects	-	-	-	-	11,518	11,518
Nonmajor	-	-	-	-	41,778	41,778
Total	<u>\$ 2,393,458</u>	<u>\$ 62,666</u>	<u>\$ 386,128</u>	<u>\$ 221,837</u>	<u>\$ 112,362</u>	<u>\$ 3,176,451</u>

	Accounts Receivable Summary		Balance at 09/30/14
	General Consumer	Misc.	
Proprietary Funds:			
LP&L	\$ 31,172,111	\$ 170,912	\$ 31,343,023
Water	9,232,747	299,806	9,532,553
Wastewater	3,953,074	-	3,953,074
WTMPA	1,119,941	-	1,119,941
Storm Water	2,268,082	-	2,268,082
Nonmajor	3,834,256	33,090	3,867,346
Total	<u>\$ 51,580,211</u>	<u>\$ 503,808</u>	<u>\$ 52,084,019</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

Allowance for Doubtful Accounts Summary

	Balance at 09/30/14
Governmental Funds:	
General Fund	\$ 2,571,598
Proprietary Funds:	
LP&L	2,005,482
Water	1,384,695
Wastewater	571,651
Storm Water	301,137
Nonmajor	424,543
Total	\$ 7,259,106

Accounts Payable Summary

	Vouchers	Accounts	Miscellaneous	Balance at 09/30/14
Governmental Funds:				
General Fund	\$ 925,417	\$ 2,974,728	\$ -	\$ 3,900,145
Govt. Capital Projects	1,020,249	1,303,996	383,532	2,707,777
Nonmajor	335,429	972,310	285,578	1,593,317
Proprietary Funds:				
LP&L	372,432	56,088	25,965	454,485
Water	4,035,179	2,545,428	1,005,384	7,585,991
Wastewater	2,950,817	1,100,546	913,449	4,964,812
WTMPA	-	18,532,977	-	18,532,977
Storm Water	631,973	927	1,793,018	2,425,918
Nonmajor	841,936	73,769	741,652	1,657,357
Internal Service	932,322	339,976	566,327	1,838,625
Total	\$ 12,045,754	\$ 27,900,745	\$ 5,714,905	\$ 45,661,404

S. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

	Net Receivables				Balance at 09/30/14
	Accounts Receivable	Interest Receivable	Taxes Receivable	Internal Service Receivables	
Governmental Activities	\$ 604,853	\$ 36,788	\$ 12,939,348	\$ 11,934	\$ 13,592,923
Business-Type Activities	47,396,511	201,420	-	6,019	47,603,950
Total	\$ 48,001,364	\$ 238,208	\$ 12,939,348	\$ 17,953	\$ 61,196,873

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

	Accounts Payable		
	Accounts Payable	Internal Service Payables	Balance at 09/30/14
Governmental Activities	\$ 8,201,239	\$ 1,187,860	\$ 9,389,099
Business-Type Activities	35,621,540	650,765	36,272,305
Total	\$ 43,822,779	\$ 1,838,625	\$ 45,661,404

T. FUND CLOSURES

The Library grant fund was closed this fiscal year due to loss of grant funding.

NOTE IV. CONTINGENT LIABILITIES

A. FEDERAL GRANTS

In the normal course of operations, the City receives grant funds from state and federal agencies. The grant programs are subject to audits by agents of the granting authority to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grants is not believed to be significant.

B. LITIGATION

The City is involved in various legal proceedings related to alleged personal and property damages, breach of contract and civil rights cases, some of which involve claims against the City that exceed \$500,000. State law limits municipal liability for personal injury to \$250,000 per person/\$500,000 per occurrence and property damage to \$100,000 per claim for activities arising out of its governmental functions. This limit is not applicable to claims pertaining to the City's electric utility.

The City's insurance coverage, if available, contains a \$500,000 self-insured retention. As of September 30, 2014, the City has \$1,826,493 reserved on general liability claims, as determined by an actuarial calculation.

The following represents the significant litigation against the City at this time.

Hennsley v. City of Lubbock

This is a civil service case in which the Plaintiff, a police officer, appealed his termination to a hearing examiner pursuant to Texas civil service law. The case has gone through various appeals and is currently in trial court for further litigation.

Republic Power Partners, L.P. v. WTMPA

The City originally received a Demand for Payment letter from Republic Power Partners. Republic is seeking payment pursuant to a Development Agreement it had entered into with West Texas Municipal Power Agency (WTMPA) to develop a power project. Republic is claiming damages as a result of an alleged breach of representations of WTMPA per the Development Agreement. Republic has since filed suit against WTMPA and the City for breach of contract. WTMPA and the City filed pleas in District Court and

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

WTMPA's plea was denied and the City's was granted. Both WTMPA and Republic appealed and in February 2014 the Texas Seventh Court of Appeals issued a judgment and an opinion affirming the District Court's order in granting the City's plea. Republic has the right to petition the Supreme Court of Texas.

Coyote Lake Ranch, L.L.C v. City of Lubbock

The City purchased water rights on the Plaintiff's property and Plaintiff is suing for breach of contract asserting City has not paid for surface damages. However, the main issue does not concern damages but pertains to whether the "accommodation doctrine" applies and whether the City must accommodate the surface owner as it drills and develops its water well field.

In the interest of Akeelah Lockett (minor child) v. City of Lubbock

Plaintiff has sued the City after suffering electrical burns upon entering a Lubbock Power and Light transformer box.

Veronica Hernandez v. City of Lubbock and Officer Adam Freeman

This is a civil rights case in which the Plaintiff is suing for damages arising from an arrest made due to the Plaintiff not using the crosswalk when crossing the street. Plaintiff is alleging wrongful arrest and use of excessive force resulting in injury to her knee which had recently been surgically repaired.

Steve Langston v. City of Lubbock and Larry Wren

Plaintiff is suing the City and another driver for injuries sustained in an automobile accident. The Plaintiff is alleging some responsibility by the City because an employee of the City was repairing a traffic signal and those actions caused the signal to work in a manner resulting in confusion for the drivers.

Lazaro Walck v. City of Lubbock

The Plaintiff is alleging an adverse personnel action was taken against him and is suing the City under the whistleblower statute. The City has filed a motion and a plea asserting the Plaintiff has no cause of action because Plaintiff won grievance and received all relief that was requested with grievance.

C. SITE REMEDIATION

The City accounts for pollution remediation obligations in accordance with Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The City contracts with an engineering firm to perform the necessary remediation activities and cost estimates. Pollution remediation obligations are estimates and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

The City owns numerous properties with environmental issues that meet the criteria for "obligating events" and disclosure under GASB Statement No. 49. These issues resulted from either underground storage tanks or historical fire training activities. All the properties meeting the criteria have been in existence for several years and are at the "remediation design and implementation, through and including operation and maintenance, and post remediation monitoring" benchmark discussed in GASB 49. In fact, the City has been monitoring and recording each of the obligations for at least seven years.

The City contracts with an engineering firm (eHT/Enprotec) to perform the necessary remediation activities. Enprotec works closely with the Texas Commission on Environmental Quality (TCEQ) on each of the

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2014

properties. The remediation activities the City is required to perform have been approved by TCEQ. The City has a set plan of action for each property that TCEQ requires the City to follow.

As of September 30, 2014 the City recorded pollution remediation obligations in the enterprise funds as follows:

- LP&L Cooke Plant \$152,000

The City recorded the obligations in the government-wide governmental statements as follows:

- Fire Training Academy \$7,398

NOTE V. SUBSEQUENT EVENTS

On July 20, 2014 the City entered into a contract with Lubbock Omni Office, Inc. to purchase a building and property in the amount of \$1,225,000. The settlement on this property occurred on November 13, 2014.

On November 1, 2014, Canadian River Municipal Water Authority issued subordinate lien contract revenue refunding bonds, series 2014, which was used to refund CRMWA Series 2006 bonds.

City of Lubbock, Texas
Required Supplementary Information
Schedule of Funding Progress
For the Year Ended September 30, 2014

Texas Municipal Retirement System (TMRS); Lubbock Fire Pension Fund (LFPF); Other Postemployment Benefit Plan (OPEB)¹

Valuation Date	Plan	Assets (a)	(AAL) (b)	(UAAL) (b-a)	Percentage (a/b)	Payroll (c)
12/31/08	TMRS	205,404,057	340,442,759	135,038,702	60.3	76,122,620
12/31/09	TMRS	215,364,273	354,093,030	138,728,757	60.8	75,989,719
12/31/10 ²	TMRS	224,046,370	365,372,379	141,326,009	61.3	77,519,460
12/31/10 ³	TMRS	399,082,717	505,579,279	106,496,562	78.9	77,519,460
12/31/11	TMRS	424,248,797	527,348,056	103,099,259	80.4	81,223,098
12/31/12	TMRS	452,961,401	549,794,250	96,832,849	82.4	83,361,865
12/31/13	TMRS	482,862,241	606,684,688	123,822,447	79.6	86,202,580
12/31/06	LFPF	138,098,239	164,396,183	26,297,944	84.0	17,290,674
12/31/08	LFPF	144,130,117	184,149,288	40,019,171	78.3	19,703,429
12/31/10	LFPF	156,812,670	197,495,395	40,682,725	79.4	21,561,187
1/1/13	LFPF	161,745,303	217,103,746	55,358,443	74.5	24,740,222
10/1/07	OPEB	-	81,918,738	81,918,738	-	88,185,412
10/1/09	OPEB	-	126,167,945	126,167,945	-	95,693,148
10/1/11	OPEB	-	154,305,935	154,305,935	-	108,102,087
10/1/13	OPEB	-	155,021,339	155,021,339	-	110,942,802

¹Health/Dental Care Insurance Plan

²Actuarial valuation performed under the original fund structure

³Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The December 31, 2013 actuarial valuation included three actuarial changes adopted by the TMRS Board of Trustees in accordance with the current strategic goal to “maintain the actuarial soundness of the retirement program by examining actuarial assumptions and methodologies and making changes where appropriate”.

The first was regarding post-retirement mortality assumptions. The mortality tables used in calculating the Annuity Purchase Rate (APR) were updated. This was necessary due to increasing life expectancies. The second was a change to the Entry Age Normal Actuarial Cost Method (EAN). The EAN cost method produces contribution rates that are more predictable and that exhibit less volatility than those produced under the method previously used, Projected Unit Method (PUC). Even though the EAN cost method will result in higher initial Actuarial Accrued Liabilities and lower funded ratios than under the previous PUC method, a primary goal of TMRS is to minimize contribution volatility. A change to the EAN cost method for funding purposes is another step toward accomplishing this policy. A secondary reason for changing to

City of Lubbock, Texas
Required Supplementary Information
Schedule of Funding Progress (Continued)
For the Year Ended September 30, 2014

the EAN cost method is that, beginning in 2014, under Governmental Accounting Standards (GASB) Statement No. 67 and No. 68, EAN is the required actuarial cost method to be used for reporting purposes. The third change was regarding the amortization policy. In order to minimize the impact on contribution rates resulting from the changes in the retiree mortality assumptions and the actuarial cost method, individual employer amortization periods were adjusted to the extent necessary and allowable under current TMRS statutes and Board rules. The Board also elected to close the amortization period for all employers and to ladder the amortization of future liabilities over the respective 25 or 30 year amortization period.

A more detailed discussion of all these actuarial assumption can be found in the TMRS comprehensive annual financial report. This report may be obtained from TMRS' website at www.TMRS.com.

The changes in actuarial assumptions for the Lubbock Fire Pension Fund January 1, 2013 valuation are discussed next.

The valuation date was changed to the first day of the plan year. In addition, the application of the salary scale (a) with respect to salary increases and (b) with respect to increases in the normal cost was adjusted so as to be in complete alignment.

The mortality table used for the valuation was changed from the Employee and Healthy Annuitant Combined Rates from the RP-200 Mortality Table, projected to 2006 using Scale AA, with separate rates for males and females, to the same tables projected to 2015 using Scale AA. The mortality changes were made in order to recognize mortality improvement through the valuation date and provide a margin for future mortality improvement.

The assumption with respect to recovery from disability was changed. For the 2013 valuation, it was assumed that no disabled members would recover from disability. The 2010 valuation assumed that 75 percent of disabled retirees would receive a 50 percent reduction in benefits after 2 ½ years, and that five percent of disabled members would have their benefits terminated after 2 ½ years.

The assumed City contribution rate was increased to 22.63 percent of compensation, the rate at which the City of Lubbock is contributing to the plan for 2014. The assumed city contribution rate for the 2010 valuation was 22.83 percent of compensation. In addition, the salary increase factors were adjusted by one year.

The changes in assumptions were made in order to most accurately reflect anticipated plan experience.

A more detailed discussion can be found in the Lubbock Fire Pension Fund Actuarial Valuation as of January 1, 2013 and be obtained from the Board of Trustees, LFPPF, 15 Briercroft Office Park, Lubbock, TX 79412.

The detailed discussion of the actuarial assumptions used for the City of Lubbock Retiree Health Care Plan Actuarial Valuation Report as of October 1, 2013 can be obtained from the City.

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Taxes				
Property Tax	\$ 45,565,927	\$ 45,565,927	\$ 45,526,284	\$ (39,643)
Delinquent Taxes	885,000	885,000	808,543	(76,457)
Sales Tax	58,300,785	58,300,785	59,263,359	962,574
Mixed Beverage Sales Tax	266,664	266,664	-	(266,664)
Mixed Beverage Tax	445,071	445,071	1,206,698	761,627
Bingo Tax	310,000	310,000	287,663	(22,337)
Suddenlink	1,200,000	1,200,000	1,232,377	32,377
Excel	-	-	3,096	3,096
South Plains Electric Cooperative	562,500	562,500	668,400	105,900
West Texas Gas Company	3,750	3,750	4,725	975
Atmos	1,125,000	1,125,000	1,395,855	270,855
Telecom Right of Way	2,025,000	2,025,000	1,895,945	(129,055)
Development Services	141,450	141,450	204,645	63,195
General Government	72,500	72,500	90,186	17,686
City Secretary	315,118	315,118	327,656	12,538
Public Safety	1,122,040	1,122,040	954,104	(167,936)
Public Works	53,900	53,900	142,872	88,972
Health	15,610	15,610	20,092	4,482
Animal Shelter	116,600	116,600	131,412	14,812
Cultural/Recreational	1,022,754	1,022,754	1,032,251	9,497
Museum	214,850	214,850	184,370	(30,480)
Licenses and Permits	2,497,045	2,497,045	2,813,215	316,170
Intergovernmental	336,854	336,854	356,035	19,181
Fines and Forfeitures	3,346,182	3,346,181	3,030,845	(315,336)
Interest Earnings	-	-	118,262	118,262
Rental	9,581	9,581	7,583	(1,998)
Recoveries of Expenditures	789,765	789,765	923,443	133,678
Other	362,400	396,244	592,286	196,042
Transfers from Special Revenue Funds	299,720	299,720	299,720	-
Transfers from Electric Fund	9,033,705	10,053,705	9,533,867	(519,838)
Transfers from Water Fund	9,784,639	9,784,640	9,784,640	-
Transfers from Wastewater Fund	3,997,080	3,997,080	3,997,080	-
Transfers from Solid Waste	2,426,530	2,426,530	2,426,530	-
Transfers from Airport Fund	1,620,483	1,566,601	1,566,601	-
Transfers from Stormwater	2,236,258	2,236,258	2,236,258	-
Total Revenue	<u>\$ 150,504,761</u>	<u>\$ 151,504,723</u>	<u>\$ 153,066,898</u>	<u>\$ 1,562,175</u>

EXPENDITURES				
<u>Administrative Services</u>				
City Attorney	\$ 1,924,499	\$ 1,960,450	\$ 1,867,604	\$ 92,846
City Council	248,773	248,774	236,455	12,319
City Manager	739,082	920,806	830,265	90,541
City Secretary	1,046,132	1,064,163	999,001	65,162
Facilities Management	3,071,310	3,092,597	3,097,402	(4,805)
Finance	2,465,175	2,512,828	2,423,394	89,434
Human Resources	539,620	548,541	481,812	66,729
Internal Audit	357,315	366,025	366,961	(936)
Non-departmental	6,867,189	8,292,207	7,290,093	1,002,114
Total Administrative Services	<u>17,259,095</u>	<u>19,006,391</u>	<u>17,592,987</u>	<u>1,413,404</u>

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
EXPENDITURES (Continued)				
<u>Community Services</u>				
Building Inspection	\$ 1,746,689	\$ 1,780,396	\$ 1,731,697	\$ 48,699
Planning	514,224	523,102	444,513	78,589
Total Community Services	<u>2,260,913</u>	<u>2,303,498</u>	<u>2,176,210</u>	<u>127,288</u>
<u>Cultural and Recreation Services</u>				
Library	3,701,236	3,783,957	3,680,837	103,120
Museums	886,214	898,542	884,957	13,585
Parks	9,287,329	9,379,824	9,012,401	367,423
Total Cultural and Recreation Services	<u>13,874,779</u>	<u>14,062,323</u>	<u>13,578,195</u>	<u>484,128</u>
<u>Public Works</u>				
Engineering	1,273,022	1,300,460	1,182,724	117,736
Streets	2,915,643	2,957,098	2,385,994	571,104
Traffic	3,369,754	3,421,922	3,316,752	105,170
Total Public Works	<u>7,558,419</u>	<u>7,679,480</u>	<u>6,885,470</u>	<u>794,010</u>
<u>Public Safety and Health Services</u>				
Animal Services	1,843,098	1,870,870	1,809,236	61,634
Fire	40,768,928	41,666,131	42,047,094	(380,963)
Health	753,906	1,378,702	1,214,415	164,287
Municipal Court	1,599,085	1,625,492	1,584,745	40,747
Police	58,925,651	59,419,084	57,517,037	1,902,047
Vector Control	380,931	387,077	314,938	72,139
Total Public Safety and Health Services	<u>104,271,599</u>	<u>106,347,356</u>	<u>104,487,465</u>	<u>1,859,891</u>
Transfers	10,568,493	10,913,165	10,616,342	296,823
3 Percent Salary Increase	2,635,316	-	-	-
Total Expenditures	<u>\$ 158,428,614</u>	<u>\$ 160,312,213</u>	<u>\$ 155,336,669</u>	<u>\$ 4,975,544</u>
Revenues less expenditures	<u>\$ (7,923,853)</u>	<u>\$ (8,807,490)</u>	<u>\$ (2,269,771)</u>	<u>\$ 6,537,719</u>

City of Lubbock, Texas
Required Supplementary Information
Budget Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2014

Explanation of Differences between Budgetary Revenues and Expenditures to the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Revenues, Expenditures, and Other Financing Sources (Uses)

Revenues and Other Financing Sources

Actual amounts (budgetary basis) "Total Revenue" from the Budget Comparison Schedule	\$153,066,898
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Adjustments:

Proceeds from the issuance of capital leases are classified as other financing sources for GAAP reporting, but are not included in total revenue on the budget basis	<u>5,842,667</u>
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Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$158,909,565</u>
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Expenditures and Other Financing Uses

Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule	\$155,336,669
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Adjustments:

Capital outlay that has or will be purchased from capital lease proceeds are classified as expenditures for GAAP reporting, but are not included in total expenditures on the budget basis	<u>6,798,713</u>
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Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$162,135,382</u>
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CITY OF LUBBOCK, TEXAS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed by City Council to expenditures for specified purposes.

Criminal Investigation Fund – Accounts for the allocation of revenues derived from court ordered forfeitures of monies from criminal investigations and related activities.

Municipal Court Fund – Accounts for certain revenues from municipal court fees collected to be used on court technology and juvenile case managers.

Abandoned Motor Vehicle Fund – Accounts for the proceeds from the sale of abandoned vehicles and payments to wrecker services.

Economic Development Incentive Fund – Accounts for a portion of tax revenues to promote industrial and economic development.

Donations Fund – Accounts for various special interest donations and the distribution of those funds.

Hotel/Motel Tax Fund – Accounts for total hotel/motel occupancy tax receipts and distributions.

Animal Assistance Program – Accounts for registration/identification fees collected to be used to promote the sterilization program for dogs and cats.

Lubbock Economic Development Alliance Fund – Accounts for sales tax received and distribution to Lubbock Economic Development Alliance.

North Overton District Tax Increment Finance (TIF) Reinvestment Zone Fund – Accounts for incremental property tax funds dedicated to the development of the North Overton District.

Central Business District (CBD) Tax Increment Finance (TIF) Reinvestment Zone Fund – Accounts for incremental property tax funds dedicated to the development of the Central Business District.

Lubbock Business Park Tax Increment Finance (TIF) Fund – Accounts for incremental property tax funds dedicated to the development of the Lubbock Business Park.

North Overton Public Improvement District (PID) Fund – Accounts for dedicated assessments, which are used in the payment of professional services and special security charges.

North Point Public Improvement District (PID) Fund – Accounts for dedicated assessments, which are used to maintain the North Point area. This includes maintaining common areas and landscaping at the entry stations, and constructing a hike and bike trail.

Vintage Township Public Improvement District (PID) Fund – Accounts for dedicated assessments, which are used to construct public improvements in the PID.

CITY OF LUBBOCK, TEXAS

Special Revenue Funds (Continued)

Quincy Park Public Improvement District (PID) Fund – Accounts for dedicated assessments, which are used to maintain the Quincy Park area. This includes maintaining common areas, landscaping on the boulevard and entrances, and the park at 91st and Quitman.

Valencia Park Public Improvement District (PID) Fund – Accounts for dedicated assessments, which are used to maintain the amenities in the 87th Street right-of-way (ROW), median, and park.

Gateway Streets Fund – Accounts for collection of franchise fees from various utility companies. Amounts are distributed to a Capital Projects Gateway Streets fund for street improvements.

Cable Services – Accounts for franchise fees received on cable/video services to be used by the City as allowed by federal law.

North and East Lubbock Neighborhood & Infrastructure Fund – Accounts for a percentage of mineral interest revenue to be used for downtown redevelopment, neighborhood infrastructure projects, and community development in the north and east portions of the City.

Community Development Fund – Accounts for the receipt and disbursement of Community Development Block Grant funds from the United States Department of Housing and Urban Development.

Community Services Fund – Accounts for the receipt and disbursement of funds received from the Texas Department of Housing and Community Affairs, United States Department of Energy, and United States Department of Health and Human Services.

Health Fund – Accounts for the receipt and disbursement of funds received from the Texas Department of State Health Services and the United States Department of Health and Human Services.

Police Fund – Accounts for the receipt and disbursement of funds received from the United States Department of Transportation, United States Department of Treasury, Texas Department of Highways and Public Transportation, Office of the Governor, Office of Justice Program, Criminal Justice Division, and United States Department of Justice.

Other Grants Fund – Accounts for the receipt and disbursement of funds received from the United States Department of Commerce, Texas Department of Transportation, Texas Forest Service, United States Department of Energy, Texas Department of Aging and Disability Services, Lubbock Emergency Communication District and the Governor's Emergency Management Grant.

CITY OF LUBBOCK, TEXAS

Debt Service Fund

This fund is used to account for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by enterprise funds. Ad valorem taxes and interest earned on the investments of the Debt Service Funds are used for the payment of principal, interest, and commissions to fiscal agents on the City's general obligation bonds, which are reflected in the Government-Wide Financial Statements.

Capital Project Funds

The Capital Projects Funds account for all capital improvements, except for those accounted for in proprietary funds, which are financed by the City's general obligation bond issues, certain sales taxes, certain Federal capital grants, and other specific receipts.

Tax Increment Finance (TIF) Capital Projects Fund – Accounts for the financing and expenditures related to the Central Business and North Overton Districts.

Gateway Streets Project Fund – Accounts for the financing and expenditures related to major street improvements.

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014

	Special Revenue Funds			
	Criminal Investigation	Municipal Court	Abandoned Motor Vehicle	Economic Development Incentive
ASSETS				
Cash and cash equivalents	\$ 214,981	\$ 87,320	\$ 52,053	\$ 12,526
Investments	1,075,594	436,879	260,430	62,673
Taxes receivable (net)	-	-	-	78,434
Accounts receivable (net)	-	-	-	-
Interest receivable	308	281	168	40
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Restricted investments	-	-	-	-
Leases receivable	-	-	-	-
Total assets	<u>\$ 1,290,883</u>	<u>\$ 524,480</u>	<u>\$ 312,651</u>	<u>\$ 153,673</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,339	\$ 219,114	\$ 14,855
Accrued liabilities	-	1,989	-	2,500
Customer deposits	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue - other	601,108	-	-	4,426
Total liabilities	<u>601,108</u>	<u>3,328</u>	<u>219,114</u>	<u>21,781</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	87,515
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,515</u>
FUND BALANCES (DEFICIT)				
Restricted	689,775	521,152	93,537	44,377
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	<u>689,775</u>	<u>521,152</u>	<u>93,537</u>	<u>44,377</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 1,290,883</u>	<u>\$ 524,480</u>	<u>\$ 312,651</u>	<u>\$ 153,673</u>

Special Revenue Funds

<u>Donations</u>	<u>Hotel/Motel Tax</u>	<u>Animal Assistance Program</u>	<u>Lubbock Economic Development Alliance</u>	<u>North Overton TIF</u>	<u>Central Business District TIF</u>	<u>Lubbock Business Park TIF</u>
\$ 47,911	\$ -	\$ 45,546	\$ 4,213	\$ -	\$ 64,423	\$ 143,345
239,706	-	227,877	21,077	-	322,324	717,187
-	-	-	931,663	-	-	-
-	-	-	-	-	-	-
154	-	147	14	-	264	462
-	-	-	-	-	-	-
-	848,948	-	-	-	-	-
-	-	-	-	1,144,671	104,791	-
-	-	-	-	2,582,479	-	-
<u>\$ 287,771</u>	<u>\$ 848,948</u>	<u>\$ 273,570</u>	<u>\$ 956,967</u>	<u>\$ 3,727,150</u>	<u>\$ 491,802</u>	<u>\$ 860,994</u>
\$ 699	\$ 1,665	\$ 1,150	\$ 956,967	\$ 4,190	\$ 15,000	\$ -
-	-	679	-	596	695	99
-	-	-	-	-	-	-
-	265,723	-	-	2,754,592	-	-
-	-	-	-	2,582,479	-	-
<u>699</u>	<u>267,388</u>	<u>1,829</u>	<u>956,967</u>	<u>5,341,857</u>	<u>15,695</u>	<u>99</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
287,072	581,560	271,741	-	1,144,671	476,107	860,895
-	-	-	-	-	-	-
-	-	-	-	(2,759,378)	-	-
<u>287,072</u>	<u>581,560</u>	<u>271,741</u>	<u>-</u>	<u>(1,614,707)</u>	<u>476,107</u>	<u>860,895</u>
<u>\$ 287,771</u>	<u>\$ 848,948</u>	<u>\$ 273,570</u>	<u>\$ 956,967</u>	<u>\$ 3,727,150</u>	<u>\$ 491,802</u>	<u>\$ 860,994</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014

	Special Revenue Funds			
	North Overton PID	North Point PID	Vintage Township PID	Quincy Park PID
ASSETS				
Cash and cash equivalents	\$ 46,390	\$ 66,193	\$ 100	\$ 17,963
Investments	232,096	331,180	503	89,873
Taxes receivable (net)	-	-	-	-
Accounts receivable (net)	-	-	-	-
Interest receivable	149	213	-	58
Due from other governments	-	-	-	-
Due from others	-	-	3,229	-
Restricted investments	-	-	95,885	-
Leases receivable	-	-	-	-
Total assets	<u>\$ 278,635</u>	<u>\$ 397,586</u>	<u>\$ 99,717</u>	<u>\$ 107,894</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,071	\$ -	\$ -
Accrued liabilities	274	137	-	160
Customer deposits	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue - other	-	-	-	-
Total liabilities	<u>274</u>	<u>1,208</u>	<u>-</u>	<u>160</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)				
Restricted	278,361	396,378	99,717	107,734
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	<u>278,361</u>	<u>396,378</u>	<u>99,717</u>	<u>107,734</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 278,635</u>	<u>\$ 397,586</u>	<u>\$ 99,717</u>	<u>\$ 107,894</u>

Special Revenue Funds

North and East Lubbock Neighborhood and Infrastructure						
Valencia PID	Gateway Streets	Cable Services	Community Development	Community Services	Health	
\$ 643	\$ 1,675,899	\$ 163,990	\$ 111,030	\$ 246,762	\$ -	\$ -
3,216	8,384,875	820,479	555,508	1,234,600	-	-
-	-	-	-	-	-	-
-	41,778	-	-	-	-	-
2	7,090	528	358	-	-	-
-	-	-	57,634	1,391,070	363,187	133,109
-	465,085	150,365	-	-	-	-
-	2,835,973	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,861</u>	<u>\$ 13,410,700</u>	<u>\$ 1,135,362</u>	<u>\$ 724,530</u>	<u>\$ 2,872,432</u>	<u>\$ 363,187</u>	<u>\$ 133,109</u>
\$ -	\$ -	\$ -	\$ -	\$ 95,894	\$ 152,972	\$ 1,793
-	-	-	-	17,012	2,853	16,085
-	-	-	-	2,720,939	-	-
-	-	-	-	-	200,605	83,890
-	-	-	-	38,587	-	-
-	-	-	-	2,872,432	356,430	101,768
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,861	2,835,973	1,135,362	-	-	6,757	31,341
-	10,574,727	-	724,530	-	-	-
-	-	-	-	-	-	-
<u>3,861</u>	<u>13,410,700</u>	<u>1,135,362</u>	<u>724,530</u>	<u>-</u>	<u>6,757</u>	<u>31,341</u>
<u>\$ 3,861</u>	<u>\$ 13,410,700</u>	<u>\$ 1,135,362</u>	<u>\$ 724,530</u>	<u>\$ 2,872,432</u>	<u>\$ 363,187</u>	<u>\$ 133,109</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014

Special Revenue Funds

	<u>Police</u>	<u>Other Grants</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>
ASSETS				
Cash and cash equivalents	\$ 19,857	\$ -	\$ 3,021,145	\$ -
Investments	99,349	-	15,115,426	-
Taxes receivable (net)	-	-	1,010,097	337,975
Accounts receivable (net)	-	-	41,778	-
Interest receivable	-	-	10,236	899
Due from other governments	8,024	272,769	2,225,793	-
Due from others	-	-	1,467,627	-
Restricted investments	-	-	4,181,320	1,674,445
Leases receivable	-	-	2,582,479	-
Total assets	<u>\$ 127,230</u>	<u>\$ 272,769</u>	<u>\$ 29,655,901</u>	<u>\$ 2,013,319</u>
LIABILITIES				
Accounts payable	\$ -	\$ 33,154	\$ 1,499,863	\$ -
Accrued liabilities	-	10,590	53,669	-
Customer deposits	-	-	2,720,939	-
Due to other funds	-	65,719	3,370,529	-
Unearned revenue - other	879	15,071	3,242,550	-
Total liabilities	<u>879</u>	<u>124,534</u>	<u>10,887,550</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	87,515	296,283
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>87,515</u>	<u>296,283</u>
FUND BALANCES (DEFICIT)				
Restricted	126,351	148,235	10,140,957	1,717,036
Committed	-	-	11,299,257	-
Unassigned	-	-	(2,759,378)	-
Total fund balances (deficit)	<u>126,351</u>	<u>148,235</u>	<u>18,680,836</u>	<u>1,717,036</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 127,230</u>	<u>\$ 272,769</u>	<u>\$ 29,655,901</u>	<u>\$ 2,013,319</u>

Capital Projects Funds

TIF Capital Projects	Gateway Streets Projects	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ 242,297	\$ 242,297	\$ 3,263,442
-	1,212,264	1,212,264	16,327,690
-	-	-	1,348,072
-	-	-	41,778
-	-	-	11,135
-	-	-	2,225,793
-	-	-	1,467,627
4,024,442	8,728,399	12,752,841	18,608,606
-	-	-	2,582,479
<u>\$ 4,024,442</u>	<u>\$ 10,182,960</u>	<u>\$ 14,207,402</u>	<u>\$ 45,876,622</u>
\$ 85,394	\$ 8,060	\$ 93,454	1,593,317
417	2,257	2,674	56,343
-	-	-	2,720,939
-	-	-	3,370,529
-	-	-	3,242,550
<u>85,811</u>	<u>10,317</u>	<u>96,128</u>	<u>10,983,678</u>
-	-	-	383,798
-	-	-	383,798
3,938,631	8,728,399	12,667,030	24,525,023
-	1,444,244	1,444,244	12,743,501
-	-	-	(2,759,378)
<u>3,938,631</u>	<u>10,172,643</u>	<u>14,111,274</u>	<u>34,509,146</u>
<u>\$ 4,024,442</u>	<u>\$ 10,182,960</u>	<u>\$ 14,207,402</u>	<u>\$ 45,876,622</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2014

	<u>Special Revenue Funds</u>			
	<u>Criminal Investigation</u>	<u>Municipal Court</u>	<u>Abandoned Motor Vehicle</u>	<u>Economic Development Incentive</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 3,473,193
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	-	-	-	-
Fees and fines	-	287,659	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	1,997	1,339	285	-
IRS Build America Bond Subsidy	-	-	-	-
Miscellaneous	268,654	-	640,829	-
Total revenues	<u>270,651</u>	<u>288,998</u>	<u>641,114</u>	<u>3,473,193</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	-	-	-	3,491,214
Health	-	-	-	-
Fire	-	-	-	-
Police	329,714	-	424,241	-
Other public safety	-	277,932	-	-
Streets and traffic	-	-	-	-
Intergovernmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	136,235	-	-	-
Total expenditures	<u>465,949</u>	<u>277,932</u>	<u>424,241</u>	<u>3,491,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(195,298)</u>	<u>11,066</u>	<u>216,873</u>	<u>(18,021)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Bond premium	-	-	-	-
Payment to the refunded bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(299,720)	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(299,720)</u>	<u>-</u>
Net change in fund balances (deficit)	(195,298)	11,066	(82,847)	(18,021)
Fund balances (deficit) - beginning of year	885,073	510,086	176,384	62,398
Fund balances (deficit) - end of year	<u>\$ 689,775</u>	<u>\$ 521,152</u>	<u>\$ 93,537</u>	<u>\$ 44,377</u>

Special Revenue Funds

<u>Donations</u>	<u>Hotel/Motel Tax</u>	<u>Animal Assistance Program</u>	<u>Lubbock Economic Development Alliance</u>	<u>North Overton TIF</u>	<u>Central Business District TIF</u>	<u>Lubbock Business Park TIF</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,203,470	\$ 727,323	\$ 370,753
-	-	-	5,387,578	-	-	-
-	6,252,188	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	135,430	-	-	-	-
725	-	725	-	-	925	1,468
-	-	-	-	-	-	-
64,976	-	-	-	160,510	-	-
<u>65,701</u>	<u>6,252,188</u>	<u>136,155</u>	<u>5,387,578</u>	<u>3,363,980</u>	<u>728,248</u>	<u>372,221</u>
16,035	-	-	-	-	-	-
60,005	-	-	-	-	-	-
-	3,554,211	-	5,387,578	28,317	270,905	6,584
2,194	-	102,275	-	-	-	-
376	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,127	-	-	3,884	-	-
-	-	-	-	-	-	-
<u>78,610</u>	<u>3,555,338</u>	<u>102,275</u>	<u>5,387,578</u>	<u>32,201</u>	<u>270,905</u>	<u>6,584</u>
<u>(12,909)</u>	<u>2,696,850</u>	<u>33,880</u>	<u>-</u>	<u>3,331,779</u>	<u>457,343</u>	<u>365,637</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	570,922	-	-
-	(2,721,408)	-	-	(3,214,590)	(128,737)	-
-	<u>(2,721,408)</u>	<u>-</u>	<u>-</u>	<u>(2,643,668)</u>	<u>(128,737)</u>	<u>-</u>
(12,909)	(24,558)	33,880	-	688,111	328,606	365,637
299,981	606,118	237,861	-	(2,302,818)	147,501	495,258
<u>\$ 287,072</u>	<u>\$ 581,560</u>	<u>\$ 271,741</u>	<u>\$ -</u>	<u>\$(1,614,707)</u>	<u>\$ 476,107</u>	<u>\$ 860,895</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2014

	Special Revenue Funds			
	North Overton PID	North Point PID	Vintage Township PID	Quincy Park PID
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	563,073	84,127	179,214	52,633
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	857	977	-	254
IRS Build America Bond Subsidy	-	-	-	-
Miscellaneous	7,009	-	25,180	-
Total revenues	<u>570,939</u>	<u>85,104</u>	<u>204,394</u>	<u>52,887</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	416,250	29,199	271,613	14,610
Health	-	-	-	-
Fire	-	-	-	-
Police	-	-	-	-
Other public safety	-	-	-	-
Streets and traffic	-	-	-	-
Intergovernmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>416,250</u>	<u>29,199</u>	<u>271,613</u>	<u>14,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>154,689</u>	<u>55,905</u>	<u>(67,219)</u>	<u>38,277</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Bond premium	-	-	-	-
Payment to the refunded bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficit)	154,689	55,905	(67,219)	38,277
Fund balances (deficit) - beginning of year	123,672	340,473	166,936	69,457
Fund balances (deficit) - end of year	<u>\$ 278,361</u>	<u>\$ 396,378</u>	<u>\$ 99,717</u>	<u>\$ 107,734</u>

Special Revenue Funds

Valencia PID	North and East Lubbock Neighborhood and					
	Gateway Streets	Cable Services	Infrastructure	Community Development	Community Services	Health
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,466,907	603,047	-	-	-	-
6,462	-	-	-	-	-	-
-	-	-	-	3,261,437	1,725,438	691,330
-	-	-	-	-	-	-
-	27,662	2,594	-	9	-	-
-	-	-	-	-	-	-
-	-	-	724,530	125,292	-	118,721
<u>6,462</u>	<u>3,494,569</u>	<u>605,641</u>	<u>724,530</u>	<u>3,386,738</u>	<u>1,725,438</u>	<u>810,051</u>
-	-	-	-	3,302,782	1,725,438	-
-	-	-	-	-	-	-
3,308	-	-	-	-	-	-
-	-	-	-	-	-	801,055
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	31,185	-	108,482	-	-
<u>3,308</u>	<u>-</u>	<u>31,185</u>	<u>-</u>	<u>3,411,264</u>	<u>1,725,438</u>	<u>801,055</u>
<u>3,154</u>	<u>3,494,569</u>	<u>574,456</u>	<u>724,530</u>	<u>(24,526)</u>	<u>-</u>	<u>8,996</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	4,240,435	-	-	24,526	-	-
-	(8,199,853)	-	-	-	-	-
-	<u>(3,959,418)</u>	<u>-</u>	<u>-</u>	<u>24,526</u>	<u>-</u>	<u>-</u>
3,154	(464,849)	574,456	724,530	-	-	8,996
707	13,875,549	560,906	-	-	6,757	22,345
<u>\$ 3,861</u>	<u>\$ 13,410,700</u>	<u>\$ 1,135,362</u>	<u>\$ 724,530</u>	<u>\$ -</u>	<u>\$ 6,757</u>	<u>\$ 31,341</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

Special Revenue Funds

	<u>Police</u>	<u>Other Grants</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ 7,774,739	\$ 14,970,872
Sales taxes	-	-	5,387,578	-
Occupancy taxes	-	-	6,252,188	-
Franchise taxes	-	-	4,069,954	-
Special assessments	-	-	885,509	-
Fees and fines	-	-	287,659	-
Intergovernmental	235,262	695,272	6,608,739	-
Charges for services	-	-	135,430	-
Interest	171	-	39,988	18,039
IRS Build America Bond Subsidy	-	-	-	425,858
Miscellaneous	-	46,804	2,182,505	-
Total revenues	<u>235,433</u>	<u>742,076</u>	<u>33,624,289</u>	<u>15,414,769</u>
EXPENDITURES				
Current:				
Community services	-	404,790	5,449,045	-
Cultural and recreation	-	40,223	100,228	-
Economic and business development	-	-	13,473,789	-
Health	-	180,322	1,085,846	-
Fire	-	-	376	-
Police	32,929	-	786,884	-
Other public safety	-	472,280	750,212	-
Streets and traffic	-	-	-	-
Intergovernmental	80,292	-	80,292	-
Debt Service:				
Principal	-	-	-	19,438,434
Interest and other charges	-	-	5,011	12,421,794
Capital outlay	-	-	275,902	-
Total expenditures	<u>113,221</u>	<u>1,097,615</u>	<u>22,007,585</u>	<u>31,860,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>122,212</u>	<u>(355,539)</u>	<u>11,616,704</u>	<u>(16,445,459)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	17,885,000
Bond premium	-	-	-	3,064,255
Payment to the refunded bond escrow agent	-	-	-	(20,768,374)
Transfers in	1,680	355,763	5,193,326	16,982,832
Transfers out	-	-	(14,564,308)	(529,258)
Net other financing sources (uses)	<u>1,680</u>	<u>355,763</u>	<u>(9,370,982)</u>	<u>16,634,455</u>
Net change in fund balances (deficit)	123,892	224	2,245,722	188,996
Fund balances (deficit) - beginning of year	2,459	148,011	16,435,114	1,528,040
Fund balances (deficit) - end of year	<u>\$ 126,351</u>	<u>\$ 148,235</u>	<u>\$ 18,680,836</u>	<u>\$ 1,717,036</u>

Capital Projects Funds

TIF Capital Projects	Gateway Streets Projects	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 22,745,611
-	-	-	5,387,578
-	-	-	6,252,188
-	-	-	4,069,954
-	-	-	885,509
-	-	-	287,659
-	359,150	359,150	6,967,889
-	-	-	135,430
972	2,935	3,907	61,934
-	-	-	425,858
-	-	-	2,182,505
<u>972</u>	<u>362,085</u>	<u>363,057</u>	<u>49,402,115</u>
-	-	-	5,449,045
-	-	-	100,228
-	-	-	13,473,789
-	-	-	1,085,846
-	-	-	376
-	-	-	786,884
-	-	-	750,212
-	280,154	280,154	280,154
-	-	-	80,292
-	-	-	19,438,434
21,516	12,095	33,611	12,460,416
<u>393,985</u>	<u>760,927</u>	<u>1,154,912</u>	<u>1,430,814</u>
<u>415,501</u>	<u>1,053,176</u>	<u>1,468,677</u>	<u>55,336,490</u>
<u>(414,529)</u>	<u>(691,091)</u>	<u>(1,105,620)</u>	<u>(5,934,375)</u>
2,165,000	1,365,000	3,530,000	21,415,000
328,987	207,647	536,634	3,600,889
-	-	-	(20,768,374)
-	-	-	22,176,158
(1,423)	(2,934)	(4,357)	(15,097,923)
<u>2,492,564</u>	<u>1,569,713</u>	<u>4,062,277</u>	<u>11,325,750</u>
2,078,035	878,622	2,956,657	5,391,375
<u>1,860,596</u>	<u>9,294,021</u>	<u>11,154,617</u>	<u>29,117,771</u>
<u>\$ 3,938,631</u>	<u>\$ 10,172,643</u>	<u>\$ 14,111,274</u>	<u>\$ 34,509,146</u>

City of Lubbock, Texas
Budgetary Comparison Schedule
Special Revenue Funds and Debt Service Fund
For the Year Ended September 30, 2014

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>
Abandoned Motor Vehicle		
Revenues and transfers in	640,829	641,114
Utilization of fund balance	84,308	-
Expenditures and transfers out	(725,137)	(723,961)
Animal Assistance		
Revenues and transfers in	85,000	136,155
Utilization of fund balance	10,000	-
Expenditures and transfers out	(95,000)	(102,275)
Cable Services		
Revenues and transfers in	404,442	605,641
Expenditures and transfers out	(404,442)	(31,185)
Central Business District TIF		
Revenues and transfers in	718,377	728,248
Expenditures and transfers out	(410,964)	(399,642)
Community Development Grant		
Revenues and transfers in	3,491,765	3,411,264
Expenditures and transfers out	(3,491,765)	(3,411,264)
Criminal Investigation		
Revenues and transfers in	-	270,651
Utilization of fund balance	(845,440)	-
Expenditures and transfers out	(845,440)	(465,949)
Debt Service		
Revenues and transfers in	32,331,600	53,346,855
Utilization of fund balance	1,143	-
Expenditures and transfers out	(32,332,743)	(53,157,860)
Department of Justice Asset Sharing*		
Revenues and transfers in	-	123,892
Expenditures and transfers out	-	-
Economic Development Incentive		
Revenues and transfers in	3,478,006	3,473,193
Expenditures and transfers out	(3,478,006)	(3,491,214)

City of Lubbock, Texas
Budgetary Comparison Schedule (Continued)
Special Revenue Funds and Debt Service Fund
For the Year Ended September 30, 2014

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>
Emergency Management Grant**		
Revenues and transfers in	457,355	457,643
Expenditures and transfers out	(457,355)	(457,643)
Gateway Streets		
Revenues and transfers in	7,267,854	7,735,225
Utilization of fund balance	934,933	-
Expenditures and transfers out	(8,202,787)	(8,199,853)
Hotel Motel Tax		
Revenues and transfers in	6,379,441	6,252,188
Expenditures and transfers out	(6,379,441)	(6,276,746)
Lubbock Business Park TIF		
Revenues and transfers in	294,853	372,221
Expenditures and transfers out	(17,684)	(6,584)
Lubbock Economic Development Alliance		
Revenues and transfers in	5,292,253	5,387,578
Expenditures and transfers out	(5,292,253)	(5,387,578)
Municipal Court		
Revenues and transfers in	275,000	288,998
Utilization of fund balance	225,531	-
Expenditures and transfers out	(500,531)	(277,932)
North and East Lubbock Neighborhood and Infrastructure Fund		
Revenues and transfers in	900,000	724,530
Expenditures and transfers out	-	-
North Overton PID		
Revenues and transfers in	514,734	570,939
Expenditures and transfers out	(508,152)	(416,250)
North Overton District TIF		
Revenues and transfers in	3,881,280	3,934,902
Expenditures and transfers out	(3,881,280)	(3,246,791)

City of Lubbock, Texas
Budgetary Comparison Schedule (Continued)
Special Revenue Funds and Debt Service Fund
For the Year Ended September 30, 2014

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>
North Point PID		
Revenues and transfers in	82,050	85,104
Utilization of fund balance	168,498	-
Expenditures and transfers out	(250,548)	(29,199)
Quincy Park PID		
Revenues and transfers in	50,210	52,887
Utilization of fund balance	11,777	-
Expenditures and transfers out	(61,987)	(14,610)
Valencia PID		
Revenues and transfers in	6,021	6,462
Expenditures and transfers out	(4,005)	(3,308)
Vintage Township PID		
Revenues and transfers in	183,309	204,394
Utilization of fund balance	89,167	-
Expenditures and transfers out	(272,476)	(271,613)

*Part of Police on the Combining Nonmajor Governmental Funds.

**Part of Other Grants on the Combining Nonmajor Governmental Funds.

The following Governmental Funds have been intentionally excluded from this schedule due to the fact that they do not have legally adopted budgets or they are budgeted on a project or grant cumulative basis, crossing fiscal years: Donations, Cemetery Maintenance, Community Services, Health, Library, Police, Other Grants, and the three Capital Project Funds.

CITY OF LUBBOCK, TEXAS

Nonmajor Enterprise Funds

The Proprietary Funds are used to account for the operations of the City financed and operated in a manner similar to private business enterprises, where the intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered in whole or part through user charges.

Airport Fund – Accounts for the operations of Lubbock Preston Smith International Airport.

Solid Waste Fund – Accounts for the operations of the City's landfills and its solid waste collection system.

Transit Fund – Accounts for the City-owned transportation system.

Cemetery Fund – Accounts for the operations of the City's cemetery.

Civic Centers Fund – Accounts for the utilization of the Civic Center, Coliseum, Municipal Auditorium and Amphitheater.

Lake Alan Henry Fund – Accounts for fees and charges collected at the Lake site and the costs of operations of that facility.

City of Lubbock, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2014

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,703,630	\$ 927,660	\$ 406,018	\$ 33,231
Investments	8,523,619	4,641,279	36,807	166,259
Accounts receivable, net	412,506	1,767,652	1,100,737	63,055
Interest receivable	7,189	2,793	-	88
Due from others	161,027	-	-	-
Due from other funds	-	2,754,592	-	-
Due from other governments	110,541	-	472,150	-
Prepaid expenses	-	-	72,054	-
Inventories	-	-	768,323	-
	<u>10,918,512</u>	<u>10,093,976</u>	<u>2,856,089</u>	<u>262,633</u>
Total current assets				
Noncurrent assets:				
Restricted investments	5,187,289	2,350,897	-	18,744
	<u>5,187,289</u>	<u>2,350,897</u>	<u>-</u>	<u>18,744</u>
Capital assets:				
Land	3,589,941	1,607,932	318,539	14,097
Construction in progress	4,654,108	2,021	310,944	1,492
Buildings	38,742,401	1,634,574	4,394,676	846,652
Improvements other than buildings	148,231,523	35,163,732	2,786,921	77,858
Machinery and equipment	19,414,567	37,642,081	21,102,829	619,531
Less accumulated depreciation	<u>(101,693,924)</u>	<u>(51,015,283)</u>	<u>(18,729,045)</u>	<u>(487,022)</u>
	<u>112,938,616</u>	<u>25,035,057</u>	<u>10,184,864</u>	<u>1,072,608</u>
Total capital assets				
	<u>118,125,905</u>	<u>27,385,954</u>	<u>10,184,864</u>	<u>1,091,352</u>
Total noncurrent assets				
Total assets	<u>\$129,044,417</u>	<u>\$ 37,479,930</u>	<u>\$ 13,040,953</u>	<u>\$ 1,353,985</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	\$ 157,509	\$ 179,350	\$ -	\$ 29,379
	<u>\$ 157,509</u>	<u>\$ 179,350</u>	<u>\$ -</u>	<u>\$ 29,379</u>
Total deferred outflows of resources				

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 737,978	\$ 18,164	\$ 3,826,681
3,692,259	90,881	17,151,104
95,778	3,075	3,442,803
4,092	59	14,221
-	-	161,027
-	-	2,754,592
-	-	582,691
-	-	72,054
-	-	768,323
<u>4,530,107</u>	<u>112,179</u>	<u>28,773,496</u>
<u>2,945,975</u>	<u>-</u>	<u>10,502,905</u>
<u>2,945,975</u>	<u>-</u>	<u>10,502,905</u>
1,238,454	-	6,768,963
267,293	-	5,235,858
22,398,764	-	68,017,067
5,274,449	-	191,534,483
6,770,681	154,133	85,703,822
<u>(23,359,718)</u>	<u>(117,908)</u>	<u>(195,402,900)</u>
<u>12,589,923</u>	<u>36,225</u>	<u>161,857,293</u>
<u>15,535,898</u>	<u>36,225</u>	<u>172,360,198</u>
<u>\$ 20,066,005</u>	<u>\$ 148,404</u>	<u>\$ 201,133,694</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,238</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,238</u>

City of Lubbock, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2014

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 260,445	\$ 232,477	\$ 823,164	\$ 24,078
Accrued liabilities	85,897	250,787	589,895	6,854
Accrued interest payable	96,115	130,269	-	4,856
Customer deposits	-	9,572	-	-
Unearned revenue - other	546	-	-	3,220
Compensated absences	137,728	389,351	288,628	8,099
Leases payable	37,068	3,648,946	-	13,115
Bonds payable	1,649,085	1,069,915	-	28,334
	<u>2,266,884</u>	<u>5,731,317</u>	<u>1,701,687</u>	<u>88,556</u>
Total current liabilities				
Noncurrent liabilities:				
Landfill closure and post closure care	-	5,271,506	-	-
Compensated absences	114,338	323,229	-	6,724
Post employment benefits	1,006,175	2,376,116	-	170,146
Net pension obligation	226,143	517,588	-	38,347
Leases payable	184,556	8,043,537	-	98,894
Bonds payable	11,227,710	15,893,098	-	504,154
	<u>12,758,922</u>	<u>32,425,074</u>	<u>-</u>	<u>818,265</u>
Total noncurrent liabilities				
	<u>15,025,806</u>	<u>38,156,391</u>	<u>1,701,687</u>	<u>906,821</u>
Total liabilities				
NET POSITION (DEFICIT)				
Net investment in capital assets	102,695,127	(1,950,760)	10,184,864	428,111
Restricted for passenger facility charges	1,309,624	-	-	-
Restricted for debt service	1,022,735	681,218	-	18,744
Unrestricted	9,148,634	772,431	1,154,402	29,688
	<u>\$114,176,120</u>	<u>\$ (497,111)</u>	<u>\$ 11,339,266</u>	<u>\$ 476,543</u>
Total net position (deficit)				

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 303,045	\$ 14,148	\$ 1,657,357
42,548	1,788	977,769
33,383	1	264,624
80,441	-	90,013
-	-	3,766
84,086	13,115	921,007
6,997	3,343	3,709,469
<u>263,454</u>	<u>-</u>	<u>3,010,788</u>
<u>813,954</u>	<u>32,395</u>	<u>10,634,793</u>
-	-	5,271,506
69,807	10,887	524,985
632,777	26,048	4,211,262
109,926	1,678	893,682
66,653	21,107	8,414,747
<u>5,355,317</u>	<u>-</u>	<u>32,980,279</u>
<u>6,234,480</u>	<u>59,720</u>	<u>52,296,461</u>
<u>7,048,434</u>	<u>92,115</u>	<u>62,931,254</u>
9,669,625	11,775	121,038,742
-	-	1,309,624
173,852	-	1,896,549
<u>3,174,094</u>	<u>44,514</u>	<u>14,323,763</u>
<u>\$ 13,017,571</u>	<u>\$ 56,289</u>	<u>\$ 138,568,678</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Nonmajor Enterprise Funds
For Fiscal Year Ended September 30, 2014

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
OPERATING REVENUES				
Charges for services (net)	\$ 8,471,833	\$ 19,716,606	\$ 5,763,642	\$ 450,267
Total operating revenues	<u>8,471,833</u>	<u>19,716,606</u>	<u>5,763,642</u>	<u>450,267</u>
OPERATING EXPENSES				
Personal services	2,536,210	6,617,486	7,029,211	367,091
Supplies	182,622	1,997,878	1,870,833	35,582
Maintenance	430,762	2,355,088	959,212	28,877
Billing office expense	-	779,108	-	-
Other services and charges	2,001,622	1,226,877	1,229,329	169,138
Depreciation and amortization	<u>7,792,909</u>	<u>4,827,984</u>	<u>2,298,246</u>	<u>36,147</u>
Total operating expenses	<u>12,944,125</u>	<u>17,804,421</u>	<u>13,386,831</u>	<u>636,835</u>
Operating income (loss)	<u>(4,472,292)</u>	<u>1,912,185</u>	<u>(7,623,189)</u>	<u>(186,568)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	25,755	20,645	-	2,103
Passenger facility charges/Federal grants	2,351,715	-	4,027,778	-
Disposition of assets	(212,249)	93,516	7,604	4,200
Miscellaneous	918,136	168,103	-	-
IRS Build America Bond Subsidy	-	8,640	-	-
Interest expense	<u>(534,376)</u>	<u>(835,008)</u>	<u>-</u>	<u>(24,891)</u>
Net nonoperating revenues (expenses)	<u>2,548,981</u>	<u>(544,104)</u>	<u>4,035,382</u>	<u>(18,588)</u>
Income (loss) before contributions and transfers	(1,923,311)	1,368,081	(3,587,807)	(205,156)
Capital contributions/grants	2,587,162	76,448	296,303	26,812
Transfers in	-	-	1,647,223	272,205
Transfers out	<u>(1,566,601)</u>	<u>(2,725,648)</u>	<u>-</u>	<u>-</u>
Change in net position (deficit)	<u>(902,750)</u>	<u>(1,281,119)</u>	<u>(1,644,281)</u>	<u>93,861</u>
Total net position - beginning	<u>115,078,870</u>	<u>784,008</u>	<u>12,983,547</u>	<u>382,682</u>
Total net position (deficit) - ending	<u>\$ 114,176,120</u>	<u>\$ (497,111)</u>	<u>\$ 11,339,266</u>	<u>\$ 476,543</u>

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 691,871	\$ 466,343	\$ 35,560,562
<u>691,871</u>	<u>466,343</u>	<u>35,560,562</u>
1,692,797	227,102	18,469,897
105,403	12,518	4,204,836
235,849	17,882	4,027,670
-	-	779,108
1,292,530	162,123	6,081,619
<u>1,119,431</u>	<u>3,452</u>	<u>16,078,169</u>
<u>4,446,010</u>	<u>423,077</u>	<u>49,641,299</u>
<u>(3,754,139)</u>	<u>43,266</u>	<u>(14,080,737)</u>
9,670	324	58,497
-	-	6,379,493
-	-	(106,929)
813	-	1,087,052
-	-	8,640
<u>(17,423)</u>	<u>-</u>	<u>(1,411,698)</u>
<u>(6,940)</u>	<u>324</u>	<u>6,015,055</u>
(3,761,079)	43,590	(8,065,682)
130,000	-	3,116,725
3,157,336	-	5,076,764
<u>-</u>	<u>(130,701)</u>	<u>(4,422,950)</u>
<u>(473,743)</u>	<u>(87,111)</u>	<u>(4,295,143)</u>
<u>13,491,314</u>	<u>143,400</u>	<u>142,863,821</u>
<u>\$ 13,017,571</u>	<u>\$ 56,289</u>	<u>\$ 138,568,678</u>

City Of Lubbock, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2014

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 8,565,982	\$ 19,726,910	\$ 5,705,535	\$ 436,792
Payments to suppliers	(2,528,396)	(5,580,249)	(1,573,163)	(227,531)
Payments to employees	(2,604,546)	(6,739,270)	(7,029,211)	(373,945)
Other receipts	918,136	176,743	-	-
Net cash provided (used) by operating activities	<u>4,351,176</u>	<u>7,584,134</u>	<u>(2,896,839)</u>	<u>(164,684)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	-	-	1,647,223	272,205
Transfers out to other funds	(1,566,601)	(2,725,648)	-	-
Short-term interfund borrowings	-	650,294	(2,342,943)	-
Operating grants	2,351,715	-	4,027,778	-
Net cash provided (used) by noncapital and related financing activities	<u>785,114</u>	<u>(2,075,354)</u>	<u>3,332,058</u>	<u>272,205</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,892,570)	(4,257,221)	(296,301)	-
Sale of capital assets	21,253	480,172	7,604	4,200
Principal paid on capital leases	(36,132)	(3,422,099)	-	(12,902)
Principal paid on bonds	(1,553,658)	(1,072,772)	-	(32,920)
Issuance of capital leases	-	3,288,569	-	-
Issuance of bonds	2,758,690	430,500	-	26,367
Bond issuance costs	(83,131)	(133,777)	-	(24,220)
Interest paid on bonds and capital leases	(598,025)	(894,606)	-	(24,818)
Capital grants and contributions	2,587,162	-	296,303	-
Net cash provided (used) by capital and related financing activities	<u>203,589</u>	<u>(5,581,234)</u>	<u>7,606</u>	<u>(64,293)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	692,129	-	-
Purchase of investments	(5,094,700)	(839,128)	(36,807)	(41,514)
Interest earnings on cash and investments	22,077	21,418	-	2,065
Net cash provided (used) by investing activities	<u>(5,072,623)</u>	<u>(125,581)</u>	<u>(36,807)</u>	<u>(39,449)</u>
Net increase (decrease) in cash and cash equivalents	267,256	(198,035)	406,018	3,779
Cash and cash equivalents - beginning of year	1,436,374	1,125,695	-	29,452
Cash and cash equivalents - end of year	<u>\$ 1,703,630</u>	<u>\$ 927,660</u>	<u>\$ 406,018</u>	<u>\$ 33,231</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (4,472,292)	\$ 1,912,185	\$ (7,623,189)	\$ (186,568)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	7,792,909	4,827,984	2,298,246	36,147
Other income	918,136	176,743	-	-
Change in current assets and liabilities:				
Accounts receivable	94,149	10,304	(58,107)	(13,475)
Inventory	-	-	37,459	-
Prepaid expenses	-	-	1,559	-
Due from other governments	139,446	-	2,744,451	-
Accounts payable	(332,162)	(33,692)	(332,803)	18,382
Other accrued expenses	18,142	31,123	34,584	(2,669)
Due to/from other funds	(6,729)	-	-	-
Customer deposits	-	200	-	-
Change in compensated absences and retirement benefits	199,577	659,287	961	(16,501)
Net cash provided (used) by operating activities	<u>\$ 4,351,176</u>	<u>\$ 7,584,134</u>	<u>\$ (2,896,839)</u>	<u>\$ (164,684)</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	\$ -	\$ 76,448	\$ -	\$ 26,812

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 685,849	\$ 466,002	\$ 35,587,070
(1,496,449)	(186,970)	(11,592,758)
(1,735,337)	(228,890)	(18,711,199)
813	-	1,095,692
<u>(2,545,124)</u>	<u>50,142</u>	<u>6,378,805</u>
3,157,336	-	5,076,764
-	(130,701)	(4,422,950)
-	-	(1,692,649)
-	-	6,379,493
<u>3,157,336</u>	<u>(130,701)</u>	<u>5,340,658</u>
(1,840,388)	(27,920)	(9,314,400)
66,757	-	579,986
(2,250)	-	(3,473,383)
(254,960)	-	(2,914,310)
51,625	24,450	3,364,644
-	-	3,215,557
-	-	(241,128)
(22,343)	1	(1,539,791)
-	-	2,883,465
<u>(2,001,559)</u>	<u>(3,469)</u>	<u>(7,439,360)</u>
2,165,653	76,085	2,933,867
(796,651)	(10,907)	(6,819,707)
8,806	347	54,713
<u>1,377,808</u>	<u>65,525</u>	<u>(3,831,127)</u>
(11,539)	(18,503)	448,976
749,517	36,667	3,377,705
<u>\$ 737,978</u>	<u>\$ 18,164</u>	<u>\$ 3,826,681</u>
\$ (3,754,139)	\$ 43,266	\$ (14,080,737)
1,119,431	3,452	16,078,169
813	-	1,095,692
(6,022)	(341)	26,508
-	-	37,459
-	-	1,559
-	-	2,883,897
53,699	(465)	(627,041)
10,166	(720)	90,626
-	-	(6,729)
(13,341)	-	(13,141)
44,269	4,950	892,543
<u>\$ (2,545,124)</u>	<u>\$ 50,142</u>	<u>\$ 6,378,805</u>
\$ 130,000	\$ -	\$ 233,260



CITY OF LUBBOCK, TEXAS

Internal Service Funds

The Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other governments, on a user charge basis.

Fleet Maintenance Fund – Accounts for vehicle service operations.

Print Shop and Warehouse Fund – Accounts for central warehouse operations, printing services and central office supplies provided to City departments.

Risk Management Fund – Accounts for activities related to general liability, auto liability, public officials liability, and workers' compensation liability.

Information Technology Fund – Accounts for the information processing services provided to City departments and other governmental agencies and for the telephone and radio shop operations.

Health Benefits Fund – Accounts for the health, dental, and other employee benefits activities.

Investment Pool Fund – Accounts for the operations of centralizing the activities relative to the City's investment portfolio.

City of Lubbock, Texas
Combining Statement of Net Position
Internal Service Funds
September 30, 2014

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 139,925	\$ 49,448	\$ 1,642,888	\$ 1,832,261
Investments	700,074	247,399	8,219,715	9,167,188
Interest receivable	541	184	5,294	6,019
Due from others	-	149	-	149
Inventories	241,214	2,023,641	-	2,264,855
Total current assets	<u>1,081,754</u>	<u>2,320,821</u>	<u>9,867,897</u>	<u>13,270,472</u>
Noncurrent assets:				
Restricted investments	<u>12,683</u>	<u>-</u>	<u>-</u>	<u>12,683</u>
Capital assets:				
Land	-	-	-	-
Buildings	1,469,765	138,853	-	1,608,618
Improvements other than buildings	10,650	-	-	10,650
Machinery and equipment	1,138,328	128,656	17,227	1,284,211
Construction in progress	885,520	-	-	885,520
Less accumulated depreciation	<u>(1,631,689)</u>	<u>(267,509)</u>	<u>(17,227)</u>	<u>(1,916,425)</u>
Total capital assets	<u>1,872,574</u>	<u>-</u>	<u>-</u>	<u>1,872,574</u>
Total noncurrent assets	<u>1,885,257</u>	<u>-</u>	<u>-</u>	<u>1,885,257</u>
Total assets	<u>\$ 2,967,011</u>	<u>\$ 2,320,821</u>	<u>\$ 9,867,897</u>	<u>\$ 15,155,729</u>

Governmental Activities

Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
\$ 347,415	\$ 2,385,276	\$ 3,376	\$ 2,736,067	\$ 4,568,328
1,738,191	11,934,039	16,893	13,689,123	22,856,311
4,247	7,687	-	11,934	17,953
6,224	-	-	6,224	6,373
6,744	-	-	6,744	2,271,599
<u>2,102,821</u>	<u>14,327,002</u>	<u>20,269</u>	<u>16,450,092</u>	<u>29,720,564</u>
<u>390,196</u>	<u>-</u>	<u>-</u>	<u>390,196</u>	<u>402,879</u>
65,343	-	-	65,343	65,343
60,000	-	-	60,000	1,668,618
1,417,365	-	-	1,417,365	1,428,015
16,497,856	5,568	-	16,503,424	17,787,635
109,273	-	-	109,273	994,793
(10,503,637)	(5,568)	-	(10,509,205)	(12,425,630)
<u>7,646,200</u>	<u>-</u>	<u>-</u>	<u>7,646,200</u>	<u>9,518,774</u>
<u>8,036,396</u>	<u>-</u>	<u>-</u>	<u>8,036,396</u>	<u>9,921,653</u>
<u>\$ 10,139,217</u>	<u>\$ 14,327,002</u>	<u>\$ 20,269</u>	<u>\$ 24,486,488</u>	<u>\$ 39,642,217</u>

City of Lubbock, Texas
Combining Statement of Net Position
Internal Service Funds
September 30, 2014

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 385,464	\$ 203,289	\$ 62,012	\$ 650,765
Accrued liabilities	23,780	7,703	13,821	45,304
Accrued interest payable	2,869	-	-	2,869
Compensated absences	53,524	16,839	5,016	75,379
Accrued insurance claims	-	-	1,010,024	1,010,024
Leases payable	7,164	-	-	7,164
Bonds payable	17,938	-	-	17,938
Total current liabilities	490,739	227,831	1,090,873	1,809,443
Noncurrent liabilities:				
Accrued insurance claims	-	-	2,049,582	2,049,582
Compensated absences	44,434	13,979	4,164	62,577
Post employment benefits	389,274	141,546	107,908	638,728
Net pension obligation	81,187	23,967	26,389	131,543
Leases payable	59,995	-	-	59,995
Bonds payable	478,684	-	-	478,684
Total noncurrent liabilities	1,053,574	179,492	2,188,043	3,421,109
Total liabilities	1,544,313	407,323	3,278,916	5,230,552
NET POSITION (DEFICIT)				
Net investment in capital assets	1,309,384	-	-	1,309,384
Restricted for debt service	12,092	-	-	12,092
Unrestricted	101,222	1,913,498	6,588,981	8,603,701
Total net position (deficit)	\$ 1,422,698	\$ 1,913,498	\$ 6,588,981	\$ 9,925,177

Governmental Activities

<u>Information Technology</u>	<u>Health Benefits</u>	<u>Investment Pool</u>	<u>Total Governmental Activities</u>	<u>Total Internal Service Funds</u>
\$ 542,043	\$ 645,817	\$ -	\$ 1,187,860	\$ 1,838,625
93,050	5,507	-	98,557	143,861
57,065	-	2,330	59,395	62,264
238,586	4,746	1,196	244,528	319,907
-	1,465,986	-	1,465,986	2,476,010
667,003	-	-	667,003	674,167
450,000	-	-	450,000	467,938
<u>2,047,747</u>	<u>2,122,056</u>	<u>3,526</u>	<u>4,173,329</u>	<u>5,982,772</u>
-	162,282	-	162,282	2,211,864
472,147	9,392	2,366	483,905	546,482
1,102,500	76,841	4,377	1,183,718	1,822,446
338,607	18,457	-	357,064	488,607
1,226,687	-	-	1,226,687	1,286,682
5,631,453	-	-	5,631,453	6,110,137
<u>8,771,394</u>	<u>266,972</u>	<u>6,743</u>	<u>9,045,109</u>	<u>12,466,218</u>
<u>10,819,141</u>	<u>2,389,028</u>	<u>10,269</u>	<u>13,218,438</u>	<u>18,448,990</u>
(252,287)	-	-	(252,287)	1,057,097
313,540	-	-	313,540	325,632
<u>(741,177)</u>	<u>11,937,974</u>	<u>10,000</u>	<u>11,206,797</u>	<u>19,810,498</u>
<u>\$ (679,924)</u>	<u>\$ 11,937,974</u>	<u>\$ 10,000</u>	<u>\$ 11,268,050</u>	<u>\$ 21,193,227</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenses
And Changes in Net Position
Internal Service Funds
For The Year Ended September 30, 2014

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
OPERATING REVENUES				
Charges for services (net)	\$ 10,599,485	\$ 3,752,801	\$ 5,509,234	\$ 19,861,520
Total operating revenues	<u>10,599,485</u>	<u>3,752,801</u>	<u>5,509,234</u>	<u>19,861,520</u>
OPERATING EXPENSES				
Personal services	1,016,568	303,003	480,120	1,799,691
Insurance and claims	-	-	3,142,656	3,142,656
Supplies	24,974	5,887	6,274	37,135
Materials	9,240,161	3,025,158	-	12,265,319
Maintenance	29,305	14,737	1,372	45,414
Other services and charges	174,964	318,033	132,509	625,506
Depreciation and amortization	73,019	-	-	73,019
Total operating expenses	<u>10,558,991</u>	<u>3,666,818</u>	<u>3,762,931</u>	<u>17,988,740</u>
Operating income (loss)	<u>40,494</u>	<u>85,983</u>	<u>1,746,303</u>	<u>1,872,780</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	2,399	1,371	20,007	23,777
Disposition of assets	18,713	-	-	18,713
Miscellaneous	1,835	-	(17,349)	(15,514)
Interest expense	<u>(21,305)</u>	<u>-</u>	<u>-</u>	<u>(21,305)</u>
Net nonoperating revenues (expenses)	<u>1,642</u>	<u>1,371</u>	<u>2,658</u>	<u>5,671</u>
Income (loss) before contributions and transfers	42,136	87,354	1,748,961	1,878,451
Capital contributions	-	-	-	-
Transfers in	<u>259,683</u>	<u>-</u>	<u>-</u>	<u>259,683</u>
Change in net position (deficit)	301,819	87,354	1,748,961	2,138,134
Total net position - beginning of year	<u>1,120,879</u>	<u>1,826,144</u>	<u>4,840,020</u>	<u>7,787,043</u>
Total net position (deficit) - end of year	<u><u>\$ 1,422,698</u></u>	<u><u>\$ 1,913,498</u></u>	<u><u>\$ 6,588,981</u></u>	<u><u>\$ 9,925,177</u></u>

Governmental Activities

Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
\$10,217,317	\$ 29,166,738	\$ -	\$ 39,384,055	\$ 59,245,575
10,217,317	29,166,738	-	39,384,055	59,245,575
4,235,941	221,241	58,403	4,515,585	6,315,276
-	29,730,263	-	29,730,263	32,872,919
54,258	7,392	1,599	63,249	100,384
56,268	-	-	56,268	12,321,587
3,017,766	-	-	3,017,766	3,063,180
2,643,978	466,039	37,378	3,147,395	3,772,901
1,194,034	-	-	1,194,034	1,267,053
11,202,245	30,424,935	97,380	41,724,560	59,713,300
(984,928)	(1,258,197)	(97,380)	(2,340,505)	(467,725)
10,455	36,051	98,502	145,008	168,785
2,554	-	-	2,554	21,267
4,800	239,302	-	244,102	228,588
(156,288)	-	-	(156,288)	(177,593)
(138,479)	275,353	98,502	235,376	241,047
(1,123,407)	(982,844)	1,122	(2,105,129)	(226,678)
31,185	-	-	31,185	31,185
250,000	-	-	250,000	509,683
(842,222)	(982,844)	1,122	(1,823,944)	314,190
162,298	12,920,818	8,878	13,091,994	20,879,037
\$ (679,924)	\$ 11,937,974	\$ 10,000	\$ 11,268,050	\$ 21,193,227

City of Lubbock, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2014

	Business-type Activities			Total Business-type Activities
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,599,485	\$ 3,752,801	\$ 5,509,234	\$ 19,861,520
Payments to suppliers	(10,048,318)	(3,764,853)	(3,972,639)	(17,785,810)
Payments to employees	(950,921)	(276,744)	(458,237)	(1,685,902)
Other receipts	1,835	-	-	1,835
Net cash provided (used) by operating activities	<u>(397,919)</u>	<u>(288,796)</u>	<u>1,078,358</u>	<u>391,643</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	259,683	-	-	259,683
Net cash provided by noncapital and related financing activities	<u>259,683</u>	<u>-</u>	<u>-</u>	<u>259,683</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(860,520)	-	-	(860,520)
Sale of capital assets	18,713	-	-	18,713
Principal paid on capital leases	(7,067)	-	-	(7,067)
Principal paid on bonds	(17,371)	-	-	(17,371)
Issuance of capital leases	-	-	-	-
Issuance of bonds	-	-	-	-
Interest paid on bonds and capital leases	(23,458)	-	-	(23,458)
Capital grants and contributions	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(889,703)</u>	<u>-</u>	<u>-</u>	<u>(889,703)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	1,023,129	255,352	-	1,278,481
Purchase of investments	(85,538)	(29,690)	(1,121,631)	(1,236,859)
Interest earnings on cash and investments	2,546	1,435	18,433	22,414
Net cash provided (used) by investing activities	<u>940,137</u>	<u>227,097</u>	<u>(1,103,198)</u>	<u>64,036</u>
Net increase (decrease) in cash and cash equivalents	(87,802)	(61,699)	(24,840)	(174,341)
Cash and cash equivalents - beginning of year	227,727	111,147	1,667,728	2,006,602
Cash and cash equivalents - end of year	<u>\$ 139,925</u>	<u>\$ 49,448</u>	<u>\$ 1,642,888</u>	<u>\$ 1,832,261</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 40,494	\$ 85,983	\$ 1,746,303	\$ 1,872,780
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	73,019	-	-	73,019
Other income (expense)	1,835	-	(17,349)	(15,514)
Change in current assets and liabilities:				
Accounts receivable	-	-	-	-
Inventory	(35,441)	(483,404)	-	(518,845)
Accounts payable	(517,908)	78,555	61,424	(377,929)
Due from other funds	-	1,303	-	1,303
Other accrued expenses	1,997	1,416	(735,044)	(731,631)
Change in compensated absences and retirement benefits	38,085	27,351	23,024	88,460
Net cash provided (used) by operating activities	<u>\$ (397,919)</u>	<u>\$ (288,796)</u>	<u>\$ 1,078,358</u>	<u>\$ 391,643</u>

Governmental Activities

<u>Information Technology</u>	<u>Health Benefits</u>	<u>Investment Pool</u>	<u>Total Governmental Activities</u>	<u>Total Internal Service Funds</u>
\$ 10,217,317	\$ 29,545,967	\$ -	\$ 39,763,284	\$ 59,624,804
(7,492,027)	(30,390,255)	(29,830)	(37,912,112)	(55,697,922)
(4,017,116)	(208,111)	(58,403)	(4,283,630)	(5,969,532)
4,800	239,302	-	244,102	245,937
<u>(1,287,026)</u>	<u>(813,097)</u>	<u>(88,233)</u>	<u>(2,188,356)</u>	<u>(1,796,713)</u>
250,000	-	-	250,000	509,683
<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>509,683</u>
(3,814,681)	-	-	(3,814,681)	(4,675,201)
2,554	-	-	2,554	21,267
(310,565)	-	-	(310,565)	(317,632)
(205,000)	-	-	(205,000)	(222,371)
1,156,381	-	-	1,156,381	1,156,381
3,514,440	-	-	3,514,440	3,514,440
(161,544)	-	-	(161,544)	(185,002)
31,185	-	-	31,185	31,185
<u>212,770</u>	<u>-</u>	<u>-</u>	<u>212,770</u>	<u>(676,933)</u>
1,130,369	1,723,419	-	2,853,788	4,132,269
(255,427)	(1,432,198)	(8,796)	(1,696,421)	(2,933,280)
7,808	34,771	98,502	141,081	163,495
<u>882,750</u>	<u>325,992</u>	<u>89,706</u>	<u>1,298,448</u>	<u>1,362,484</u>
58,494	(487,105)	1,473	(427,138)	(601,479)
288,921	2,872,381	1,903	3,163,205	5,169,807
<u>\$ 347,415</u>	<u>\$ 2,385,276</u>	<u>\$ 3,376</u>	<u>\$ 2,736,067</u>	<u>\$ 4,568,328</u>
\$ (984,928)	\$ (1,258,197)	\$ (97,380)	\$ (2,340,505)	\$ (467,725)
1,194,034	-	-	1,194,034	1,267,053
4,800	239,302	-	244,102	228,588
-	379,229	-	379,229	379,229
6,002	-	-	6,002	(512,843)
(1,815,480)	(256,600)	-	(2,072,080)	(2,450,009)
95,423	-	-	95,423	96,726
(432)	69,695	1,208	70,471	(661,160)
213,555	13,474	7,939	234,968	323,428
<u>\$ (1,287,026)</u>	<u>\$ (813,097)</u>	<u>\$ (88,233)</u>	<u>\$ (2,188,356)</u>	<u>\$ (1,796,713)</u>



CITY OF LUBBOCK, TEXAS

Nonmajor Component Units

The following Component Units, which are legally separate entities, are included in the reporting entity because the City is financially accountable and is able to impose its will.

Urban Renewal Agency (URA) – Accounts for housing rehabilitation, housing acquisition, and land disposition. The URA is governed by a board appointed by the City Council.

Civic Lubbock, Inc. was organized to foster and promote the presentation of wholesome educational and cultural programs, attractions and entertainment for the general moral, intellectual, physical improvement, and welfare of the people of the City of Lubbock and surrounding area.

Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc. was formed to create, manage, operate, and supervise programs and activities that assist and enhance economic development within and around the City.

Lubbock Economic Development Alliance was formed to create, manage and supervise programs and activities to promote, assist, and enhance economic development within and around the City.

Vintage Township Public Facilities Corporation was formed to assist the City in financing, refinancing, providing or otherwise assisting in the acquisition, construction and maintenance of certain public facilities benefiting the Vintage Township.

City of Lubbock, Texas
Combining Statement of Net Position
Nonmajor Component Units
September 30, 2014

	Urban Renewal Agency (URA)	Civic Lubbock, Inc.	Market Lubbock, Inc.
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 3,501,136	\$ 2,718,163
Investments	-	-	890,834
Accounts receivable, net	-	105,260	-
Due from other governments	-	-	83,030
Inventories	-	34,374	96,350
Prepaid expenses	-	12,147	-
Restricted assets:			
Cash and cash equivalents	-	397,407	-
Investment in property	178,228	-	-
Mortgage receivables	4,654,393	-	-
Capital assets (net of accumulated depreciation):			
Non-depreciable	-	427,136	675,213
Depreciable	-	16,117	45,635
Total assets	<u>4,832,621</u>	<u>4,493,577</u>	<u>4,509,225</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	3,166,998	90,186
Accrued liabilities	-	-	25,095
Accrued interest payable	-	-	-
Due to other governments	-	-	50,666
Unearned revenues	-	302,162	-
Noncurrent liabilities due within one year:			
Contracts and leases payable	-	-	12,900
Bonds	-	-	-
Noncurrent liabilities due in more than one year:			
Contracts and leases payable	-	-	25,800
Bonds payable	-	-	-
Total liabilities	<u>-</u>	<u>3,469,160</u>	<u>204,647</u>
DEFERRED INFLOW OF RESOURCES			
Unearned revenues - advertising sales	-	-	1,400
NET POSITION (DEFICIT)			
Net investment in capital assets	-	443,253	720,848
Restricted for:			
Primary government agreement	-	100,000	-
Special revenue	4,832,621	-	-
Unrestricted	-	481,164	3,582,330
Total net position (deficit)	<u>\$ 4,832,621</u>	<u>\$ 1,024,417</u>	<u>\$ 4,303,178</u>

Lubbock Economic Development Alliance	Vintage Township Public Facilities Corporation	Total Nonmajor Component Units
\$ 7,549,012	\$ -	\$ 13,768,311
2,645,868	-	3,536,702
959,950	-	1,065,210
-	-	83,030
-	-	130,724
-	-	12,147
-	-	397,407
-	-	178,228
-	-	4,654,393
8,235,051	-	9,337,400
31,843	-	93,595
<u>19,421,724</u>	<u>-</u>	<u>33,257,147</u>
25,410	-	3,282,594
51,279	-	76,374
-	77,548	77,548
-	-	50,666
-	-	302,162
1,614,158	-	1,627,058
-	8,000	8,000
1,614,117	-	1,639,917
-	2,095,000	2,095,000
<u>3,304,964</u>	<u>2,180,548</u>	<u>9,159,319</u>
-	-	1,400
8,266,894	-	9,430,995
-	-	100,000
-	-	4,832,621
7,849,866	(2,180,548)	9,732,812
<u>\$ 16,116,760</u>	<u>\$ (2,180,548)</u>	<u>\$ 24,096,428</u>

City of Lubbock, Texas
Combining Statement of Activities
Nonmajor Component Units
For the Year Ended September 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Urban Renewal Agency (URA)				
Community services	\$ 144,081	\$ -	\$ -	\$ -
Civic Lubbock, Inc.				
Cultural and recreation	2,433,146	2,035,741	345,191	-
Market Lubbock, Inc.				
Economic and business development	6,100,169	82,708	6,746,043	-
Lubbock Economic Development Alliance				
Economic and business development	3,114,705	-	8,604,091	-
Vintage Township Public Facilities Corporation				
Interest on long-term debt	152,985	-	-	253,476
Total component units	<u>\$ 11,945,086</u>	<u>\$ 2,118,449</u>	<u>\$ 15,695,325</u>	<u>\$ 253,476</u>

General revenues:

Investment earnings

Total general revenues

Change in net position (deficit)

Net position (deficit) - beginning of year

Net position (deficit) - end of year

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

Urban Renewal Agency (URA)	Civic Lubbock, Inc.	Market Lubbock, Inc.	Lubbock Economic Development Alliance	Vintage Township Public Facilities Corporation	Total
\$ (144,081)	\$ -	\$ -	\$ -	\$ -	\$ (144,081)
	(52,214)	-	-	-	(52,214)
-	-	728,582	-	-	728,582
-	-	-	5,489,386	-	5,489,386
-				100,491	100,491
<u>(144,081)</u>	<u>(52,214)</u>	<u>728,582</u>	<u>5,489,386</u>	<u>100,491</u>	<u>6,122,164</u>
-	1,811	-	-	-	1,811
-	1,811	-	-	-	1,811
(144,081)	(50,403)	728,582	5,489,386	100,491	6,123,975
<u>4,976,702</u>	<u>1,074,820</u>	<u>3,574,596</u>	<u>10,627,374</u>	<u>(2,281,039)</u>	<u>17,972,453</u>
<u>\$ 4,832,621</u>	<u>\$ 1,024,417</u>	<u>\$ 4,303,178</u>	<u>\$ 16,116,760</u>	<u>\$ (2,180,548)</u>	<u>\$ 24,096,428</u>

City of Lubbock, Texas
Statement of Net Position
Discretely Presented Component Unit
Urban Renewal Agency (URA)
September 30, 2014

ASSETS

Restricted assets:	
Investment in Property	\$ 178,228
Mortgage receivables	<u>4,654,393</u>
Total assets	<u><u>\$ 4,832,621</u></u>

LIABILITIES

Total liabilities	<u>\$ -</u>
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NET POSITION

Restricted for:	
Special revenue	<u>4,832,621</u>
Total net position	<u><u>\$ 4,832,621</u></u>

City of Lubbock, Texas
Statement of Revenues, Expenses and
and Changes in Fund Net Position
Discretely Presented Component Unit
Urban Renewal Agency (URA)
For Fiscal Year Ended September 30, 2014

OPERATING EXPENSES	
Other services and charges	<u>\$ 144,081</u>
Total operating expenses	<u>144,081</u>
Operating loss	<u>(144,081)</u>
Change in net position	(144,081)
Total net position - beginning	<u>4,976,702</u>
Total net position - ending	<u><u>\$ 4,832,621</u></u>

City of Lubbock, Texas
Statement of Net Position
Discretely Presented Component Unit
Vintage Township Public Facilities Corporation
September 30, 2014

ASSETS	
Total assets	<u><u>\$ -</u></u>
LIABILITIES	
Current liabilities:	
Accrued interest payable	\$ 77,548
Bonds payable	<u>8,000</u>
Total current liabilities	<u>85,548</u>
Noncurrent liabilities:	
Bonds payable	<u>2,095,000</u>
Total noncurrent liabilities	<u>2,095,000</u>
Total liabilities	<u>2,180,548</u>
NET POSITION (DEFICIT)	
Unrestricted	<u>(2,180,548)</u>
Total net position (deficit)	<u><u>\$ (2,180,548)</u></u>

City of Lubbock, Texas
Statement of Revenues, Expenses and
and Changes in Fund Net Position
Discretely Presented Component Unit
Vintage Township Public Facilities Corporation
For Fiscal Year Ended September 30, 2014

NONOPERATING REVENUES (EXPENSES)

Grants	\$ 253,476
Interest expense	<u>(152,985)</u>
Net nonoperating revenues (expenses)	<u>100,491</u>
 Change in net position	 100,491
 Total net position (deficit) - beginning	 <u>(2,281,039)</u>
 Total net position (deficit) - ending	 <u><u>\$ (2,180,548)</u></u>



City of Lubbock, Texas
Statistical Section
(Unaudited – for Analytical Purposes Only)
September 30, 2014

The following portion of the City of Lubbock Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information regarding the City’s overall financial health.

TABLE **CONTENTS**

Financial Trends - *These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.*

- Entity-wide information:
- A Net position by component, last ten fiscal years
- B Changes in net position, last ten fiscal years
- Governmental funds information:
- C Fund balance, last ten fiscal years
- D Changes in fund balances, last ten fiscal years

Revenue Capacity - *These tables contain information to help the reader assess one of the City’s most significant revenue sources, the property tax.*

- E Tax revenues by source, last ten fiscal years
- F Assessed and estimated actual value of taxable property, last ten fiscal years
- G Principal taxpayers, current year and nine years ago
- H Property tax levies and collections, last ten fiscal years
- I Property tax rates - direct and overlapping governments, last ten fiscal years

Debt Capacity - *These tables 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.*

- J Ratio of outstanding debt by type, last ten fiscal years
- K Ratio of net general bonded debt to assessed value and net bonded debt per capita, last ten fiscal years
- L Computation of legal debt margin, last ten fiscal years
- M Revenue bond coverage – LP&L and Water Bonds, last ten fiscal years
- N Ratio of annual debt service expenditures for general obligation bonded debt to total general governmental expenditures
- O Computation of direct and overlapping bonded debt - general obligation bonds in governmental activities

Demographic and Economic Information - *These tables offer demographic and economic indicators to help understand the environment within which the City’s financial activities take place and to help make comparisons over time and with other governments.*

- P Demographic statistics, last ten years
- Q Principal employers, current year and nine years ago

Operating Information - *These tables contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and activities it performs.*

- R Full-time equivalents city government employees by function, last ten fiscal years
- S Operating indicators by function/program, last ten fiscal years
- T Capital assets statistics by function/program, last ten fiscal years

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant years.

CITY OF LUBBOCK, TEXAS
Table A - Net Position by Component
Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$ 89,047	\$ 77,399	\$ 55,235	\$ 54,813	\$ 52,476	\$ 62,414	\$ 96,275	\$ 102,925	\$ 76,483	\$ 82,330
Restricted	26,791	11,035	9,996	17,234	17,147	11,540	11,956	5,128	10,148	8,770
Unrestricted	(14,099)	(1,718)	(2,049)	(3,185)	11,439	26,954	31,701	33,676	26,090	19,529
Total governmental activities net position	101,739	86,716	63,182	68,862	81,062	100,908	139,932	141,729	112,721	110,629
Business-type activities										
Net investment in capital assets	574,512	561,354	542,640	492,011	435,249	424,165	400,552	384,516	380,149	363,227
Restricted	39,069	35,740	33,035	32,563	28,247	21,631	21,275	17,730	18,916	26,277
Unrestricted	121,430	115,333	108,667	118,671	127,994	117,250	104,709	96,011	71,730	45,345
Total business-type activities net position	735,011	712,427	684,342	643,245	591,490	563,046	526,536	498,257	470,795	434,849
Primary Government										
Net investment in capital assets	663,559	638,753	597,875	546,824	487,725	486,579	496,827	487,441	456,632	445,557
Restricted	65,860	46,775	43,031	49,797	45,394	33,171	33,231	22,858	29,064	35,047
Unrestricted	107,331	113,615	106,618	115,486	139,433	144,204	136,410	129,687	97,820	64,874
Total Primary government net position	\$ 836,750	\$ 799,143	\$ 747,524	\$ 712,107	\$ 672,552	\$ 663,954	\$ 666,468	\$ 639,986	\$ 583,516	\$ 545,478

FY 2011 Governmental activities had additional restricted net position due to implementation of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," Beginning FY 2013 net position restated due to implementation of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities."

CITY OF LUBBOCK, TEXAS
Table B - Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
EXPENSES										
Governmental activities:										
Administrative services and general government	\$ 13,842,443	\$ 13,287,438	\$ 11,564,122	\$ 11,786,924	\$ 12,005,910	\$ 11,078,376	\$ 12,372,316	\$ 12,154,972	\$ 15,116,701	\$ 14,473,020
Community services	5,904,999	6,983,062	5,493,264	10,707,989	12,231,817	7,037,569	6,874,065	6,951,069	6,112,193	6,145,415
Cultural and recreation	17,548,024	17,581,835	16,968,404	16,832,528	16,590,119	15,039,074	16,660,378	19,671,474	18,915,265	17,744,986
Economic and business development	15,737,748	16,258,386	15,100,595	15,944,038	15,335,806	37,221,152	12,378,335	11,619,989	10,283,007	9,739,417
Fire	45,293,942	42,646,239	41,335,751	39,619,927	36,803,080	33,097,947	31,789,223	27,337,834	26,711,389	23,516,586
Health	4,918,230	4,409,889	5,437,035	6,332,178	5,599,276	5,818,547	6,141,386	5,898,588	5,013,691	5,040,447
Police	61,580,048	59,261,383	58,549,406	56,537,522	54,171,638	48,342,376	46,849,826	43,022,202	42,063,023	38,451,808
Other public safety	6,484,824	6,803,117	6,881,024	5,919,681	6,343,372	6,325,692	6,677,751	5,886,199	5,239,386	4,976,882
Streets and traffic	25,346,304	22,366,616	26,411,247	21,244,252	28,180,967	30,138,853	16,357,025	14,370,197	11,849,496	12,466,517
Intergovernmental	-	-	-	-	-	-	-	12,500,000	-	-
Interest on long-term debt	12,006,271	13,058,063	13,653,174	13,290,050	12,207,377	9,840,431	8,367,167	6,968,480	4,326,128	3,195,182
Total governmental activities	208,662,833	202,656,028	201,394,022	198,215,089	199,469,362	203,940,017	164,467,472	166,381,004	145,630,279	135,750,260
Business-type activities:										
Electric	216,615,556	202,250,921	187,682,253	197,364,239	135,633,692	117,977,960	153,108,050	145,831,415	213,026,628	192,902,041
Water	57,296,443	58,814,951	57,042,756	46,456,413	39,864,139	39,789,705	38,424,263	32,124,957	32,830,002	28,737,866
Wastewater	26,494,889	22,746,920	25,510,169	18,078,035	18,747,033	19,056,052	19,000,488	18,047,434	21,273,796	17,804,487
Solid Waste	18,590,913	18,066,734	16,761,293	16,742,968	20,034,944	18,262,805	16,260,630	14,454,403	14,971,421	14,695,193
Storm Water	11,155,160	11,251,520	10,881,637	10,891,537	7,927,175	8,208,206	7,676,456	3,933,340	5,174,635	5,585,577
Transit	13,379,227	12,904,611	12,810,078	11,335,385	12,166,089	11,389,555	11,338,463	11,004,429	9,349,206	9,003,610
Airport	13,671,449	14,111,055	11,738,776	11,192,345	10,873,761	10,084,828	9,465,392	8,524,086	7,996,692	8,150,815
Civic Centers	4,448,109	3,961,490	3,876,483	3,920,726	4,049,027	4,293,789	4,098,873	619,389	-	-
Cemetery	654,949	667,863	726,256	699,852	693,687	680,123	722,393	-	-	-
Lake Alan Henry	420,804	514,491	509,291	386,160	-	-	-	-	-	-
Total business-type activities	362,727,499	345,290,556	327,538,992	317,067,660	249,989,549	229,743,023	260,095,008	234,539,453	304,622,380	276,879,589
Total primary government expenses	\$ 571,390,332	\$ 547,946,584	\$ 528,933,014	\$ 515,282,749	\$ 449,458,911	\$ 433,683,040	\$ 424,562,480	\$ 400,920,457	\$ 450,252,659	\$ 412,629,849
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
Cultural and recreation	\$ 1,310,187	\$ 1,283,204	\$ 1,307,978	\$ 1,286,773	\$ 1,633,944	\$ 1,586,591	\$ 1,589,515	\$ 2,294,764	\$ 2,590,241	\$ 2,846,058
Other public safety	6,936,464	7,358,641	6,646,970	6,316,394	6,509,356	6,493,905	7,307,182	7,051,120	4,984,968	5,477,292
Other activities	2,015,819	1,893,433	1,745,560	1,801,943	1,846,533	1,584,953	3,780,055	1,290,410	2,056,682	2,259,804
Operating grants and contributions	6,862,991	7,220,886	12,094,607	13,854,623	13,665,834	8,525,602	9,231,749	10,323,209	10,203,463	13,295,582
Capital grants and contributions	12,024,981	21,259,390	8,961,808	8,397,119	8,137,579	11,766,248	15,921,953	4,322,182	844,930	-
Total governmental activities program revenues	29,150,442	39,015,554	30,756,923	31,636,852	31,793,246	29,957,299	37,830,454	25,281,685	20,680,284	23,878,736
Business-type activities:										
Charges for services:										
Electric	234,136,509	220,111,810	195,765,095	209,076,452	149,640,110	139,236,837	161,329,847	154,103,767	226,373,638	192,568,012
Water	78,027,115	80,899,076	73,013,404	74,184,937	59,474,560	51,989,393	42,527,445	35,454,426	37,330,953	33,306,786
Wastewater	33,703,945	33,578,597	31,626,539	29,942,844	26,720,757	24,479,575	21,095,745	19,841,503	21,087,364	19,829,430
Solid Waste	19,716,606	19,538,678	19,483,045	18,807,531	17,037,506	16,979,951	16,754,438	16,885,042	13,948,861	12,420,499
Storm Water	19,606,904	19,285,819	19,043,611	16,195,959	12,118,701	8,108,040	6,633,255	6,519,658	6,348,461	6,239,436
Transit	5,763,642	5,921,604	5,211,423	4,809,766	4,647,586	4,385,580	4,306,204	4,466,404	3,268,441	3,144,015
Airport	8,471,833	7,780,680	7,677,538	7,483,750	7,129,257	6,926,643	6,793,829	6,276,416	5,424,016	5,394,314
Civic Centers	691,871	701,855	663,415	693,467	640,228	693,798	717,494	287,622	-	-
Cemetery	450,267	434,993	410,604	438,741	436,534	462,333	335,884	-	-	-
Lake Alan Henry	466,343	476,437	490,211	458,303	-	-	-	-	-	-
Operating grants and contributions	8,407,207	8,242,942	8,399,969	9,387,243	5,854,918	6,431,052	5,133,092	5,812,969	8,351,605	8,156,015
Capital grants and contributions	13,287,745	16,324,187	28,428,061	16,060,921	11,995,639	11,573,283	5,952,837	8,792,317	17,624,811	5,205,541

CITY OF LUBBOCK, TEXAS
Table B - Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total business-type activities program revenues	422,729,987	413,296,678	390,212,915	387,539,914	295,695,796	271,266,485	271,580,070	258,440,124	339,758,150	286,264,048
Total primary government program revenues	\$ 451,880,429	\$ 452,312,232	\$ 420,969,838	\$ 419,176,766	\$ 327,489,042	\$ 301,223,784	\$ 309,410,524	\$ 283,721,809	\$ 360,438,434	\$ 310,142,784
NET (EXPENSES) AND PROGRAM REVENUES										
Governmental activities	\$ (179,512,391)	\$ (163,640,474)	\$ (170,637,099)	\$ (166,578,237)	\$ (167,676,116)	\$ (173,982,718)	\$ (126,637,018)	\$ (141,099,319)	\$ (124,949,995)	\$ (111,871,524)
Business-type activities	60,002,488	68,006,122	62,673,923	70,472,254	45,706,247	41,523,462	11,485,062	23,900,671	35,135,770	9,384,459
Total net (expenses) and program revenues	\$ (119,509,903)	\$ (95,634,352)	\$ (107,963,176)	\$ (96,105,983)	\$ (121,969,869)	\$ (132,459,256)	\$ (115,151,956)	\$ (117,198,648)	\$ (89,814,225)	\$ (102,487,065)
GENERAL REVENUE, SPECIAL ITEMS, AND TRANSFERS										
Governmental activities:										
Property taxes	69,083,591	65,361,484	60,935,080	57,534,225	55,064,777	52,598,485	50,330,322	47,007,067	42,770,826	39,748,464
Sales taxes	64,650,937	62,250,140	57,303,792	53,672,769	51,008,384	50,705,301	50,548,865	47,780,448	45,576,582	41,803,092
Occupancy taxes	6,252,188	6,147,539	5,209,971	4,860,489	4,238,675	4,179,036	4,190,376	3,828,854	3,410,920	3,260,040
Other taxes	1,494,361	1,266,378	1,160,654	1,305,151	1,219,092	1,272,278	1,180,332	1,080,098	1,036,283	982,327
Franchise taxes	9,270,352	9,126,818	9,727,782	8,307,268	11,702,985	10,765,289	12,977,686	12,378,389	13,348,364	11,153,641
Investment earnings	346,953	204,991	345,626	239,542	432,819	1,963,448	5,505,386	6,117,680	4,393,782	1,633,312
Miscellaneous	3,745,458	5,843,077	9,686,138	5,614,852	4,293,491	3,434,985	4,810,900	3,668,589	6,898,288	4,109,474
Special items: gain or (loss) on sale of property	-	-	-	-	-	-	-	-	-	-
Transfers, net	39,692,321	36,973,388	25,571,122	22,844,004	19,869,774	10,039,415	(4,703,317)	10,571,943	9,607,211	15,468,765
Total governmental activities	\$ 194,536,161	\$ 187,173,815	\$ 169,940,165	\$ 154,378,300	\$ 147,829,997	\$ 134,958,237	\$ 124,840,550	\$ 132,433,068	\$ 127,042,256	\$ 118,159,115
Business-type activities:										
Investment earnings	720,378	229,354	485,569	430,806	477,365	3,593,675	8,284,058	7,145,670	6,140,436	3,758,240
Miscellaneous	1,552,742	1,774,039	3,507,720	3,696,582	2,130,124	1,431,840	3,806,864	6,004,379	4,277,297	1,387,914
Special items: gain or (loss) on sale of property	-	-	-	-	-	-	-	-	-	-
Termination of interest rate swap	-	-	-	-	-	-	-	-	-	(6,637,093)
Transfers, net	(39,692,321)	(36,973,388)	(25,571,122)	(22,844,004)	(19,869,774)	(10,039,415)	4,703,317	(10,571,943)	(9,607,211)	(15,468,765)
Total business-type activities	\$ (37,419,201)	\$ (34,969,995)	\$ (21,577,833)	\$ (18,716,616)	\$ (17,262,285)	\$ (5,013,900)	\$ 16,794,239	\$ 2,578,106	\$ 8,103,222	\$ (16,959,704)
Total primary government	\$ 157,116,960	\$ 152,203,820	\$ 148,362,332	\$ 135,661,684	\$ 130,567,712	\$ 129,944,337	\$ 141,634,789	\$ 135,011,174	\$ 127,852,778	\$ 101,199,411
CHANGES IN NET POSITION										
Governmental activities	\$ 15,023,770	\$ 23,533,341	\$ (696,934)	\$ (12,199,937)	\$ (19,846,119)	\$ (39,024,481)	\$ (1,796,468)	\$ (8,666,251)	\$ 2,092,261	\$ 6,287,591
Business-type activities	22,583,287	33,036,127	41,096,090	51,755,638	28,443,962	36,509,562	28,279,301	26,478,777	35,946,292	(7,575,245)
Total primary government	\$ 37,607,057	\$ 56,569,468	\$ 40,399,156	\$ 39,555,701	\$ 8,597,843	\$ (2,514,919)	\$ 26,482,833	\$ 17,812,526	\$ 38,038,553	\$ (1,287,654)

CITY OF LUBBOCK, TEXAS
Table C - Fund Balance of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Pre-GASB 54

	2010	2009	2008	2007	2006	2005
General Fund						
Reserved	\$ 128,880	\$ 124,955	\$ 168,657	\$ 171,580	\$ 168,964	\$ 107,828
Unreserved	19,681,719	19,756,460	19,793,618	18,954,068	19,755,747	17,268,592
Total general fund	\$ 19,810,599	\$ 19,881,415	\$ 19,962,275	\$ 19,125,648	\$ 19,924,711	\$ 17,376,420
All other governmental funds						
Reserved	\$ 60,166,524	\$ 64,351,061	\$ 88,823,575	\$ 66,196,650	\$ 56,894,363	\$ 59,161,246
Unreserved, reported in:						
Permanent fund	-	-	6,876	4,684	-	-
Special revenue funds	20,046,736	20,738,359	21,740,729	24,850,726	20,010,148	8,663,088
Total all other governmental funds	\$ 80,213,260	\$ 85,089,420	\$ 110,571,180	\$ 91,052,060	\$ 76,904,511	\$ 67,824,334

Post-GASB 54

	2014	2013	2012	2011
General Fund				
Nonspendable	\$ 127,283	\$ 115,585	\$ 105,079	\$ 155,079
Spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	1,232,042	-	-	-
Unassigned	29,251,491	33,721,048	28,056,366	21,714,802
Total general fund	\$ 30,610,816	\$ 33,836,633	\$ 28,161,445	\$ 21,869,881
All other governmental funds				
Nonspendable	-	-	-	-
Spendable	-	-	-	-
Restricted	47,613,171	52,018,973	59,977,760	66,585,144
Committed	17,820,561	11,923,822	13,255,916	17,710,680
Assigned	-	-	-	-
Unassigned	(2,759,378)	(3,405,424)	(3,420,029)	(2,919,878)
Total all other governmental funds	\$ 62,674,354	\$ 60,537,371	\$ 69,813,647	\$ 81,375,946

CITY OF LUBBOCK, TEXAS
Table D - Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
Taxes	\$ 141,477,923	\$ 135,096,438	\$ 124,533,946	\$ 117,622,237	\$ 111,534,008	\$ 108,737,498	\$ 106,316,678	\$ 99,433,228	\$ 92,693,847	\$ 86,475,846
Franchise taxes	9,270,352	9,126,818	9,727,782	8,307,268	11,702,985	10,765,289	12,977,686	12,378,389	13,348,364	11,153,641
Special assessments	885,509	834,233	763,467	787,732	761,550	515,597	296,482	243,129	171,682	38,210
Fees and fines	3,355,397	4,000,374	3,746,075	3,367,325	3,393,410	3,581,092	3,801,302	3,712,179	3,981,978	4,015,402
Licenses and permits	2,821,135	2,625,478	2,396,476	2,076,772	2,493,594	2,213,041	2,663,139	2,531,032	2,250,635	1,953,666
Intergovernmental	7,498,343	7,982,061	13,568,745	15,237,464	15,565,962	10,718,849	17,479,413	10,993,027	11,048,393	13,295,581
Charges for services	3,185,206	3,237,358	3,077,199	3,114,280	3,381,047	3,399,510	6,095,439	4,896,438	6,088,205	4,614,082
Interest	201,945	59,537	218,949	117,158	236,957	1,446,200	4,688,349	5,367,651	3,874,940	1,154,339
IRS Build America Bond subsidy	425,858	439,395	459,377	702,370	-	-	-	-	-	-
Miscellaneous	3,600,811	6,472,860	6,377,161	5,412,327	6,394,870	3,357,849	4,967,913	4,083,255	6,966,257	4,774,596
Total revenues	172,722,479	169,874,552	164,869,177	156,744,937	155,464,383	144,734,925	159,286,401	143,638,328	140,424,301	127,475,363
EXPENDITURES										
Current:										
Administrative services and general government	12,605,166	12,041,031	10,383,779	10,214,049	10,572,200	9,848,596	11,110,736	11,560,733	9,356,059	7,534,080
Community services	5,449,045	6,473,828	5,055,939	9,851,912	11,324,436	6,621,943	6,586,711	6,820,895	5,932,820	5,817,388
Cultural and recreation	13,560,730	13,624,228	13,113,048	12,714,602	13,176,905	12,484,184	13,276,408	16,250,714	15,396,277	13,966,159
Economic and business development	13,918,302	14,448,168	13,350,288	14,233,073	13,951,887	12,686,636	11,879,265	11,353,894	10,120,183	9,558,868
Fire	42,577,899	40,155,876	37,491,054	33,832,336	31,913,521	31,007,703	29,733,309	26,831,503	24,638,814	21,927,251
Health	4,424,436	3,953,392	4,717,731	5,491,131	4,958,573	5,348,942	5,804,988	5,760,386	4,647,413	4,567,766
Police	56,433,835	54,990,627	53,222,559	48,536,715	46,745,951	44,096,012	43,865,272	41,148,206	38,376,991	34,818,579
Other public safety	6,031,998	6,422,086	6,320,537	5,107,733	5,472,089	5,608,495	6,104,913	5,497,661	4,647,862	4,553,950
Streets and traffic	7,230,024	7,339,900	10,804,451	6,395,120	9,092,438	8,292,113	8,493,312	7,874,791	7,966,790	8,620,209
Intergovernmental	80,292	84,547	99,423	121,469	8,042,288	13,586,131	123,852	12,500,000	4,258,780	5,665,487
Debt services:										
Principal	24,498,506	21,866,286	18,994,553	16,876,387	14,634,941	11,966,304	10,009,329	7,953,207	7,333,408	6,336,036
Interest and other charges	13,107,141	13,882,409	14,211,356	13,971,386	12,494,750	10,015,365	8,332,280	6,411,639	4,141,421	3,031,751
Capital outlay	28,179,762	37,012,362	34,503,433	41,655,381	41,300,518	65,424,779	46,683,372	27,654,063	35,645,649	21,715,538
Total expenditures	228,097,136	232,294,740	222,268,151	219,001,294	223,680,497	236,987,203	202,003,747	187,617,692	172,462,467	148,113,062
Deficiency of revenues under expenditures	(55,374,657)	(62,420,188)	(57,398,974)	(62,256,357)	(68,216,114)	(92,252,278)	(42,717,346)	(43,979,364)	(32,038,166)	(20,637,699)
OTHER FINANCING SOURCES (USES)										
Long-term debt issued	32,715,000	43,695,000	31,841,471	36,890,184	38,381,773	45,791,118	46,605,151	54,199,285	27,526,113	45,110,000
Payment of refunded debt to escrow agent	(20,768,374)	(30,465,061)	(9,703,645)	(4,594,201)	-	(3,206,295)	-	(11,562,672)	-	(7,215,000)
Bond premium (discount)	5,319,643	5,990,123	1,847,580	1,954,464	871,742	1,460,474	1,844,019	398,032	620,860	725,586
Capital leases issued	5,842,667	5,778,891	5,537,998	3,588,154	4,015,386	8,714,556	3,357,019	3,721,262	5,119,980	3,534,016
Transfers in	56,926,661	53,679,599	47,625,755	45,929,973	38,679,233	30,508,238	26,142,942	22,720,904	18,677,088	22,688,009
Transfers out	(25,749,774)	(19,859,452)	(20,038,143)	(18,290,249)	(18,678,996)	(16,578,433)	(14,876,038)	(12,148,961)	(8,277,407)	(6,740,171)
Net other financing sources (uses)	54,285,823	58,819,100	57,111,016	65,478,325	63,269,138	66,689,658	63,073,093	57,327,850	43,666,634	58,102,440
Net change in fund balances	\$ (1,088,834)	\$ (3,601,088)	\$ (287,958)	\$ 3,221,968	\$ (4,946,976)	\$ (25,562,620)	\$ 20,355,747	\$ 13,348,486	\$ 11,628,468	\$ 37,464,741
Debt service as a percentage of noncapital expenditures	18.81%	18.31%	17.68%	17.39%	14.88%	12.81%	11.81%	8.98%	8.39%	7.41%

CITY OF LUBBOCK, TEXAS
Table E - Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Property Tax		Sales Tax		Hotel and Motel Tax		Other Tax		Total Tax Revenues ⁽³⁾
	Revenues ⁽¹⁾		Revenues		Revenues		Revenues ⁽²⁾		
2005	40,430,387		41,803,092		3,260,040		982,327		86,475,846
2006	42,670,062		45,576,582		3,410,920		1,036,283		92,693,847
2007	46,743,828		47,780,448		3,828,854		1,080,098		99,433,228
2008	50,397,105		50,548,865		4,190,376		1,180,332		106,316,678
2009	52,580,883		50,705,301		4,179,036		1,272,278		108,737,498
2010	55,067,857		51,008,384		4,238,675		1,219,092		111,534,008
2011	57,783,828		53,672,769		4,860,489		1,305,151		117,622,237
2012	60,859,529		57,303,792		5,209,971		1,160,654		124,533,946
2013	65,432,381		62,250,140		6,147,539		1,266,378		135,096,438
2014	69,080,437		64,650,937		6,252,188		1,494,361		141,477,923

Notes:

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) Includes bingo tax and mixed beverage tax.

(3) Excludes Franchise Fees

CITY OF LUBBOCK, TEXAS
Table F - Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ending	Real Property		Personal Property		Exemptions		Total	Ratio of total assessed value to total estimated actual value	Total Direct Rate
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	All Property	Assessed value			
2005	7,302,459,231	7,439,097,767	1,332,535,631	1,523,670,626	327,773,531	8,634,994,862	8,962,768,393	96.3%	0.45970
2006	7,918,495,863	8,258,879,156	1,428,118,088	1,446,021,583	358,286,788	9,346,613,951	9,704,900,739	96.3%	0.44720
2007	8,576,644,664	8,902,986,625	1,426,080,973	1,468,737,133	368,998,121	10,002,725,637	10,371,723,758	96.4%	0.46199
2008	9,386,423,964	9,701,182,183	1,510,786,599	1,569,131,516	373,103,136	10,897,210,563	11,270,313,699	96.7%	0.45505
2009	9,999,003,791	10,302,954,536	1,674,070,341	1,719,807,066	349,687,470	11,673,074,132	12,022,761,602	97.1%	0.44640
2010	10,337,645,420	10,810,721,017	1,664,970,760	1,680,501,668	488,606,505	12,002,616,180	12,491,222,685	96.1%	0.44640
2011	10,595,561,504	11,026,452,390	1,692,799,194	1,701,604,691	439,696,383	12,288,360,698	12,728,057,081	96.5%	0.45617
2012	11,006,904,078	11,464,577,135	1,622,705,187	1,665,501,335	500,469,205	12,629,609,265	13,130,078,470	96.2%	0.47400
2013	11,377,170,895	11,815,025,106	1,723,036,203	1,770,854,435	485,672,443	13,100,207,098	13,585,879,541	96.4%	0.49211
2014	11,802,709,058	12,238,826,319	1,732,964,199	1,797,878,859	501,031,921	13,535,673,257	14,036,705,178	96.4%	0.50441

Source: Lubbock Central Appraisal District

CITY OF LUBBOCK, TEXAS
Table G - Principal Taxpayers
Current Year and Nine Years Ago

	FYE 2014				FYE 2003			
	Name of Taxpayer	Type of Business	Taxable Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Macerich South Plains LP	Regional Shopping Mall	\$ 131,424,945	1	0.97%	\$ 114,600,000	1	1.44%	
United Supermarkets LLC	Food Wholesale	73,637,214	2	0.54%	21,752,445	8	0.27%	
PYCO Industries, Inc.	Cottonseed Oil Mill	49,204,266	3	0.36%	25,365,610	5	0.32%	
Amnos Energy	Natural Gas Utility	45,148,440	4	0.33%				
Texland Petroleum LP	Oil and Gas Production	36,420,887	5	0.27%				
Wal-Mart Real Estate Business Trust	Discount Retail Store	34,340,000	6	0.25%	35,300,834	4	0.44%	
Southwestern Bell Telephone LP	Telephone Utility	33,217,624	7	0.25%	68,156,367	2	0.86%	
1859 Management PTRS LP	Hotel	33,092,375	8	0.24%				
TTUC LLC	Apartments	30,694,645	9	0.23%				
Southwestern Public Service	Electric Utility	29,897,770	10	0.22%	56,725,001	3	0.71%	
X-Fab Texas, Inc.	Electronics Manufacturer				24,145,223	6	0.30%	
Farmers Co-op Compress	Cotton Warehouse Storage				18,193,121	10	0.23%	
McLane Food Service	Food Wholesale				19,038,705	9	0.24%	
Energas	Natural Gas Utility				23,581,455	7	0.30%	
		\$ 497,078,166		3.67%	\$ 406,858,761		5.11%	

Source: Lubbock Central Appraisal District

CITY OF LUBBOCK, TEXAS
Table H - Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending	Taxes Levied for the Fiscal Year	Total Adjustments as of 9/30/14	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2005	39,777,866	(297,881)	39,479,985	38,797,152	97.5%	587,912	39,385,064	99.8%
2006	41,968,431	(368,119)	41,600,312	41,000,877	97.7%	501,808	41,502,685	99.8%
2007	46,068,744	(296,097)	45,772,647	45,092,834	97.9%	572,213	45,665,047	99.8%
2008	49,195,247	(132,683)	49,062,564	48,411,785	98.4%	533,926	48,945,711	99.8%
2009	51,616,589	(365,990)	51,250,599	50,472,997	97.8%	645,474	51,118,471	99.7%
2010	53,455,322	(125,971)	53,329,351	52,485,686	98.2%	691,113	53,176,799	99.7%
2011	55,783,339	(305,708)	55,477,631	54,819,823	98.3%	472,821	55,292,644	99.7%
2012	59,220,369	(173,320)	59,047,049	58,284,680	98.4%	524,124	58,808,804	99.6%
2013	63,279,229	(149,946)	63,129,283	62,375,516	98.6%	414,164	62,789,680	99.5%
2014	66,684,667	(30,114)	66,654,553	65,871,343	98.8%	-	65,871,343	98.8%

Source: Lubbock Central Appraisal District

CITY OF LUBBOCK, TEXAS
TABLE I - Property Tax Rates - Direct and Overlapping Governments
(per \$100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year Ending	City Direct Rates				Overlapping Rates				
	General Fund	Economic Development	Interest & Sinking Fund	Total Direct	Lubbock Independent School District (LISD)	Lubbock County (County)	High Plains Underground Water District (High Plains)	County Hospital District (Hospital)	Lubbock
2005	0.33474	0.03000	0.09496	0.45970	1.60560	0.25587	0.00830	0.10742	
2006	0.35626	0.03000	0.06094	0.44720	1.65890	0.26162	0.00830	0.11034	
2007	0.36074	0.03000	0.07125	0.46199	1.56500	0.28576	0.00830	0.11420	
2008	0.35380	0.03000	0.07125	0.45505	1.23500	0.30615	0.00794	0.11661	
2009	0.32540	0.03000	0.09100	0.44640	1.23500	0.32620	0.00794	0.12067	
2010	0.33240	0.03000	0.08400	0.44640	1.23500	0.32946	0.00794	0.12084	
2011	0.33240	0.03000	0.09377	0.45617	1.23500	0.32946	0.00785	0.12081	
2012	0.34200	0.03000	0.10200	0.47400	1.23500	0.32946	0.00776	0.12072	
2013	0.35683	0.02937	0.10591	0.49211	1.23500	0.34648	0.00754	0.11919	
2014	0.36080	0.02705	0.11656	0.50441	1.23500	0.34531	0.00810	0.11844	

Source: Lubbock Central Appraisal District

CITY OF LUBBOCK, TEXAS
Table J - Ratio of Outstanding Debt By Type
Last Ten Fiscal Years

		Governmental				
Fiscal Year	General Obligation Bonds	Capital Leases	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita	
2005 *	104,586,253	3,954,885	108,541,138	1.26%	519	
2006 *	126,966,586	7,530,559	134,497,145	1.44%	637	
2007 *	163,380,346	10,916,970	174,297,316	1.74%	821	
2008 *	203,565,118	12,222,506	215,787,624	1.98%	1,004	
2009 *	237,669,524	18,005,903	255,675,427	2.19%	1,171	
2010 *	265,563,743	18,023,375	283,587,118	2.36%	1,235	
2011 *	285,888,111	18,347,806	304,235,917	2.48%	1,312	
2012	294,238,000	20,237,786	314,475,786	2.49%	1,346	
2013	297,966,963	21,698,987	319,665,950	2.44%	1,352	
2014	304,739,785	23,327,397	328,067,182	2.42%	1,374	
		Business-type				
Fiscal Year	General Obligation Bonds	Revenue Bonds	Capital Leases	Total	Percentage of Personal Income	Per Capita
2005	288,959,508	43,145,671	1,354,576	333,459,755	4.54%	1,595
2006	325,358,599	58,266,316	8,388,968	392,013,883	5.09%	1,856
2007	352,781,206	54,793,601	13,049,379	420,624,186	4.99%	1,981
2008	461,598,432	49,689,110	18,582,396	529,869,938	6.01%	2,466
2009	455,102,842	47,967,162	23,709,725	526,779,729	5.92%	2,413
2010	582,962,272	52,513,363	22,093,860	657,569,495	8.20%	2,864
2011	693,432,770	114,433,533	18,833,944	826,700,247	8.77%	3,564
2012	720,456,676	135,260,668	16,970,843	872,688,187	8.97%	3,735
2013	716,063,760	141,592,726	21,461,977	879,118,463	8.19%	3,719
2014	741,341,210	147,699,694	20,139,670	909,180,574	8.18%	3,809

CITY OF LUBBOCK, TEXAS
Table K - Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal year	Population* (in thousands)	Assessed Value	Gross Bonded Debt ⁽¹⁾	Debt Service Monies Available ⁽²⁾	Debt Payable from Other Government Revenues ⁽³⁾	Debt Payable from Enterprise Revenues ⁽⁴⁾	Net Bonded Debt ⁽⁵⁾	Ratio of Net Bonded Debt to Assessed Value	
								Value	Capita
2005	209,120	8,634,995	393,545,761	-	15,745,000	286,749,731	91,051,030	1.05%	435.40
2006	211,187	9,346,614	452,325,185	3,614,172	17,895,597	323,567,720	110,861,868	1.19%	524.95
2007	212,365	10,002,726	516,161,552	3,451,292	42,474,527	352,486,630	121,200,395	1.21%	570.72
2008	214,847	10,897,211	665,163,550	3,167,681	61,321,732	457,126,347	146,715,471	1.35%	688.88
2009	218,327	11,673,074	692,772,366	2,611,960	91,426,295	451,090,013	150,256,058	1.29%	688.22
2010	229,573	12,002,616	848,526,015	2,671,291	98,987,524	578,026,089	171,512,402	1.43%	747.09
2011	231,937	12,288,361	979,320,881	2,454,822	99,313,180	677,112,181	202,895,520	1.65%	874.79
2012	233,651	12,629,609	1,014,694,676	2,461,377	95,402,075	696,661,487	222,631,114	1.76%	952.84
2013	236,362	13,100,207	1,014,030,723	2,631,050	94,061,709	689,773,914	230,195,100	1.76%	973.91
2014	238,706	13,535,673	1,046,080,995	2,923,907	91,933,011	691,330,969	262,817,015	1.94%	1,101.01

*Sources: City of Lubbock Business Development estimates, 2010 Census

Note: (1) Includes all long-term general obligation debt. (2) Includes restricted investments in the Debt Service Fund and Special Revenue TIF funds. (3) Includes debt paid for from HUD loans, franchise fees, and hotel taxes.(4) Excludes Civic Center debt which is paid from governmental funds (5) Includes TIF debt.

CITY OF LUBBOCK, TEXAS
Table L - Computation of Legal Debt Margin
Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Total Taxable Property Value	\$ 13,535,673,257	\$ 13,100,207,098	\$ 12,629,609,265	\$ 12,288,360,698	\$ 12,002,616,180
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	203,035,099	196,503,106	189,444,139	184,325,410	180,039,243
General Obligation & Certificate Obligation principal payments	(61,700,000)	(39,665,000)	(50,335,000)	(43,580,000)	(35,190,000)
Capital lease principal payments	(10,571,409)	(9,908,108)	(10,588,477)	(10,666,928)	(10,356,147)
Margin of Indebtedness Available	\$ 130,763,690	\$ 146,929,999	\$ 128,520,662	\$ 130,078,482	\$ 134,493,096
	2009	2008	2007	2006	2005
Total Taxable Property Value	\$ 11,673,074,132	\$ 10,897,210,563	\$ 10,002,725,637	\$ 9,346,613,951	\$ 8,634,994,862
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	175,096,112	163,458,158	150,040,885	140,199,209	129,524,923
General Obligation & Certificate Obligation principal payments	(30,435,000)	(26,535,000)	(2,516,000)	(23,395,000)	(20,305,000)
Capital lease principal payments	(7,099,497)	(5,218,128)	(3,187,580)	(3,401,402)	(2,668,648)
Margin of Indebtedness Available	\$ 137,561,615	\$ 131,705,030	\$ 144,337,305	\$ 113,402,807	\$ 106,551,275

*There is no statutory debt limitation in the City Charter or under State Law. The City operates under a Home Rule Charter that limits the maximum tax rate, for all City Purposes, to \$2.50 per \$100 assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service.

CITY OF LUBBOCK, TEXAS
Table M - Revenue Bond Coverage - LP&L and Water Bonds
Last Ten Fiscal Years

ELECTRIC BONDS:				Net Revenue Available for Debt Service			Debt Service Requirements		
Fiscal Year	Net Revenue⁽¹⁾	Direct Operating Expenses⁽²⁾	Service	Principal	Interest	Total	Coverage		
2005	179,759,626	164,070,550	15,689,076	2,965,000	1,311,703	4,276,703	3.67		
2006	212,074,481	185,437,294	26,637,187	2,930,000	1,169,673	4,099,673	6.50		
2007	145,953,649	125,901,533	20,052,116	2,900,000	1,034,538	3,934,538	5.10		
2008	153,071,017	132,015,842	21,055,175	2,530,000	899,060	3,429,060	6.14		
2009	132,731,430	97,484,329	35,247,101	1,720,000	781,655	2,501,655	14.09		
2010	143,222,344	111,975,325	31,247,019	1,715,000	700,945	2,415,945	12.93		
2011	201,459,258	162,825,323	38,633,935	8,035,000	1,875,990	9,910,990	3.90		
2012	189,208,522	154,396,274	34,812,248	6,600,000	3,176,315	9,776,315	3.56		
2013	212,656,108	169,615,904	43,040,204	6,845,000	2,804,445	9,649,445	4.46		
2014	227,244,632	186,020,860	41,223,772	8,250,000	2,890,312	11,140,312	3.70		

WATER BONDS:				Net Revenue Available for Debt Service			Debt Service Requirements		
Fiscal Year	Net Revenue⁽¹⁾	Direct Operating Expenses⁽²⁾	Service	Principal	Interest	Total	Coverage		
2005	33,306,786	17,619,668	15,687,118	1,775,000	2,470,985	4,245,985	3.69		
2006	37,330,953	20,720,395	16,610,558	364,583	492,267	856,850	19.39		
2007	35,454,426	18,781,580	16,672,846	971,148	1,987,170	2,958,318	5.64		
2008	42,527,445	23,543,862	18,983,583	1,247,331	1,713,933	2,961,264	6.41		
2009	51,989,393	23,034,101	28,955,292	1,296,933	1,666,541	2,963,474	9.77		
2010	59,474,560	22,582,295	36,892,265	1,527,987	1,935,692	3,463,679	10.65		
2011	74,184,937	24,019,142	50,165,795	1,680,824	1,871,941	3,552,765	14.12		
2012	73,013,404	24,767,762	48,245,642	2,427,367	2,984,031	5,411,398	8.92		
2013	80,899,076	27,824,918	53,074,158	14,579,520	2,807,990	17,387,510	3.05		
2014	78,027,115	27,116,338	50,910,777	3,017,055	2,926,363	5,943,418	8.57		

(1) Net Revenue is gross revenue less refunds and allowances.

(2) Direct Operating expenses exclude depreciation. For Water, it includes CRMWA debt payment in years. 2005-2006, 2006-2007, 2007-2008, 2008-2009 AND 2009-2010.

CITY OF LUBBOCK, TEXAS
Table N - Ratio of Annual Debt Service Expenditures for
General Obligation Bonded Debt to Total General
Governmental Expenditures

Fiscal Year	Last Ten Fiscal Years			Percentage of Debt Service to Total General Expenditures
	Principal	Interest	Total Debt Service ⁽¹⁾	
2005	4,780,949	2,657,883	7,438,832	5.7%
2006	4,729,101	3,223,604	7,952,705	5.5%
2007	5,339,612	3,952,131	9,291,743	6.1%
2008	5,724,714	4,249,342	9,974,056	6.3%
2009	6,400,891	4,769,322	11,170,213	6.7%
2010	6,986,147	5,190,324	12,176,471	6.9%
2011	8,360,106	6,382,594	14,742,700	8.0%
2012	9,727,011	6,759,287	16,486,298	8.7%
2013	8,368,806	5,885,847	14,254,652	7.1%
2014	13,435,702	6,435,703	19,871,405	9.7%
			Total General Expenditures ⁽²⁾	
			129,665,462	
			143,512,681	
			152,363,561	
			159,359,684	
			166,110,455	
			177,316,661	
			184,085,585	
			189,604,352	
			200,012,330	
			205,386,853	

⁽¹⁾ Includes debt service requirements on General Obligation and Certificate of Obligation bonds. Excludes bonds issued in TIF, Gateway, Hotel Tax Supported, and HUD funds.

⁽²⁾ Includes General, Special Revenue, and Debt Service Funds.

CITY OF LUBBOCK, TEXAS
Table O - Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds in Governmental Activities

	Funded Debt Outstanding at 09/30/2014	Percentage Applicable to City of Lubbock	Amount Applicable to City of Lubbock
City of Lubbock	\$ 328,067,182 ⁽¹⁾	100.00%	\$ 328,067,182
Subtotal Directs	<u>328,067,182</u>		<u>328,067,182</u>
Lubbock County	(2) 58,490,000	81.89%	47,897,461
Lubbock Independent School District	(2) 245,615,000	96.35%	236,650,053
Lubbock- Cooper Independent School District	(2) 161,834,785	65.87%	106,600,573
Frenship Independent School District	(2) 208,469,389	73.50%	153,225,001
Idalou Independent School District	(2) 14,195,000	3.70%	525,215
Roosevelt Independent School District	(2) 10,570,000	3.91%	413,287
Subtotal Overlapping	<u>699,174,174</u>		<u>545,311,591</u>
Total	<u>\$ 1,027,241,356</u>		<u>\$ 873,378,773</u>

⁽¹⁾ General purpose funded debt payable from ad valorem taxes in governmental activities. Also, includes all self-supporting debt and capital lease balances - governmental activities.

⁽²⁾ "Texas Municipal Reports" published by the Municipal Advisory Council of Texas.

CITY OF LUBBOCK, TEXAS
Table P - Demographic Statistics
Last Ten Years

Year	Population ⁽¹⁾	Personal Income (in thousands) ⁽²⁾	Per Capita Income ⁽¹⁾	Median Age ⁽¹⁾	Education Level			Unemployment Rate ⁽⁴⁾
					Completed ⁽¹⁾	School Enrollment ⁽³⁾	in Years of Formal Schooling	
2005	209,120	7,346,000	18,775	30.6	12.4	28,297	4.10%	
2006	211,187	7,702,000	19,169	30.9	12.4	28,209	4.00%	
2007	212,365	8,426,000	19,747	30.4 *	12.4	28,639	3.70%	
2008	214,847	8,812,000	20,310	30.8 **	12.5	28,976	3.80%	
2009	218,327	8,899,000	20,817	30.6 **	12.5	28,682	5.40%	
2010	229,573 ⁽⁵⁾	8,018,680	21,233 ⁽⁵⁾	30.7 ⁽⁵⁾	12.5	28,808	6.20%	
2011	231,937	9,428,347	23,092	31.5	12.7	28,728	6.20%	
2012	233,651	9,725,542	23,237	30.3	12.8	29,226	5.60%	
2013	236,362	10,290,498	24,196 ⁽³⁾	29.7	13.0	29,287 ⁽⁶⁾	5.20% ⁽³⁾	
2014	238,706	11,084,148	23,521 ⁽³⁾	29.9	13.4	29,253 ⁽⁶⁾	4.00% ⁽³⁾	

Sources:

- (1) City of Lubbock Planning Department estimates
- (2) www.bea.gov
- (3) City of Lubbock Finance Department (Based on Calendar Year Average)
- (4) Texas Workforce Commission Labor Market Information
- (5) Census Bureau
- (6) Lubbock Independent School District

*Source: Sites on Texas, 2007 estimate

**Source: Decision Data Resources 2008 estimate

CITY OF LUBBOCK, TEXAS
Table Q - Principal Employers
Current Year and Nine Years Ago

Employer	2014			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Tech University	5,115	1	3.62%	9,919	1	7.50%
Covenant Health System	4,368	2	3.09%	4,310	2	3.26%
United Supermarkets (Corporate)	3,622	3	2.57%	2,156	5	1.63%
Lubbock Independent School District	3,456	4	2.45%	3,504	3	2.65%
University Medical Center	3,327	5	2.36%	2,310	4	1.75%
TTU Health Sciences Center	3,280	6	2.32%	2,010	7	1.52%
City of Lubbock	2,256	7	1.60%	2,109	6	1.59%
Lubbock County	1,271	8	0.90%	1,143	10	0.86%
Interim Healthcare of West Texas	1,055	9	0.75%			
Frenship ISD	971	10	0.69%			
Cingular				1,750	8	1.32%
Onvergys Corporation				1,450	9	1.10%
Total	28,721		20.34%	30,661		23.18%

Source: Survey performed by City of Lubbock economic analyst based on Lubbock MSA.

CITY OF LUBBOCK, TEXAS
Table R - Full-time Equivalents City Government Employees by Function
Last Ten Fiscal Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Administrative services and general government	83	80	79	82	80	76	86	86	85	86
Community development	16	16	18	22	22	18	18	18	18	21
Cultural and recreation	124	124	128	131	131	131	131	124	125	124
Economic and business development	5	7	7	15	15	15	15	15	15	13
Fire	414	398	375	358	355	355	355	330	321	294
Health	43	43	48	61	59	73	81	82	76	74
Police	545	540	536	535	535	535	535	534	499	424
Other public safety	83	81	82	75	76	73	78	78	74	64
Streets and traffic	89	89	90	89	89	92	94	88	98	94
Intergovernmental	-	-	-	-	-	-	-	-	7	5
Internal service	56	56	54	45	43	43	45	43	40	41
Total governmental activities	1,458	1,434	1,417	1,413	1,405	1,411	1,438	1,398	1,358	1,240
Business-type activities:										
Electric	303	289	288	284	249	245	237	235	191	191
Water	168	167	166	166	155	156	156	151	152	138
Sewer	74	74	71	72	72	77	77	78	78	71
Solid waste	112	111	110	110	110	110	110	106	106	91
Storm water	37	36	35	34	33	34	35	30	18	18
Transit	165	166	153	151	142	129	129	119	117	117
Airport	48	48	48	48	48	48	48	48	49	50
Cemetery	7	7	7	7	7	7	7	7	-	-
Civic Centers	27	27	27	27	30	30	31	31	31	34
Lake Alan Henry	1	1	1	1	1	1	1	1	1	1
Internal service	28	28	28	28	28	28	27	27	32	47
Total business-type activities	970	954	934	928	875	865	858	833	775	758
Total	2,428	2,388	2,351	2,341	2,280	2,276	2,296	2,231	2,133	1,998

CITY OF LUBBOCK, TEXAS
Table S - Operating Indicators by Function/Program
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cultural and Recreation Services										
Civic Center number of events with greater than 500 attendees	185	132	139	131	151	129	129	105	120	123
Library Visits	475,372	513,555	538,119	566,462	583,932	537,393	547,595	554,864	602,947	721,847
Softball Team Registrations	320	379	377	365	372	372	344	401	438	442
Community Center Attendance	153,526	133,312	134,802	122,432	134,724	173,787	113,969	119,781	123,487	109,029
Senior Center Attendance	108,843	111,794	106,109	106,986	108,085	92,085	83,319	70,419	68,420	70,849
Garden and Arts Attendance	53,761	50,433	58,473	42,707	46,738	60,544	35,894	47,024	58,981	51,114
Other Public Safety										
Construction Permits	2,611	3,893	2,737	2,471	3,521	4,748	2,648	2,764	3,717	5,151
Building Department Inspections	23,039	40,232	33,370	31,475	33,158	34,530	29,381	34,647	36,775	50,735
Police										
Police Reports Processed	65,306	77,106	79,920	78,648	79,810	81,772	84,980	92,788	90,144	82,346
Police Crime/Incident Reports	39,813	36,535	37,059	39,242	38,385	41,328	45,539	47,994	47,992	45,551
Police Calls	389,669	363,293	363,297	332,425	352,791	316,049	235,697	244,671	317,571	268,855
Fire										
Public Fire Safety Education Presentations	215	194	174	188	183	221	192	176	163	166
Fire/Arson Investigations Conducted	189	178	170	262	136	177	169	116	118	88
Inspection Activities Performed	1,961	1,976	2,206	2,198	2,457	2,416	2,170	2,074	1,860	1,521
LP&L										
Average daily consumption (kwh)	7,056,681	7,503,996	7,089,327	7,089,091	4,736,004	4,516,842	4,475,348	4,162,753	4,259,994	3,956,904
Water										
Average daily consumption (gal)	35,214,103	37,130,000	36,550,000	41,207,000	31,630,000	32,700,000	31,220,000	37,280,000	35,087,000	33,050,000
Airport										
Number of airline passengers enplaned (annual projection)	467,236	470,570	492,073	521,678	531,504	547,333	581,655	582,836	564,967	547,435
Daily average of airplane departures and landings	230	217	188	200	220	212	223	266	239	255
Number of major airlines	3	3	3	4	4	4	3	3	3	3
Number of scheduled daily flights	18	19	22	24	34	54	33	54	54	54

CITY OF LUBBOCK, TEXAS
Table T - Capital Assets Statistics by Function/Program
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Streets and Traffic Engineering										
Miles of Streets Paved	1,095	1,095	1,090	1,080	1,076	1,071	1,058	1,030	1,030	1,004
Miles of Streets Unpaved	57	57	57	60	60	60	60	72	72	72
Fire										
Number of stations	18	18	17	16	16	16	15	15	15	15
Number of fire fighters and officers (civil service)	389	389	336	335	335	335	355	335	300	290
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of authorized police officers	477	433	423	423	422	422	422	422	422	380
Culture and Recreation Services										
Number of parks and playgrounds	140	140	140	140	140	138	138	137	137	137
Number of recreation centers	9	9	9	9	9	9	9	9	9	9
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Number of swimming pools	4	4	4	4	4	4	4	4	4	4
Number of auditoriums/coliseums	2	2	2	2	2	2	2	2	2	2
Number of amphitheaters	2	2	2	2	2	2	2	2	2	2
Number of civic centers	1	1	1	1	1	1	1	1	1	1
Number of libraries (excl. education)	4	4	4	4	4	3	4	4	4	4
LP&L										
Number of meters	102,079	101,637	100,462	99,399	75,975	74,930	72,949	71,489	68,709	66,227
Number of sub-stations	37	36	37	38	14	14	14	14	14	14
Number of steam turbines	6	6	6	6	6	6	6	6	6	6
Number of diesel engines	0	0	0	2	2	2	2	2	2	2
Number of gas turbine engines	4	4	4	5	5	5	5	5	5	5
Miles of distribution lines	7,115	2,274	2,202	2,202	1,062	1,054	1,042	1,023	1,013	1,005
Miles of transmission lines	105	105	96	85	85	90	85	85	85	85
Water										
Number of meters	83,260	82,231	81,021	79,740	79,200	78,312	77,608	77,147	75,876	74,026
Miles of distribution lines	1,732	1,625	1,595	1,508	1,471	1,452	1,427	1,408	1,373	1,341
Number of fire hydrants	6,206	6,031	5,848	5,787	5,527	5,442	4,636	4,536	4,356	4,220
Number of water wells (active)	175	175	175	175	164	150	150	150	166	166
Acres of water rights	246,547	246,547	246,547	246,547	182,656	99,152	99,152	99,152	99,152	99,152
Number of gallons allocated annually by Canadian River Municipal Water Authority (in millions of gallons)	7,982	7,982	7,982	8,786	9,660	9,660	10,300	10,868	11,268	9,915
Sewer										
Miles of sanitary sewer lines	1,145	1,119	1,103	1,105	1,016	1,007	996	986	960	941

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Federal Awards Expended
<u>U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Direct Programs:			
Community Development Block Grant 13-14	14.218	B-13-MC-48-0022	\$ 1,223,387
Community Development Block Grant 12-13	14.218	B-12-MC-48-0022	466,338
Community Development Block Grant 11-12	14.218	B-11-MC-48-0022	80,019
Community Development Block Grant 10-11	14.218	B-10-MC-48-0022	39,084
Community Development Block Grant 09-10	14.218	B-09-MC-48-0022	84,490
Community Development Block Grant 08-09	14.218	B-08-MC-48-0022	21,194
Total CDBG - Entitlement Grants Cluster			<u>1,914,512</u>
Emergency Solutions Grant 13-14	14.231	E-13-MC-48-0007	119,032
Emergency Solutions Grant 12-13	14.231	E-12-MC-48-0007	42,227
Total CFDA 14.231			<u>161,259</u>
HOME Program 13-14	14.239	M-13-MC-48-0205	116,377
HOME Program 12-13	14.239	M-12-MC-48-0205	438,532
HOME Program 11-12	14.239	M-11-MC-48-0205	438,237
HOME Program 10-11	14.239	M-10-MC-48-0205	260,283
HOME Program 09-10	14.239	M-09-MC-48-0205	20,000
Total CFDA 14.239			<u>1,273,429</u>
Total U. S. Department of Housing & Urban Development			<u>3,349,200</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Passed through Texas Office of Justice Programs:			
Byrne Memorial (JAG 13)	16.738	2013-DJ-BX-0318	80,292
Total JAG Program Cluster			<u>80,292</u>
Internet Crimes Against Children Task Force 13-14	16.800	2013-MC-FX-K036	8,024
Internet Crimes Against Children Task Force	16.800	2010-MC-CX-K037	8,632
Total CFDA 16.800			<u>16,656</u>
Total U. S. Department of Justice			<u>96,948</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Aviation Administration:			
Rwy 17R/35L Improvements - Design Only	20.106	3-48-0138-037-2012	957,171
Improve Runway Safety Area (Relocate Perimeter Road (Outside RSA))	20.106	3-48-0138-038-2013	1,514,449
Total CFDA 20.106			<u>2,471,620</u>
Federal Transit Administration:			
5307 Funds - Capital, Operating and Planning 13-14	20.507	TX-90-Y053	2,805,270
5307 Funds - Capital, Operating and Planning 12-13	20.507	TX-90-Y014	146,675
Total Federal Transit Cluster			<u>2,951,945</u>
Federal Transit Administration:			
5310 Funds - Preventive Maintenance & New Freedom 12-13	20.513	TX-16-X011	201,776
Total Transit Services Programs Cluster			<u>201,776</u>
Passed through Texas Department of Transportation:			
5311 Funds - FY 13 DTP Renovations	20.509	51305F7152	257,240
5311 Funds - FY 12 DTP Renovations	20.509	51205F7072	39,063
Total CFDA 20.509			<u>296,303</u>

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Federal Awards Expended
5304 Funds - FY 13 State Route Study	20.515	51305F7134	\$ 35,569
Total CFDA 20.515			<u>35,569</u>
Federal Highway Administration:			
Passed through Texas Department of Transportation:			
Under the Unified Planning Work Program:			
Lubbock Metropolitan Planning Organization 13-14	20.205	50-72-2-14-1105-70-806	404,790
Total Highway Planning and Construction Cluster			<u>404,790</u>
Passed through Texas Department of Transportation:			
STEP Click It or Ticket Mobilization 2014	20.600	2014-Lubbock PD-CIOT-00028	5,250
Safety City Teaching Kids to be Street Smart 13-14	20.600	2014-LubbockP-G-1YG-0047	31,536
STEP Impaired Driving Mobilization 13-14	20.601	2014-Lubbock PD-IDM-00002	4,508
Total Highway Safety Cluster			<u>41,294</u>
Total U. S. Department of Transportation			<u>6,403,297</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Programs:			
Canyon Lakes Water Reuse Project	66.202	XP96629501	461,166
Total CFDA 66.202			<u>461,166</u>
Total U. S. Environmental Protection Agency			<u>461,166</u>
<u>U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed through Texas Department of Aging & Disability Services:			
Special Program for the Aging Title III B 13-14	93.044	A100	25,147
Special Program for the Aging Title III C 13-14	93.045	A100	147,795
Total Aging Cluster			<u>172,942</u>
Passed through Texas Department of State Health Services:			
Immunization / Locals 14-15	93.268	2015-001290-00	21,480
Immunization / Locals 13-14	93.268	2014-001290-00	241,693
Total CFDA 93.268			<u>263,173</u>
Public Health Emergency Preparedness 14-15	93.069	2015-001284-00	19,375
Public Health Emergency Preparedness 13-14	93.069	2014-001284-00	233,457
Total CFDA 93.069			<u>252,832</u>
Preventive Health & Health Services Block Grant (RLSS/LPHS) 13-14	93.991	2014-001286-00	19,015
Total CFDA 93.991			<u>19,015</u>
Passed through Texas Department of Housing & Comm. Affairs:			
Comprehensive Energy Assistance Program (CEAP) 2014 2nd Award	93.568	58130001950	267,101
Comprehensive Energy Assistance Program (CEAP) 2014	93.568	58140001789	804,785
Comprehensive Energy Assistance Program (CEAP) 2013	93.568	58130001622	327,049
Total CFDA 93.568			<u>1,398,935</u>
Community Services Block Grant 2014	93.569	61140001832	219,560
Community Services Block Grant 2013	93.569	61130001572	106,943
Total CFDA 93.569			<u>326,503</u>
Total U. S. Department of Health & Human Services			<u>2,433,400</u>

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Federal Awards Expended
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Governor's Division of Emergency Management:			
Emergency Management Performance Grant 13-14	97.042	14TX-EMPG-0944	\$ 96,650
Total CFDA 97.042			<u>96,650</u>
MMRS 2011	97.071	2011-SS-00019	1,349
Total CFDA 97.071			<u>1,349</u>
Total U. S. Department of Homeland Security			<u>97,999</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 12,842,010</u>

CITY OF LUBBOCK, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. Federal awards include expenditures funded with program income, but excludes expenditures funded with City matching funds and revolving loan funds.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

(3) Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs, including the summary of auditors' results is included on page 183.

(4) Relationship to Federal and State Financial Reports

Grant expenditure reports as of September 30, 2014, which have been submitted to grantor agencies, will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

(5) Sub-recipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to sub-recipients totaling \$1,750,410.

<u>Program</u>	<u>CFDA Number</u>	<u>Sub-recipient</u>	<u>Amount</u>
CDBG	14.218	Various	\$ 142,014
ESG	14.231	Various	151,007
HOME	14.239	Various	159,087
Byrne Memorial	16.738	Lubbock County	80,292
CEAP	93.568	Lutheran Social Services	1,054,256
CSBG	93.569	Various	142,885
Emergency Management	97.042	Lubbock County	<u>20,869</u>
Total Federal Assistance			<u>\$1,750,410</u>

(6) Outstanding Loans

The City has provided loans through its various housing programs. The outstanding balance of loans at September 30, 2014 was \$4,925,735. Taking into consideration the allowance for loan losses (\$271,342), the net balance of loans at September 30, 2014 was \$4,654,393.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

The Honorable Mayor and City Council
City of Lubbock, Texas

We have audited, 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 the statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (City) as of and for the year ended September 30, 2014, which collectively comprise its basic financial statements and have issued our report thereon dated February 16, 2015, which contained a reference to the reports of other auditors. Other auditors audited the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Civic Lubbock, Inc., component units included in the financial statements of the aggregate discretely presented component units, and West Texas Municipal Power Agency, a major fund, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
February 16, 2015

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

The Honorable Mayor and City Council
City of Lubbock, Texas

Report on Compliance for Each Major Federal Program

We have audited the compliance of City of Lubbock, Texas (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lubbock, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Lubbock, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
February 16, 2015

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2014

7. The City's major programs were:

Cluster/Program	CFDA Number
DOT – Airport Improvement Program	20.106
DOT – Highway Planning and Construction Cluster	20.205
EPA – Canyon Lakes Water Reuse Project	66.202
HUD – Low-Income Home Energy Assistance Program	93.568

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$385,260.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2014

Findings Required to be Reported by Government Auditing Standards

Reference Number	Summary of Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Summary of Finding	Questioned Costs
-----------------------------	---------------------------	-----------------------------

No matters are reportable.

City of Lubbock, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2014

Findings Required to be Reported by OMB Circular A-133

Reference Number	Summary of Finding	Status
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No matters are reportable.

City of Lubbock, Texas
Schedule of Expenditures of State Awards
For the Year Ended September 30, 2014

STATE GRANTOR/ PROGRAM TITLE	Grant/ Contract Number	State Awards Expended
Texas Department of State Health Services		
Milk & Dairy Products Division 11-12	2012-038793	\$ 4,963
Preventive Health & Health Services Block Grant (RLSS/LPHS) 14-15	2015-001286-00	8,646
Preventive Health & Health Services Block Grant (RLSS/LPHS) 13-14	2014-001286-00	81,066
STD Syphilis Elimination 14-15	2015-001351-00	4,225
STD Syphilis Elimination 13-14	2014-001351-00	123,209
Total Texas Department of State Health Services		222,109
Texas Department of Transportation		
5304 Funds - FY 13 State Route Study	51305F7134	8,892
5307 Funds - FY 14 State Operation	51405F7058	610,910
Total Texas Department of Transportation		619,802
Texas Forest Service		
Double Diamond Fire IMT Deployment		18,997
Total Texas Forest Service		18,997
TOTAL STATE FINANCIAL ASSISTANCE		\$ 860,908

CITY OF LUBBOCK, TEXAS
Notes to Schedule of Expenditures of State Awards
For the Year Ended September 30, 2014

(1) ***General***

The accompanying schedule of expenditures of state awards presents the activity of all applicable state awards of the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. State awards received directly from the state agencies, not passed through the State by the Federal Government, as well as state awards passed through other government agencies are included on the schedule.

(2) ***Basis of Accounting***

The accompanying schedule of state awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

(3) ***Relationship to State Financial Reports***

Grant expenditure reports as of September 30, 2014, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards and the State of Texas Uniform
Grant Management Standards**

The Honorable Mayor and City Council
City of Lubbock, Texas

We have audited, 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 and the State of Texas *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Management of the State of Texas, the statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (City) as of and for the year ended September 30, 2014, which collectively comprise its basic financial statements and have issued our report thereon dated February 16, 2015, which contained a reference to the reports of other auditors. Other auditors audited the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Civic Lubbock, Inc., a component unit included in the financial statements of the aggregate discretely presented component units, and West Texas Municipal Power Agency, a major fund, were not audited in accordance with *Government Auditing Standards* or the State of Texas *Uniform Grant Management Standards*. The financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc., Lubbock Economic Development Alliance and West Texas Municipal Power Agency were not audited in accordance with the State of Texas *Uniform Grant Management Standards*.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

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* or the State of Texas *Uniform Grant Management Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
February 16, 2015

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance

Independent Auditor's Report

The Honorable Mayor and City Council
City of Lubbock, Texas

Report on Compliance for Each Major State Program

We have audited the compliance of City of Lubbock, Texas (City) with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of its major state programs for the year ended September 30, 2014. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas *Uniform Grant Management Standards*. Those standards and the *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major State Program

In our opinion, the City of Lubbock, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Lubbock, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of Texas *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
February 16, 2015

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2014

7. The City's major program was:

Cluster/Program	State Agency	CFDA Number
5307 Funds – FY14 State Operation	Texas Department of Transportation	51405F7058

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grants Management Standards* was \$300,000.

9. The City qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*? Yes No

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2014

Findings Required to be Reported by Government Auditing Standards

Reference Number	Summary of Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by Uniform Grant Management Standards

Reference Number	Summary of Finding	Questioned Costs
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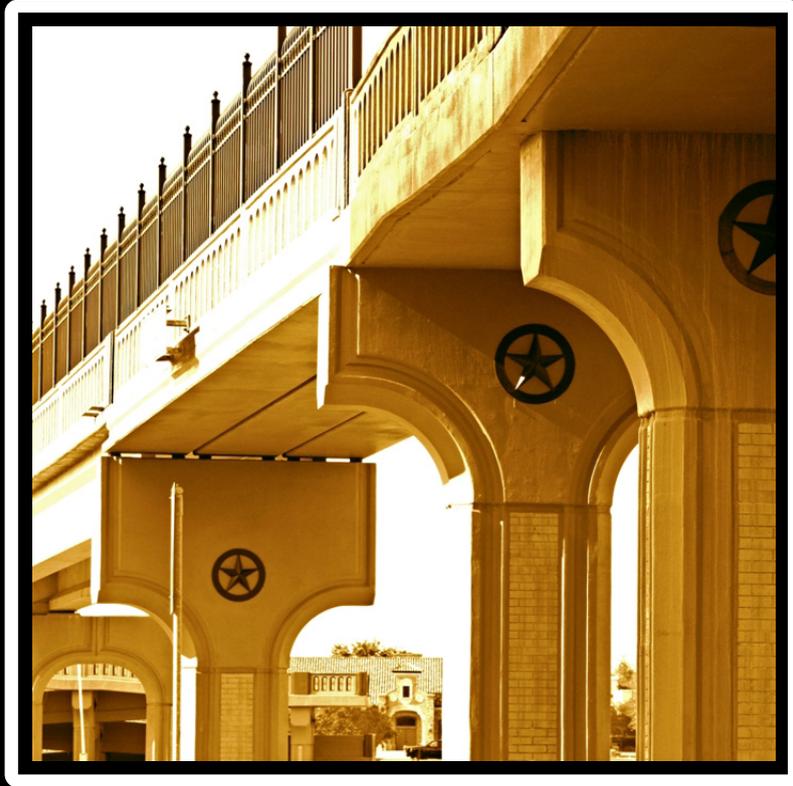
No matters are reportable.

City of Lubbock, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2014

Findings Required to be Reported by Uniform Grant Management Standards

Reference Number	Summary of Finding	Status
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No matters are reportable.



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