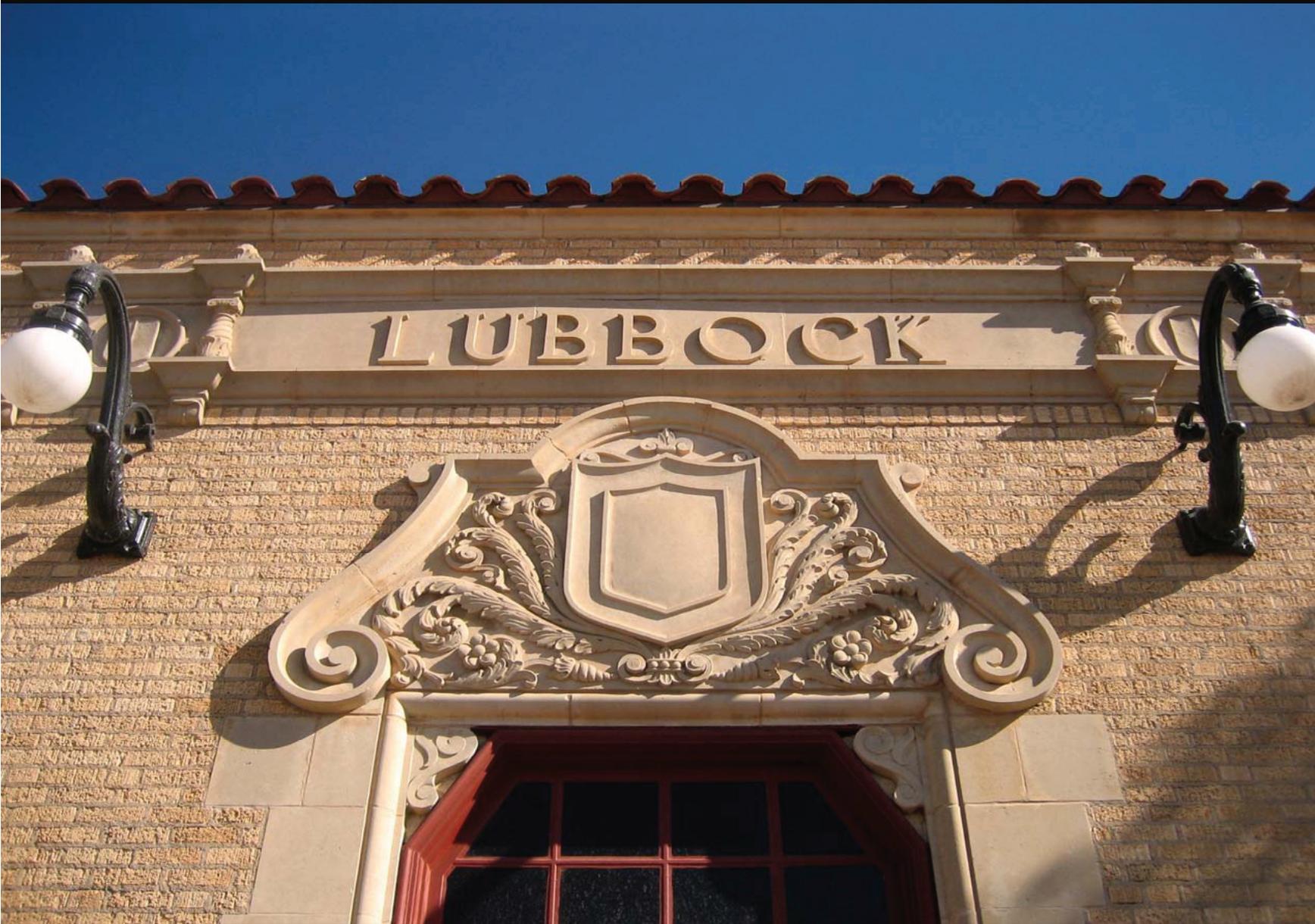


City of Lubbock, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2012





Comprehensive Annual Financial Report
List of Elected and Appointed Officials
For the Fiscal Year Ended September 30, 2012

City Council

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

Appointed Officials

Lee Ann Dumbauld	City Manager
Sam Medina	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
Dorothy Lewis, CPA	Senior Accountant
Veronica Valderaz	Senior Accountant
Zane Graham	Grant Accountant
Rhonda Gentry	Grant Accountant
Damian Pantoya, CPA	Lubbock Power & Light

**City of Lubbock, Texas
 Comprehensive Annual Financial Report
 Year Ended September 30, 2012**

TABLE OF CONTENTS

	Page
List of Elected and Appointed Officials	i
Table of Contentsii
 INTRODUCTORY SECTION	
Letter of Transmittal	1
Certificate of Achievement in Financial Reporting	15
Organizational Chart	16
 FINANCIAL SECTION	
Independent Accountants' Report on Financial Statements and Supplementary Information	17
Management's Discussion and Analysis	19
Basic Financial Statements:	
<u>Government-wide Financial Statements:</u>	
Statement of Net Assets	35
Statement of Activities	36
<u>Fund Financial Statements:</u>	
<u>Governmental Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	38
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	39
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	41
<u>Proprietary Fund Financial Statements</u>	
Statement of Net Assets – Proprietary Funds	42
Reconciliation of the Statement of Net Assets - Proprietary Funds to the Statement of Net Assets	47
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	48
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds to the Statement of Activities.....	51
Statement of Cash Flows - Proprietary Funds	52
 <u>Notes to Basic Financial Statements</u>	 55
 Required Supplementary Information:	
Schedule of Funding Progress	95
General Fund Budgetary Comparison Schedule	97
Special Revenue Funds and Debt Service Fund Budgetary Comparison Schedule	100

Combining Fund Statements and Schedules:

Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds 106
Combining Statement of Revenues, Expenditures and Changes in Fund
Balances – Nonmajor Governmental Funds 112

Nonmajor Enterprise Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds..... 120
Combining Statement of Revenues, Expenses and Changes in Fund Net
Assets – Nonmajor Enterprise Funds..... 124
Combining Statement of Cash Flows – Nonmajor Enterprise Funds 126

Internal Service Funds

Combining Statement of Net Assets – Internal Service Funds..... 130
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets – Internal Service Funds 134
Combining Statement of Cash Flows – Internal Service Funds 136

Nonmajor Component Units

Combining Statement of Net Assets – Nonmajor Component Units 140
Combining Statement of Activities – Nonmajor Component Units 142

Discretely Presented Component Unit

Statement of Net Assets – Urban Renewal Agency..... 144
Statement of Revenues, Expenses and Changes in Fund
Net Assets – Urban Renewal Agency 145
Statement of Net Assets – Vintage Township Public Facilities Corp. 146
Statement of Revenues, Expenses and Changes in Fund
Net Assets – Vintage Township Public Facilities Corp..... 147

STATISTICAL SECTION (unaudited)

Table A: Net Assets by Component..... 150
Table B: Changes in Net Assets..... 151
Table C: Fund Balance of Governmental Funds..... 153
Table D: Changes in Fund Balances of Governmental Funds 154
Table E: Tax Revenues by Source 155
Table F: Assessed and Estimated Actual Value of Taxable Property 156
Table G: Principal Taxpayers 157
Table H: Property Tax Levies and Collections..... 158
Table I: Property Tax Rates – Direct and Overlapping Governments..... 159
Table J: Ratio of Outstanding Debt by Type 160
Table K: Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt per Capita..... 161
Table L: Computation of Legal Debt Margin 162
Table M: Revenue Bond Coverage – LP&L and Water Bonds..... 163
Table N: Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Governmental
Expenditures 164
Table O: Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds in Governmental Activities..... 165
Table P: Demographic Statistics..... 166
Table Q: Principal Employers..... 167
Table R: Full-time Equivalents City Government Employees by Function.. 168
Table S: Operating Indicators by Function/Program 169
Table T: Capital Assets Statistics by Function/Program 170

COMPLIANCE REPORTS

Schedule of Expenditures of Federal Awards171

Independent Accountants’ 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*176

Independent Accountants’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133178

Schedule of Findings and Questioned Costs180

Summary Schedule of Prior Audit Findings183

Schedule of Expenditures of State Awards184

Independent Accountants’ 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*186

Independent Accountants’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the State of Texas *Uniform Grant Management Standards*188

Schedule of Findings and Questioned Costs190

Summary Schedule of Prior Audit Findings193



P.O. Box • 1625 13th Street • Lubbock, Texas 79457
(806) 775-0000 • Fax (806) 775-0001

March 27, 2013

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, 2012. 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 verified 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 firm of licensed certified public accountants. 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.

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 unqualified opinion. The independent accountants' report is presented as the first component of the financial section of this report.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

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 accountants.

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 2012 population is 233,651. The City covers approximately 123.6 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. On October 1, 2011 the City implemented GASB Statement No. 61: The Financial Reporting Entity: Omnibus. This amended GASB Statements No. 14 and No. 34. 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. Additional information on the component units can be found in the footnotes.

¹ City of Lubbock GIS Department.

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 44 new police recruits in FY 2012. As of September 30, 2012, the department was staffed with 387 sworn officers. In FY 2012, the Police Department responded to 243,857 primary and backup dispatched calls for service with an average response time of 4.14 minutes.

The Lubbock Fire Department is dedicated to providing unparalleled emergency response and life safety services for the City. As of September 30, 2012, the Fire Department operated 17 fire stations and was staffed with 336 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 December 2012. Fire Station 19 is tentatively scheduled to go out for bid in July 2013 with construction to begin in August 2013. The Fire Department added two new dispatcher positions to the Communications Center for emergency call processing in FY 2012 and increased permanent staffing from 1 position to 2 positions for all 3 shifts. Many improvements continued to be made to citywide fire stations as a result of \$1 million in funding for fire station renovations being appropriated in the FY 2011 budget.

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-owned electric provider with 100,400 meters, an average daily consumption of 7,089,327 kWh, 37 substations, 4,311 total miles of primary and secondary distribution lines, and approximately 97 miles of transmission lines. LP&L is managed by the Electric Utility Board (EUB). Lubbock voters elected to amend the City Charter to provide for a governing EUB on November 2, 2004. 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 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 95.1 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.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

Water Utility: To assist with the strategic development of additional water supplies, the City Council established the Lubbock Water Advisory Commission (LWAC) in July 2003, with the primary objective of developing a 100-year water supply plan. In July 2007, with the recommendation of the LWAC, the City Council approved the 2007 Strategic Water Supply Plan. Currently, the City is developing the 2013 Strategic Water Supply Plan, which is scheduled to be presented to the City Council in February 2013. The City also works closely with the Region O Water Planning Group in preparing the State Water Plan, which includes the City's water supply needs and alternatives.

The daily capacity of the City water supply and treatment is 76 million gallons, with an average utilization of 36.6 million gallons per day. The City currently receives its water from three different sources: Roberts County Well Field, Bailey County Well Field, and Lake Alan Henry. The Roberts County Well Field is owned by the Canadian River Municipal Water Authority (CRMWA). Lubbock is one of CRMWA's eleven member cities. Bailey County Well Field and Lake Alan Henry are owned by the City.

The City obtained 7.6 billion gallons of its annual water supply from CRMWA in FY 2012. This was the first year that Lake Meredith, one of the CRMWA owned sources, did not have enough water to use. At the beginning of FY 2012, the Lake had reached its designated unstable water level and was no longer usable. Consequently, CRMWA now supplies 100 percent ground water from the Ogallala Aquifer in Roberts County to help meet the needs of member cities. In 2011, CRMWA increased its ground water rights to 407,566 acres with an estimated 22 million acre-feet of water within those rights. CRMWA was successful in purchasing an additional 144,000 acres of ground water rights from Mesa Water that are contiguous to existing water rights in Roberts County. In October 2010, CRMWA completed the expansion of the Roberts County Well Field to increase its production capacity. The project included 12 miles of 54-inch pipe to transport the well water to the existing transmission pipeline. Fifteen new water wells have been installed that are capable of producing approximately 2,500 gallons per minute per well. In addition, electrical supply lines and infrastructure were installed to provide power to the well pumps. This expansion allows CRMWA to deliver up to 65,000 acre-feet of water to its member cities each year. The volume from the expansion of the Roberts County Well Field replaces a portion of the volume received from Lake Meredith, although the aqueduct supplying water to the southern cities cannot be filled with the existing well field infrastructure.

The Bailey County Well Field contains 175 active water wells with 83,305 acres of water rights, providing 5.7 billion gallons of the City's annual water supply in FY 2012. In October 2011, the City completed the construction of eight additional wells to maintain the well field production rates. The City is currently in design 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 42.4 million gallons of the City's annual water supply in FY 2012. The South Water Treatment Plant includes a 225 million gallon terminal storage reservoir and a high service pump station to transfer the treated water into the City's distribution system.

The City provides water service to over 79,500 meters through 1,595 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.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

Wastewater Utility: Wastewater collection and treatment is provided within the city limits to residential, commercial, and industrial customers. As of January 1, 2012, the collection system consisted of 1,103 miles of sanitary sewer lines and 31 lift stations. The wastewater treatment plant has a permitted capacity of 31.5 million gallons per day and an average utilization of approximately 20 million gallons per day. The peak utilization of the wastewater treatment plant is 27 million gallons per day. The treated wastewater is disposed of or reused in various ways. In 2012, approximately 70 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 17 percent of the treated wastewater and 13 percent was discharged into the North Fork of the Double Mountain Fork of the Brazos River North Fork. 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 and Phase II 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 construction 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 solids handling. Construction began on digesters No. 8 and No. 9 in June 2011. Upgrades include new covers, new mixing system, new heating system, and gas piping. 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. Engineering design is 60 percent complete on the South Lubbock Sanitary Sewer System Expansion Phase I and construction is complete on package A of this expansion. 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 System Reuse Study is 95 percent complete. This study will help determine the most viable locations for discharging high quality treated effluent along the Canyon Lakes System. The results of this study will assist the City in determining where a new Northwest Wastewater Treatment Plant might be located to relieve the surcharge of sewer mains serving north Lubbock.

Storm Water Utility: The City's storm water run-off is primarily conveyed through the City's street system that discharges into 144 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. The City's municipal separate storm sewer system (MS4 permit) is made up of approximately 1,147 miles of paved and unpaved streets, 559 linear miles of paved and unpaved alleys, 1,239 storm sewer inlets, 93.4 miles of subsurface storm sewer pipe, six detention basins, 144 playa lakes, and one pump station. Maintenance of all of the storm sewers, including street cleaning and street maintenance, is funded through storm water fees.

During FY 2012, a primary focus of the Storm Water Utility was to finish the design and begin construction 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 continued compliance with both the City's MS4 Permit and the comprehensive Storm Water Ordinance.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

Solid Waste Utility: The City provides garbage collection and disposal services to 68,534 residential customers and 2,745 commercial customers. One of the City's two landfill sites is designated as the Caliche Canyon Landfill and includes a citizen transfer station. Cell construction and leachate pond development were completed at this landfill in FY 2012. The second site is the West Texas Regional Disposal Facility located in Abernathy, Texas, which opened in 1999, and is 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 230 years. Construction of Cell 4 was completed in FY 2012.

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 one major cargo airline. It facilitates over 80 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 design the rehabilitation of 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. Citibus provides a Fixed Route Service, CitiAccess (paratransit system), evening service, and other special services. CitiAccess is a curb-to-curb service for disabled members of the community. The Citibus evening service is designed to meet the needs of CitiAccess and fixed route passengers who rely on public transit. A majority of evening service passengers work at night and use the service for transportation to and from their jobs. In addition, Citibus offers route service for Texas Tech University. Citibus is also the contracted agent for passenger sales and freight shipping and receiving for Greyhound Lines, Inc., operating from the 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 223 houses in FY 2012 through the use of CDBG and HOME funds and assisted 2,286 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 2012, individuals received assistance in weatherizing their home to make their home more energy efficient; 1,467 households received utility assistance; 46 individuals graduated from the Self-Sufficiency Program; and approximately 25,000 residents received referral assistance through the Information and Referral Hotline.

Cultural and Recreation Activities: Cultural and recreation services are provided by the City through four libraries, 80 parks, and 60 playgrounds. Other recreational facilities include four swimming pools, 61 tennis courts, 51 baseball and softball fields, 49 soccer fields, three disk 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.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

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 1,090 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 of 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 as part of the Gateway program include: Indiana Avenue from 103rd Street to FM 1585, Quaker Avenue from 98th Street to 114th Street, and Quaker Avenue from 114th Street to FM 1585.

Another major street project in the Gateway Fund includes the paving of Frankford Avenue from 98th Street to 114th Street which is currently under construction and scheduled for completion in FY 2013.

Other major street improvement projects under construction or nearing completion include the following:

- 34th Street reconstruction from Indiana Avenue to University Avenue (2009 Bond Election),
- Paving of 114th Street between Slide Avenue and University Avenue,
- City-wide 10-year Street Maintenance Program, and
- 98th Street sanitary sewer remediation, reconstruction of the street between Albany Avenue and Huron Avenue with seven-lane concrete pavement.

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 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

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

appropriations do not lapse at fiscal year end, but remain in effect until the project 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 from recessionary pressures. Core economic indicators, including sales tax receipts, construction activity, and unemployment, all suggest that Lubbock will continue to see solid expansion in the future. The retail picture particularly shows steady improvement in Lubbock with inflation-adjusted taxable retail spending on the cusp of returning to pre-downturn 2008 levels.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 2011, 6.6 percent of the nation's upland cotton crop and 27.7 percent of the state's upland cotton crop were produced by farmers in the Southern High Plains District. Due to a severe drought in the State, the Southern High Plains production was 970,000 bales, down 74.8 percent from the 3.9 million bales produced in the fall of 2010.³

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 5,000 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 2012 enrollment for all higher education institutions in Lubbock was 49,106, a decrease of 0.7 percent from the Fall 2011 enrollment of 49,462. The decrease was primarily due to the enrollment decrease South Plains College experienced for the first time since 2006.⁵ 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.

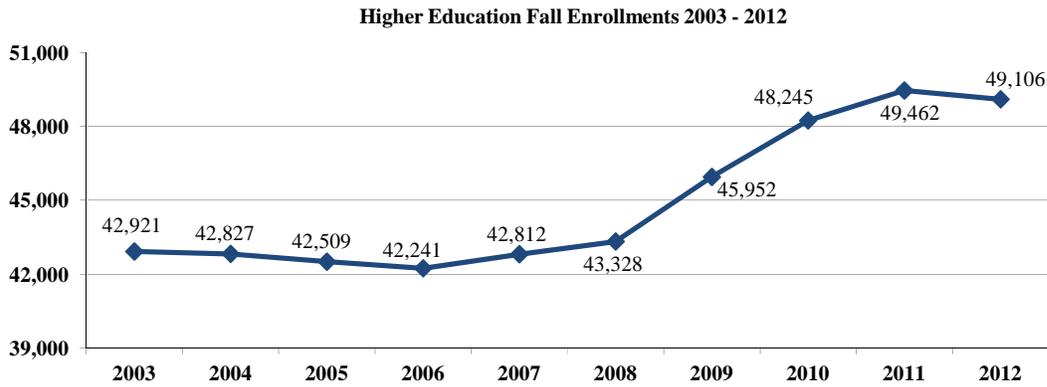
² Ingham Economic Reporting, September-2012, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham.

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

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

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

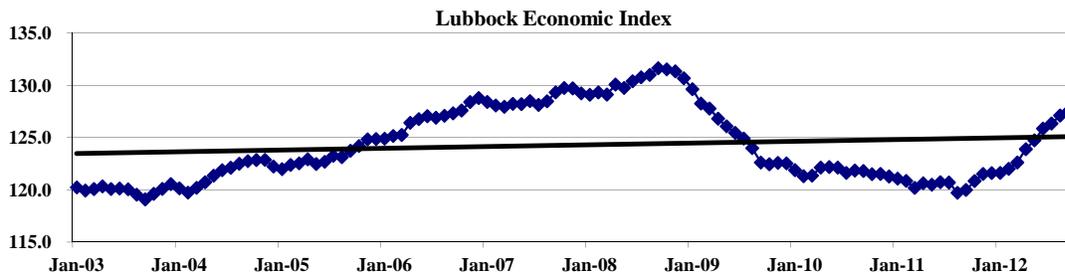
Honorable Mayor, City Council,
 And Citizens of the City of Lubbock, Texas
 March 27, 2013



The health care and social assistance sector is also a vital component of the Lubbock economy, with 21,843 employees and payroll of approximately \$787 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 2012 was 127.5, which represents an increase of 6.3 percent from the September 2011 level of 120.0.

The Lubbock Economic Index peaked in September 2008 at 131.6 and declined until August 2011 due to the impact of the national recession. In September 2011, the trend reversed and the economic index began to show signs of recovery. While still below the pre-downturn levels, auto sales in 2012 increased by a wide margin compared to the previous year.⁷ Housing prices continued to increase at a steady pace and existing home sales experienced a solid increase during the year.



Sales Tax Collections: Sales tax collections for FY 2012, totaling \$57,303,792, were 6.8 percent higher than collections through the same period in FY 2011. FY 2012 collections hit an all-time record high with the second largest year-to-year percentage increase in the last 10 years.⁸

⁶ U.S. Census Bureau, 2010 County Business Patterns, retrieved from <http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl> (2-year delay in publication).

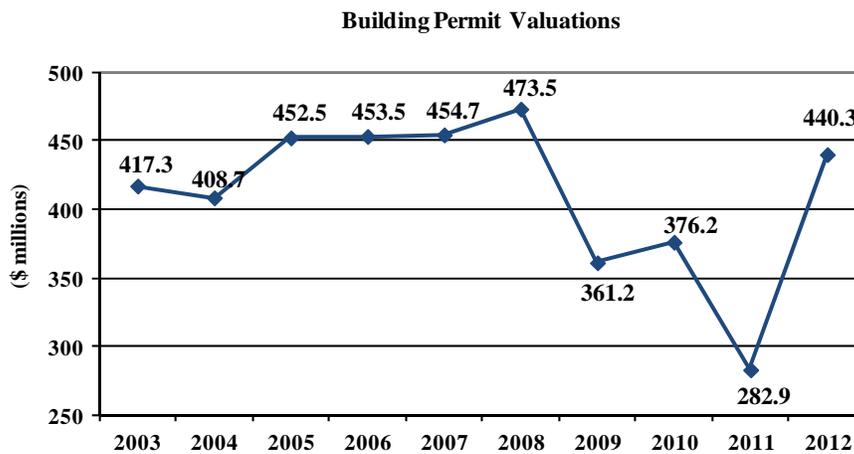
⁷ Ingham Economic Reporting, September-2012, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham.

⁸ City of Lubbock Finance Department, Historic Schedule of Sales Tax Receipts, October 2004 through September 2012.

Honorable Mayor, City Council,
 And Citizens of the City of Lubbock, Texas
 March 27, 2013



Building Permit Valuations: The construction sector experienced an increase during 2012, with the value of all building permits issued through December up 55.6 percent from the same period in 2011. The \$440.3 million in building permits issued through December 2012 is a significant increase from the \$282.9 million issued through December 2011. The yearly comparison is below:



The total number of new residential permits issued through December 2012 increased 15.2 percent from 2011 levels, and the total new residential valuations were \$207.5 million, 27.1 percent higher than the same time period in 2011.⁹ The average home sales price for FY 2012 was \$145,025, an increase of 0.9 percent over FY 2011.¹⁰

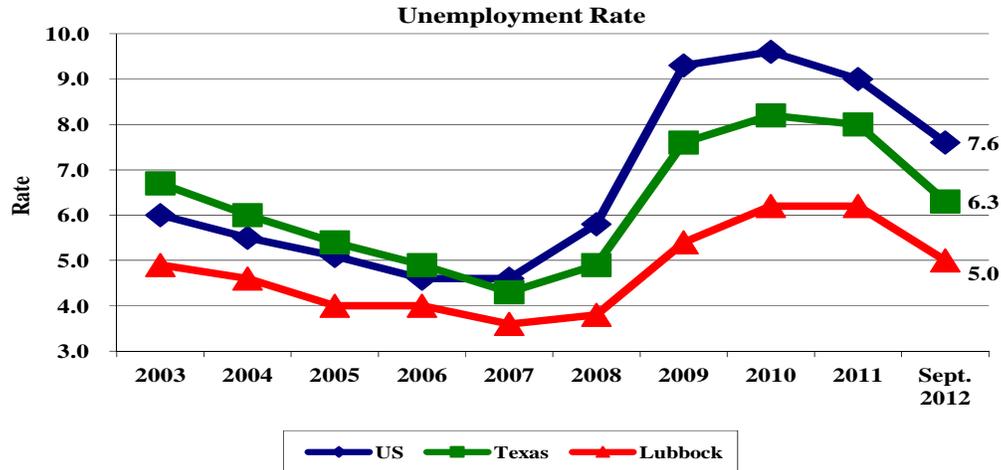
Employment: The total non-agricultural employment estimate for September 2012 was 129,800, a decrease of less than 1 percent from the September 2011 estimate of 130,300. The unemployment rate for the Lubbock Metropolitan Statistical Area in September 2012 was 5.0 percent, the fifth lowest in the State

⁹ City of Lubbock Building Inspection Department, September 2011 and September 2011 *Building Inspection Statistical Report*.

¹⁰ Texas A&M University Real Estate Center, *Lubbock MLS Housing Activity Report*, retrieved from <http://recenter.tamu.edu/data/datahs.html>.

Honorable Mayor, City Council,
 And Citizens of the City of Lubbock, Texas
 March 27, 2013

of Texas. Historically, Lubbock has had a low rate of unemployment that is well below the national and state unemployment rates.¹¹



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 .02937 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 2012 were \$7,861,727. During the last year, through their business retention, expansion, and attraction programs, LEDA assisted 15 companies by incenting the creation of 420 new jobs with an annual payroll of \$19.3 million and capital investment of \$28.8 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

¹¹ Texas Workforce Commission, LMCI Economic Profiles, retrieved from: <http://www.tracer2.com/cgi/dataanalysis/AreaSelection.asp?tableName=Laborforce>. Note: The methodology for calculating the unemployment rate was changed in 2005 and the last four years were recalculated based on the new method. The Lubbock MSA also changed in 2005 to include both Lubbock and Crosby Counties.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

million over the LBP Zone's 30-year life. The 2012 appraised value of the LBP Zone was \$44 million with a net taxable value of \$27.4 million, which is a \$27 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: six student-oriented apartment complexes; The Centre, an apartment complex built over upscale retail; City Bank; Super Wal-Mart; The Overton Hotel and Conference Center; condominiums; and many small specialty restaurants and retail establishments. In FY 2012, new projects completed were the new apartment complex on Mac Davis Lane and Avenue X and Racers Car Wash on Avenue R.

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 \$39.8 million has been expended as of September 30, 2012, 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 2012 appraised value of the Overton Zone was \$311.5 million, which is a \$284.6 million increase over the 2002 base year value.

North and East Lubbock Community Development Corporation: While Lubbock grew during the last 50 years, the areas of north and east Lubbock 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 also committed to provide funding to the NELCDC for four years. King's Dominion, a new single-family housing project, consists of twenty-seven homes. The NELCDC has also placed 130 families into scattered site developments. At the end of 2012, the NELCDC has originated \$2.8 million in mortgages for King's Dominion and an additional \$15 million for 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.

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 2012 appraised value of the CBD Zone was \$173.7 million, which is a \$67.9 million increase over the 2001 base year value.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

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. In December 2008, the first step in the implementation of the Plan was put into place when the City Council contracted with SGS Engineering to provide coordination and design services for the relocation of overhead utilities underground in the downtown target area, and in November 2011, the City of Lubbock executed a contract with Utility Contractors of America to construct the first phase of the relocation of the utilities underground. The construction of phase one of the project is nearing completion. In addition, 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 asset 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 twenty percent of operating revenues to meet unanticipated contingencies and fluctuations in revenue. Enterprise funds also have appropriable net asset 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 assets in an amount equal to 25 percent of operating revenues. The Solid Waste fund maintains appropriable net assets of eight percent of operating revenues while the Airport and Storm Water funds maintain 15 percent of operating revenues. Appropriable net assets have a slightly different definition than GAAP unrestricted net assets. 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. LP&L paid approximately \$2.0 million to the General Fund as a payment in lieu of property taxes during FY 2012. This amount 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, 2011. 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 eight 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.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 27, 2013

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, Senior Financial Analysts, and 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.

Respectfully submitted,



Lee Ann Dumbauld
City Manager



Pamela Moon, CPA
Executive Director of Finance

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, 2011

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



Christopher P. Morill

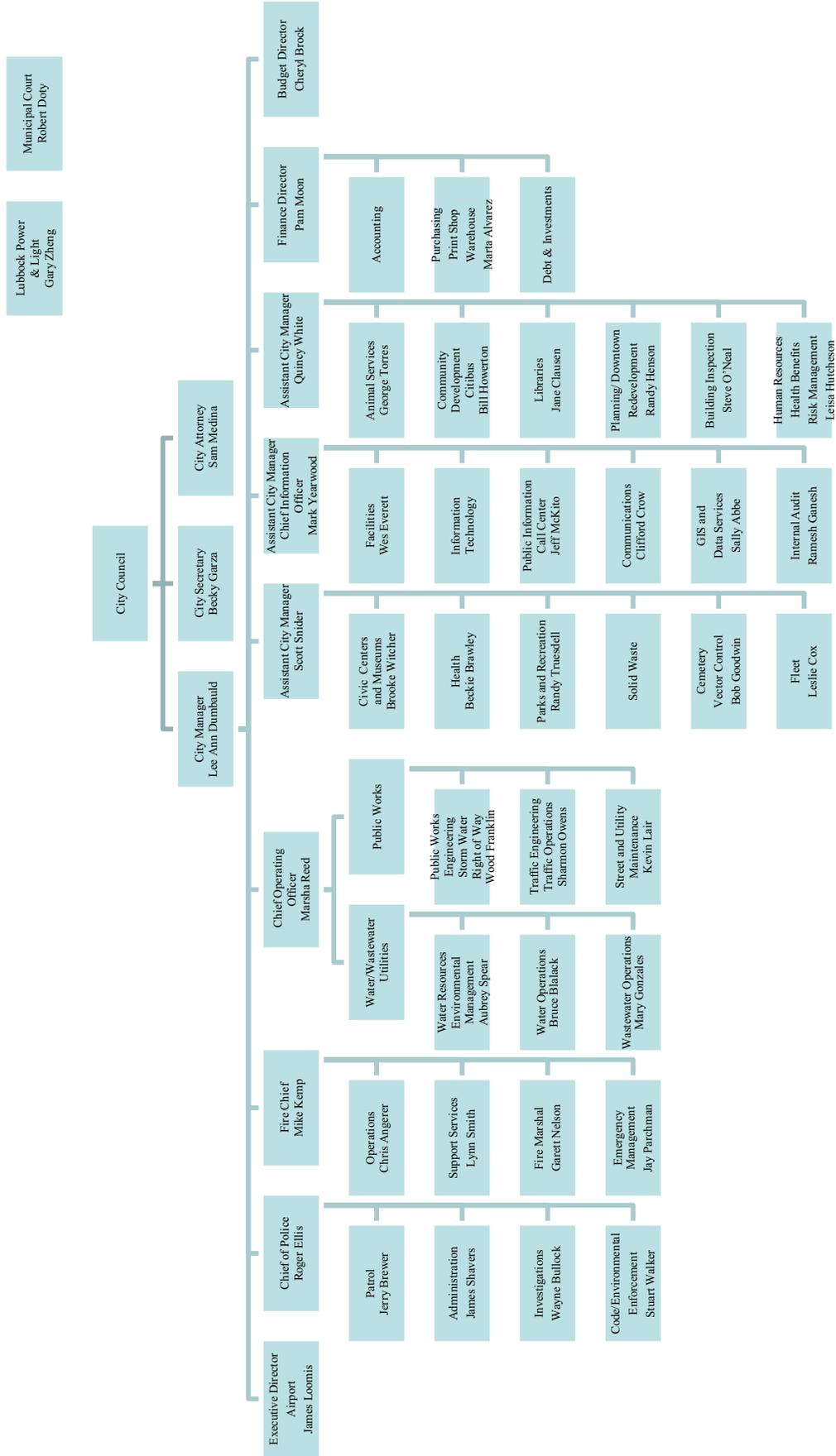
President

Jeffrey R. Enen

Executive Director



Organizational Chart



Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying 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 (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We 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 \$34,478,365 and \$18,878,021, respectively, and represent 88% and 99% of the aggregate discretely presented component units' total assets and program revenues, respectively, at September 30, 2012, and for the year then ended. The financial statements of these entities were audited by other accountants 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 accountants.

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

In our opinion, based on our audit and the reports of the other accountants, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note I.I.*, in 2012, the City changed its method of accounting for a component unit by retroactively restating the prior year's financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 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.

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*, as 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.

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.

BKD, LLP

March 27, 2013

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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, 2012.

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 exceeded its liabilities at September 30, 2012 by \$747.5 million (net assets), of which \$106.6 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$40.4 million as a result of operations during the fiscal year.
- The ending unassigned fund balance for the General Fund was \$28.1 million, or 24.7 percent of total General Fund revenues, an increase of \$6.3 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$98.0 million, of which \$24.6 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net assets of \$675.6 million, of which \$101.0 million is available for spending at the City's discretion.
- During FY 2012, the City issued \$124.3 million in bonded debt for capital projects, water rights and 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 35-37 of the CAFR, contain the *Statement of Net Assets* and the *Statement of Activities*, described below:

The *Statement of Net Assets* presents information on the City's assets and liabilities (including capital assets and short- and long-term liabilities), with the difference between the two reported as *net assets* using the accrual basis of accounting. Over time, increases or decreases in net assets 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 therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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 assets 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). 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, 2012

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 38-41 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 assets and the proprietary fund statement of revenues, expenses, and changes in fund net assets for comparison between enterprise funds and business-type activities. The proprietary FFS can be found on pages 42-53 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 55-93 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. Certain special revenue funds and the debt service fund budgetary comparison schedules are also presented in RSI, demonstrating compliance at the legal level of budgetary control. The RSI can be found on pages 95-102 of the CAFR.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Government-Wide Financial Analysis

As noted earlier, net assets serve as a useful indicator of the City's financial position. Assets exceeded liabilities by \$747.5 million (*net assets*) at the close of the fiscal year, compared to assets exceeding liabilities by \$707.1 million (*net assets*) at the end of the prior fiscal year. As a result of operations, total net assets increased by \$40.4 million during the period.

	Governmental Activities		Business-type Activities		Total	
	2012	2011 *	2012	2011	2012	2011
Current and other assets	\$ 131,980	\$ 124,557	\$ 384,769	\$ 426,125	\$ 516,749	\$ 550,682
Capital assets	319,729	309,698	1,246,552	1,127,414	1,566,281	1,437,112
Total assets	451,709	434,255	1,631,321	1,553,539	2,083,030	1,987,794
Current liabilities	52,121	49,152	109,156	112,435	161,277	161,587
Noncurrent liabilities	336,406	321,224	837,823	797,859	1,174,229	1,119,083
Total liabilities	388,527	370,376	946,979	910,294	1,335,506	1,280,670
Net assets:						
Invested in capital assets, net of related debt	55,235	54,813	542,640	492,011	597,875	546,824
Restricted	9,996	12,251	33,035	32,563	43,031	44,814
Unrestricted	(2,049)	(3,185)	108,667	118,671	106,618	115,486
Total net assets	\$ 63,182	\$ 63,879	\$ 684,342	\$ 643,245	\$ 747,524	\$ 707,124

* Restated

Approximately 80.0 percent of the City's net assets reflect 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 assets totaling 5.8 percent of total net assets, 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 assets of \$106.6 million may be used to meet the City's ongoing obligations.

The City reports positive balances in all three categories of net assets for the City as a whole, with negative unrestricted net assets of \$2.0 million for governmental activities and positive \$108.7 million for business-type activities. The governmental unrestricted net asset position improved by \$1.1 million from FY 2011.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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

	Governmental Activities		Business- type Activities		Totals	
	2012	2011*	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 9,700	\$ 9,405	\$ 353,385	\$ 362,092	\$ 363,085	\$ 371,497
Operating grants and contributions	12,095	13,835	8,400	9,387	20,495	23,222
Capital grants and contributions	8,962	8,397	28,428	16,061	37,390	24,458
General Revenues:						
Property taxes	60,935	57,534	-	-	60,935	57,534
Sales taxes	57,304	53,673	-	-	57,304	53,673
Other taxes	6,370	6,165	-	-	6,370	6,165
Franchise fees	9,728	8,307	-	-	9,728	8,307
Investment earnings	345	240	485	431	830	671
Other	9,686	5,615	3,508	3,697	13,194	9,312
Total revenues	175,125	163,171	394,206	391,668	569,331	554,839
Expenses:						
Administrative services/general govt.	11,564	11,787	-	-	11,564	11,787
Community services	5,493	10,708	-	-	5,493	10,708
Cultural and recreation	16,968	16,833	-	-	16,968	16,833
Economic and business development	15,101	15,944	-	-	15,101	15,944
Fire	41,336	39,620	-	-	41,336	39,620
Health	5,437	6,332	-	-	5,437	6,332
Police	58,549	56,537	-	-	58,549	56,537
Other public safety	6,881	5,920	-	-	6,881	5,920
Streets and traffic	26,411	21,244	-	-	26,411	21,244
Interest on long-term debt	13,653	13,290	-	-	13,653	13,290
Electric	-	-	187,682	197,364	187,682	197,364
Water	-	-	57,043	46,457	57,043	46,457
Wastewater	-	-	25,510	18,078	25,510	18,078
Solid Waste	-	-	16,761	16,743	16,761	16,743
Storm Water	-	-	10,882	10,892	10,882	10,892
Transit	-	-	12,810	11,335	12,810	11,335
Airport	-	-	11,739	11,192	11,739	11,192
Civic Centers	-	-	3,876	3,921	3,876	3,921
Cemetery	-	-	726	700	726	700
Lake Alan Henry	-	-	509	386	509	386
Total expenses	201,393	198,215	327,538	317,068	528,931	515,283
Change in net assets before transfers	(26,268)	(35,044)	66,668	74,600	40,400	39,556
Transfers	25,571	22,844	(25,571)	(22,844)	-	-
Change in net assets	(697)	(12,200)	41,097	51,756	40,400	39,556
Net assets - beginning of year	63,879	76,079	643,245	591,489	707,124	667,568
Net assets - end of year	\$ 63,182	\$ 63,879	\$ 684,342	\$ 643,245	\$ 747,524	\$ 707,124

*Restated

Changes in Net Assets: Details of the above summarized information can be found on pages 36-37 of the CAFR.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

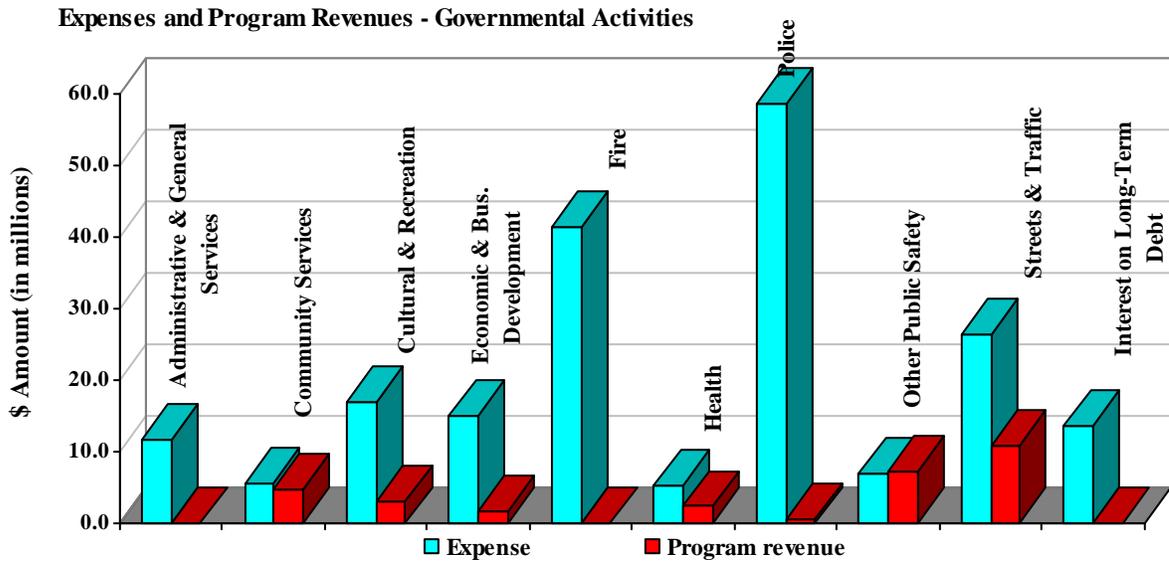
Governmental activities: The City's governmental activities experienced a decrease in net assets of \$0.7 million, compared to a decrease of \$12.2 million during the prior fiscal year. Key elements of the operational decrease include:

- Revenues increased \$11.9 million, from \$163.2 million in FY 2011 to \$175.1 million in FY 2012.
 - The City experienced a \$0.9 million decrease in total program revenues from FY 2011 to FY 2012. Charges for services increased \$0.3 million from FY 2011 to FY 2012 and capital grants and contributions increased \$0.6 million. This was more than offset by a decrease in operating grants and contributions totaling \$1.7 million. In FY 2011 the City received a \$1.9 million Department of Energy federal stimulus grant to provide an energy efficient HVAC system at the physical facility that serves the Mahon Library and Civic Center.
 - Property tax revenue increased from \$57.5 million in FY 2011 to \$60.9 million in FY 2012. The property tax rate was increased from \$0.45617 per \$100 of assessed value in 2011 to \$0.4740 per \$100 of assessed value in 2012. Taxable assessed values increased from \$12.3 billion in 2011 to \$12.6 billion in 2012.
 - Sales tax revenue totaled \$57.3 million, an increase of \$3.6 million from the prior year. The Lubbock economy entered into recession in October 2008; however, Lubbock's diverse economy, comprised of agricultural, educational, and medical sectors lessened the effects of the recession. Since FY 2008, sales tax growth has risen less than one percent annually; however in FY 2012, Lubbock experienced a 6.8 percent increase. This was the second largest year to year percentage increase in the last 10 years. Auto sales increased dramatically in 2012.
 - Franchise fees increased from \$8.3 million in FY 2011 to \$9.7 million in FY 2012, primarily due from the City recognizing additional revenue as the result of a franchise audit.
- Total expenses increased \$3.2 million, from \$198.2 million to \$201.4 million in FY 2012.
 - The Texas Municipal Retirement System (TMRS) contribution rate increased from 19.26 percent in FY 2011 to 19.95 percent in FY 2012 and the Lubbock Fire Pension Fund rate increased from 22.83 percent in FY 2011 to 23.42 percent in FY 2012. Expenses related to benefits increased due to rising health care costs.
 - Community services expenses decreased \$5.2 million in FY 2012, primarily due to the loss of two recurring grants and all American Recovery and Reinvestment Act grants.
 - Fire Department expenses increased \$1.7 million to \$41.3 million in FY 2012. This increase was expected with the addition of 15 firefighters for the newly constructed Station No. 16.
 - Police services increased \$2.0 million to \$58.5 million in FY 2012, with the majority of the increase due to additional salary and benefit costs.
 - Streets and traffic increased by \$5.2 million to \$26.4 million in FY 2012 with \$3.7 million of the increase from a Gateway street project that involves Quaker Avenue, Erskine and a Loop 289 interchange. The City of Lubbock has a small participation of cost in the Loop 289 interchange with the Texas Department of Transportation. Streets also saw a \$1.1 million increase in depreciation expense for FY 2012.
 - Interest expense increased \$0.4 million to \$13.7 million from the prior year as a result of additional bonded indebtedness and capital leases.
- Transfers from business-type activities during FY 2012 increased governmental activities' net assets by \$25.6 million. During the prior fiscal year, the transfers increased governmental activities' net assets by \$22.8 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

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012**

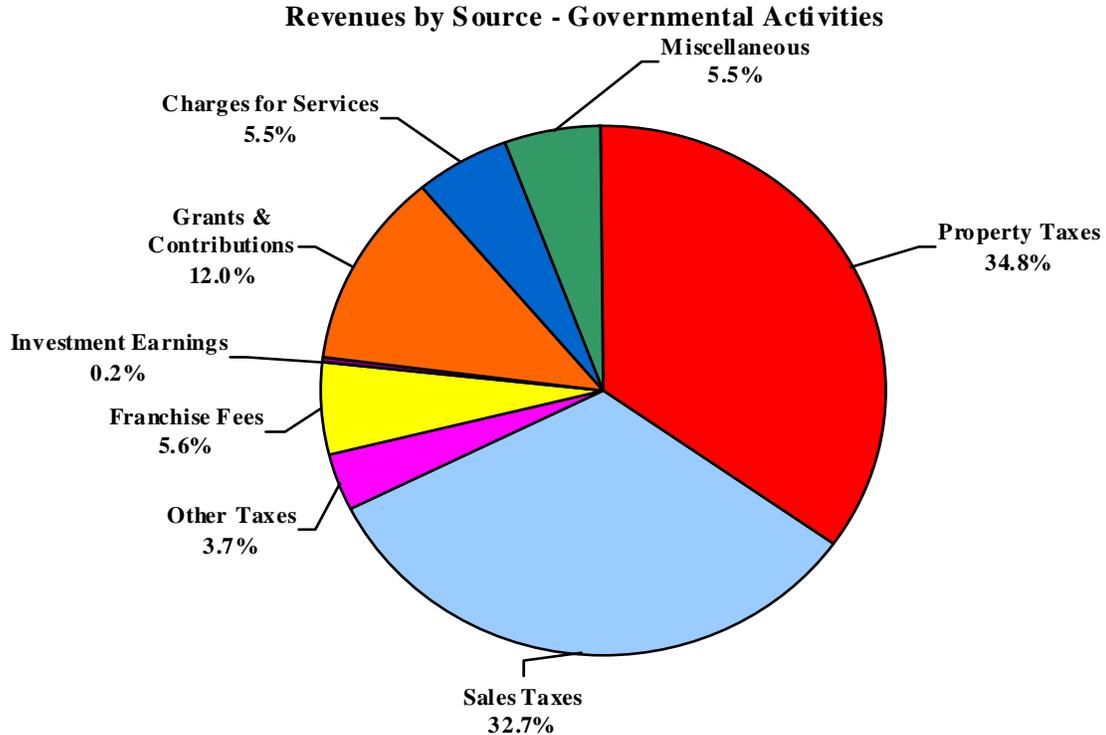
governmental activities. LP&L, Water, Wastewater, Storm Water, and Solid Waste all increased payment in lieu of taxes as a result of higher capital asset values and the increased property tax rate.

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



**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012**

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 \$394.2 million, compared to \$391.7 million in FY 2011, an increase of \$2.5 million. Key elements of the revenue increase from operations include:

- Charges for services for business-type activities totaled \$353.4 million in FY 2012, a decrease of \$8.7 million from the prior year.
 - Electric operations, which include LP&L and WTMPA, totaled \$195.8 million in FY 2012, a decrease of \$13.3 million. The decrease is related to declining natural gas and fuel cost which is a pass-through charge on the customer bill. The electric customer base increased 1.1 percent, from 99,660 meters in FY 2011 to 100,462 meters in FY 2012.
 - Water operations totaled \$73.0 million in FY 2012, a decrease of \$1.2 million. Water volume usage dropped 11.3 percent in FY 2012 from 15.0 billion gallons used in FY 2011 to 13.3 billion gallons used in FY 2012. In 2011 Lubbock had record low rainfall of 5.86 inches compared to 11.43 inches in 2012. Despite efforts to conserve water usage in FY 2011 citizens responded to the drought by using more water on lawns and vegetation. Average daily consumption in gallons was 36.6 million and 41.2 million in FY 2012 and FY 2011 respectively, compared to the more typical consumption pattern on 31.6 million gallons in FY 2010.
 - Wastewater operations totaled \$31.6 million, an increase of \$1.7 million. Wastewater rates increased in base rate from \$12.00 per month to \$14.00 per month for the ¾" water meter customer and from \$14.62 per month to \$17.06 per month for the 1" water meter customer.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

- Storm Water operations totaled \$19.0 million, an increase of \$2.8 million. Storm Water residential rates increased from \$12.00 to \$14.00 per month, and the commercial rate increased from \$79.65 per month to \$92.92 per month.
- Operating grants, capital grants and contributions continued to be a significant revenue source for business-type activities during FY 2012, producing \$36.8 million in revenue, resulting in an \$11.4 million increase from the prior year. Of that increase, \$10.3 million is related to Airport capital grants and contributions, which increased from \$12.5 million in FY 2011 to \$22.8 million in FY 2012. The Airport Fund has undertaken a multi-phase rehabilitation project on one of its runways, with an estimated cost of over \$50 million.

Expenses for business-type activities were \$327.5 million in FY 2012, an increase of \$10.4 million.

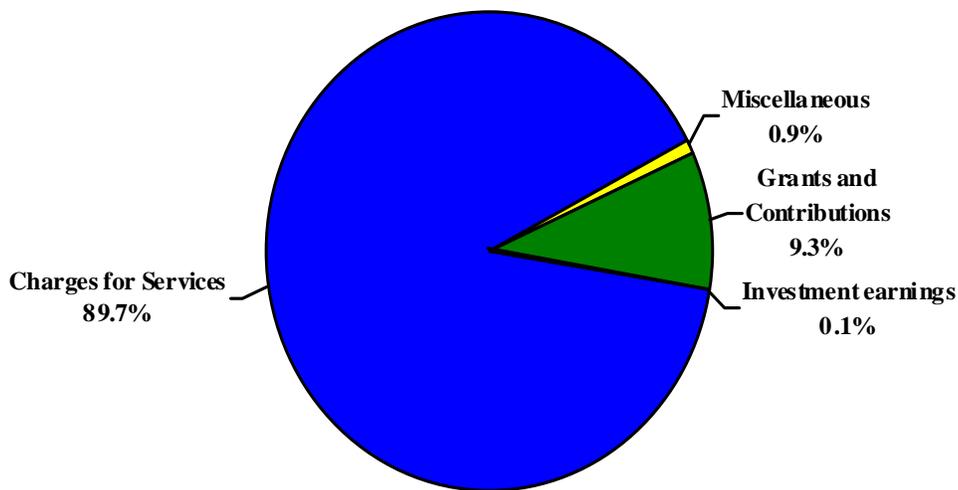
- Electric operating expenses were \$187.7 million, a decrease of \$9.7 million from the prior year. A big driver in the operating expense decrease was the reduction of \$7.9 million in fuel and power purchased in FY 2011. In 2011, purchased power costs exceeded the budget by over \$8.3 million because of the record number of 100 degree days.
- Expenses in the Water fund were \$57.0 million in FY 2012. Water expenses increased by \$10.5 million over FY 2011. In FY 2011 the City of Lubbock issued \$41 million Tax and Waterworks System Surplus Revenue CO Series 2010C bonds for the construction of a raw water transmission line, a pump station and water treatment plant to enable Lake Alan Henry to serve as a water supply for the City. In FY 2011 the City of Lubbock also issued \$112.2 million Tax and Waterworks System Surplus Revenue CO Series 2011 bonds for various public improvements that included water projects. The water portion of this debt was \$37.2 million. Interest expense increased from \$8.4 million in FY 2011 to \$17.7 million in FY 2012 because of these new debt issuances. The water fund moved \$210 million out of construction in progress assets to depreciable assets in FY 2012. Most of these large assets were related to the Lake Alan Henry pipeline that came online in 2012. Depreciation expense for the water fund increased by \$3.8 million in FY 2012 because of the new asset additions.
- Expenses in the Wastewater fund increased by \$7.4 million in FY 2012 to \$25.5 million. Wastewater was part of the 2011 Tax and Waterworks System Surplus Revenue CO Series 2011 issuance discussed above. The wastewater portion of this debt issuance was \$42.7 million. This funding was used for a 98th Street Sanitary Sewer Remediation project as well as for a project to construct a new Southeast Water Reclamation Plant. Interest expense in FY 2012 increased by \$3.3 million because of the new debt issuance in FY 2011. In FY 2012, \$58.5 million of assets were moved from construction in progress to depreciable assets. Many of the assets were related to the Southeast Water Reclamation Plant, a project exceeding \$50 million. Depreciation expense for the wastewater fund increased by \$1.7 million in FY 2012 because of these new depreciable asset additions. Expenses of \$2.1 million were related to sewer line remediation work that was done on 98th street in FY 2012.
- Expenses for Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry were \$29.7 million, a \$2.2 million increase from FY 2011. Most of the increase was in Transit, which saw an increase of \$1.5 million. Both personal services and supplies for Citibus increased by \$0.3 million in FY 2012. Citibus added \$2.3 million of depreciable assets in FY 2012. Included in the \$2.3 million of depreciable assets were a number of used buses received in late 2011. These buses have short

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012**

remaining lives and increased the depreciation for Citibus substantially in FY 2012. Airport expenses increased to \$11.7 million in FY 2012 from \$11.2 million in FY 2011 with personal services increasing \$0.3 million and supplies increasing \$0.2 million.

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 GASB has defined five types of fund balances, which, are more fully described in the footnotes to the financials. The City uses four of the five types of fund balances defined: nonspendable, restricted, committed, and unassigned.

The unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year.

At the end of the year, the City's governmental funds reported combined ending fund balances of \$98.0 million, compared to \$98.3 million (restated) at the end of the prior fiscal year.

The General Fund is the chief operating fund of the City. In FY 2012 the General Fund had \$28.1 million unassigned fund balance compared to \$21.7 million unassigned fund balance in FY 2011. This is 28.6 percent of the ending governmental fund balance, compared to 23.0 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

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012**

fund balance represented 24.7 percent of total General Fund revenues compared to 20.4 percent of total General Fund revenue in the prior year.

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 assets of the major proprietary funds at the end of September 30, 2012 and 2011 are as follows with amounts presented in thousands:

	<u>2012</u>	<u>2011</u>
LP&L	\$ 50,696	\$ 70,475
Water Fund	23,221	19,339
Wastewater Fund	10,143	8,743
WTMPA	1,590	1,668
Storm Water	2,498	3,006
	<u>\$ 88,148</u>	<u>\$ 103,231</u>

The LP&L Fund unrestricted net assets decreased by \$19.8 million, compared to a decrease of \$16.9 million in the prior year. The Electric Utility Board utilized accumulated reserves in order to cash fund a portion of new LP&L capital projects in FY 2012.

The Water Fund unrestricted net assets increased by \$3.9 million compared to an increase of \$6.9 million in the prior year. The change in net assets in FY 2012 was planned to stabilize rates for future estimated operational growth, equipment replacement, and capital program requirements related to the Lake Alan Henry Pipeline Project. Revenues dropped \$1.2 million in comparison to FY 2011, but were \$10.5 million higher than in FY 2010. Precipitation was still very low in FY 2012 even though it was almost twice as much as the drought season of FY 2011. These low levels of precipitation have led to higher usage of water by citizens on their lawns.

The Wastewater Fund unrestricted net assets increased by \$1.4 million compared to an increase of \$0.3 million in the prior year. This increase in net assets in FY 2012 was planned. Wastewater operational revenue increased by \$1.7 million with increases in base rates for all meters.

The WTMPA Fund unrestricted net assets decreased by \$0.1 million compared to a decrease of \$0.1 million during the prior fiscal year. This fund has very little fluctuation in net assets since operating revenues are set to break even with operating expenses.

The Storm Water Fund unrestricted net assets decreased by \$0.5 million compared to a \$0.6 million increase in the prior fiscal year. Transfers to cover debt service increased by \$1.1 million in FY 2012.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012**

General Fund Budgetary Highlights

The Adopted Operating Budget for the General Fund, including transfers, totaled \$133.8 million.

Revenue for FY 2012, including transfers in, totaled \$133.7 million. The original operating expenditure budget for the General Fund, including transfers out, totaled \$133.6 million. During FY 2012, an amendment was passed to increase the Street Department appropriation in the amount of \$0.12 million. In addition, an increase in transfers out of \$0.074 million was approved in FY 2012. The increase in transfers was for local match dollars for grants. After supplements, the final General Fund expenditure budget totaled \$133.8 million.

Revenue and transfers-in to the General Fund were over budget by \$5.9 million. Property tax was over budget by \$0.3 million while sales tax was over budget by \$3.2 million. Budget projections were conservative as the City experienced several years of limited growth in sales tax as the nation faced a three-year recession. Telecom right of way revenues were \$1.0 million over budget, which was the result of \$0.9 million additional revenues recognized as a result of a franchise fee audit.

The City ended the fiscal year with expenditures and transfers out totaling \$0.5 million more 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, 2012 totaled \$1.5663 billion, a \$129.2 million increase over the prior fiscal year's balance of \$1.4371 billion. The investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

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

	Governmental Activities		Business- type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 19,626	\$ 18,391	\$ 58,396	\$ 57,604	\$ 78,022	\$ 75,995
Buildings	30,756	31,650	111,271	65,954	142,027	97,604
Improvements other than buildings	217,452	220,519	857,847	640,301	1,075,299	860,820
Machinery and equipment	21,644	23,703	96,048	83,479	117,692	107,182
Construction in progress	30,252	15,435	122,989	280,076	153,241	295,511
Total	\$ 319,730	\$ 309,698	\$ 1,246,551	\$ 1,127,414	\$ 1,566,281	\$ 1,437,112

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

- Transformers and overhead and underground electric lines for LP&L, totaling \$8.3 million
- Lake Alan Henry Water Treatment Plant, totaling \$19.2 million
- Lake Alan Henry pipeline and raw water line, totaling \$29.6 million
- Southeast Water Reclamation Plant improvements, totaling \$10.6 million

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012**

- Extension of Airport Runway 08/26 and reconstruction of Taxiways R, K and P, totaling \$23.6 million
- Storm water infrastructure at Maxey Park, totaling \$6.7 million
- Reconstruction of 34th Street Paving from Indiana Avenue to Avenue Q, totaling \$3.5 million
- Various Gateway Street projects, totaling \$8.7 million
- Fire Station No. 18, totaling \$1.4 million

At the end of the fiscal year, the City had construction commitments of \$208.5 million. The Water Fund has a large active project to improve the well fields in Bailey County and work continues on improvements to the water treatment plant. Another large construction commitment is for construction of storm water infrastructure from Maxey Park to the Canyon Lakes. This project should help relieve flooding risk along Quaker Avenue.

Additional information about the City's capital assets can be found on pages 69-72 of the CAFR.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 286,227	\$ 278,937	\$ 702,723	\$ 682,353	\$ 988,950	\$ 961,290
Revenue bonds	-	-	129,153	107,586	129,153	107,586
Total	\$ 286,227	\$ 278,937	\$ 831,876	\$ 789,939	\$ 1,118,103	\$ 1,068,876

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 2012 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.102, which is significantly below the maximum allowable tax rate.

As of September 30, 2012, the City's total outstanding debt has increased by \$49.2 million, or 4.6 percent over the prior fiscal year. The increase in outstanding debt is attributed to the issuance of \$124.3 million in debt, offset by the payment of scheduled principal payment totaling \$59.4 million and refunded debt of \$15.7 million.

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

- \$66.1 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2012. These certificates were issued for various public improvements and renovations including City Hall, Solid Waste Disposal System, Municipal Drainage Utility System, Waterworks System, Lubbock Preston Smith International Airport facilities, parks, streets, and for construction of a new Land Application office
- \$12.4 million General Obligation Bonds, Series 2012. These certificates were issued for various public projects including firefighting facilities and equipment, street and traffic improvements.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

- \$15.2 million General Obligation Refunding Bonds, Series 2012. These bonds were used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The bonds refunded \$15.7 million in outstanding debt, which resulted in a decrease of \$1.5 million in total debt service requirements.
- \$30.6 million Canadian River Municipal Water Authority Revenue Bonds, Series 2011 were issued for pro rata share of water rights.

In March 2012, 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. Fitch and Standard and Poor's agencies also characterize the City's rating outlook as stable, while Moody's did not issue an outlook.

Additional information about the City's long-term debt can be found on pages 80-85 of the CAFR.

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

- In September 2012, the unemployment rate for the Lubbock area was 5.0 percent compared to the rate of 6.5 percent in September of the previous year. The rate also compares favorably to the state's unemployment rate of 6.3 percent and the national rate of 7.6 percent for September 2012.
- Taxable retail sales figures reflected a 6.8 percent increase in FY 2012, compared to FY 2011. Sales tax revenue was \$57.3 million in FY 2012.
- The total number of new residential permits through September 2012 increased 9.1 percent from 2011 levels, and valuation amounts were \$158.3 million which is 32.1 percent higher than the same time period in 2011.
- Hotel occupancy tax receipts increased to \$5.2 million in FY 2012 from \$4.9 million in FY 2011.

The following factors were considered in preparing the City's budget for FY 2013.

- The City has adopted an increased tax rate of \$0.49211 for FY 2013. The property tax rate will increase \$.01811 per \$100 valuation to fund projects authorized in the 2009 Bond Election. The bond election authorized \$50.6 million in streets, traffic control, and fire station projects. The property tax rate is broken down as follows: General Fund \$0.35683; Debt Service Fund \$0.10591; and Economic Development Fund \$0.02937. Property tax revenues are expected to increase by 7.9 percent for FY 2013 related to the tax rate increase.
- Sales tax revenues in FY 2013 are expected to increase 2.7 percent, which is a conservative estimate based on the large increase in sales tax revenue witnessed in FY 2012.
- Payments in lieu of property tax are expected to increase \$1.1 million. The increase will be the result of higher capital asset values and the increased property tax rate.
- Compensation costs are expected to increase 5.7 percent in FY 2013. Of the total \$4.0 million compensation increase for the General Fund, the increase for the Fire and Police Departments is

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

expected to be \$3.8 million and is due to the addition of 15 firefighters for the newly constructed Station No. 18 and six positions for the Third Battalion. The other factor in the compensation increase is an approved merit increase for all employees as of October 1, 2012 and step increases for all eligible firefighters and police officers.

- Pension costs are projected to increase \$0.6 million due to the FY 2013 salary increases for full-time employees. This increase is offset by the contribution rate decreasing from 19.95 percent to 19.48 percent of payroll for police and non-civil service employees and the firefighter contribution rate decreasing from 23.42 percent to 23.02 percent.

- The master lease program is expected to increase General Fund expenditures by \$0.5 million.

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 Assets
September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 8,619,320	\$ 21,885,211	\$ 30,504,531	\$ 3,880,925
Investments	44,787,285	107,993,140	152,780,425	1,973,515
Receivables (net of allowance for uncollectibles)	13,875,461	39,459,355	53,334,816	1,776,925
Internal balance	(850,606)	850,606	-	-
Due from other governments	3,209,357	3,535,048	6,744,405	-
Due from others	2,978,189	345,722	3,323,911	-
Inventories	125,191	2,879,345	3,004,536	149,103
Prepaid expenses	1,161,310	32,467	1,193,777	9,920
Restricted assets:				
Cash and cash equivalents	-	-	-	377,354
Investments	55,242,930	203,384,644	258,627,574	-
Incentive advances	-	-	-	1,000,000
Pledges and leases receivable	2,831,808	-	2,831,808	-
Investment in property	-	-	-	179,428
Mortgage receivables	-	-	-	4,592,747
Deferred charges and goodwill	-	4,403,078	4,403,078	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	49,877,549	181,385,446	231,262,995	25,139,780
Depreciable	269,851,288	1,065,166,498	1,335,017,786	170,843
Total assets	<u>451,709,082</u>	<u>1,631,320,560</u>	<u>2,083,029,642</u>	<u>39,250,540</u>
LIABILITIES				
Accounts payable	10,506,010	30,272,379	40,778,389	1,055,263
Accrued liabilities	2,989,995	2,205,753	5,195,748	76,480
Accrued interest payable	1,695,646	6,028,679	7,724,325	101,517
Customer deposits	2,461,614	6,099,141	8,560,755	-
Unearned revenue	3,340,896	3,220	3,344,116	1,288,021
Noncurrent liabilities due within one year:				
Compensated absences	7,870,242	3,373,379	11,243,621	-
Accrued insurance claims	1,586,821	1,487,154	3,073,975	-
Contracts and leases payable	4,494,066	5,327,298	9,821,364	2,338,134
Bonds and notes payable	17,175,329	54,359,190	71,534,519	1,333,924
Noncurrent liabilities due in more than one year:				
Compensated absences	15,565,584	2,937,725	18,503,309	-
Post employment benefits	20,441,341	10,172,168	30,613,509	-
Net pension obligation	7,431,997	4,568,486	12,000,483	-
Accrued insurance claims	160,986	2,092,492	2,253,478	-
Landfill closure and postclosure care	-	5,050,212	5,050,212	-
Contracts and leases payable	15,743,720	11,643,545	27,387,265	2,892,266
Bonds and notes payable	277,062,671	801,358,154	1,078,420,825	2,747,000
Total liabilities	<u>388,526,918</u>	<u>946,978,975</u>	<u>1,335,505,893</u>	<u>11,832,605</u>
NET ASSETS				
Invested in capital assets, net of related debt	55,234,571	542,639,917	597,874,488	23,982,699
Restricted for:				
Passenger facility charges	-	645,223	645,223	-
Debt service	5,262,359	32,389,622	37,651,981	-
Special revenue	4,317,432	-	4,317,432	4,772,175
Capital projects	416,659	-	416,659	-
Primary government agreement	-	-	-	100,000
Unrestricted	(2,048,857)	108,666,823	106,617,966	(1,436,939)
Total net assets	<u>\$ 63,182,164</u>	<u>\$ 684,341,585</u>	<u>\$ 747,523,749</u>	<u>\$ 27,417,935</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2012

	<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	\$ 11,564,122	\$ 33,881	\$ -	\$ -
Community services	5,493,264	-	4,698,914	-
Cultural and recreation	16,968,404	1,304,978	562,429	1,209,553
Economic and business development	15,100,595	897,615	500,000	376,764
Fire	41,335,751	26,370	-	-
Health	5,437,035	504,698	1,913,409	-
Police	58,549,406	218,487	101,357	224,245
Other public safety	6,881,024	6,646,970	663,338	-
Streets and traffic	26,411,247	67,509	3,655,160	7,151,246
Interest on long-term debt	13,653,174	-	-	-
Total governmental activities	<u>201,394,022</u>	<u>9,700,508</u>	<u>12,094,607</u>	<u>8,961,808</u>
Business-type activities:				
Electric	187,682,253	195,765,095	-	46,434
Water	57,042,756	73,013,404	1,596,635	1,763,074
Wastewater	25,510,169	31,626,539	143,243	1,630,578
Solid Waste	16,761,293	19,483,045	9,337	498,817
Storm Water	10,881,637	19,043,611	21,533	-
Transit	12,810,078	5,211,423	4,579,981	1,555,192
Airport	11,738,776	7,677,538	2,049,240	22,840,556
Civic Centers	3,876,483	663,415	-	93,410
Cemetery	726,256	410,604	-	-
Lake Alan Henry	509,291	490,211	-	-
Total business-type activities	<u>327,538,992</u>	<u>353,384,885</u>	<u>8,399,969</u>	<u>28,428,061</u>
Total primary government	<u>\$ 528,933,014</u>	<u>\$ 363,085,393</u>	<u>\$ 20,494,576</u>	<u>\$ 37,389,869</u>
Component units:				
Urban Renewal Agency (URA)	\$ 210,602	\$ -	\$ -	\$ -
Civic Lubbock, Inc.	2,774,219	2,266,988	289,108	-
Market Lubbock, Inc.	6,498,924	100,586	7,026,337	-
Lubbock Economic Development Alliance	4,909,143	-	7,839,996	1,355,006
Vintage Township Public Facilities Corporation	207,920	-	-	98,217
Total component units	<u>\$ 14,600,808</u>	<u>\$ 2,367,574</u>	<u>\$ 15,155,441</u>	<u>\$ 1,453,223</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 assets				
Net assets - beginning restated				
Net assets - ending				

See accompanying Notes to Basic Financial Statements

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

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (11,530,241)	\$ -	\$ (11,530,241)	\$ -
(794,350)	-	(794,350)	-
(13,891,444)	-	(13,891,444)	-
(13,326,216)	-	(13,326,216)	-
(41,309,381)	-	(41,309,381)	-
(3,018,928)	-	(3,018,928)	-
(58,005,317)	-	(58,005,317)	-
429,284	-	429,284	-
(15,537,332)	-	(15,537,332)	-
(13,653,174)	-	(13,653,174)	-
<u>(170,637,099)</u>	<u>-</u>	<u>(170,637,099)</u>	<u>-</u>
-	8,129,276	8,129,276	-
-	19,330,357	19,330,357	-
-	7,890,191	7,890,191	-
-	3,229,906	3,229,906	-
-	8,183,507	8,183,507	-
-	(1,463,482)	(1,463,482)	-
-	20,828,558	20,828,558	-
-	(3,119,658)	(3,119,658)	-
-	(315,652)	(315,652)	-
-	(19,080)	(19,080)	-
-	<u>62,673,923</u>	<u>62,673,923</u>	<u>-</u>
<u>(170,637,099)</u>	<u>62,673,923</u>	<u>(107,963,176)</u>	<u>-</u>
-	-	-	(210,602)
-	-	-	(218,123)
-	-	-	627,999
-	-	-	4,285,859
-	-	-	<u>(109,703)</u>
-	-	-	<u>4,375,430</u>
60,935,080	-	60,935,080	-
57,303,792	-	57,303,792	-
5,209,971	-	5,209,971	-
1,160,654	-	1,160,654	-
9,727,782	-	9,727,782	-
345,626	485,569	831,195	550
9,686,138	3,507,720	13,193,858	-
25,571,122	(25,571,122)	-	-
<u>169,940,165</u>	<u>(21,577,833)</u>	<u>148,362,332</u>	<u>550</u>
(696,934)	41,096,090	40,399,156	4,375,980
63,879,098	643,245,495	707,124,593	23,041,955
<u>\$ 63,182,164</u>	<u>\$ 684,341,585</u>	<u>\$ 747,523,749</u>	<u>\$ 27,417,935</u>

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2012

	<u>General Fund</u>	<u>Governmental Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,260,328	\$ 587,116	\$ 2,882,016	\$ 6,729,460
Investments	16,961,733	3,054,448	14,939,184	34,955,365
Taxes receivable (net)	10,480,618	-	1,258,984	11,739,602
Accounts receivable (net)	1,534,270	12,948	517,760	2,064,978
Interest receivable	41,551	-	26,535	68,086
Due from other funds	2,793,461	-	-	2,793,461
Due from other governments	-	47,271	3,162,086	3,209,357
Due from others	992,010	-	1,900,587	2,892,597
Inventory	105,079	-	-	105,079
Restricted investments	-	35,971,127	19,271,803	55,242,930
Pledges and leases receivable	-	-	2,831,808	2,831,808
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 36,169,050</u>	<u>\$ 39,672,910</u>	<u>\$ 46,790,763</u>	<u>\$ 122,632,723</u>
LIABILITIES				
Accounts payable	\$ 3,793,392	\$ 2,556,753	\$ 3,080,463	\$ 9,430,608
Accrued liabilities	2,742,104	2,305	58,546	2,802,955
Accrued interest payable	-	-	41,482	41,482
Customer deposits	-	-	2,461,614	2,461,614
Due to other funds	-	-	4,763,572	4,763,572
Deferred revenue	1,472,109	86,800	3,598,491	5,157,400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>8,007,605</u>	<u>2,645,858</u>	<u>14,004,168</u>	<u>24,657,631</u>
FUND BALANCES				
Nonspendable	105,079	-	-	105,079
Restricted	-	35,971,127	24,006,633	59,977,760
Committed	-	1,055,925	12,199,991	13,255,916
Unassigned	28,056,366	-	(3,420,029)	24,636,337
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>28,161,445</u>	<u>37,027,052</u>	<u>32,786,595</u>	<u>97,975,092</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 36,169,050</u>	<u>\$ 39,672,910</u>	<u>\$ 46,790,763</u>	<u>\$ 122,632,723</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
September 30, 2012

Total fund balance - governmental funds \$ 97,975,092

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 319,728,837

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 assets as follows:

Net assets	8,503,338
Net book value of capital assets	(2,479,170)
Capital leases payable	1,071,708
Compensated absences	779,203
Post employment benefits	692,077
Net pension obligation	350,804
Amounts due from business-type ISF's for amounts undercharged	1,119,505

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	(286,227,113)
Capital leases payable	(20,237,786)
Compensated absences	(23,435,826)
Post employment benefits	(20,441,341)
Net pension obligation	(7,431,997)
Accrued interest on general obligation bonds	(1,651,552)
Environmental remediation	(100,542)

Bond premiums are recognized as an other financing source in the fund statements but the premiums are amortized over the life of the bonds in the government-wide statements. (8,010,887)

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 Assets. 1,161,310

Revenue earned but unavailable in the funds is deferred. 1,816,504

Net assets of governmental activities \$ 63,182,164

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	<u>General Fund</u>	<u>Governmental Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 95,329,895	\$ -	\$ 29,204,051	\$ 124,533,946
Franchise taxes	5,820,803	-	3,906,979	9,727,782
Special assessments	-	-	763,467	763,467
Fees and fines	3,447,931	-	298,144	3,746,075
Licenses and permits	2,396,476	-	-	2,396,476
Intergovernmental	489,332	66,093	13,013,320	13,568,745
Charges for services	2,993,191	-	84,008	3,077,199
Interest	96,249	42,788	79,912	218,949
IRS Build America Bond Subsidy	-	-	459,377	459,377
Miscellaneous	2,787,312	472,191	3,117,658	6,377,161
Total revenues	<u>113,361,189</u>	<u>581,072</u>	<u>50,926,916</u>	<u>164,869,177</u>
EXPENDITURES				
Current:				
Administrative services and general government	10,383,779	-	-	10,383,779
Community services	-	24,514	5,031,425	5,055,939
Cultural and recreation	12,581,932	37,691	493,425	13,113,048
Economic and business development	458,816	-	12,891,472	13,350,288
Health	2,758,566	-	1,959,165	4,717,731
Fire	37,157,096	313,325	20,633	37,491,054
Police	51,853,715	-	1,368,844	53,222,559
Other public safety	5,164,942	488,727	666,868	6,320,537
Streets and traffic	6,624,079	445,431	3,734,941	10,804,451
Intergovernmental	-	-	99,423	99,423
Debt service:				
Principal	3,893,021	-	15,101,532	18,994,553
Interest and other charges	569,292	247,104	13,394,960	14,211,356
Capital outlay	4,668,303	18,059,707	11,775,423	34,503,433
Total expenditures	<u>136,113,541</u>	<u>19,616,499</u>	<u>66,538,111</u>	<u>222,268,151</u>
Revenues under expenditures	<u>(22,752,352)</u>	<u>(19,035,427)</u>	<u>(15,611,195)</u>	<u>(57,398,974)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	22,676,471	9,165,000	31,841,471
Bond premium	-	1,301,291	546,289	1,847,580
Payment to the refunded bond escrow agent	-	-	(9,703,645)	(9,703,645)
Capital leases issued	5,537,998	-	-	5,537,998
Transfers in	26,161,287	86,579	21,377,889	47,625,755
Transfers out	(2,655,369)	(43,908)	(17,338,866)	(20,038,143)
Net other financing sources	<u>29,043,916</u>	<u>24,020,433</u>	<u>4,046,667</u>	<u>57,111,016</u>
Net change in fund balances	6,291,564	4,985,006	(11,564,528)	(287,958)
Fund balances - beginning restated	<u>21,869,881</u>	<u>32,042,046</u>	<u>44,351,123</u>	<u>98,263,050</u>
Fund balances - end of year	<u>\$ 28,161,445</u>	<u>\$ 37,027,052</u>	<u>\$ 32,786,595</u>	<u>\$ 97,975,092</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, 2012

Net change in fund balances - total governmental funds \$ (287,958)

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 \$34,503,433 exceeded depreciation of \$27,831,118 in the current period. 6,672,315

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds of \$31,841,471 exceeded debt repayments of \$15,101,532, and debt defeasance of \$9,450,000. (7,289,939)

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 \$5,537,998 was less than repayments of \$3,893,021. (1,644,977)

Bond premiums are recognized as an other financing source in the governmental funds, but are considered deferred assets on the Statement of Net Assets. Premiums are amortized over the life of the bonds. This is the amount by which bond premium issued of \$1,847,580 exceeded deferred refunding charges of \$253,645, and amortization of \$533,985. (1,059,950)

Estimated long-term liabilities are recognized as expenses in the Statement of Activities as incurred, but are recognized when current financial resources are used in the governmental funds.

- Arbitrage payable 1,376
- Compensated absences (610,480)
- Post retirement benefits (6,194,551)
- Net pension obligation (519,964)
- Environmental remediation (24,965)

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. (207,158)

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. 577,099

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. 5,902,723

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. 45,067

Capital assets transactions include \$7,003,420 developer donated streets and parks, less \$2,016,490 capital asset transfers out to business-type activities and \$1,042,502 disposition of assets and use of property. 3,944,428

Change in net assets of governmental activities \$ (696,934)

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2012

Enterprise Funds

	LP&L	Water	Wastewater	WTMPA
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,210,713	\$ 3,972,494	\$ 2,019,182	\$ 1,204,697
Investments	47,918,384	20,666,753	10,504,721	403,537
Accounts receivable, net	21,156,814	8,737,594	3,291,539	629,253
Interest receivable	10,473	34,934	5,925	-
Due from others	-	918	39,917	-
Due from other funds	-	-	-	11,959,563
Due from other governments	-	40,768	71,388	-
Prepaid expenses	25,000	-	-	-
Inventories	170,671	195,485	-	-
Total current assets	<u>78,492,055</u>	<u>33,648,946</u>	<u>15,932,672</u>	<u>14,197,050</u>
Noncurrent assets:				
Restricted investments	13,697,174	91,438,003	48,607,853	-
Goodwill	2,125,302	-	-	-
Deferred charges	2,277,776	-	-	-
	<u>18,100,252</u>	<u>91,438,003</u>	<u>48,607,853</u>	<u>-</u>
Capital assets:				
Land	16,565,758	19,168,004	13,070,718	-
Construction in progress	13,498,536	6,748,127	35,947,393	-
Buildings	7,906,484	74,237,247	25,073,978	-
Improvements other than buildings	299,087,942	535,578,711	193,651,029	25,200
Machinery and equipment	67,525,391	38,537,410	30,103,386	-
Less accumulated depreciation	(170,432,509)	(147,947,246)	(94,255,123)	(25,200)
Total capital assets	<u>234,151,602</u>	<u>526,322,253</u>	<u>203,591,381</u>	<u>-</u>
Total noncurrent assets	<u>252,251,854</u>	<u>617,760,256</u>	<u>252,199,234</u>	<u>-</u>
Total assets	<u>\$ 330,743,909</u>	<u>\$ 651,409,202</u>	<u>\$ 268,131,906</u>	<u>\$ 14,197,050</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 569,172	\$ 2,962,687	\$ 19,938,945	\$ 3,836,126
2,961,098	15,413,268	97,867,761	19,957,299
1,932,628	3,651,860	39,399,688	-
-	5,261	56,593	5,869
-	255,404	296,239	135,075
-	3,419,341	15,378,904	-
-	3,422,892	3,535,048	-
-	7,467	32,467	-
-	758,230	1,124,386	1,775,071
<u>5,462,898</u>	<u>29,896,410</u>	<u>177,630,031</u>	<u>25,709,440</u>
39,312,900	9,783,190	202,839,120	545,524
-	-	2,125,302	-
-	-	2,277,776	-
<u>39,312,900</u>	<u>9,783,190</u>	<u>207,242,198</u>	<u>545,524</u>
2,822,611	6,768,963	58,396,054	65,343
9,738,750	57,056,586	122,989,392	62,498
64,580	68,332,987	175,615,276	1,697,054
114,363,462	136,239,588	1,278,945,932	1,023,798
5,516,813	78,775,880	220,458,880	11,181,729
<u>(20,698,418)</u>	<u>(177,570,172)</u>	<u>(610,928,668)</u>	<u>(10,476,174)</u>
<u>111,807,798</u>	<u>169,603,832</u>	<u>1,245,476,866</u>	<u>3,554,248</u>
<u>151,120,698</u>	<u>179,387,022</u>	<u>1,452,719,064</u>	<u>4,099,772</u>
<u>\$ 156,583,596</u>	<u>\$ 209,283,432</u>	<u>\$ 1,630,349,095</u>	<u>\$ 29,809,212</u>

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2012

Enterprise Funds

	LP&L	Water	Wastewater	WTMPA
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,360,782	\$ 5,736,011	\$ 2,966,817	\$ 12,607,523
Accrued liabilities	1,098,347	166,309	81,676	-
Accrued interest payable	1,989,272	2,147,655	832,815	-
Due to other funds	11,959,563	-	-	-
Customer deposits	5,807,440	175,368	-	-
Deferred revenue	-	-	-	-
Compensated absences	1,585,416	513,009	269,645	-
Accrued insurance claims	-	-	-	-
Leases payable	180,722	694,876	305,629	-
Bonds payable	16,291,725	21,957,745	8,733,346	-
Total current liabilities	<u>41,273,267</u>	<u>31,390,973</u>	<u>13,189,928</u>	<u>12,607,523</u>
Noncurrent liabilities:				
Accrued insurance claims	-	-	-	-
Landfill closure and post closure care	-	-	-	-
Compensated absences	1,509,596	488,476	256,750	-
Post employment benefits	3,741,603	2,015,384	904,630	-
Net pension obligation	2,146,732	759,729	477,472	-
Leases payable	27,349	1,980,043	1,667,532	-
Bonds payable	114,733,422	399,936,411	135,512,921	-
Total noncurrent liabilities	<u>122,158,702</u>	<u>405,180,043</u>	<u>138,819,305</u>	<u>-</u>
Total liabilities	<u>163,431,969</u>	<u>436,571,016</u>	<u>152,009,233</u>	<u>12,607,523</u>
NET ASSETS				
Invested in capital assets, net of related debt	105,432,338	180,966,096	100,492,309	-
Restricted for:				
Passenger facility charges	-	-	-	-
Debt service	11,183,220	10,651,445	5,487,497	-
Unrestricted	50,696,382	23,220,645	10,142,867	1,589,527
Total net assets	<u>\$ 167,311,940</u>	<u>\$ 214,838,186</u>	<u>\$ 116,122,673</u>	<u>\$ 1,589,527</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 1,326,170	\$ 4,383,301	\$ 29,380,604	\$ 1,967,177
36,250	798,705	2,181,287	110,964
807,089	248,073	6,024,904	6,387
-	1,449,230	13,408,793	-
-	116,333	6,099,141	-
-	3,220	3,220	-
85,527	879,845	3,333,442	301,609
-	-	-	3,073,975
453,675	3,688,555	5,323,457	272,456
3,513,339	3,849,491	54,345,646	13,544
<u>6,222,050</u>	<u>15,416,753</u>	<u>120,100,494</u>	<u>5,746,112</u>
-	-	-	2,253,478
-	5,050,212	5,050,212	-
81,437	563,439	2,899,698	555,558
453,153	2,664,672	9,779,442	1,084,803
174,979	880,297	4,439,209	480,081
2,205,147	5,724,350	11,604,421	842,217
114,921,349	35,739,936	800,844,039	514,115
<u>117,836,065</u>	<u>50,622,906</u>	<u>834,617,021</u>	<u>5,730,252</u>
<u>124,058,115</u>	<u>66,039,659</u>	<u>954,717,515</u>	<u>11,476,364</u>
27,202,883	127,508,737	541,602,363	2,445,016
-	645,223	645,223	-
2,824,307	2,230,729	32,377,198	12,424
<u>2,498,291</u>	<u>12,859,084</u>	<u>101,006,796</u>	<u>15,875,408</u>
<u>\$ 32,525,481</u>	<u>\$ 143,243,773</u>	<u>\$ 675,631,580</u>	<u>\$ 18,332,848</u>



City of Lubbock, Texas
Reconciliation of the Statement of Net Assets - Proprietary Funds
To the Statement of Net Assets
September 30, 2012

Total net assets - proprietary funds \$ 675,631,580

Amounts reported for business-type activities in the Statement of Net Assets 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 Assets as follows:

Net assets of business-type ISF's 9,829,510

Amounts due to governmental ISF's for amounts overcharged (1,119,505)

Net assets of business-type activities \$ 684,341,585

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended September 30, 2012

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
OPERATING REVENUES				
Charges for services (net)	\$ 189,208,522	\$ 73,013,404	\$ 31,626,539	\$ 132,339,779
Total operating revenues	<u>189,208,522</u>	<u>73,013,404</u>	<u>31,626,539</u>	<u>132,339,779</u>
OPERATING EXPENSES				
Personal services	17,668,284	8,356,437	4,427,654	-
Insurance and claims	-	-	-	-
Supplies	1,529,028	1,466,379	1,026,958	-
Materials	-	-	-	-
Maintenance	4,732,419	2,444,534	1,284,674	-
Purchase of fuel and power	125,922,551	-	-	132,277,661
Billing office expense	-	2,566,959	1,150,915	-
Other services and charges	4,543,992	9,933,453	6,180,789	498,876
Depreciation and amortization	21,357,658	14,896,966	6,837,420	-
Total operating expenses	<u>175,753,932</u>	<u>39,664,728</u>	<u>20,908,410</u>	<u>132,776,537</u>
Operating income (loss)	<u>13,454,590</u>	<u>33,348,676</u>	<u>10,718,129</u>	<u>(436,758)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	126,640	163,128	82,691	460
Passenger facility charges/Federal grants	-	-	93,881	-
Disposition of assets	79,770	76,205	(62,527)	-
Miscellaneous	636,025	234,075	84,253	-
IRS Build America Bond Subsidy	-	1,596,635	49,362	-
Interest expense	(5,290,534)	(17,694,805)	(4,717,852)	-
Net nonoperating revenues (expenses)	<u>(4,448,099)</u>	<u>(15,624,762)</u>	<u>(4,470,192)</u>	<u>460</u>
Income (loss) before contributions and transfers	9,006,491	17,723,914	6,247,937	(436,298)
Capital contributions	46,434	1,763,074	1,630,578	-
Transfers in	-	129,387	88,562	357,882
Transfers out	(12,296,061)	(8,139,109)	(3,548,599)	-
Change in net assets	<u>(3,243,136)</u>	<u>11,477,266</u>	<u>4,418,478</u>	<u>(78,416)</u>
Total net assets - beginning of year	<u>170,555,076</u>	<u>203,360,920</u>	<u>111,704,195</u>	<u>1,667,943</u>
Total net assets - ending	<u>\$ 167,311,940</u>	<u>\$ 214,838,186</u>	<u>\$ 116,122,673</u>	<u>\$ 1,589,527</u>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds

Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 19,043,611	\$ 33,936,236	\$ 479,168,091	\$ 57,588,074
<u>19,043,611</u>	<u>33,936,236</u>	<u>479,168,091</u>	<u>57,588,074</u>
1,974,271	18,179,660	50,606,306	6,043,425
-	-	-	30,473,593
171,827	3,749,370	7,943,562	107,836
-	-	-	12,717,203
276,628	4,993,622	13,731,877	2,382,486
-	-	258,200,212	-
714,797	610,487	5,043,158	-
1,015,777	5,814,785	27,987,672	2,645,008
3,089,858	12,545,304	58,727,206	703,254
<u>7,243,158</u>	<u>45,893,228</u>	<u>422,239,993</u>	<u>55,072,805</u>
<u>11,800,453</u>	<u>(11,956,992)</u>	<u>56,928,098</u>	<u>2,515,269</u>
45,613	49,418	467,950	144,296
-	6,629,221	6,723,102	-
77,059	540,221	710,728	26,373
12,531	2,543,671	3,510,555	4,337,592
21,533	9,337	1,676,867	-
<u>(3,763,288)</u>	<u>(1,419,783)</u>	<u>(32,886,262)</u>	<u>(37,567)</u>
<u>(3,606,552)</u>	<u>8,352,085</u>	<u>(19,797,060)</u>	<u>4,470,694</u>
8,193,901	(3,604,907)	37,131,038	6,985,963
498,817	26,505,648	30,444,551	24,873
-	6,243,432	6,819,263	-
<u>(6,433,109)</u>	<u>(3,989,997)</u>	<u>(34,406,875)</u>	<u>-</u>
<u>2,259,609</u>	<u>25,154,176</u>	<u>39,987,977</u>	<u>7,010,836</u>
<u>30,265,872</u>	<u>118,089,597</u>	<u>635,643,603</u>	<u>11,322,012</u>
<u>\$ 32,525,481</u>	<u>\$ 143,243,773</u>	<u>\$ 675,631,580</u>	<u>\$ 18,332,848</u>

City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Funds
To the Statement of Activities
For the Year Ended September 30, 2012

Net change in fund net assets - total enterprise funds \$ 39,987,977

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.

1,108,113

Change in net assets of business-type activities

\$ 41,096,090

See accompanying Notes to Basic Financial Statements.

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2012

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 191,386,954	\$ 73,465,106	\$ 31,535,128	\$ 133,017,359
Payments to suppliers	(132,891,120)	(30,790,218)	(9,783,451)	(132,737,850)
Payments to employees	(17,668,284)	(8,522,747)	(4,509,330)	-
Other receipts	636,025	1,830,710	133,615	-
Net cash provided by operating activities	<u>41,463,575</u>	<u>35,982,851</u>	<u>17,375,962</u>	<u>279,509</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	-	129,387	88,562	357,882
Transfers out to other funds	(12,296,061)	(8,139,109)	(3,548,599)	-
Short-term interfund repayments	-	-	-	-
Operating grants	-	-	93,881	-
Net cash provided (used) by noncapital and related financing activities	<u>(12,296,061)</u>	<u>(8,009,722)</u>	<u>(3,366,156)</u>	<u>357,882</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(26,143,871)	(82,629,544)	(23,401,587)	-
Sale of capital assets	390,381	133,174	69,536	-
Principal paid on capital leases	(659,152)	(726,648)	(205,520)	-
Principal paid on bonds	(10,709,760)	(22,669,696)	(9,214,113)	-
Issuance of capital leases	-	295,933	985,763	-
Issuance of bonds	-	51,845,615	11,449,266	-
Bond issuance costs	-	(569,790)	(135,583)	-
Interest paid on bonds and capital leases	(6,195,112)	(18,139,974)	(5,356,439)	-
Capital grants and contributions	-	579,844	237,194	-
Net cash provided (used) by capital and related financing activities	<u>(43,317,514)</u>	<u>(71,881,086)</u>	<u>(25,571,483)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	43,743,728	96,370,533	38,713,266	-
Purchase of investments	(27,244,322)	(49,568,944)	(26,137,587)	(460)
Interest earnings on cash and investments	128,114	155,509	79,766	460
Net cash provided (used) by investing activities	<u>16,627,520</u>	<u>46,957,098</u>	<u>12,655,445</u>	<u>-</u>
Net increase in cash and cash equivalents	2,477,520	3,049,141	1,093,768	637,391
Cash and cash equivalents - beginning of year	6,733,193	923,353	925,414	567,306
Cash and cash equivalents - end of year	<u>\$ 9,210,713</u>	<u>\$ 3,972,494</u>	<u>\$ 2,019,182</u>	<u>\$ 1,204,697</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 13,454,590	\$ 33,348,676	\$ 10,718,129	\$ (436,758)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	21,357,658	14,896,966	6,837,420	-
Other income	636,025	1,830,710	133,615	-
Change in current assets and liabilities:				
Accounts receivable	2,178,432	451,702	(91,411)	695,368
Inventory	37,664	(50,051)	-	-
Prepaid expenses	-	192,450	-	-
Due from other governments	-	17,537	(10,540)	-
Accounts payable	1,490,254	(15,559,892)	(456,387)	38,687
Due to/from other funds	17,789	21,160	(2,020)	(17,788)
Other accrued expenses	(164,870)	28,326	(17,991)	-
Customer deposits	730,421	24,720	-	-
Change in compensated absences and retirement benefits	1,725,612	780,547	265,147	-
Net cash provided by operating activities	<u>\$ 41,463,575</u>	<u>\$ 35,982,851</u>	<u>\$ 17,375,962</u>	<u>\$ 279,509</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	\$ 46,434	\$ 1,183,230	\$ 1,393,384	\$ -

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			
Storm Water	Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 18,758,085	\$ 33,782,590	\$ 481,945,222	\$ 57,602,118
(1,134,465)	(14,667,191)	(322,004,295)	(48,110,923)
(2,010,520)	(18,367,330)	(51,078,211)	(5,684,073)
34,064	2,119,826	4,754,240	4,348,911
<u>15,647,164</u>	<u>2,867,895</u>	<u>113,616,956</u>	<u>8,156,033</u>
-	6,243,432	6,819,263	-
(6,433,109)	(3,989,997)	(34,406,875)	-
-	(399,060)	(399,060)	-
-	4,579,981	4,673,862	-
<u>(6,433,109)</u>	<u>6,434,356</u>	<u>(23,312,810)</u>	<u>-</u>
(7,985,566)	(32,693,323)	(172,853,891)	(403,246)
83,457	621,803	1,298,351	16,015
(403,489)	(4,546,381)	(6,541,190)	(154,265)
(3,575,274)	(4,313,062)	(50,481,905)	(3,930)
401,644	2,951,784	4,635,124	442,233
35,365,398	2,196,260	100,856,539	267,987
(332,127)	(38,826)	(1,076,326)	(2,256)
(3,565,508)	(1,621,669)	(34,878,702)	(37,165)
-	26,444,988	27,262,026	-
<u>19,988,535</u>	<u>(10,998,426)</u>	<u>(131,779,974)</u>	<u>125,373</u>
-	14,433,497	193,261,024	4,641,411
(29,175,999)	(11,141,025)	(143,268,337)	(10,718,547)
45,613	48,832	458,294	141,715
<u>(29,130,386)</u>	<u>3,341,304</u>	<u>50,450,981</u>	<u>(5,935,421)</u>
72,204	1,645,129	8,975,153	2,345,985
496,968	1,317,558	10,963,792	1,490,141
<u>\$ 569,172</u>	<u>\$ 2,962,687</u>	<u>\$ 19,938,945</u>	<u>\$ 3,836,126</u>
\$ 11,800,453	\$ (11,956,992)	\$ 56,928,098	\$ 2,515,269
3,089,858	12,545,304	58,727,206	703,254
34,064	2,553,008	5,187,422	4,347,950
(285,526)	(153,646)	2,794,919	14,045
-	(27,894)	(40,281)	187,423
-	119,086	311,536	19,137
-	(1,500,497)	(1,493,500)	-
852,471	175,623	(13,459,244)	667,807
-	(71,121)	(51,980)	(32,353)
3,923	187,212	36,600	(811,919)
-	47,728	802,869	-
151,921	950,084	3,873,311	545,420
<u>\$ 15,647,164</u>	<u>\$ 2,867,895</u>	<u>\$ 113,616,956</u>	<u>\$ 8,156,033</u>
\$ 498,817	\$ 2,109,900	\$ 5,231,765	\$ 24,873



City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict 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 123.6 square miles and serves a population approximating 233,651. 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 the City having a 95.1 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 95.1 percent “majority in interest” vote since it accounts for 95.1 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 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 Senior Financial Analyst, 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.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's financial statements are prepared using the reporting model specified in GASB Statement No. 34 – *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37 – *Basic Financial Statements - and Management's Discussion and Analysis – For State and Local Governments – Omnibus*, GASB Statement No. 38 – *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. As specified by Statement No. 34, the BFS include both Government-Wide and Fund Financial Statements.

The Government-Wide Financial Statements (GWFS) (i.e., the Statement of Net Assets 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. 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 Assets reports all financial and capital resources of the City. It is displayed in the format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets net of related debt; 2) restricted; and 3) unrestricted. Invested in capital assets net of related debt 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. Restricted net assets are 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 assets not otherwise classified as invested in capital assets net of related debt or restricted, are shown as unrestricted. Reservations or designations of net assets 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 assets, 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 funds

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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, 95.1 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, liabilities, fund balance/net assets, revenues and expenditures/expenses.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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:

LP&L 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 95.1 percent ownership, Tulia, Brownfield, and Floydada comprising the remaining 4.9 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 RSI 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 Overton PID, North Overton District TIF, North Point PID, Quincey Park 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, Library, Police, and Other Grants Special Revenue Funds; and the Governmental, TIF, and Gateway Streets Capital Projects Funds.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 2013, management has not approved any reappropriation of encumbrances. There are no significant encumbrances at year end that have not been restricted, committed, or assigned.

F. ASSETS, LIABILITIES AND FUND BALANCE/NET ASSETS

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, and Farm Credit Notes. 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 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.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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:

Infrastructure/Improvements	10-60 years
Buildings	15-50 years
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 \$3,253,885 net of interest earned, for the business-type activities and the enterprise funds during the current fiscal year.

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 balance 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 or resolution, which are both 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 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 equity: 1) net assets invested in capital assets, net of related debt; 2) restricted net assets; and 3) unrestricted net assets. In the first category, capital assets are netted with bonded and capital lease debt. Restricted net assets include 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

contingencies and fluctuations in revenue. Enterprise Funds also have appropriate net asset reserve policies, ranging from 8 to 25 percent of operating revenue. LP&L maintains general reserve equal to three months gross revenue from all retail electric sales.

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 and liabilities 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 nonpooled 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.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 \$4.0 million for FY 2012. 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 2013 the City will implement GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement introduces and defines those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period. This statement amends the net asset reporting requirements in Statement No. 34, "Basis Financial Statements and Management's Discussion and Analysis-for Local Governments", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. In FY 2014 the City will implement GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statements No. 63 and No. 65 is expected to significantly change the presentation of the statements.

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, and deferred inflows of resources, and expense/expenditures. The effects of implement this statement is unknown, but is expected to have a material effect on net assets.

I. CHANGE IN ACCOUNTING PRINCIPLES

Effective October 1, 2011, the City early implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This statement modifies previous statements on reporting entity to address reporting entity issues that have arisen since the issuance of those statements. The statement provides more guidance for including, presenting, and disclosing information about component units. It also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Concurrent with the adoption of this statement, the City has changed its treatment of the Urban Renewal Agency from a blended component unit to a discretely presented component unit. The beginning balance of fund balance in the governmental funds in the FFS and the governmental activities in the GWFS have been restated by \$4,982,777.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. RESTRICTED NET ASSETS

Restricted net assets are only used for their 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 2012 amended budgeted expenditures and transfers out were \$133,839,230, while actual budgetary basis expenditures and transfers out were \$134,294,422, a difference of \$455,192.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

On September 30, 2012, the bank balance of the City's deposits was \$30,674,843. All 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. In FY 2012, all deposits were covered by federal depository insurance. 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, 2012, bank balances were exposed to custodial credit risk as follows:

Insured	\$ 30,674,843
Uninsured and uncollateralized	-
Uninsured and collateral held by pledging financial institution in the City's name	-
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the City's name	-
	<u>\$ 30,674,843</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

On September 30, 2012, the City had the following investments and maturities:

<u>Type</u>	September 30, 2012		
	Fair Value	Maturities in Years	
		Less Than 1	1-5
Federal Home Loan Bank (FHLB)	\$7,850,827	\$ 1,501,361	6,349,466
Federal Farm Credit Note (FFCN)	12,507,293	-	12,507,293
Federal Home Loan Mortgage Corporation (FHLMC)	8,525,733	-	8,525,733
Federal National Mortgage Association (FNMA)	16,094,788	-	16,094,788
Certificate of Deposit	599,527	599,527	-
State Investment Pools *	365,829,831	365,829,831	-
	\$411,407,999	\$367,930,719	\$43,477,280

*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 money market accounts and investment pools are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

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, 2012, 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, and FHLB 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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, 2012, the City's investments constituted the following percentages of total investments:

<u>Investment</u>	<u>Percentage</u>
State Investment Pools	88.92
FNMA	3.91
FFCB	3.04
FHLMC	2.07
FHLB	1.91
Certificate of Deposit	.15

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, specifically, advances to and advances from other funds, are longer-term loans to cover Council directed internal financing of certain projects. On September 30, 2012 the City had \$18,172,365 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, including advances, are included in the fund financial statements (all amounts in thousands):

<u>Interfund Payables: (in Thousands)</u>	<u>Interfund Receivables: (in Thousands)</u>				
	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		<u>Totals</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>WTMPA</u>	<u>Nonmajor Enterprise</u>	
Governmental Funds:					
Nonmajor Governmental	\$ 1,344	\$ -	\$ -	\$ 3,419	\$ 4,763
Proprietary Funds:					
LP&L	-	-	11,960	-	11,960
Nonmajor Enterprise	1,449	-	-	-	1,449
Totals	\$ 2,793	\$ -	\$ 11,960	\$ 3,419	\$ 18,172

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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)							Totals
	Governmental Funds			Proprietary Funds				
	General	Govt. Capital	Nonmajor Govt.	Water	Waste- water	WTMPA	Nonmajor Enterprise	
Governmental Funds:								
General Fund	\$ -	\$ -	\$ 333	\$ -	\$ -	\$ -	\$ 2,322	\$ 2,655
Govt. Capital Projects	-	-	44	-	-	-	-	44
Nonmajor Governmental	300	87	13,031	-	-	-	3,921	17,339
Proprietary Funds:								
LP&L	8,248	-	3,690	-	-	358	-	12,296
Water	8,095	-	-	-	44	-	-	8,139
Wastewater	3,549	-	-	-	-	-	-	3,549
Stormwater	2,153	-	4,280	-	-	-	-	6,433
Nonmajor Enterprise	3,816	-	-	129	45	-	-	3,990
Internal Service Funds	-	-	-	-	-	-	-	-
Totals	\$26,161	\$ 87	\$21,378	\$ 129	\$ 89	\$ 358	\$ 6,243	\$ 54,445

Net transfers on the GWFS amounted to \$25,571,122 from business activities to governmental-type activities.

C. DEFERRED CHARGES

The total deferred charge of \$2,277,776 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 \$2,125,302 in the LP&L Enterprise Fund represents the excess purchase price over the estimated value of capital assets related to the purchase of Southwestern Public Service Company (SPS). The goodwill is amortized over a 10-year period.

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Primary Government:

Governmental Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 18,391,372	\$ 1,234,200	\$ -	\$ 19,625,572
Construction in Progress	15,434,675	27,225,963	12,408,661	30,251,977
Total Capital Assets Not Depreciated	<u>33,826,047</u>	<u>28,460,163</u>	<u>12,408,661</u>	<u>49,877,549</u>
Capital Assets Depreciated:				
Buildings	56,460,713	1,536,121	1,271,680	56,725,154
Improvements Other than Buildings	388,262,264	17,034,554	1,254,555	404,042,263
Machinery and Equipment	76,441,369	8,255,491	7,361,566	77,335,294
Total Capital Assets Depreciated	<u>521,164,346</u>	<u>26,826,166</u>	<u>9,887,801</u>	<u>538,102,711</u>
Less Accumulated Depreciation:				
Buildings	24,810,404	1,774,648	615,678	25,969,374
Improvements Other than Buildings	167,743,589	19,310,181	463,110	186,590,660
Machinery and Equipment	52,738,726	8,416,096	5,463,433	55,691,389
Total Accumulated Depreciation	<u>245,292,719</u>	<u>29,500,925</u>	<u>6,542,221</u>	<u>268,251,423</u>
Total Capital Assets Depreciated, Net	<u>275,871,627</u>	<u>(2,674,759)</u>	<u>3,345,580</u>	<u>269,851,288</u>
Governmental Activities Capital Assets, Net	<u>\$ 309,697,674</u>	<u>\$ 25,785,404</u>	<u>\$ 15,754,241</u>	<u>\$ 319,728,837</u>

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

Governmental activities:

Administrative Services and General Government	\$ 588,914
Community Services	158,794
Cultural and Recreation Services	3,282,794
Economic and Business Development	1,731,708
Fire	2,843,902
Health	610,570
Other Public Safety	289,889
Police	2,978,064
Streets and Traffic	15,346,483
Internal Service Funds	606,668
Total Depreciation Expense - Governmental Activities	<u>28,437,786</u>
Transfer in of Accumulated Depreciation - Governmental Activities	1,063,139
Increase in Accumulated Depreciation - Governmental Activities	<u>\$ 29,500,925</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Business Type Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 57,603,732	\$ 792,323	\$ -	\$ 58,396,055
Construction in Progress	280,076,295	139,230,969	296,317,873	122,989,391
Total Capital Assets Not Depreciated	<u>337,680,027</u>	<u>140,023,292</u>	<u>296,317,873</u>	<u>181,385,446</u>
Capital Assets Depreciated:				
Buildings	128,663,733	49,117,751	557,589	177,223,895
Improvements Other than Buildings	1,025,881,874	257,571,715	4,522,205	1,278,931,384
Machinery and Equipment	205,558,466	28,435,933	12,331,782	221,662,617
Total Capital Assets Depreciated	<u>1,360,104,073</u>	<u>335,125,399</u>	<u>17,411,576</u>	<u>1,677,817,896</u>
Less Accumulated Depreciation:				
Buildings	62,710,208	3,738,145	495,178	65,953,175
Improvements Other than Buildings	385,580,886	39,683,521	4,180,440	421,083,967
Machinery and Equipment	122,079,367	15,378,126	11,843,237	125,614,256
Total Accumulated Depreciation	<u>570,370,461</u>	<u>58,799,792</u>	<u>16,518,855</u>	<u>612,651,398</u>
Total Capital Assets Depreciated, Net	<u>789,733,612</u>	<u>276,325,607</u>	<u>892,721</u>	<u>1,065,166,498</u>
Business Type Activities Capital Assets, Net	<u>\$1,127,413,639</u>	<u>\$ 416,348,899</u>	<u>\$297,210,594</u>	<u>\$1,246,551,944</u>

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

Business-Type Activities:

LP&L	\$ 20,958,627
Water	14,896,966
Wastewater	6,837,420
Storm Water	3,089,858
Solid Waste	4,279,117
Airport	5,367,782
Transit	1,778,516
Civic Centers	1,075,117
Cemetery	34,157
Lake Alan Henry	10,615
Internal Service	96,586
Total Depreciation Expense - Business-Type Activities	<u>58,424,761</u>
Transfer in of Accumulated Depreciation - Business-Type Activities	375,031
Increase in Accumulated Depreciation - Business-Type Activities	<u>\$ 58,799,792</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Construction Commitments

The City has active construction projects at fiscal year end.

Projects	Original Commitments	Spent-to-Date	Remaining Commitments
Governmental Capital Projects	\$ 108,511,069	\$ 74,126,997	\$ 34,384,072
TIF Capital Projects	1,447,031	215,933	1,231,098
Gateway Street Projects	19,741,700	12,277,962	7,463,738
LP&L	37,236,935	25,363,742	11,873,193
Water	282,508,073	214,636,990	67,871,083
Wastewater	105,242,389	77,642,321	27,600,068
Storm Water	95,780,000	60,234,142	35,545,858
Solid Waste	8,387,301	6,433,293	1,954,008
Airport	55,135,891	42,772,639	12,363,252
Civic Center	9,050,000	1,479,906	7,570,094
Internal Service Fund	784,600	110,221	674,379
Total	<u>\$ 723,824,989</u>	<u>\$ 515,294,146</u>	<u>\$ 208,530,843</u>

Work continues on reconstructing 34th Street from Avenue Q to Quaker Avenue. The street is being reconstructed to a standard T-1 thoroughfare which is 66 feet in width. This will help provide for 2 lanes of traffic in each direction plus a continuous left turn lane. Avenue Q also is scheduled to be reconstructed. Another active street project involves replacing the current strip paving with six travel lanes on Quaker Avenue, from 114th Street to FM 1585.

Lubbock Power and Light continues to make improvements in their structures and infrastructure such as the cooling tower replacement; and tie line, distribution, and substation transformer replacement projects. Work continues to integrate the lines, poles, and substations of Xcel Energy assets purchase in 2010 into a single integrated system.

The Water Fund has several projects at Lake Alan Henry including the raw water line pump station, the water treatment plant and terminal reservoir, and the treated water pipeline. The Water Fund has also started a large project to improve the well fields in Bailey County. Another project underway is the improvements to the water treatment plant.

The Wastewater Fund is upgrading the Southeast Water Reclamation Plant for biological nutrient removal, filtration and ultraviolet disinfection. There is a sanitary sewer expansion project in the south side of the City. Sanitary sewer is also underway in conjunction with sewer ahead of street projects. Work also continues on the 98th street sanitary sewer remediation project.

The Storm Water Fund has a project that is under way that is constructing infrastructure from Maxey Park to the Canyon Lakes, as well as upstream detention to help relieve the flooding risk of homes along Quaker Avenue between 50th Street and 34th Street.

The Airport Fund continues with Phase II and Phase III to make substantial improvements to the runways.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 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>
2013	65,000	112,186	177,186
2014	65,000	108,915	173,915
2015	65,000	105,702	170,702
2016	65,000	102,579	167,579
2017	65,000	99,542	164,542
2018-2022	325,000	455,009	780,009
2023-2027	325,000	390,543	715,543
2028-2029	130,000	352,332	482,332
Total	<u>\$ 1,105,000</u>	<u>\$1,726,808</u>	<u>\$2,831,808</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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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

	Plan Year 2011	Plan Year 2012
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 Repeating	70% of CPI Repeating

Contributions

Under the State law governing TMRS, the contribution rate for each city is determined annually by the actuary using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded/overfunded actuarial liability/asset over the applicable period for 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, 2011 valuation is effective for rates beginning January 1, 2013).

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

Annual Required Contribution	\$17,145,464
Interest on Net Pension Obligation	778,385
Adjustments to the ARC	<u>(669,100)</u>
Annual Pension Cost (APC)	17,254,749
Contributions Made	<u>(16,374,004)</u>
Increase in net pension obligation	880,745
Net Pension Obligation, beginning of year	<u>11,119,738</u>
Net Pension Obligation, end of year	<u><u>\$12,000,483</u></u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Actuarial Assumptions

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest valuation, December 31, 2011, also follows:

<u>Valuation Date</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28 years; closed period	27 years; closed period	26.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions: Investment Rate of Return	7.5%	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>
9/30/10	\$ 17,892,832	77.3	\$ 6,704,272
9/30/11	20,233,516	78.2	11,119,738
9/30/12	17,254,749	94.9	12,000,483

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 80.4 percent funded. The actuarial accrued liability for benefits was \$527.3 million, and the actuarial value of assets was \$424.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$103.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$81.2 million, and the ratio of the UAAL to the covered payroll was 126.9 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.

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, effective December 29, 2008, 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 \$4,957,216 as described in item 4 in the table on the following page. Based on the results of the December 31, 2010 actuarial valuation, the most recent biennial actuarial valuation, the Board's actuary found that the fund had an adequate financing arrangement 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 December 31, 2010 actuarial valuation assumes that the City's contributions will average 22.83 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, 2008 and December 31, 2010 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>12/31/2008</u>	<u>12/31/2010</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 years	30 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	4% plus promotion and longevity	3% plus promotion and longevity
Inflation	4.0%	3.0%
Cost-of-Living Increase	0.0%	0.0%
Payroll Increases	4.0%	4.0%
ARC as Percent of Payroll	22.0%	21.04%

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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

1.	Annual Required Contributions (ARC)	\$ 4,972,024
2.	Interest on NPO	(46,737)
3.	Adjustment to ARC	31,929
4.	Annual Pension Cost (APC)	4,957,216
5.	Actual City Contributions Made	(5,534,315)
6.	Increase (Decrease) in NPO/(asset)	(577,099)
7.	NPO/(asset) at September 30, 2011	(584,211)
8.	NPO/(asset) at September 30, 2012	\$ (1,161,310)

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

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/10	\$4,921,485	93.0%	\$(359,126)
9/30/11	4,887,067	104.6%	(584,211)
9/30/12	4,957,216	111.6%	(1,161,310)

As of December 31, 2010, the most recent actuarial valuation date, the plan was 79.4 percent funded. The actuarial accrued liability for benefits was \$197.5 million, and the actuarial value of assets was \$156.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$40.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$21.6 million, and the ratio of the UAAL to the covered payroll was 188.7 percent.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 598 active participants who pay monthly premiums of \$361/\$45 (medical/dental) for single coverage and \$826/\$71 (medical/dental) for family coverage, pre-65. For post-65, monthly premiums are \$196/45 (medical/dental) for single coverage and \$587/\$71 (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, 2012 is as follows:

Annual Required Contribution (ARC)	\$13,533,960
Interest on Net OPEB Obligation	945,422
Adjustment to the ARC	<u>(875,924)</u>
Annual OPEB Cost	13,603,458
Total Annual Employer Contribution, pay-as-you-go	<u>(3,999,338)</u>
Increase in Net OPEB Obligation	9,604,120
Net OPEB Obligation – Beginning of Year	<u>21,009,389</u>
Net OPEB Obligation – End of Year	<u><u>\$30,613,509</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2010	\$10,532,764	34.7%	\$14,971,588
09/30/2011	10,870,706	44.5%	21,009,389
09/30/2012	13,603,549	29.4%	30,613,509

Funded Status and Funding Progress: As of October 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$154,305,935, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$154,305,935. The covered payroll was \$102,784,285, and the ratio of the UAAL to the covered payroll was 150.0 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 8.5% declining to an ultimate rate of 4.5% after 8 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.

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, 2012, 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 09/30/12</u>
5.39	10/01/93	02/15/14	\$ 2,550,000	\$ 260,000
4.62	07/01/02	02/15/22	2,605,000	265,000
4.60	08/15/03	04/15/23	8,900,000	5,640,000
4.60	08/15/03	04/15/23	13,270,000	610,000
4.09	09/15/04	02/15/24	2,025,000	1,270,000
4.08	09/28/04	02/15/24	3,100,000	1,895,000
3.58	09/28/04	02/15/20	22,620,000	7,495,000
3.89	02/15/05	04/15/25	23,055,000	11,435,000
3.94	06/15/05	02/15/21	49,615,000	37,790,000
4.26	08/15/05	02/15/25	46,525,000	34,500,000
4.82	07/01/05	02/15/21	43,080,000	27,585,000
4.27	07/15/05	02/15/25	7,265,000	5,350,000
4.58	04/15/06	02/15/26	76,950,000	62,250,000
4.58	04/15/06	02/15/26	2,740,000	2,215,000
4.84	05/15/06	02/15/31	18,830,000	18,625,000
4.42	01/01/07	02/15/34	54,020,000	49,820,000
4.42	01/01/07	02/15/34	25,255,000	17,040,000
4.88	08/15/07	08/15/27	1,155,000	975,000
4.88	08/15/07	08/15/27	60,820,000	49,715,000
6.45	12/15/07	08/15/27	11,805,000	10,245,000
4.22	01/15/08	08/15/27	52,900,000	45,450,000
4.80	04/15/08	08/15/27	2,035,000	1,775,000
4.42	04/15/08	08/15/27	80,485,000	64,235,000
2.45	06/01/08	08/15/27	22,615,000	18,680,000
3.12	03/01/09	08/15/19	20,540,000	10,740,000
4.67	03/01/09	08/15/29	2,645,000	2,415,000
4.53	03/01/09	08/15/29	58,705,000	51,925,000
2.16	01/01/10	02/15/30	19,945,000	18,445,000
3.27	02/15/10	02/15/30	8,840,000	7,485,000
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	40,080,000
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	37,825,000
3.85	03/15/11	02/15/22	16,320,000	16,260,000
3.85	03/15/11	02/15/31	14,135,000	13,810,000
3.94	03/15/11	02/15/31	112,230,000	109,315,000
3.35	04/01/12	02/15/32	12,395,000	12,395,000
3.43	04/01/12	02/15/32	66,075,000	66,075,000
3.28	04/01/12	02/15/32	15,200,000	15,200,000
Total			<u>\$ 1,194,920,000</u>	<u>\$ 988,950,000 (A)</u>

(A) Excludes (\$25,744,676) net deferred losses on advance refunding, net bond premiums and discounts, and bond issuance costs – (\$17,733,789) business-type and (\$8,010,887) governmental. Additionally, this amount includes \$702,722,887 of bonds used to finance enterprise fund activities.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

At September 30, 2012, 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 09/30/12</u>
4.00 to 5.25	07/01/01	04/15/21	\$ 9,200,000	\$ 4,140,000
2.45	10/15/10	04/15/20	73,295,000	59,580,000
Total			<u>\$ 82,495,000</u>	<u>\$ 63,720,000 *</u>

* Balance outstanding excludes (\$5,371,209) of net deferred losses on advance refundings, bond premiums and discounts, and bond issuance costs.

CONTRACT BONDS

<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 09/30/12</u>
5.25	09/30/05	09/30/25	\$ 17,960,000	\$ 13,400,000
4.25 to 5.00	04/30/06	02/15/27	18,573,906	15,032,280
3.50 to 5.00	10/30/09	02/15/29	7,821,091	7,081,166
4.00 to 5.00	12/22/11	02/15/31	30,594,108	29,919,486
Total			<u>\$ 74,949,105</u>	<u>\$ 65,432,932 *</u>

*Balance outstanding excludes (\$736,527) discount, premiums and deferred losses on bonds sold or refunded.

The annual requirements to amortize all outstanding debt of the City as of September 30, 2012 are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities			
	General Obligation Bonds		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 17,175,329	\$ 13,140,607	\$ 44,634,670	\$ 31,579,076	\$ 9,724,520	\$ 6,057,261
2014	18,065,149	12,118,065	39,969,853	29,103,468	10,117,056	5,649,882
2015	17,980,338	11,334,329	39,464,661	27,490,911	10,526,870	5,220,765
2016	18,528,273	10,543,056	39,346,727	25,860,351	10,978,987	4,745,090
2017	18,499,930	9,753,793	40,855,071	24,209,589	11,505,285	4,197,116
2018-2022	91,727,194	36,370,064	199,067,805	94,213,614	46,879,275	12,689,922
2023-2027	73,668,903	16,279,637	186,531,097	49,912,897	20,770,819	4,773,909
2028-2032	30,581,997	2,492,045	108,163,003	10,955,562	8,650,120	823,004
2033-2037	-	-	4,690,000	213,525	-	-
Totals	<u>\$ 286,227,113</u>	<u>\$ 112,031,596</u>	<u>\$ 702,722,887</u>	<u>\$ 293,538,993</u>	<u>\$ 129,152,932</u>	<u>\$ 44,156,949</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Capital leases were used to acquire equipment and vehicles. The interest rate on the leases ranged from 2.2 percent to 4.6 percent. The annual requirements on capital leases of the City as of September 30, 2012, including interest payments totaling \$3,820,743 are as follows:

Fiscal Year	Governmental Capital Lease Minimum Payment	Business-type Capital Lease Minimum Payment	Total Capital Lease Minimum Payment
2013	\$ 5,114,037	\$ 5,828,714	\$ 10,942,751
2014	4,922,318	3,836,568	8,758,886
2015	3,765,859	2,736,139	6,501,998
2016	2,749,762	1,587,900	4,337,662
2017	2,096,852	1,427,781	3,524,633
2018-2022	3,723,045	3,240,397	6,963,442
Less interest	<u>(2,134,087)</u>	<u>(1,686,656)</u>	<u>(3,820,743)</u>
Total	<u>\$ 20,237,786</u>	<u>\$ 16,970,843</u>	<u>\$ 37,208,629</u>

The carrying values on the leased assets of the City as of September 30, 2012 are as follows:

	Gross Value	Accumulated Depreciation	Net Book Value
Governmental Activities	\$ 32,515,691	\$ 6,261,208	\$ 26,254,483
Business-Type Activities	44,804,820	9,344,188	35,460,632
Total Leased Assets	<u>\$ 77,320,511</u>	<u>\$ 15,605,396</u>	<u>\$ 61,715,115</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Long-term obligations (net of discounts and premiums) for governmental and business-type activities for the year ended September 30, 2012 are as follows:

	Debt Payable 09/30/11	Additions	Deletions	Debt Payable 09/30/12	Due in one year
Governmental activities:					
Tax-Supported -					
Obligation Bonds	\$ 278,937,174	\$ 31,841,470	\$ 24,551,531	\$ 286,227,113	\$ 17,175,329
Bond Premiums/Deferred Charges	6,950,937	1,593,935	533,985	8,010,887	-
Capital Leases	18,347,806	5,937,267	4,047,287	20,237,786	4,494,066
Contracts Payable	500,000	-	500,000	-	-
Compensated Absences	22,672,581	8,389,163	7,625,918	23,435,826	7,870,242
Post Employment Benefits	14,002,944	9,114,318	2,675,921	20,441,341	-
Net Pension Obligation	6,888,017	10,697,944	10,153,964	7,431,997	-
Insurance Claims Payable	1,744,773	26,355,546	26,352,512	1,747,807	1,586,821
Total Governmental activities	\$ 350,044,232	\$ 93,929,643	\$ 76,441,118	\$ 367,532,757	\$ 31,126,458
Business-type activities:					
Self-Supported -					
Obligation Bonds	\$ 682,352,826	\$ 61,828,530	\$ 41,458,469	\$ 702,722,887	\$ 44,634,670
Revenue and Contract Bonds	107,586,191	30,594,108	9,027,367	129,152,932	9,724,520
Bond Premiums/Deferred Charges	17,927,286	7,598,945	1,684,705	23,841,525	-
Capital Leases	18,833,944	4,678,089	6,541,190	16,970,843	5,327,298
Closure/Post Closure	5,067,018	-	16,806	5,050,212	-
Compensated Absences	5,794,660	3,733,670	3,217,226	6,311,104	3,373,379
Post Employment Benefits	7,006,445	4,489,141	1,323,418	10,172,168	-
Net Pension Obligation	4,231,724	6,556,805	6,220,043	4,568,486	-
Insurance Claims Payable	4,411,205	4,118,047	4,949,606	3,579,646	1,487,154
Total Business-type activities	\$ 853,211,299	\$ 123,597,335	\$ 74,438,830	\$ 902,369,803	\$ 64,547,021

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. 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 Capital Projects Funds.

The Risk Management Internal Service Fund will liquidate the other post employment 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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

Long-Term Debt - Governmental Activities	\$	367,532,757	
Long-Term Debt - Business-Type Activities		902,369,803	
Interest		449,727,538	
Total Amount of Debt		\$ 1,719,630,098	
Less: Bond Discounts/Premiums		(31,852,412)	
Less: Capital Leases		(37,208,629)	
Less: Contracts Payable		-	
Less: Closure/Post Closure		(5,050,212)	
Less: Compensated Absences		(29,746,930)	
Less: Post Employment Benefits		(30,613,509)	
Less: Net Pension Obligation		(12,000,483)	
Less: Insurance Claims Payable		(5,327,453)	
Total Other Debt		(151,799,628)	
Total Future Bonded Debt Requirements		\$ 1,567,830,470	

New Bond Issuances

In April 2012, the City issued \$66,075,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2012 (Certificates). 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 City Hall, City's Solid Waste Disposal System, Municipal Drainage Utility System, City's Waterworks System, Lubbock Preston Smith International Airport facilities, parks and recreation, streets and for construction of a new Land Application office. The proceeds of the debt are recorded in the various Capital Projects Funds.

In April 2012, the City issued \$12,395,000 General Obligation Bonds, Series 2012. Proceeds from the sale of the Bonds will be used for firefighting facilities and equipment and street and traffic improvements and to pay costs associated with the issuance of the Bonds. The Bonds were issued at a premium of \$263,377 and incurred issuance costs of \$151,812.

In December 2011 the Canadian River Municipal Water Authority (CRMWA) issued Revenue Bonds to pay for water rights. The City of Lubbock's pro rated share was for \$30,594,108. The City of Lubbock owns 37 percent of CRMWA water rights.

Advance Refunding

In April 2012, the City issued \$15,200,000 General Obligation Refunding Bonds, Series 2012 (Bonds). The 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 from the issuance of the Refunding Bonds were deposited with the Escrow Agent in an amount necessary to accomplish, on their scheduled redemption date, the discharge and final payment of 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 Refunded Bonds. The bonds were issued at a premium of \$824,334 and incurred \$113,414 in issuance costs. The bonds refunded \$15,675,000 in outstanding debt. As a result

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

of the refunding, the City decreased total debt service requirements by \$1,491,000, which resulted in an accounting loss of \$442,695 and an economic gain of \$1,146,487.

L. CONDUIT DEBT

In the past, the City has approved the issuance of Health Facilities Development Corporation Bonds, Housing Finance 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, 2012 there were four series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$202,680,000. The bonds were issued between 2002 and 2008. As of September 30, 2012 there was one series of Lubbock Housing Finance Corporation Bonds outstanding with an aggregate principal amount payable of \$11,085,000. The bonds were issued between 2002 and 2006. Also as of September 30, 2012, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$21,095,000. 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 \$2,747,000 outstanding special assessment debt as of September 30, 2012. 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, 2012, \$4,670,515 in completed construction costs was contributed to the City. The PFC has a deficit in net assets invested in capital assets, net of related debt 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, 2012

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	\$ 105,079	\$ -	\$ -	\$ 105,079
Restricted:				
Debt Service	-	-	5,262,359	5,262,359
Economic and Business Development	-	-	39,929	39,929
Tourism, Convention Centers, Arts	-	-	276,599	276,599
Animal Assistance	-	-	211,908	211,908
Tax Improvement Financing Areas	-	-	1,060,828	1,060,828
Public Improvement Districts	-	-	394,959	394,959
Cable Services to Public Buildings	-	-	26,444	26,444
Community Services Grants	-	-	178,292	178,292
Heath Grants	-	-	30,080	30,080
Police Grants	-	-	1,029	1,029
Cultural and Recreation Grants	-	-	14,680	14,680
Law Enforcement Purposes	-	-	1,186,286	1,186,286
Court Technology	-	-	518,292	518,292
Donations for Community Services	-	-	212,210	212,210
Donations for Animal Services	-	-	9,436	9,436
Donations for Museums	-	-	91,297	91,297
Donations for Parks and Recreational	-	-	52,265	52,265
Donations for Fire Services	-	-	5,255	5,255
Donations for Health Services	-	-	1,003	1,003
Donations for Other Programs	-	-	6,640	6,640
Street Capital Projects	-	31,151,844	13,185,602	44,337,446
General Facility Capital Projects	-	1,555,983	-	1,555,983
Public Safety Capital Projects	-	1,503,496	-	1,503,496
Parks Capital Projects	-	1,759,804	-	1,759,804
TIF Capital Projects	-	-	1,241,240	1,241,240
Committed:				
Gateway Street Capital Projects	-	-	12,199,991	12,199,991
Street Capital Projects	-	1,055,925	-	1,055,925
Unassigned	28,056,366	-	(3,420,029)	24,636,337
Total Fund Balances	\$ 28,161,445	\$ 37,027,052	\$ 32,786,595	\$ 97,975,092

The North Overton TIF Special Revenue Fund has an unassigned deficit fund balance of \$3,420,029. 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 assets.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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.

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,

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 \$1.61 million at September 30, 2012 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. Employees may elect to purchase dental insurance for themselves and 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 2012</u>	<u>FY 2011</u>
Workers' Compensation and Liability Reserves at Beginning of Fiscal Year	\$ 4,411,205	\$ 4,899,132
Claims Expenses	4,118,047	4,144,031
Claims Payments	<u>(4,949,606)</u>	<u>(4,631,958)</u>
Workers' Compensation and Liability Reserves at End of Fiscal Year	<u>3,579,646</u>	<u>4,411,205</u>
Medical and Dental Claims Liability at Beginning of Fiscal Year	1,744,773	1,598,524
Claims Expenses	26,355,546	27,204,210
Claims Payments	<u>(26,352,512)</u>	<u>(27,057,961)</u>
Medical and Dental Claims Liability at End of Fiscal Year	<u>1,747,807</u>	<u>1,744,773</u>
Total Self-Insurance Liability at End of Fiscal Year	<u>\$ 5,327,453</u>	<u>\$ 6,155,978</u>
Total Assets to Pay Claims at End of Fiscal Year	<u>\$ 21,156,777</u>	<u>\$ 13,760,994</u>
Accrued Insurance Claims Payable - Current	\$ 3,073,975	\$ 3,585,072
Accrued Insurance Claims Payable - Noncurrent	<u>2,253,478</u>	<u>2,570,906</u>
Total Accrued Insurance Claims	<u>\$ 5,327,453</u>	<u>\$ 6,155,978</u>

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 postclosure 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 postclosure costs as operating expenses (and recognizes a corresponding liability) in each period based on landfill capacity used as of each balance sheet date.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

The \$5,050,212 included in landfill closure and postclosure care liability at September 30, 2012, 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 95.2 percent of the estimated capacity of Landfill 69 has been used, with \$607,097 remaining to be recognized over the remaining closure period. Approximately 5.1 percent of the estimated capacity of Landfill 2252 has been used to date, with \$21,380,726 remaining to be recognized over the remaining closure period, estimated at over 200 years. Postclosure 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 STATEMENTS

	Accounts Receivable Summary					Balance at 09/30/12
	Court Fines	Franchise Fees	Property Damage	Paving	Misc.	
Governmental Funds:						
General Fund	\$ 2,921,484	\$ 776,641	\$ 361,221	\$ 221,837	\$ 116,407	\$ 4,397,590
Capital Projects	-	-	-	-	12,948	12,948
Nonmajor	-	-	-	-	517,760	517,760
Total	<u>\$ 2,921,484</u>	<u>\$ 776,641</u>	<u>\$ 361,221</u>	<u>\$ 221,837</u>	<u>\$ 647,115</u>	<u>\$ 4,928,298</u>

	Accounts Receivable Summary			Balance at 09/30/12
	General Consumer	Credit Card	Misc.	
Proprietary Funds:				
LP&L	\$ 23,715,163	-	\$ 233,576	\$ 23,948,739
Water	9,476,229	-	320,035	9,796,264
Wastewater	3,725,052	-	-	3,725,052
WTMPA	629,253	-	-	629,253
Storm Water	2,160,985	-	-	2,160,985
Nonmajor	3,863,434	1,816	61,416	3,926,666
Total	<u>\$ 43,570,116</u>	<u>\$ 1,816</u>	<u>\$ 615,027</u>	<u>\$ 44,186,959</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Allowance for Doubtful Accounts Summary

	Balance at 09/30/12
Governmental Funds:	
General Fund	\$ 2,863,320
Proprietary Funds:	
LP&L	2,791,925
Water	1,058,670
Wastewater	433,513
Storm Water	228,357
Nonmajor	274,806
Total	\$ 7,650,591

Accounts Payable Summary

	Vouchers	Accounts	Miscellaneous	Balance at 09/30/12
Governmental Funds:				
General Fund	\$ 1,051,953	\$ 2,741,439	\$ -	\$ 3,793,392
Govt. Capital Projects	1,360,947	822,970	372,836	2,556,753
Nonmajor	997,230	1,310,670	772,563	3,080,463
Proprietary Funds:				
LP&L	1,474,876	296,667	589,239	2,360,782
Water	1,788,989	1,415,980	2,531,042	5,736,011
Wastewater	1,304,438	623,999	1,038,380	2,966,817
WTMPA	-	12,607,523	-	12,607,523
Storm Water	948,792	59,039	318,339	1,326,170
Nonmajor	2,873,130	211,533	1,298,638	4,383,301
Internal Service	933,615	704,307	329,255	1,967,177
Total	\$ 12,733,970	\$ 20,794,127	\$ 7,250,292	\$ 40,778,389

S. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

	Net Receivables				
	Accounts Receivable	Interest Receivable	Taxes Receivable	Internal Service Receivables	Balance at 09/30/12
Governmental Activities	\$ 2,064,978	\$ 68,086	\$ 11,739,602	\$ 2,795	\$ 13,875,461
Business-Type Activities	39,399,688	56,593	-	3,074	39,459,355
Total	\$ 41,464,666	\$ 124,679	\$ 11,739,602	\$ 5,869	\$ 53,334,816

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

	Accounts Payable		
	Accounts Payable	Internal Service Payables	Balance at 09/30/12
Governmental Activities	\$ 9,430,608	\$ 1,075,402	\$ 10,506,010
Business-Type Activities	29,380,604	891,775	30,272,379
Total	\$ 38,811,212	\$ 1,967,177	\$ 40,778,389

T. FUND CLOSURES

The Cemetery Maintenance Special Revenue Fund was closed and the funds were transferred to a Cemetery capital project.

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.

Depending on the date of the occurrence, the City's insurance coverage, if available, contains either a \$250,000 or a \$500,000 self-insured retention depending on the date of the occurrence. As of September 30, 2012, the City has \$2,097,997 reserved on general liability claims, as determined by an actuarial calculation.

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

Heinsch v. City of Lubbock

Plaintiff was injured when he was struck by a City vehicle while walking in a crosswalk. Plaintiff has incurred numerous medical expenses including a surgery.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

Mladenka v. City of Lubbock

Plaintiff was injured in an auto accident caused by a City driver and is claiming lost wages and medical expenses.

Appaloosa Development v. City of Lubbock

Plaintiff has sued the City alleging a claim for inverse condemnation, which would not be covered by insurance, as a result of the City's denial of a zoning request.

Campbell et. al. v. City of Lubbock

Three plaintiffs have sued the City and two of its officers for violation of their civil rights for acts of excessive force, wrongful arrest and wrongful entry into a residence.

Montez v. City of Lubbock

Plaintiff is alleging stepping into a hole where a utility pole previously existed and the hole was not marked to warn of danger or prevent injury.

AT&T v. City of Lubbock

Due to Council resolution which determined, as required by Lubbock Code of Ordinances, the necessity for utilities located overhead to be relocated to an underground duct system, we are anticipating legal action of some kind due to AT&T's legal position that they should not bear the sole expense of the relocation of the lines.

Republic Power Partners, L.P. v. WTMPA and the City of Lubbock

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 have filed pleas. WTMPA's plea was denied and the City's was granted. Both WTMPA and Republic are appealing the respective denials. A loss, if any, cannot be estimated at this time.

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 six years.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2012

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 properties. Because the issues have been in existence for some time, 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, 2012 the City recorded pollution remediation obligations for two locations in the enterprise funds as follows:

- LP&L Cooke Plant \$171,000

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

- Fire Training Academy \$100,542

The City has identified elevated levels of nitrates in the ground water beneath the Lubbock Land Application Site (LLAS), which is attributed to the historical land application of treated wastewater effluent and also impacted by the activities of individuals and other entities. As a result, the TCEQ has issued an Agreed Order that requires the City to remedy the situation. The Order calls for, among other requirements, pumping an annual average of 1,580 gallons per minute from 16 groundwater wells on the LLAS in order to eliminate a mound of groundwater under the LLAS. The groundwater, which is high in nitrates, is discharged into a surface water lake system where it is remediated naturally. An effluent land application management plan and groundwater monitoring program was also established as a result of the Order. Phase I of the project to construct additions and improvements to the City's wastewater reclamation plant that will treat the sewage to higher quality in the future and address the nitrate issue is complete. Phase II, which enabled Plant 4 to treat 80 percent of the wastewater to stream quality discharge standards with nutrient removal, began in the spring of 2008 and is now complete.

During FY 2012, the City continued to move towards terminating the Agreed Order and to incorporate the remaining requirements for remediation into the main wastewater treatment permit. Because the groundwater mound under the LLAS has been eliminated in accordance with the requirements of the Order, there was an opportunity to terminate the Agreed Order and to continue addressing any residual concerns as part of the permit. The TCEQ Agreed Order had been pending closure based on the finalization of the City's wastewater discharge permit which is primarily for the on-going operations of the wastewater treatment system.

On October 26, 2011, TCEQ issued the discharge permit amendment. After the final issuance of the permit, the City worked with TCEQ to formally close the Agreed Order. The Agreed Order was closed on November 27, 2012. The renewed permit includes the Remediation Plan for monitoring and remediation of the nitrate plume in the groundwater under the LLAS. Due to the termination of the Agreed Order, this issue does not meet the criteria for a pollution remediation obligation.

NOTE V. SUBSEQUENT EVENTS

On November 13, 2012 the City of Lubbock called and redeemed \$6,510,000 in bond obligations.

City of Lubbock, Texas
Required Supplementary Information
Schedule of Funding Progress
For the Year Ended September 30, 2012

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

Actuarial Valuation Date	Plan	Actuarial				
		Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio as a Percentage (a/b)	Covered Payroll (c)
12/31/06	TMRS	\$ 199,865,768	\$ 271,368,756	\$ 71,502,988	73.7	\$ 68,775,777
12/31/07	TMRS	200,185,558	326,014,062	125,828,504	61.4	70,894,738
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
12/31/06	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
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	-	102,784,285

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.

TMRS issues a publicly available comprehensive annual financial report that provides detailed explanations of actuarial assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

City of Lubbock, Texas
Required Supplementary Information
Schedule of Funding Progress (Continued)
For the Year Ended September 30, 2012

The changes in actuarial assumptions for the Lubbock Fire Pension Fund December 31, 2010 valuation are discussed next.

The assumed City contribution rate was increased to 22.83 percent of compensation, the rate at which the City of Lubbock is contributing to the plan for 2011. The assumed city contribution rate for the 2008 valuation was 20.77 percent of compensation.

The City contribution rate change was made in order to most accurately reflect anticipated plan experience. The names of the retirement rate table and the tabular salary scale table were changed; however, the rates in the tables are the same as those used in the 2008 valuation.

A more detailed discussion can be found in the Lubbock Fire Pension Fund Actuarial Valuation as of December 31, 2010.

The detailed discussion of the actuarial assumptions used for the City of Lubbock Retiree Health Care Plan Actuarial Valuation Report as of October 1, 2011 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, 2012

	<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	\$ 40,579,805	\$ 40,579,805	\$ 40,874,500	\$ 294,695
Delinquent Taxes	840,000	840,000	766,265	(73,735)
Sales Tax	49,304,752	49,304,752	52,528,477	3,223,725
Mixed Beverage Tax	1,000,000	1,000,000	853,461	(146,539)
Bingo Tax	300,000	300,000	307,193	7,193
Suddenlink	1,075,000	1,075,000	1,103,626	28,626
South Plains Electric Cooperative	550,000	550,000	544,919	(5,081)
West Texas Gas Company	-	-	3,716	3,716
Atmos	1,500,000	1,500,000	1,293,381	(206,619)
Telecom Right of Way	1,839,450	1,839,450	2,875,161	1,035,711
Development Services	131,350	131,350	153,945	22,595
General Government	73,250	73,250	81,966	8,716
Public Safety	1,111,988	1,111,988	1,062,170	(49,818)
Public Works	102,250	102,250	66,909	(35,341)
Health	553,380	553,380	458,803	(94,577)
Cultural/Recreational	1,172,883	1,172,883	1,206,800	33,917
Licenses and Permits	2,027,563	2,027,563	2,395,666	368,103
Intergovernmental	282,954	282,954	339,677	56,723
Fines and Forfeitures	3,300,000	3,300,000	3,404,338	104,338
Interest Earnings	1,000	1,000	96,249	95,249
Rental	15,858	15,858	7,520	(8,338)
Recoveries of Expenditures	790,277	790,277	1,333,614	543,337
Other	1,129,000	1,129,000	1,602,833	473,833
Transfers from Special Revenue Funds	299,720	299,720	299,720	-
Transfers from Electric Fund	8,056,893	8,056,893	8,248,333	191,440
Transfers from Water Fund	8,094,828	8,094,828	8,094,828	-
Transfers from Sewer Fund	3,548,599	3,548,599	3,548,599	-
Transfers from Solid Waste	2,324,726	2,324,726	2,324,726	-
Transfers from Airport Fund	1,491,603	1,491,603	1,491,603	-
Transfers from Stormwater	2,153,478	2,153,478	2,153,478	-
Total Revenue	\$ 133,650,607	\$ 133,650,607	\$ 139,522,476	\$ 5,871,869
EXPENDITURES				
<u>Administrative Services</u>				
City Attorney	\$ 1,777,362	\$ 1,777,362	\$ 1,720,114	\$ 57,248
City Council	499,814	499,814	472,189	27,625
City Manager	506,008	506,008	499,325	6,683
City Secretary	710,842	710,842	699,202	11,640
Facilities Management	3,048,330	3,048,330	3,029,504	18,826
Finance	2,317,303	2,317,303	2,246,261	71,042
Human Resources	369,680	369,680	340,755	28,925
Internal Audit	241,699	241,699	185,716	55,983
Non-departmental	6,002,086	6,002,086	5,559,970	442,116
Total Administrative Services	<u>15,473,124</u>	<u>15,473,124</u>	<u>14,753,036</u>	<u>720,088</u>

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2012

	<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	\$ 1,616,138	\$ 1,616,138	\$ 1,564,301	\$ 51,837
Planning	490,501	490,501	458,816	31,685
Total Community Services	<u>2,106,639</u>	<u>2,106,639</u>	<u>2,023,117</u>	<u>83,522</u>
<u>Cultural and Recreation Services</u>				
Library	3,543,142	3,543,142	3,566,341	(23,199)
Parks	8,693,384	8,702,384	8,686,802	15,582
Museums	843,421	843,421	796,495	46,926
Total Cultural and Recreation Services	<u>13,079,947</u>	<u>13,088,947</u>	<u>13,049,638</u>	<u>39,309</u>
<u>Public Works</u>				
Engineering	1,155,342	1,155,342	1,019,325	136,017
Streets	2,932,891	3,056,409	2,691,015	365,394
Traffic	3,052,187	3,052,187	2,913,739	138,448
Total Public Works	<u>7,140,420</u>	<u>7,263,938</u>	<u>6,624,079</u>	<u>639,859</u>
<u>Public Safety and Health Services</u>				
Animal Services	1,675,312	1,675,312	1,667,225	8,087
Fire	36,955,843	36,952,749	37,157,096	(204,347)
Health	1,370,835	1,370,835	1,114,282	256,553
Municipal Court	1,580,323	1,580,323	1,555,539	24,784
Police	53,960,174	53,960,174	53,695,041	265,133
Total Public Safety and Health Services	<u>95,542,487</u>	<u>95,539,393</u>	<u>95,189,183</u>	<u>350,210</u>
Transfers	2,642,699	2,717,189	2,655,369	61,820
Payroll Accrual/Other	(2,350,000)	(2,350,000)	-	(2,350,000)
Total Expenditures	<u>\$ 133,635,316</u>	<u>\$ 133,839,230</u>	<u>\$ 134,294,422</u>	<u>\$ (455,192)</u>
Revenues less expenditures	<u>\$ 15,291</u>	<u>\$ (188,623)</u>	<u>\$ 5,228,054</u>	<u>\$ 5,416,677</u>

City of Lubbock, Texas
Required Supplementary Information
Budget Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2012

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

Revenues and Other Financing Sources

Actual amounts (budgetary basis) "Total Revenue" from the Budget Comparison Schedule \$139,522,476

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 5,537,998

Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds \$145,060,474

Expenditures and Other Financing Uses

Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule \$134,294,422

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 4,474,488

Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds \$138,768,910

City of Lubbock, Texas
Required Supplementary Information
Supplementary Budgetary Comparison Schedule
Special Revenue Funds and Debt Service Fund
For the Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>
Abandoned Motor Vehicle		
Revenues and transfers in	450,000	580,121
Utilization of fund balance	224,720	-
Expenditures and transfers out	(674,720)	(728,156)
Animal Assistance		
Revenues and transfers in	80,000	254,625
Expenditures and transfers out	(80,000)	(42,717)
Cable Services		
Revenues and transfers in	-	26,444
Expenditures and transfers out	-	-
Central Business District TIF		
Revenues and transfers in	566,429	555,811
Utilization of fund balance	235,070	-
Expenditures and transfers out	(801,499)	(540,293)
Community Development Grant		
Revenues and transfers in	3,818,918	3,130,382
Expenditures and transfers out	3,818,918	(3,314,829)
Criminal Investigation		
Revenues and transfers in	-	753,622
Utilization of fund balance	1,168,959	-
Expenditures and transfers out	(1,168,959)	(538,383)
Debt Service		
Revenues and transfers in	26,906,893	38,766,069
Utilization of fund balance	157,540	-
Expenditures and transfers out	(27,064,433)	(38,726,518)
Department of Justice Asset Sharing*		
Revenues and transfers in	-	15,825
Utilization of fund balance	190,612	-
Expenditures and transfers out	(190,612)	(190,131)
Economic Development Incentive		
Revenues and transfers in	3,638,905	3,652,376
Expenditures and transfers out	(3,639,212)	(3,655,818)

City of Lubbock, Texas
Required Supplementary Information
Supplementary Budgetary Comparison Schedule (Continued)
Special Revenue Funds and Debt Service Fund
For the Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>
Emergency Management Grant**		
Revenues and transfers in	385,463	385,294
Expenditures and transfers out	(385,463)	(385,294)
Gateway Streets		
Revenues and transfers in	6,888,959	7,615,920
Utilization of fund balance	1,351,172	-
Expenditures and transfers out	(8,240,131)	(8,245,939)
Hotel Motel Tax		
Revenues and transfers in	4,400,000	5,209,971
Utilization of fund balance	1,700,000	-
Expenditures and transfers out	(6,100,000)	(6,617,156)
Lubbock Business Park TIF		
Revenues and transfers in	226,987	237,697
Expenditures and transfers out	(17,274)	(13,692)
Lubbock Economic Development Alliance		
Revenues and transfers in	4,461,425	4,775,316
Expenditures and transfers out	(4,461,425)	(4,775,316)
Municipal Court		
Revenues and transfers in	419,963	298,982
Expenditures and transfers out	(325,651)	(273,982)
North Overton PID		
Revenues and transfers in	461,497	413,191
Utilization of fund balance	1,555	-
Expenditures and transfers out	(463,052)	(454,103)
North Overton District TIF		
Revenues and transfers in	3,320,298	2,814,146
Utilization of fund balance	26	-
Expenditures and transfers out	(3,320,324)	(3,262,271)
North Point PID		
Revenues and transfers in	72,205	81,043
Expenditures and transfers out	(32,791)	(19,469)

City of Lubbock, Texas
Required Supplementary Information
Supplementary Budgetary Comparison Schedule (Continued)
Special Revenue Funds and Debt Service Fund
For the Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>
Quincy Park PID		
Revenues and transfers in	27,131	31,416
Utilization of fund balance	9,954	-
Expenditures and transfers out	(37,085)	(6,605)
Vintage Township PID		
Revenues and transfers in	256,650	352,082
Expenditures and transfers out	(256,650)	(126,351)

*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

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.

Cemetery Maintenance Fund – Accounts for the receipt and disbursement of funds associated with the maintenance of the cemetery.

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.

CITY OF LUBBOCK, TEXAS

Special Revenue Funds (Continued)

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

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.

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.

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.

Library Fund – Accounts for the receipt and disbursement of funds received from the Texas State Library and Archives Commission and United States Department of Education.

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 Division of Emergency Management.

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) 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, 2012

	Special Revenue Funds			
	Criminal Investigation	Municipal Court	Abandoned Motor Vehicle	Economic Development Incentive
ASSETS				
Cash and cash equivalents	\$ 192,565	\$ 83,952	\$ 82,433	\$ 12,653
Investments	1,001,810	436,756	428,853	65,829
Taxes receivable (net)	-	-	-	96,747
Accounts receivable (net)	-	-	-	-
Interest receivable	296	129	127	19
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Restricted investments	-	-	-	-
Pledges and leases receivable	-	-	-	-
Total assets	<u>\$ 1,194,671</u>	<u>\$ 520,837</u>	<u>\$ 511,413</u>	<u>\$ 175,248</u>
LIABILITIES				
Accounts payable	\$ 338,617	\$ 757	\$ 181,181	\$ 22,565
Accrued liabilities	-	1,788	-	4,260
Accrued interest payable	-	-	-	-
Customer deposits	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	108,494
Total liabilities	<u>338,617</u>	<u>2,545</u>	<u>181,181</u>	<u>135,319</u>
FUND BALANCES				
Restricted	856,054	518,292	330,232	39,929
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>856,054</u>	<u>518,292</u>	<u>330,232</u>	<u>39,929</u>
Total liabilities and fund balances	<u>\$ 1,194,671</u>	<u>\$ 520,837</u>	<u>\$ 511,413</u>	<u>\$ 175,248</u>

Special Revenue Funds

Donations	Hotel/Motel Tax	Animal Assistance Program	Cemetery Maintenance	Lubbock Economic Development Alliance	North Overton TIF	Central Business District TIF
\$ 60,682	\$ -	\$ 34,434	\$ -	\$ 3,399	\$ -	\$ 137,643
315,698	-	179,141	-	17,683	-	716,083
-	-	-	-	833,298	-	-
-	-	-	-	-	-	-
93	-	53	-	5	-	220
-	-	-	-	-	-	-
2,681	1,293,398	-	-	-	-	-
-	-	-	-	-	1,061,995	31,737
-	-	-	-	-	2,831,808	-
<u>\$ 379,154</u>	<u>\$ 1,293,398</u>	<u>\$ 213,628</u>	<u>\$ -</u>	<u>\$ 854,385</u>	<u>\$ 3,893,803</u>	<u>\$ 885,683</u>
\$ -	\$ 413,201	\$ 1,490	\$ -	\$ 854,385	\$ -	\$ 29,501
1,048	-	230	-	-	688	1,029
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	603,598	-	-	-	3,419,341	-
-	-	-	-	-	2,831,808	-
<u>1,048</u>	<u>1,016,799</u>	<u>1,720</u>	<u>-</u>	<u>854,385</u>	<u>6,251,837</u>	<u>30,530</u>
378,106	276,599	211,908	-	-	1,061,995	855,153
-	-	-	-	-	-	-
-	-	-	-	-	(3,420,029)	-
<u>378,106</u>	<u>276,599</u>	<u>211,908</u>	<u>-</u>	<u>-</u>	<u>(2,358,034)</u>	<u>855,153</u>
<u>\$ 379,154</u>	<u>\$ 1,293,398</u>	<u>\$ 213,628</u>	<u>\$ -</u>	<u>\$ 854,385</u>	<u>\$ 3,893,803</u>	<u>\$ 885,683</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

	Special Revenue Funds			
	Lubbock Business Park TIF	North Overton PID	North Point PID	Vintage Township PID
ASSETS				
Cash and cash equivalents	\$ 38,309	\$ 14,709	\$ 47,400	\$ 403
Investments	199,303	76,525	246,599	2,099
Taxes receivable (net)	-	-	-	-
Accounts receivable (net)	-	-	-	-
Interest receivable	59	23	73	56
Due from other governments	-	-	-	-
Due from others	-	-	1,070	-
Restricted investments	-	-	-	223,173
Pledges and leases receivable	-	-	-	-
Total assets	<u>\$ 237,671</u>	<u>\$ 91,257</u>	<u>\$ 295,142</u>	<u>\$ 225,731</u>
LIABILITIES				
Accounts payable	\$ -	\$ 28,864	\$ 1,225	\$ -
Accrued liabilities	259	388	52	-
Accrued interest payable	-	-	-	-
Customer deposits	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>259</u>	<u>29,252</u>	<u>1,277</u>	<u>-</u>
FUND BALANCES				
Restricted	237,412	62,005	293,865	225,731
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>237,412</u>	<u>62,005</u>	<u>293,865</u>	<u>225,731</u>
Total liabilities and fund balances	<u>\$ 237,671</u>	<u>\$ 91,257</u>	<u>\$ 295,142</u>	<u>\$ 225,731</u>

Special Revenue Funds

Quincy Park PID	Gateway Streets	Cable Services	Community Development	Community Services	Health	Library
\$ 5,901	\$ 1,786,420	\$ -	\$ 228,344	\$ -	\$ -	\$ -
30,699	9,293,783	-	1,133,546	-	-	-
-	-	-	-	-	-	-
-	517,760	-	-	-	-	-
9	25,034	-	-	-	-	-
-	-	-	1,536,331	390,241	294,748	42,720
-	576,994	26,444	-	-	-	-
-	2,576,860	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 36,609</u>	<u>\$ 14,776,851</u>	<u>\$ 26,444</u>	<u>\$ 2,898,221</u>	<u>\$ 390,241</u>	<u>\$ 294,748</u>	<u>\$ 42,720</u>
\$ -	\$ -	\$ -	\$ 56,961	\$ 194,712	\$ 34,128	\$ 1,930
78	-	-	18,950	2,340	12,592	1,342
-	-	-	-	-	-	-
-	-	-	2,461,614	-	-	-
-	-	-	-	182,957	207,355	39,448
-	-	-	355,931	-	12,041	-
<u>78</u>	<u>-</u>	<u>-</u>	<u>2,893,456</u>	<u>380,009</u>	<u>266,116</u>	<u>42,720</u>
36,531	2,576,860	26,444	4,765	10,232	28,632	-
-	12,199,991	-	-	-	-	-
-	-	-	-	-	-	-
<u>36,531</u>	<u>14,776,851</u>	<u>26,444</u>	<u>4,765</u>	<u>10,232</u>	<u>28,632</u>	<u>-</u>
<u>\$ 36,609</u>	<u>\$ 14,776,851</u>	<u>\$ 26,444</u>	<u>\$ 2,898,221</u>	<u>\$ 390,241</u>	<u>\$ 294,748</u>	<u>\$ 42,720</u>

**City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012**

	<u>Police</u>	<u>Other Grants</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 2,729,247	\$ -
Investments	-	-	14,144,407	-
Taxes receivable (net)	-	-	930,045	328,939
Accounts receivable (net)	-	-	517,760	-
Interest receivable	-	-	26,196	339
Due from other governments	51,031	847,015	3,162,086	-
Due from others	-	-	1,900,587	-
Restricted investments	-	-	3,893,765	1,367,645
Pledges and leases receivable	-	-	2,831,808	-
	<u>-</u>	<u>-</u>	<u>2,831,808</u>	<u>-</u>
Total assets	<u>\$ 51,031</u>	<u>\$ 847,015</u>	<u>\$ 30,135,901</u>	<u>\$ 1,696,923</u>
LIABILITIES				
Accounts payable	\$ 16,918	\$ 376,738	\$ 2,553,173	\$ -
Accrued liabilities	2,470	7,225	54,739	-
Accrued interest payable	-	-	-	41,482
Customer deposits	-	-	2,461,614	-
Due to other funds	30,614	280,259	4,763,572	-
Deferred revenue	-	3,370	3,311,644	286,847
	<u>-</u>	<u>3,370</u>	<u>3,311,644</u>	<u>286,847</u>
Total liabilities	<u>50,002</u>	<u>667,592</u>	<u>13,144,742</u>	<u>328,329</u>
FUND BALANCES				
Restricted	1,029	179,423	8,211,197	1,368,594
Committed	-	-	12,199,991	-
Unassigned	-	-	(3,420,029)	-
	<u>-</u>	<u>-</u>	<u>(3,420,029)</u>	<u>-</u>
Total fund balances	<u>1,029</u>	<u>179,423</u>	<u>16,991,159</u>	<u>1,368,594</u>
Total liabilities and fund balances	<u>\$ 51,031</u>	<u>\$ 847,015</u>	<u>\$ 30,135,901</u>	<u>\$ 1,696,923</u>

Capital Projects Funds

TIF Capital Projects	Gateway Streets Projects	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ 152,769	\$ 152,769	\$ 2,882,016
-	794,777	794,777	14,939,184
-	-	-	1,258,984
-	-	-	517,760
-	-	-	26,535
-	-	-	3,162,086
-	-	-	1,900,587
1,241,450	12,768,943	14,010,393	19,271,803
-	-	-	2,831,808
<u>\$ 1,241,450</u>	<u>\$ 13,716,489</u>	<u>\$ 14,957,939</u>	<u>\$ 46,790,763</u>
\$ -	\$ 527,290	\$ 527,290	\$ 3,080,463
210	3,597	3,807	58,546
-	-	-	41,482
-	-	-	2,461,614
-	-	-	4,763,572
-	-	-	3,598,491
<u>210</u>	<u>530,887</u>	<u>531,097</u>	<u>14,004,168</u>
1,241,240	13,185,602	14,426,842	24,006,633
-	-	-	12,199,991
-	-	-	(3,420,029)
<u>1,241,240</u>	<u>13,185,602</u>	<u>14,426,842</u>	<u>32,786,595</u>
<u>\$ 1,241,450</u>	<u>\$ 13,716,489</u>	<u>\$ 14,957,939</u>	<u>\$ 46,790,763</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2012

	Special Revenue Funds			
	Criminal Investigation	Municipal Court	Abandoned Motor Vehicle	Economic Development Incentive
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 3,652,376
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	-	-	-	-
Fees and fines	-	298,144	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	1,246	838	768	-
IRS Build America Bond Subsidy	-	-	-	-
Miscellaneous	752,376	-	579,353	-
Total revenues	<u>753,622</u>	<u>298,982</u>	<u>580,121</u>	<u>3,652,376</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	-	-	-	3,655,818
Health	-	-	-	-
Fire	-	-	-	-
Police	538,383	-	428,436	-
Other public safety	-	273,982	-	-
Streets and traffic	-	-	-	-
Intergovernmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>538,383</u>	<u>273,982</u>	<u>428,436</u>	<u>3,655,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>215,239</u>	<u>25,000</u>	<u>151,685</u>	<u>(3,442)</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	215,239	25,000	(148,035)	(3,442)
Fund balances - beginning restated	640,815	493,292	478,267	43,371
Fund balances - end of year	<u>\$ 856,054</u>	<u>\$ 518,292</u>	<u>\$ 330,232</u>	<u>\$ 39,929</u>

Special Revenue Funds

<u>Donations</u>	<u>Hotel/Motel Tax</u>	<u>Animal Assistance Program</u>	<u>Cemetery Maintenance</u>	<u>Lubbock Economic Development Alliance</u>	<u>North Overton TIF</u>	<u>Central Business District TIF</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,353,546	\$ 554,191
-	-	-	-	4,775,316	-	-
-	5,209,971	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	84,008	-	-	-	-
789	-	308	-	-	-	1,620
-	-	-	-	-	-	-
96,170	-	-	-	-	78,870	-
<u>96,959</u>	<u>5,209,971</u>	<u>84,316</u>	<u>-</u>	<u>4,775,316</u>	<u>2,432,416</u>	<u>555,811</u>
12,795	-	-	-	-	-	-
104,239	-	-	-	-	-	-
-	2,818,076	-	-	4,775,316	35,655	407,317
891	-	42,717	-	-	-	-
20,633	-	-	-	-	-	-
2,066	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	944	-	-	-	2,719	-
14,001	-	-	-	-	-	-
<u>154,625</u>	<u>2,819,020</u>	<u>42,717</u>	<u>-</u>	<u>4,775,316</u>	<u>38,374</u>	<u>407,317</u>
<u>(57,666)</u>	<u>2,390,951</u>	<u>41,599</u>	<u>-</u>	<u>-</u>	<u>2,394,042</u>	<u>148,494</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	170,309	-	-	381,730	-
<u>(256,888)</u>	<u>(3,798,136)</u>	<u>-</u>	<u>(71,376)</u>	<u>-</u>	<u>(3,223,897)</u>	<u>(132,976)</u>
<u>(256,888)</u>	<u>(3,798,136)</u>	<u>170,309</u>	<u>(71,376)</u>	<u>-</u>	<u>(2,842,167)</u>	<u>(132,976)</u>
(314,554)	(1,407,185)	211,908	(71,376)	-	(448,125)	15,518
692,660	1,683,784	-	71,376	-	(1,909,909)	839,635
<u>\$ 378,106</u>	<u>\$ 276,599</u>	<u>\$ 211,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,358,034)</u>	<u>\$ 855,153</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2012

	Special Revenue Funds			
	Lubbock Business Park TIF	North Overton PID	North Point PID	Vintage Township PID
REVENUES				
Property taxes	\$ 237,417	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	-	412,034	80,568	239,494
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	280	1,157	475	-
IRS Build America Bond Subsidy	-	-	-	-
Miscellaneous	-	-	-	112,588
Total revenues	<u>237,697</u>	<u>413,191</u>	<u>81,043</u>	<u>352,082</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	13,692	454,103	19,469	126,351
Health	-	-	-	-
Fire	-	-	-	-
Police	-	-	-	-
Other public safety	-	-	-	-
Streets and traffic	-	-	-	-
Intergovernmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>13,692</u>	<u>454,103</u>	<u>19,469</u>	<u>126,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>224,005</u>	<u>(40,912)</u>	<u>61,574</u>	<u>225,731</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	224,005	(40,912)	61,574	225,731
Fund balances - beginning restated	13,407	102,917	232,291	-
Fund balances - end of year	<u>\$ 237,412</u>	<u>\$ 62,005</u>	<u>\$ 293,865</u>	<u>\$ 225,731</u>

Special Revenue Funds

<u>Quincy Park PID</u>	<u>Gateway Streets</u>	<u>Cable Services</u>	<u>Community Development</u>	<u>Community Services</u>	<u>Health</u>	<u>Library</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,880,535	26,444	-	-	-	-
31,371	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,330,953	2,367,860	1,050,660	359,795
-	-	-	-	-	-	-
45	45,539	-	35	-	-	-
-	-	-	-	-	-	-
-	-	-	799,394	-	149,919	-
<u>31,416</u>	<u>3,926,074</u>	<u>26,444</u>	<u>3,130,382</u>	<u>2,367,860</u>	<u>1,200,579</u>	<u>359,795</u>
-	-	-	2,180,725	2,357,628	-	-
-	-	-	-	-	-	359,795
6,605	7,200	-	-	-	-	-
-	-	-	-	-	1,209,961	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,002,904	-	-	-
<u>6,605</u>	<u>7,200</u>	<u>-</u>	<u>3,183,629</u>	<u>2,357,628</u>	<u>1,209,961</u>	<u>359,795</u>
<u>24,811</u>	<u>3,918,874</u>	<u>26,444</u>	<u>(53,247)</u>	<u>10,232</u>	<u>(9,382)</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,689,846	-	-	-	-	-
-	(8,238,739)	-	(131,200)	-	-	-
-	(4,548,893)	-	(131,200)	-	-	-
<u>24,811</u>	<u>(630,019)</u>	<u>26,444</u>	<u>(184,447)</u>	<u>10,232</u>	<u>(9,382)</u>	<u>-</u>
<u>11,720</u>	<u>15,406,870</u>	<u>-</u>	<u>189,212</u>	<u>-</u>	<u>38,014</u>	<u>-</u>
<u>\$ 36,531</u>	<u>\$ 14,776,851</u>	<u>\$ 26,444</u>	<u>\$ 4,765</u>	<u>\$ 10,232</u>	<u>\$ 28,632</u>	<u>\$ -</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Police</u>	<u>Other Grants</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ 6,797,530	\$ 12,421,234
Sales taxes	-	-	4,775,316	-
Occupancy taxes	-	-	5,209,971	-
Franchise taxes	-	-	3,906,979	-
Special assessments	-	-	763,467	-
Fees and fines	-	-	298,144	-
Intergovernmental	323,488	2,600,711	9,033,467	-
Charges for services	-	-	84,008	-
Interest	240	-	53,340	4,147
IRS Build America Bond Subsidy	-	-	-	459,377
Miscellaneous	-	48,988	2,617,658	-
Total revenues	<u>323,728</u>	<u>2,649,699</u>	<u>33,539,880</u>	<u>12,884,758</u>
EXPENDITURES				
Current:				
Community services	-	480,277	5,031,425	-
Cultural and recreation	-	29,391	493,425	-
Economic and business development	-	-	12,319,602	-
Health	-	705,596	1,959,165	-
Fire	-	-	20,633	-
Police	399,959	-	1,368,844	-
Other public safety	-	392,886	666,868	-
Streets and traffic	-	33,932	33,932	-
Intergovernmental	99,423	-	99,423	-
Debt Service:				
Principal	-	-	-	15,101,532
Interest and other charges	-	-	3,663	13,391,297
Capital outlay	67,597	1,916,500	3,001,002	-
Total expenditures	<u>566,979</u>	<u>3,558,582</u>	<u>24,997,982</u>	<u>28,492,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(243,251)</u>	<u>(908,883)</u>	<u>8,541,898</u>	<u>(15,608,071)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	9,165,000
Bond premium	-	-	-	546,289
Payment to the refunded bond escrow agent	-	-	-	(9,703,645)
Transfers in	68,861	897,121	5,207,867	16,170,022
Transfers out	-	-	(16,152,932)	(530,044)
Net other financing sources (uses)	<u>68,861</u>	<u>897,121</u>	<u>(10,945,065)</u>	<u>15,647,622</u>
Net change in fund balances	(174,390)	(11,762)	(2,403,167)	39,551
Fund balances - beginning restated	175,419	191,185	19,394,326	1,329,043
Fund balances - end of year	<u>\$ 1,029</u>	<u>\$ 179,423</u>	<u>\$ 16,991,159</u>	<u>\$ 1,368,594</u>

Capital Projects Funds

<u>TIF Capital Projects</u>	<u>Gateway Streets Projects</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 19,218,764
-	-	-	4,775,316
-	-	-	5,209,971
-	-	-	3,906,979
-	-	-	763,467
-	-	-	298,144
-	3,979,853	3,979,853	13,013,320
-	-	-	84,008
2,380	20,045	22,425	79,912
-	-	-	459,377
<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>3,117,658</u>
<u>502,380</u>	<u>3,999,898</u>	<u>4,502,278</u>	<u>50,926,916</u>
-	-	-	5,031,425
-	-	-	493,425
571,870	-	571,870	12,891,472
-	-	-	1,959,165
-	-	-	20,633
-	-	-	1,368,844
-	-	-	666,868
-	3,701,009	3,701,009	3,734,941
-	-	-	99,423
-	-	-	15,101,532
-	-	-	13,394,960
<u>30,592</u>	<u>8,743,829</u>	<u>8,774,421</u>	<u>11,775,423</u>
<u>602,462</u>	<u>12,444,838</u>	<u>13,047,300</u>	<u>66,538,111</u>
<u>(100,082)</u>	<u>(8,444,940)</u>	<u>(8,545,022)</u>	<u>(15,611,195)</u>
-	-	-	9,165,000
-	-	-	546,289
-	-	-	(9,703,645)
-	-	-	21,377,889
<u>(635,845)</u>	<u>(20,045)</u>	<u>(655,890)</u>	<u>(17,338,866)</u>
<u>(635,845)</u>	<u>(20,045)</u>	<u>(655,890)</u>	<u>4,046,667</u>
(735,927)	(8,464,985)	(9,200,912)	(11,564,528)
<u>1,977,167</u>	<u>21,650,587</u>	<u>23,627,754</u>	<u>44,351,123</u>
<u>\$ 1,241,240</u>	<u>\$ 13,185,602</u>	<u>\$ 14,426,842</u>	<u>\$ 32,786,595</u>



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 costing goods or services to the general public on a continuing basis to be 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 Assets
Nonmajor Enterprise Funds
September 30, 2012

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,289,163	\$ 984,615	\$ -	\$ 50,557
Investments	6,706,819	5,122,421	-	263,022
Accounts receivable	544,358	2,076,061	900,787	29,293
Interest receivable	1,991	1,327	-	70
Due from others	255,404	-	-	-
Due from other funds	-	3,419,341	-	-
Due from other governments	1,786,554	-	1,636,338	-
Prepaid expenses	-	-	7,467	-
Inventories	-	-	758,230	-
	<u>10,584,289</u>	<u>11,603,765</u>	<u>3,302,822</u>	<u>342,942</u>
Noncurrent assets:				
Restricted investments	<u>2,273,267</u>	<u>2,343,130</u>	<u>-</u>	<u>23,453</u>
	<u>2,273,267</u>	<u>2,343,130</u>	<u>-</u>	<u>23,453</u>
Capital assets:				
Land	3,589,941	1,607,932	318,539	14,097
Construction in progress	47,048,601	7,112,727	726,404	-
Buildings	39,436,930	1,634,574	4,554,055	846,652
Improvements other than buildings	103,479,227	27,671,381	1,877,451	77,858
Machinery and equipment	18,398,890	34,055,596	19,166,370	561,989
Less accumulated depreciation	<u>(90,830,517)</u>	<u>(48,125,719)</u>	<u>(15,199,155)</u>	<u>(443,277)</u>
	<u>121,123,072</u>	<u>23,956,491</u>	<u>11,443,664</u>	<u>1,057,319</u>
	<u>123,396,339</u>	<u>26,299,621</u>	<u>11,443,664</u>	<u>1,080,772</u>
	<u>\$133,980,628</u>	<u>\$ 37,903,386</u>	<u>\$ 14,746,486</u>	<u>\$ 1,423,714</u>

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 579,424	\$ 58,928	\$ 2,962,687
3,014,434	306,572	15,413,268
100,565	796	3,651,860
1,782	91	5,261
-	-	255,404
-	-	3,419,341
-	-	3,422,892
-	-	7,467
-	-	758,230
<u>3,696,205</u>	<u>366,387</u>	<u>29,896,410</u>
<u>5,143,340</u>	<u>-</u>	<u>9,783,190</u>
<u>5,143,340</u>	<u>-</u>	<u>9,783,190</u>
1,238,454	-	6,768,963
2,168,854	-	57,056,586
21,860,776	-	68,332,987
3,133,671	-	136,239,588
6,466,822	126,213	78,775,880
<u>(22,859,331)</u>	<u>(112,173)</u>	<u>(177,570,172)</u>
<u>12,009,246</u>	<u>14,040</u>	<u>169,603,832</u>
<u>17,152,586</u>	<u>14,040</u>	<u>179,387,022</u>
<u>\$ 20,848,791</u>	<u>\$ 380,427</u>	<u>\$ 209,283,432</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2012

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,376,417	\$ 415,070	\$ 479,395	\$ 15,176
Accrued liabilities	57,530	200,642	501,694	7,601
Accrued interest payable	79,115	129,972	-	3,513
Due to other funds	-	-	1,449,230	-
Customer deposits	-	9,072	-	-
Deferred revenue	-	-	-	3,220
Compensated absences	118,518	328,619	288,107	29,958
Leases payable	38,606	3,642,755	-	7,194
Bonds payable	2,591,577	981,613	-	27,680
	<u>6,261,763</u>	<u>5,707,743</u>	<u>2,718,426</u>	<u>94,342</u>
Total current liabilities				
Noncurrent liabilities:				
Landfill closure and post closure care	-	5,050,212	-	-
Compensated absences	112,850	312,904	-	28,525
Post employment benefits	635,256	1,504,439	-	111,973
Net pension obligation	222,843	509,871	-	37,829
Leases payable	184,595	5,466,489	-	73,266
Bonds payable	11,776,773	17,583,403	-	536,871
	<u>12,932,317</u>	<u>30,427,318</u>	<u>-</u>	<u>788,464</u>
Total noncurrent liabilities				
	<u>19,194,080</u>	<u>36,135,061</u>	<u>2,718,426</u>	<u>882,806</u>
Total liabilities				
NET ASSETS				
Invested in capital assets, net of related debt	106,697,952	(1,976,949)	11,443,664	417,599
Restricted for passenger facility charges	645,223	-	-	-
Restricted for debt service	1,461,614	602,308	-	18,162
Unrestricted	5,981,759	3,142,966	584,396	105,147
	<u>114,786,548</u>	<u>1,768,325</u>	<u>12,028,060</u>	<u>540,908</u>
Total net assets				

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 78,308	\$ 18,935	\$ 4,383,301
25,619	5,619	798,705
35,473	-	248,073
-	-	1,449,230
107,261	-	116,333
-	-	3,220
103,345	11,298	879,845
-	-	3,688,555
248,621	-	3,849,491
<u>598,627</u>	<u>35,852</u>	<u>15,416,753</u>
-	-	5,050,212
98,403	10,757	563,439
395,892	17,112	2,664,672
108,395	1,359	880,297
-	-	5,724,350
5,842,889	-	35,739,936
<u>6,445,579</u>	<u>29,228</u>	<u>50,622,906</u>
<u>7,044,206</u>	<u>65,080</u>	<u>66,039,659</u>
10,912,431	14,040	127,508,737
-	-	645,223
148,645	-	2,230,729
2,743,509	301,307	12,859,084
<u>\$ 13,804,585</u>	<u>\$ 315,347</u>	<u>\$ 143,243,773</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Nonmajor Enterprise Funds
For Fiscal Year Ended September 30, 2012

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
OPERATING REVENUES				
Charges for services (net)	\$ 7,677,538	\$ 19,483,045	\$ 5,211,423	\$ 410,604
Total operating revenues	<u>7,677,538</u>	<u>19,483,045</u>	<u>5,211,423</u>	<u>410,604</u>
OPERATING EXPENSES				
Personal services	2,644,622	6,277,246	6,806,360	442,461
Supplies	160,166	1,648,745	1,801,798	56,253
Maintenance	740,698	2,741,923	1,163,064	28,005
Billing office expense	-	610,487	-	-
Other services and charges	2,332,859	1,091,090	1,313,114	168,989
Depreciation and amortization	<u>5,367,782</u>	<u>4,279,117</u>	<u>1,778,516</u>	<u>34,157</u>
Total operating expenses	<u>11,246,127</u>	<u>16,648,608</u>	<u>12,862,852</u>	<u>729,865</u>
Operating income (loss)	<u>(3,568,589)</u>	<u>2,834,437</u>	<u>(7,651,429)</u>	<u>(319,261)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	15,779	17,576	-	4,591
Passenger facility charges/Federal grants	2,049,240	-	4,579,981	-
Disposition of assets	(30,729)	496,705	52,774	21,471
Miscellaneous	1,544,572	565,917	-	-
IRS Build America Bond Subsidy	-	9,337	-	-
Interest expense	<u>(569,855)</u>	<u>(781,994)</u>	<u>-</u>	<u>(28,606)</u>
Net nonoperating revenues (expenses)	<u>3,009,007</u>	<u>307,541</u>	<u>4,632,755</u>	<u>(2,544)</u>
Income (loss) before contributions and transfers	(559,582)	3,141,978	(3,018,674)	(321,805)
Capital contributions	22,840,556	-	1,555,192	-
Transfers in	-	-	1,431,877	287,352
Transfers out	<u>(1,491,603)</u>	<u>(2,369,007)</u>	<u>-</u>	<u>-</u>
Change in net assets	20,789,371	772,971	(31,605)	(34,453)
Total net assets - beginning	<u>93,997,177</u>	<u>995,354</u>	<u>12,059,665</u>	<u>575,361</u>
Total net assets - ending	<u>\$ 114,786,548</u>	<u>\$ 1,768,325</u>	<u>\$ 12,028,060</u>	<u>\$ 540,908</u>

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 663,415	\$ 490,211	\$ 33,936,236
<u>663,415</u>	<u>490,211</u>	<u>33,936,236</u>
1,665,103	343,868	18,179,660
71,474	10,934	3,749,370
306,388	13,544	4,993,622
-	-	610,487
773,640	135,093	5,814,785
<u>1,075,117</u>	<u>10,615</u>	<u>12,545,304</u>
<u>3,891,722</u>	<u>514,054</u>	<u>45,893,228</u>
<u>(3,228,307)</u>	<u>(23,843)</u>	<u>(11,956,992)</u>
10,921	551	49,418
-	-	6,629,221
-	-	540,221
433,182	-	2,543,671
-	-	9,337
<u>(39,328)</u>	<u>-</u>	<u>(1,419,783)</u>
<u>404,775</u>	<u>551</u>	<u>8,352,085</u>
(2,823,532)	(23,292)	(3,604,907)
2,109,900	-	26,505,648
4,524,203	-	6,243,432
-	(129,387)	(3,989,997)
<u>3,810,571</u>	<u>(152,679)</u>	<u>25,154,176</u>
<u>9,994,014</u>	<u>468,026</u>	<u>118,089,597</u>
<u>\$ 13,804,585</u>	<u>\$ 315,347</u>	<u>\$ 143,243,773</u>

City Of Lubbock, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2012

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 7,553,146	\$ 19,233,929	\$ 5,428,044	\$ 427,866
Payments to suppliers	(2,285,086)	(6,617,084)	(4,761,127)	(207,215)
Payments to employees	(2,689,587)	(6,381,118)	(6,806,360)	(450,062)
Other receipts	1,544,572	575,254	-	-
Net cash provided (used) by operating activities	<u>4,123,045</u>	<u>6,810,981</u>	<u>(6,139,443)</u>	<u>(229,411)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	-	-	1,431,877	287,352
Transfers out to other funds	(1,491,603)	(2,369,007)	-	-
Short-term interfund borrowings (repayments)	-	(500,448)	101,388	-
Operating grants	-	-	4,579,981	-
Net cash provided (used) by noncapital and related financing activities	<u>(1,491,603)</u>	<u>(2,869,455)</u>	<u>6,113,246</u>	<u>287,352</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(25,669,266)	(4,722,665)	(1,581,769)	(80,461)
Sale of capital assets	16,300	531,257	52,774	21,471
Principal paid on capital leases	(33,779)	(4,512,602)	-	-
Principal paid on bonds	(2,268,815)	(1,776,732)	-	(26,309)
Issuance of capital leases	43,728	2,827,596	-	80,460
Issuance of bonds	1,253,211	943,049	-	-
Bond issuance costs	(10,550)	(28,276)	-	-
Interest paid on bonds and capital leases	(662,858)	(888,091)	-	(28,888)
Capital grants and contributions	24,889,796	-	1,555,192	-
Net cash provided (used) by capital and related financing activities	<u>(2,442,233)</u>	<u>(7,626,464)</u>	<u>26,197</u>	<u>(33,727)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	4,630,707	7,225,606	-	120,783
Purchase of investments	(3,970,691)	(3,301,015)	-	(126,670)
Interest earnings on cash and investments	15,001	17,761	-	4,594
Net cash provided (used) by investing activities	<u>675,017</u>	<u>3,942,352</u>	<u>-</u>	<u>(1,293)</u>
Net increase in cash and cash equivalents	864,226	257,414	-	22,921
Cash and cash equivalents - beginning of year	424,937	727,201	-	27,636
Cash and cash equivalents - end of year	<u>\$ 1,289,163</u>	<u>\$ 984,615</u>	<u>\$ -</u>	<u>\$ 50,557</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (3,568,589)	\$ 2,834,437	\$ (7,651,429)	\$ (319,261)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	5,367,782	4,279,117	1,778,516	34,157
Other income	1,544,572	575,254	-	-
Change in current assets and liabilities:				
Accounts receivable	(124,392)	(249,116)	216,621	17,262
Inventory	-	-	(27,894)	-
Prepaid expenses	-	-	119,086	-
Due from other governments	(901,798)	-	(598,699)	-
Accounts payable	1,684,756	(1,181,714)	(167,331)	3,860
Other accrued expenses	667	12,349	172,726	492
Due to/from other funds	(82,746)	-	-	-
Customer deposits	-	400	-	-
Change in compensated absences and retirement benefits	202,793	540,254	18,961	34,079
Net cash provided (used) by operating activities	<u>\$ 4,123,045</u>	<u>\$ 6,810,981</u>	<u>\$ (6,139,443)</u>	<u>\$ (229,411)</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	\$ -	\$ -	\$ -	\$ -

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 650,190	\$ 489,415	\$ 33,782,590
(692,177)	(104,502)	(14,667,191)
(1,690,715)	(349,488)	(18,367,330)
-	-	2,119,826
<u>(1,732,702)</u>	<u>35,425</u>	<u>2,867,895</u>
4,524,203	-	6,243,432
-	(129,387)	(3,989,997)
-	-	(399,060)
-	-	4,579,981
<u>4,524,203</u>	<u>(129,387)</u>	<u>6,434,356</u>
(639,162)	-	(32,693,323)
-	1	621,803
-	-	(4,546,381)
(241,206)	-	(4,313,062)
-	-	2,951,784
-	-	2,196,260
-	-	(38,826)
(41,832)	-	(1,621,669)
-	-	26,444,988
<u>(922,200)</u>	<u>1</u>	<u>(10,998,426)</u>
2,212,241	244,160	14,433,497
(3,607,093)	(135,556)	(11,141,025)
10,913	563	48,832
<u>(1,383,939)</u>	<u>109,167</u>	<u>3,341,304</u>
485,362	15,206	1,645,129
94,062	43,722	1,317,558
<u>\$ 579,424</u>	<u>\$ 58,928</u>	<u>\$ 2,962,687</u>
\$ (3,228,307)	\$ (23,843)	\$ (11,956,992)
1,075,117	10,615	12,545,304
433,182	-	2,553,008
(13,225)	(796)	(153,646)
-	-	(27,894)
-	-	119,086
-	-	(1,500,497)
(170,719)	6,771	175,623
(1,174)	2,152	187,212
11,625	-	(71,121)
47,328	-	47,728
113,471	40,526	950,084
<u>\$ (1,732,702)</u>	<u>\$ 35,425</u>	<u>\$ 2,867,895</u>
\$ 2,109,900	\$ -	\$ 2,109,900



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 Assets
Internal Service Funds
September 30, 2012

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 177,928	\$ 61,056	\$ 1,707,282	\$ 1,946,266
Investments	925,665	317,643	8,882,071	10,125,379
Interest receivable	342	105	2,627	3,074
Due from others	-	187	49,296	49,483
Prepaid expenses	-	-	-	-
Inventories	188,642	1,566,317	-	1,754,959
Total current assets	<u>1,292,577</u>	<u>1,945,308</u>	<u>10,641,276</u>	<u>13,879,161</u>
Noncurrent assets:				
Restricted investments	<u>545,524</u>	<u>-</u>	<u>-</u>	<u>545,524</u>
Capital assets:				
Land	-	-	-	-
Buildings	1,469,765	138,853	-	1,608,618
Improvements other than buildings	10,650	-	-	10,650
Machinery and equipment	1,057,858	128,656	17,227	1,203,741
Construction in progress	-	-	-	-
Less accumulated depreciation	<u>(1,463,195)</u>	<u>(267,509)</u>	<u>(17,227)</u>	<u>(1,747,931)</u>
Total capital assets	<u>1,075,078</u>	<u>-</u>	<u>-</u>	<u>1,075,078</u>
Total noncurrent assets	<u>1,620,602</u>	<u>-</u>	<u>-</u>	<u>1,620,602</u>
Total assets	<u>\$ 2,913,179</u>	<u>\$ 1,945,308</u>	<u>\$ 10,641,276</u>	<u>\$ 15,499,763</u>

Governmental Activities

Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
\$ 205,276	\$ 1,682,468	\$ 2,116	\$ 1,889,860	\$ 3,836,126
1,067,940	8,752,974	11,006	9,831,920	19,957,299
206	2,589	-	2,795	5,869
8,122	77,470	-	85,592	135,075
-	-	-	-	-
20,112	-	-	20,112	1,775,071
<u>1,301,656</u>	<u>10,515,501</u>	<u>13,122</u>	<u>11,830,279</u>	<u>25,709,440</u>
-	-	-	-	545,524
65,343	-	-	65,343	65,343
88,436	-	-	88,436	1,697,054
1,013,148	-	-	1,013,148	1,023,798
9,972,420	5,568	-	9,977,988	11,181,729
62,498	-	-	62,498	62,498
<u>(8,722,675)</u>	<u>(5,568)</u>	<u>-</u>	<u>(8,728,243)</u>	<u>(10,476,174)</u>
<u>2,479,170</u>	<u>-</u>	<u>-</u>	<u>2,479,170</u>	<u>3,554,248</u>
<u>2,479,170</u>	<u>-</u>	<u>-</u>	<u>2,479,170</u>	<u>4,099,772</u>
<u>\$ 3,780,826</u>	<u>\$ 10,515,501</u>	<u>\$ 13,122</u>	<u>\$ 14,309,449</u>	<u>\$ 29,809,212</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2012

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 547,472	\$ 275,043	\$ 69,260	\$ 891,775
Accrued liabilities	13,335	4,759	6,372	24,466
Accrued interest payable	3,775	-	-	3,775
Compensated absences	20,059	13,995	5,883	39,937
Accrued insurance claims	-	-	1,487,154	1,487,154
Leases payable	3,841	-	-	3,841
Bonds payable	13,544	-	-	13,544
Total current liabilities	<u>602,026</u>	<u>293,797</u>	<u>1,568,669</u>	<u>2,464,492</u>
Noncurrent liabilities:				
Accrued insurance claims	-	-	2,092,492	2,092,492
Compensated absences	19,099	13,326	5,602	38,027
Post employment benefits	241,563	87,933	63,230	392,726
Net pension obligation	79,798	23,644	25,835	129,277
Leases payable	39,124	-	-	39,124
Bonds payable	514,115	-	-	514,115
Total noncurrent liabilities	<u>893,699</u>	<u>124,903</u>	<u>2,187,159</u>	<u>3,205,761</u>
Total liabilities	<u>1,495,725</u>	<u>418,700</u>	<u>3,755,828</u>	<u>5,670,253</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,037,554	-	-	1,037,554
Restricted for debt service	12,424	-	-	12,424
Unrestricted	367,476	1,526,608	6,885,448	8,779,532
Total net assets	<u>\$ 1,417,454</u>	<u>\$ 1,526,608</u>	<u>\$ 6,885,448</u>	<u>\$ 9,829,510</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>
\$ 330,514	\$ 743,765	\$ 1,123	\$ 1,075,402	\$ 1,967,177
80,654	3,845	1,999	86,498	110,964
2,612	-	-	2,612	6,387
257,131	4,541	-	261,672	301,609
-	1,586,821	-	1,586,821	3,073,975
268,615	-	-	268,615	272,456
-	-	-	-	13,544
<u>939,526</u>	<u>2,338,972</u>	<u>3,122</u>	<u>3,281,620</u>	<u>5,746,112</u>
-	160,986	-	160,986	2,253,478
508,549	8,982	-	517,531	555,558
642,043	50,034	-	692,077	1,084,803
332,648	18,156	-	350,804	480,081
803,093	-	-	803,093	842,217
-	-	-	-	514,115
<u>2,286,333</u>	<u>238,158</u>	<u>-</u>	<u>2,524,491</u>	<u>5,730,252</u>
<u>3,225,859</u>	<u>2,577,130</u>	<u>3,122</u>	<u>5,806,111</u>	<u>11,476,364</u>
1,407,462	-	-	1,407,462	2,445,016
-	-	-	-	12,424
<u>(852,495)</u>	<u>7,938,371</u>	<u>10,000</u>	<u>7,095,876</u>	<u>15,875,408</u>
<u>\$ 554,967</u>	<u>\$ 7,938,371</u>	<u>\$ 10,000</u>	<u>\$ 8,503,338</u>	<u>\$ 18,332,848</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenses
And Changes in Fund Net Assets
Internal Service Funds
For The Year Ended September 30, 2012

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
OPERATING REVENUES				
Charges for services (net)	\$ 10,068,299	\$ 4,299,102	\$ 6,071,558	\$ 20,438,959
Total operating revenues	<u>10,068,299</u>	<u>4,299,102</u>	<u>6,071,558</u>	<u>20,438,959</u>
OPERATING EXPENSES				
Personal services	780,845	283,360	340,114	1,404,319
Insurance and claims	-	-	4,118,047	4,118,047
Supplies	37,251	8,163	6,102	51,516
Materials	9,055,878	3,574,733	-	12,630,611
Maintenance	36,718	11,506	1,102	49,326
Other services and charges	190,513	344,463	107,156	642,132
Depreciation and amortization	89,629	6,957	-	96,586
Total operating expenses	<u>10,190,834</u>	<u>4,229,182</u>	<u>4,572,521</u>	<u>18,992,537</u>
Operating income (loss)	<u>(122,535)</u>	<u>69,920</u>	<u>1,499,037</u>	<u>1,446,422</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	2,017	107	15,495	17,619
Disposition of assets	9,337	1,021	-	10,358
Miscellaneous	3,089	-	(961)	2,128
Interest expense	<u>(15,243)</u>	<u>(78)</u>	<u>-</u>	<u>(15,321)</u>
Net nonoperating revenues (expenses)	<u>(800)</u>	<u>1,050</u>	<u>14,534</u>	<u>14,784</u>
Income (loss) before contributions and transfers	(123,335)	70,970	1,513,571	1,461,206
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(123,335)	70,970	1,513,571	1,461,206
Total net assets - beginning of year	<u>1,540,789</u>	<u>1,455,638</u>	<u>5,371,877</u>	<u>8,368,304</u>
Total net assets - end of year	<u>\$ 1,417,454</u>	<u>\$ 1,526,608</u>	<u>\$ 6,885,448</u>	<u>\$ 9,829,510</u>

Governmental Activities

Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
<u>\$ 8,230,229</u>	<u>\$ 28,918,886</u>	<u>\$ -</u>	<u>\$ 37,149,115</u>	<u>\$ 57,588,074</u>
<u>8,230,229</u>	<u>28,918,886</u>	<u>-</u>	<u>37,149,115</u>	<u>57,588,074</u>
4,341,354	214,651	83,101	4,639,106	6,043,425
-	26,355,546	-	26,355,546	30,473,593
49,189	6,143	988	56,320	107,836
86,592	-	-	86,592	12,717,203
2,333,160	-	-	2,333,160	2,382,486
1,846,015	132,566	24,295	2,002,876	2,645,008
606,668	-	-	606,668	703,254
<u>9,262,978</u>	<u>26,708,906</u>	<u>108,384</u>	<u>36,080,268</u>	<u>55,072,805</u>
<u>(1,032,749)</u>	<u>2,209,980</u>	<u>(108,384)</u>	<u>1,068,847</u>	<u>2,515,269</u>
1,570	10,703	114,404	126,677	144,296
16,015	-	-	16,015	26,373
-	4,335,464	-	4,335,464	4,337,592
<u>(22,246)</u>	<u>-</u>	<u>-</u>	<u>(22,246)</u>	<u>(37,567)</u>
<u>(4,661)</u>	<u>4,346,167</u>	<u>114,404</u>	<u>4,455,910</u>	<u>4,470,694</u>
(1,037,410)	6,556,147	6,020	5,524,757	6,985,963
<u>24,873</u>	<u>-</u>	<u>-</u>	<u>24,873</u>	<u>24,873</u>
(1,012,537)	6,556,147	6,020	5,549,630	7,010,836
<u>1,567,504</u>	<u>1,382,224</u>	<u>3,980</u>	<u>2,953,708</u>	<u>11,322,012</u>
<u>\$ 554,967</u>	<u>\$ 7,938,371</u>	<u>\$ 10,000</u>	<u>\$ 8,503,338</u>	<u>\$ 18,332,848</u>

City of Lubbock, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2012

	Business-type Activities			Total Business-type Activities
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,068,298	\$ 4,299,102	\$ 6,071,558	\$ 20,438,958
Payments to suppliers	(9,015,550)	(3,673,344)	(5,038,466)	(17,727,360)
Payments to employees	(712,397)	(257,692)	(318,724)	(1,288,813)
Other receipts	12,426	1,021	-	13,447
Net cash provided (used) by operating activities	<u>352,777</u>	<u>369,087</u>	<u>714,368</u>	<u>1,436,232</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(65,031)	-	-	(65,031)
Sale of capital assets	-	-	-	-
Principal paid on capital leases	-	-	-	-
Bond issuance costs	(2,256)	-	-	(2,256)
Principal paid on bonds	(3,930)	-	-	(3,930)
Issuance of capital leases	42,965	-	-	42,965
Issuance of bonds	267,987	-	-	267,987
Interest paid on bonds and capital leases	(16,419)	(78)	-	(16,497)
Net cash provided (used) by capital and related financing activities	<u>223,316</u>	<u>(78)</u>	<u>-</u>	<u>223,238</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	174,839	-	3,965,776	4,140,615
Purchase of investments	(650,510)	(308,894)	(3,927,352)	(4,886,756)
Interest earnings on cash and investments	1,675	20	15,087	16,782
Net cash provided (used) by investing activities	<u>(473,996)</u>	<u>(308,874)</u>	<u>53,511</u>	<u>(729,359)</u>
Net increase in cash and cash equivalents	102,097	60,135	767,879	930,111
Cash and cash equivalents - beginning of year	75,831	921	939,403	1,016,155
Cash and cash equivalents - end of year	<u>\$ 177,928</u>	<u>\$ 61,056</u>	<u>\$ 1,707,282</u>	<u>\$ 1,946,266</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (122,535)	69,920	\$ 1,499,037	1,446,422
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	89,629	6,957	-	96,586
Other income (expense)	12,426	1,021	(961)	12,486
Change in current assets and liabilities:				
Accounts receivable	-	-	-	-
Inventory	22,111	171,697	-	193,808
Prepaid expenses	-	-	-	-
Accounts payable	278,561	88,720	64,925	432,206
Due from others	-	1,094	(42,509)	(41,415)
Other accrued expenses	1,205	1,090	(830,949)	(828,654)
Change in compensated absences	(1,632)	1,421	1,242	1,031
Change in retirement benefits	73,012	27,167	23,583	123,762
Net cash provided (used) by operating activities	<u>\$ 352,777</u>	<u>\$ 369,087</u>	<u>\$ 714,368</u>	<u>\$ 1,436,232</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	\$ -	\$ -	\$ -	\$ -

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>
\$ 8,230,229	\$ 28,932,931	\$ -	\$ 37,163,160	\$ 57,602,118
(3,915,557)	(26,439,825)	(28,181)	(30,383,563)	(48,110,923)
(4,110,342)	(201,817)	(83,101)	(4,395,260)	(5,684,073)
-	4,335,464	-	4,335,464	4,348,911
<u>204,330</u>	<u>6,626,753</u>	<u>(111,282)</u>	<u>6,719,801</u>	<u>8,156,033</u>
(338,215)	-	-	(338,215)	(403,246)
16,015	-	-	16,015	16,015
(154,265)	-	-	(154,265)	(154,265)
-	-	-	-	(2,256)
-	-	-	-	(3,930)
399,268	-	-	399,268	442,233
-	-	-	-	267,987
(20,668)	-	-	(20,668)	(37,165)
<u>(97,865)</u>	<u>-</u>	<u>-</u>	<u>(97,865)</u>	<u>125,373</u>
497,889	-	2,907	500,796	4,641,411
(511,652)	(5,315,273)	(4,866)	(5,831,791)	(10,718,547)
1,560	8,969	114,404	124,933	141,715
<u>(12,203)</u>	<u>(5,306,304)</u>	<u>112,445</u>	<u>(5,206,062)</u>	<u>(5,935,421)</u>
94,262	1,320,449	1,163	1,415,874	2,345,985
111,014	362,019	953	473,986	1,490,141
<u>\$ 205,276</u>	<u>\$ 1,682,468</u>	<u>\$ 2,116</u>	<u>\$ 1,889,860</u>	<u>\$ 3,836,126</u>
(1,032,749)	2,209,980	(108,384)	1,068,847	2,515,269
606,668	-	-	606,668	703,254
-	4,335,464	-	4,335,464	4,347,950
-	14,045	-	14,045	14,045
(6,385)	-	-	(6,385)	187,423
19,137	-	-	19,137	19,137
188,447	46,031	1,123	235,601	667,807
9,062	-	-	9,062	(32,353)
11,436	3,300	1,999	16,735	(811,919)
149,028	3,737	-	152,765	153,796
259,686	14,196	(6,020)	267,862	391,624
<u>\$ 204,330</u>	<u>\$ 6,626,753</u>	<u>\$ (111,282)</u>	<u>\$ 6,719,801</u>	<u>\$ 8,156,033</u>
\$ 24,873	\$ -	\$ -	\$ 24,873	\$ 24,873



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 Assets
Nonmajor Component Units
September 30, 2012

	Urban Renewal Agency (URA)	Civic Lubbock, Inc.	Market Lubbock, Inc.
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 890,268	\$ 1,167,537
Investments	-	-	734,156
Accounts receivable, net	-	66,165	482,968
Inventories	-	77,413	71,690
Prepaid expenses	-	9,920	-
Restricted assets:			
Cash and cash equivalents	-	377,354	-
Incentives advances	-	-	1,000,000
Investment in property	179,428	-	-
Mortgage receivables	4,592,747	-	-
Capital assets (net of accumulated depreciation):			
Non-depreciable	-	439,636	872,087
Depreciable	-	26,017	70,544
Total assets	<u>4,772,175</u>	<u>1,886,773</u>	<u>4,398,982</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	625,221	71,063
Accrued liabilities	-	-	22,247
Accrued interest payable	-	-	-
Unearned revenue	-	288,021	1,000,000
Noncurrent liabilities due within one year:			
Contracts and leases payable	-	-	15,400
Bonds and notes payable	-	-	-
Noncurrent liabilities due in more than one year:			
Contracts and leases payable	-	-	15,400
Bonds payable	-	-	-
Total liabilities	<u>-</u>	<u>913,242</u>	<u>1,124,110</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	-	465,653	942,631
Restricted for:			
Primary government agreement	-	100,000	-
Special revenue	4,772,175	-	-
Unrestricted	<u>-</u>	<u>407,878</u>	<u>2,332,241</u>
Total net assets (deficit)	<u>\$ 4,772,175</u>	<u>\$ 973,531</u>	<u>\$ 3,274,872</u>

Lubbock Economic Development Alliance	Vintage Township Public Facilities Corporation	Total Nonmajor Component Units
\$ 1,823,120	\$ -	\$ 3,880,925
1,239,359	-	1,973,515
1,227,792	-	1,776,925
-	-	149,103
-	-	9,920
-	-	377,354
-	-	1,000,000
-	-	179,428
-	-	4,592,747
23,828,057	-	25,139,780
74,282	-	170,843
<u>28,192,610</u>	<u>-</u>	<u>39,250,540</u>
358,979	-	1,055,263
54,233	-	76,480
-	101,517	101,517
-	-	1,288,021
2,322,734	-	2,338,134
1,327,924	6,000	1,333,924
2,876,866	-	2,892,266
-	2,747,000	2,747,000
<u>6,940,736</u>	<u>2,854,517</u>	<u>11,832,605</u>
22,574,415	-	23,982,699
-	-	100,000
-	-	4,772,175
(1,322,541)	(2,854,517)	(1,436,939)
<u>\$ 21,251,874</u>	<u>\$ (2,854,517)</u>	<u>\$ 27,417,935</u>

City of Lubbock, Texas
Combining Statement of Activities
Nonmajor Component Units
For the Year Ended September 30, 2012

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Urban Renewal Agency (URA)	\$ 210,602	\$ -	\$ -	\$ -
Civic Lubbock, Inc.				
Cultural and recreation	2,774,219	2,266,988	289,108	-
Market Lubbock, Inc.				
Economic and business development	6,498,924	100,586	7,026,337	-
Lubbock Economic Development Alliance				
Economic and business development	4,909,143	-	7,839,996	1,355,006
Vintage Township Public Facilities Corporation				
Economic and business development	<u>207,920</u>	<u>-</u>	<u>-</u>	<u>98,217</u>
Total component units	<u>\$ 14,390,206</u>	<u>\$ 2,367,574</u>	<u>\$ 15,155,441</u>	<u>\$ 1,453,223</u>

General revenues:
 Investment earnings
 Total general revenues
 Change in net assets
Net assets (deficit) - beginning restated
Net assets (deficit) - end of year

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

Urban Renewal Agency (URA)	Civic Lubbock, Inc.	Market Lubbock, Inc.	Lubbock Economic Development Alliance	Vintage Township Public Facilities Corporation	Total
\$ (210,602)	\$ -	\$ -	\$ -	\$ -	\$ (210,602)
	(218,123)	-	-	-	(218,123)
-	-	627,999	-	-	627,999
-	-	-	4,285,859	-	4,285,859
-				(109,703)	(109,703)
<u>(210,602)</u>	<u>(218,123)</u>	<u>627,999</u>	<u>4,285,859</u>	<u>(109,703)</u>	<u>4,375,430</u>
-	550	-	-	-	550
-	550	-	-	-	550
(210,602)	(217,573)	627,999	4,285,859	(109,703)	4,375,980
4,982,777	1,191,104	2,646,873	16,966,015	(2,744,814)	23,041,955
<u>\$ 4,772,175</u>	<u>\$ 973,531</u>	<u>\$ 3,274,872</u>	<u>\$ 21,251,874</u>	<u>\$ (2,854,517)</u>	<u>\$ 27,417,935</u>

City of Lubbock, Texas
Statement of Net Assets
Discretely Presented Component Unit
Urban Renewal Agency (URA)
September 30, 2012

ASSETS	
Restricted assets:	
Investment in Property	\$ 179,428
Mortgage receivables	<u>4,592,747</u>
 Total assets	 <u><u>\$ 4,772,175</u></u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
NET ASSETS	
Restricted for:	
Special revenue	<u>4,772,175</u>
 Total net assets	 <u><u>\$ 4,772,175</u></u>

City of Lubbock, Texas
Statement of Revenues, Expenses and
and Changes in Fund Net Assets
Discretely Presented Component Unit
Urban Renewal Agency (URA)
For Fiscal Year Ended September 30, 2012

OPERATING EXPENSES	
Other services and charges	<u>\$ 210,602</u>
Total operating expenses	<u>210,602</u>
Operating loss	<u>(210,602)</u>
Change in net assets	(210,602)
Total net assets - beginning restated	<u>4,982,777</u>
Total net assets - ending	<u><u>\$ 4,772,175</u></u>

City of Lubbock, Texas
Statement of Net Assets
Discretely Presented Component Unit
Vintage Township Public Facilities Corporation
September 30, 2012

	ASSETS	
Total assets		<u><u>\$ -</u></u>
	LIABILITIES	
Current liabilities:		
Accrued interest payable		\$ 101,517
Bonds payable		<u>6,000</u>
Total current liabilities		<u>107,517</u>
Noncurrent liabilities:		
Bonds payable		<u>2,747,000</u>
Total noncurrent liabilities		<u>2,747,000</u>
Total liabilities		<u>2,854,517</u>
	NET ASSETS (DEFICIT)	
Unrestricted		<u>(2,854,517)</u>
Total net assets (deficit)		<u><u>\$ (2,854,517)</u></u>

City of Lubbock, Texas
Statement of Revenues, Expenses and
and Changes in Fund Net Assets
Discretely Presented Component Unit
Vintage Township Public Facilities Corporation
For Fiscal Year Ended September 30, 2012

NONOPERATING REVENUES (EXPENSES)

Grants	\$ 98,217
Interest expense	<u>(207,920)</u>
Net nonoperating revenues (expenses)	<u>(109,703)</u>
 Change in net assets	 (109,703)
 Total net assets (deficit) - beginning	 <u>(2,744,814)</u>
 Total net assets (deficit) - ending	 <u><u>\$ (2,854,517)</u></u>



City of Lubbock, Texas
Statistical Section
(Unaudited – for Analytical Purposes Only)
September 30, 2012

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 assets by component, last ten fiscal years
 - B Changes in net assets, last ten fiscal years
- Governmental funds information:
- C Fund balances, 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 Assets by Component

Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 55,235	\$ 54,813	\$ 52,476	\$ 62,414	\$ 96,275	\$ 102,925	\$ 76,483	\$ 82,330	\$ 74,433	\$ 78,474
Restricted	9,996	17,234	17,147	11,540	11,956	5,128	10,148	8,770	20,339	4,391 ⁽¹⁾
Unrestricted	(2,049)	(3,185)	11,439	26,954	31,701	33,676	26,090	19,529	9,569	18,819
Total governmental activities net assets	63,182	68,862	81,062	100,908	139,932	141,729	112,721	110,629	104,341	101,684
Business-type activities										
Invested in capital assets, net of related debt	542,640	492,011	435,249	424,165	400,552	384,516	380,149	363,227	355,816	371,427
Restricted	33,035	32,563	28,247	21,631	21,275	17,730	18,916	26,277	45,417	43,389 ⁽¹⁾
Unrestricted	108,667	118,671	127,994	117,250	104,709	96,011	71,730	45,345	41,190	32,928
Total business-type activities net assets	684,342	643,245	591,490	563,046	526,536	498,257	470,795	434,849	442,423	447,744
Primary Government										
Invested in capital assets, net of related debt	597,875	546,824	487,725	486,579	496,827	487,441	456,632	445,557	430,249	343,467
Restricted	43,031	49,797	45,394	33,171	33,231	22,858	29,064	35,047	65,756	154,214
Unrestricted	106,618	115,486	139,433	144,204	136,410	129,687	97,820	64,874	50,759	51,747
Total Primary government net assets	\$ 747,524	\$ 712,107	\$ 672,552	\$ 663,954	\$ 666,468	\$ 639,986	\$ 583,516	\$ 545,478	\$ 546,764	\$ 549,428

(1) Adjusted for 2003 restatement of 2002 net asset numbers (page 86 of 2003 CAFR).
 FY 2011 Governmental activities had additional restricted net assets due to implementation of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES										
Governmental activities:										
Administrative services and general government	\$ 11,564,122	\$ 11,786,924	\$ 12,005,910	\$ 11,078,376	\$ 12,372,316	\$ 12,154,972	\$ 15,116,701	\$ 14,473,020	\$ 10,869,588	\$ 12,799,968
Community services	5,493,264	10,707,989	12,231,817	7,037,569	6,874,065	6,951,069	6,112,193	6,145,415	6,776,483	6,334,504
Cultural and recreation	16,968,404	16,832,528	16,590,119	15,039,074	16,660,378	19,671,474	18,915,265	17,744,986	17,101,568	16,796,442
Economic and business development	15,100,595	15,944,038	15,335,806	37,221,152	12,378,335	11,619,989	10,283,007	9,739,417	4,610,380	4,535,348
Fire	41,335,751	39,619,927	36,803,080	33,097,947	31,789,223	27,337,834	26,711,389	23,516,586	22,074,369	20,450,558
Health	5,437,035	6,332,178	5,599,276	5,818,547	6,141,386	5,898,588	5,013,691	5,040,447	4,585,175	4,342,584
Police	58,549,406	56,537,522	54,171,638	48,342,376	46,849,826	43,022,202	42,063,023	38,451,808	36,542,720	33,986,064
Other public safety	6,881,024	5,919,681	6,343,372	6,325,692	6,677,751	5,886,199	5,239,386	4,976,882	4,210,884	3,601,598
Streets and traffic	26,411,247	21,244,252	28,180,967	30,138,853	16,357,025	14,370,197	11,849,496	12,466,517	10,570,274	16,370,747
Intergovernmental	-	-	-	-	-	12,500,000	-	-	-	-
Interest on long-term debt	13,653,174	13,290,050	12,207,377	9,840,431	8,367,167	6,968,480	4,326,128	3,195,182	4,876,723	3,373,104
Total governmental activities	201,394,022	198,215,089	199,469,362	203,940,017	164,467,472	166,381,004	145,630,279	135,750,260	122,218,164	122,590,917
Business-type activities:										
Electric	187,682,253	197,364,239	135,633,692	117,977,960	153,108,050	145,831,415	213,026,628	192,902,041	110,591,149	105,216,078
Water	57,042,756	46,456,413	39,864,139	39,789,705	38,424,263	32,124,957	32,830,002	28,737,866	27,879,343	27,461,215
Wastewater	25,510,169	18,078,035	18,747,033	19,056,052	19,000,488	18,047,434	21,273,796	17,804,487	17,020,092	17,247,936
Solid Waste	16,761,293	16,742,968	20,034,944	18,262,805	16,260,630	14,454,403	14,971,421	14,695,193	17,661,438	19,558,444
Storm Water	10,881,637	10,891,537	7,927,175	8,208,206	7,676,456	3,933,340	5,174,635	5,585,577	5,356,649	3,315,261
Transit	12,810,078	11,335,385	12,166,089	11,389,555	11,338,463	11,004,429	9,349,206	9,003,610	10,565,159	9,163,091
Airport	11,738,776	11,192,345	10,873,761	10,084,828	9,465,392	8,524,086	7,996,692	8,150,815	6,852,874	6,478,728
Civic Centers	3,876,483	3,920,726	4,049,027	4,293,789	4,098,873	619,389	-	-	-	-
Cemetery	726,256	699,852	693,689	680,123	722,393	-	-	-	-	20,711
Lake Alan Henry	509,291	386,160	-	-	-	-	-	-	-	-
Total business-type activities	327,538,992	317,067,660	249,989,549	229,743,023	260,095,008	234,539,453	304,622,380	276,879,589	195,926,704	188,461,464
Total primary government expenses	\$ 528,933,014	\$ 515,282,749	\$ 449,458,911	\$ 433,683,040	\$ 424,562,480	\$ 400,920,457	\$ 450,252,659	\$ 412,629,849	\$ 318,144,868	\$ 311,052,381
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
Cultural and recreation	\$ 1,307,978	\$ 1,286,773	\$ 1,633,944	\$ 1,586,591	\$ 1,589,515	\$ 2,294,764	\$ 2,590,241	\$ 2,846,058	\$ 3,418,857	\$ 3,734,915
Other public safety	6,646,970	6,316,394	6,509,356	6,493,905	7,307,182	7,051,120	4,984,968	5,477,292	6,579,654	7,187,914
Other activities	1,745,560	1,801,943	1,846,533	1,584,953	3,780,055	1,290,410	2,056,682	2,259,804	2,714,613	2,965,566
Operating grants and contributions	12,094,607	13,834,623	13,665,834	8,525,602	9,231,749	10,323,209	10,203,463	13,295,582	9,643,439	12,137,101
Capital grants and contributions	8,961,808	8,397,119	11,766,248	11,766,248	15,921,953	4,322,182	844,930	-	-	-
Total governmental activities program revenues:	30,756,923	31,636,852	31,793,246	29,957,299	37,830,454	25,281,685	20,680,284	23,878,736	22,356,563	26,025,496
Business-type activities										
Charges for services:										
Electric	195,765,095	209,076,452	149,640,110	139,236,837	161,329,847	154,103,767	226,373,638	192,568,012	105,433,133	99,969,264
Water	73,013,404	74,184,937	59,474,560	51,989,393	42,527,445	35,454,426	37,330,953	33,306,786	31,907,893	32,770,781
Wastewater	31,626,539	29,942,844	26,720,757	24,479,551	21,095,745	19,841,503	21,087,364	19,829,430	18,889,095	17,894,203
Solid Waste	19,483,045	18,807,531	17,037,506	16,979,975	16,754,438	16,885,042	13,948,861	12,420,499	11,641,316	14,948,379
Storm Water	19,043,611	16,195,959	12,118,701	8,108,040	6,633,255	6,519,658	6,348,461	6,239,436	6,019,490	5,988,651
Transit	5,211,423	4,809,766	4,647,586	4,385,580	4,306,204	4,466,404	3,268,441	3,144,015	2,893,507	2,710,599
Airport	7,677,538	7,483,750	7,129,257	6,926,643	6,793,829	6,276,416	5,424,016	5,394,314	4,626,270	4,254,013
Civic Centers	663,415	693,467	640,228	693,798	717,494	287,622	-	-	-	-
Cemetery	410,604	438,741	436,534	462,333	335,884	-	-	-	-	-
Lake Alan Henry	490,211	458,303	-	-	-	-	-	-	-	-
Operating grants and contributions	8,399,969	9,387,243	5,854,918	6,431,052	5,133,092	5,812,969	8,351,605	8,156,015	6,738,797	5,218,995
Capital grants and contributions	28,428,061	16,060,921	11,995,639	11,573,283	5,952,837	8,792,317	17,624,811	5,205,541	9,269,306	7,909,581

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total business-type activities program revenues	\$ 390,212,915	\$ 387,559,914	\$ 295,695,796	\$ 271,266,485	\$ 271,580,070	\$ 258,440,124	\$ 339,758,150	\$ 286,264,048	\$ 197,418,807	\$ 191,664,466
Total primary government program revenues	\$ 420,969,838	\$ 419,176,766	\$ 327,489,042	\$ 301,223,784	\$ 309,410,524	\$ 283,721,809	\$ 360,438,434	\$ 310,142,784	\$ 219,775,370	\$ 217,689,962
NET (EXPENSES) AND PROGRAM REVENUES										
Governmental activities	\$ (170,637,099)	\$ (166,578,237)	\$ (167,676,116)	\$ (173,982,718)	\$ (126,637,018)	\$ (141,099,319)	\$ (124,949,995)	\$ (111,871,524)	\$ (99,861,601)	\$ (96,565,421)
Business-type activities	62,673,923	70,472,254	45,706,247	41,523,462	11,485,062	23,900,671	35,135,770	9,384,459	1,492,103	3,203,002
Total net (expenses) and program revenues	\$ (107,963,176)	\$ (96,105,983)	\$ (121,969,869)	\$ (132,459,256)	\$ (115,151,956)	\$ (117,198,648)	\$ (89,814,225)	\$ (102,487,065)	\$ (98,369,498)	\$ (93,362,419)
GENERAL REVENUE, SPECIAL ITEMS, AND TRANSFERS										
Governmental activities:										
Property taxes	60,935,080	57,534,225	55,064,777	52,598,485	50,330,322	47,007,067	42,770,826	39,748,464	44,496,973	42,303,280
Sales taxes	57,303,792	53,672,769	51,008,384	50,705,301	50,548,865	47,780,448	45,576,582	41,803,092	30,554,632	29,092,032
Occupancy taxes	5,209,971	4,860,489	4,238,675	4,179,036	4,190,376	3,828,854	3,410,920	3,260,040	2,853,205	2,862,719
Other taxes	1,160,654	1,305,151	1,219,092	1,272,278	1,180,332	1,080,098	1,036,283	982,327	939,456	848,816
Franchise taxes	9,727,782	8,307,268	11,702,985	10,765,289	12,977,686	12,378,389	13,348,364	11,153,641	9,654,447	6,612,822
Investment earnings	345,626	239,542	432,819	1,963,448	5,503,386	6,117,680	4,393,782	1,633,312	1,151,620	1,244,022
Miscellaneous	9,686,138	5,614,852	4,293,491	3,434,985	4,810,900	3,668,589	6,898,288	4,109,474	3,123,572	2,589,886
Special items: gain or (loss) on sale of property	-	-	-	-	-	-	-	-	-	-
Transfers, net	25,571,122	22,844,004	19,869,774	10,039,415	(4,703,317)	10,571,943	9,607,211	15,468,765	9,745,250	2,553,927
Total governmental activities	\$ 169,940,165	\$ 154,378,300	\$ 147,829,997	\$ 134,958,237	\$ 124,840,550	\$ 132,433,068	\$ 127,042,256	\$ 118,159,115	\$ 102,519,155	\$ 88,107,504
Business-type activities:										
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	258,736
Investment earnings	485,569	430,806	477,365	3,593,675	8,284,058	7,145,670	6,140,436	3,758,240	2,859,344	2,336,454
Miscellaneous	3,507,720	3,696,582	2,130,124	1,431,840	3,806,864	6,004,379	4,277,297	1,387,914	72,870	399,783
Special items: gain or (loss) on sale of property	-	-	-	-	-	-	-	-	-	-
Termination of interest rate swap	-	-	-	-	-	-	-	(6,637,093)	-	-
Transfers, net	(25,571,122)	(22,844,004)	(19,869,774)	(10,039,415)	4,703,317	(10,571,943)	(9,607,211)	(15,468,765)	(9,745,250)	(2,553,927)
Total business-type activities	\$ (21,577,833)	\$ (18,716,616)	\$ (17,262,285)	\$ (5,013,900)	\$ 16,794,239	\$ 2,578,106	\$ 810,522	\$ (16,959,704)	\$ (6,813,036)	\$ 441,046
Total primary government	\$ 148,362,332	\$ 135,661,684	\$ 130,567,712	\$ 129,944,337	\$ 141,634,789	\$ 135,011,174	\$ 127,852,778	\$ 101,199,411	\$ 95,706,119	\$ 88,548,550
CHANGES IN NET ASSETS										
Governmental activities	\$ (696,934)	\$ (12,199,937)	\$ (19,846,119)	\$ (39,024,481)	\$ (1,796,468)	\$ (8,666,251)	\$ 2,092,261	\$ 6,287,591	\$ 2,657,554	\$ (8,457,917)
Business-type activities	41,096,090	51,755,638	28,443,962	36,509,562	28,279,301	26,478,777	35,946,292	(7,575,245)	(5,320,933)	3,644,048
Total primary government	\$ 40,399,156	\$ 39,555,701	\$ 8,597,843	\$ (2,514,919)	\$ 26,482,833	\$ 17,812,526	\$ 38,038,553	\$ (1,287,654)	\$ (2,663,379)	\$ (4,813,869)

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	2004	2003
General Fund								
Reserved	\$ 128,880	\$ 124,955	\$ 168,657	\$ 171,580	\$ 168,964	\$ 107,828	\$ 566,556	\$ 1,037,277
Unreserved	19,681,719	19,756,460	19,793,618	18,954,068	19,755,747	17,268,592	12,127,969	8,380,069
Total general fund	\$ 19,810,599	\$ 19,881,415	\$ 19,962,275	\$ 19,125,648	\$ 19,924,711	\$ 17,376,420	\$ 12,694,525	\$ 9,417,346
All other governmental funds								
Reserved	\$ 60,166,524	\$ 64,351,061	\$ 88,823,575	\$ 66,196,650	\$ 56,894,363	\$ 59,161,246	\$ 33,383,928	\$ 38,684,611
Unreserved, reported in:								
Capital project funds	-	-	-	-	-	-	(76,784)	(62,358)
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	1,734,312	2,290,624
Total all other governmental funds	\$ 80,213,260	\$ 85,089,420	\$ 110,571,180	\$ 91,052,060	\$ 76,904,511	\$ 67,824,334	\$ 35,041,456	\$ 40,912,877

Post-GASB 54

	2012	2011
General Fund		
Nonspendable	\$ 105,079	\$ 155,079
Spendable	-	-
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	28,056,366	21,714,802
Total general fund	\$ 28,161,445	\$ 21,869,881
All other governmental funds		
Nonspendable	-	-
Spendable	-	-
Restricted	59,977,760	66,585,144
Committed	13,255,916	17,710,680
Assigned	-	-
Unassigned	(3,420,029)	(2,919,878)
Total all other governmental funds	\$ 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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
Taxes	\$ 124,533,946	\$ 117,622,237	\$ 111,534,008	\$ 108,737,498	\$ 106,316,678	\$ 99,433,228	\$ 92,693,847	\$ 86,475,846	\$ 78,044,387	\$ 75,069,631
Franchise taxes	9,727,782	8,307,268	11,702,985	10,765,289	12,977,686	12,378,389	13,348,364	11,153,641	9,654,447	6,612,822
Special assessments	763,467	787,732	761,550	515,597	296,482	243,129	171,682	38,210	-	-
Fees and fines	3,746,075	3,367,325	3,393,410	3,581,092	3,801,502	3,712,179	3,981,978	4,015,402	3,675,857	3,672,509
Licenses and permits	2,396,476	2,076,776	2,493,594	2,213,041	2,663,139	2,531,032	2,250,635	1,953,666	1,982,281	1,875,118
Intergovernmental	13,568,745	15,237,464	15,565,962	10,718,849	17,479,413	10,993,027	11,048,393	13,295,581	9,643,439	12,137,101
Charges for services	3,077,199	3,114,280	3,381,047	3,399,510	6,095,439	4,896,438	6,088,205	4,614,082	5,316,877	5,541,745
Interest	218,949	117,158	236,957	1,446,200	4,688,349	5,367,651	3,874,940	1,154,339	739,349	810,443
IRS Build America Bond subsidy	459,377	702,370	-	-	-	-	-	-	-	-
Miscellaneous	6,377,161	5,412,327	6,394,870	3,357,849	4,967,913	4,083,255	6,966,257	4,774,596	3,055,475	4,200,523
Total revenues	164,869,177	156,744,937	155,464,383	144,734,925	159,286,401	143,638,328	140,424,301	127,475,363	112,112,112	109,919,892
EXPENDITURES										
Current:										
Administrative services and general government	10,383,779	10,214,049	10,572,200	9,848,596	11,110,736	11,560,733	9,356,059	7,534,080	7,491,548	6,753,811
Community services	5,055,939	9,851,912	11,324,436	6,621,943	6,586,711	6,820,895	5,932,820	5,817,388	6,590,727	6,169,025
Cultural and recreation	13,113,048	12,714,602	13,176,905	12,484,184	13,276,408	16,250,714	15,396,277	13,966,159	14,429,876	14,416,392
Economic and business development	13,350,288	14,233,073	13,951,887	12,686,636	11,879,265	11,353,894	10,120,183	9,558,868	4,484,673	4,423,363
Fire	37,491,054	33,832,336	31,913,521	31,007,703	29,733,309	26,831,503	24,638,814	21,927,251	20,899,441	19,403,885
Health	4,717,731	5,491,131	4,958,573	5,348,942	5,804,988	5,760,386	4,647,413	4,567,766	4,278,037	4,068,973
Police	53,222,559	48,536,715	46,745,951	44,096,012	43,865,272	41,148,206	38,376,991	34,818,579	33,874,159	31,608,803
Other public safety	6,320,537	5,107,733	5,472,089	5,608,495	6,104,913	5,497,661	4,647,862	4,553,950	3,839,497	3,270,752
Streets and traffic	10,804,451	6,395,120	9,092,438	8,292,113	8,493,312	7,874,791	7,966,790	8,620,209	7,740,722	13,850,069
Intergovernmental	99,423	121,469	8,042,288	13,586,131	123,852	12,500,000	4,258,780	5,665,487	2,523,093	5,284,536
Debt services:										
Principal	18,994,553	16,876,387	14,634,941	11,966,304	10,009,329	7,953,207	7,333,408	6,336,036	4,498,304	4,347,143
Interest and other charges	14,211,356	13,971,386	12,494,750	10,015,365	8,332,280	6,411,639	4,141,421	3,031,751	4,749,272	3,259,565
Capital outlay	34,503,433	41,655,381	41,300,518	65,424,779	46,683,372	27,654,063	35,645,649	21,715,538	16,666,136	17,696,468
Total expenditures	222,268,151	219,001,294	223,680,497	236,987,203	202,003,747	187,617,692	172,462,467	148,113,062	132,065,485	134,552,785
Deficiency of revenues under expenditures	(57,398,974)	(62,256,357)	(68,216,114)	(92,252,278)	(42,717,346)	(43,979,364)	(32,038,166)	(20,637,699)	(19,953,373)	(24,632,893)
OTHER FINANCING SOURCES (USES)										
Long-term debt issued	31,841,471	36,890,184	38,381,773	45,791,118	46,605,151	54,199,285	27,526,113	45,110,000	27,745,000	15,650,000
Payment of refunded debt to escrow agent	(9,703,645)	(4,594,201)	-	(3,206,295)	-	(11,562,672)	-	(7,215,000)	(22,620,000)	-
Bond premium (discount)	1,847,580	1,954,464	871,742	1,460,474	1,844,019	398,032	620,860	725,586	1,179,722	-
Capital leases issued	5,537,998	3,588,154	4,015,386	8,714,556	3,357,019	3,721,262	5,119,980	3,534,016	1,535,075	2,023,414
Transfers in	47,625,755	45,929,973	38,679,233	30,508,238	26,142,942	22,720,904	18,677,088	22,688,009	37,559,808	40,603,098
Transfers out	(20,038,143)	(18,290,249)	(18,678,996)	(16,578,433)	(14,876,038)	(12,148,961)	(8,277,407)	(6,740,171)	(28,040,474)	(36,744,270)
Net other financing sources (uses)	57,111,016	65,478,325	63,269,138	66,689,658	63,073,093	57,327,850	43,666,634	58,102,440	17,359,131	21,532,242
Net change in fund balances	\$ (287,958)	\$ 3,221,968	\$ (4,946,976)	\$ (25,562,620)	\$ 20,355,747	\$ 13,348,486	\$ 11,628,468	\$ 37,464,741	\$ (2,594,242)	\$ (3,100,651)
Debt service as a percentage of noncapital expenditures	17.68%	17.39%	14.88%	12.81%	11.81%	8.98%	8.39%	7.41%	8.01%	6.51%

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 ⁽¹⁾		Revenues		Revenues		Revenues ⁽²⁾		Revenues ⁽³⁾	
2003	\$ 42,266,064	\$	29,092,032	\$	2,862,719	\$	848,816	\$	75,069,631	
2004	43,697,094		30,554,632		2,853,205		939,456		78,044,387	
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	

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	Estimated actual value			
2003	\$ 6,272,520,622	\$ 6,549,915,885	\$ 1,312,595,182	\$ 1,376,481,654	\$ 341,281,735	\$ 7,585,115,804	\$ 7,926,397,539	95.7%	0.57000	
2004	6,807,625,178	7,089,613,963	1,297,211,385	1,361,574,461	346,351,861	8,104,836,563	8,451,188,424	95.9%	0.54570	
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	

Source: Lubbock Central Appraisal District

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

	FYE 2012				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	\$ 124,543,616	1	0.99%	\$ 114,600,000	1	1.44%	
United Supermarkets LLC	Food Wholesale	56,118,590	2	0.44%	21,752,445	8	0.27%	
PYCO Industries, Inc.	Cottonseed Oil Mill	49,495,487	3	0.39%	25,365,610	5	0.32%	
Southwestern Bell Telephone LP	Telephone Utility	42,799,973	4	0.34%	68,156,367	2	0.86%	
Atmos Energy	Natural Gas Utility	40,901,980	5	0.32%				
Texland Petroleum LP	Oil and Gas Production	35,549,800	6	0.28%				
Wal-Mart Real Estate Business Trust	Discount Retail Store	34,000,000	7	0.27%	35,300,834	4	0.44%	
1859 Management PTRS LP	Hotel	30,963,485	8	0.25%				
TTUC LLC	Apartments	30,105,912	9	0.24%				
Lubbock Property LLC	Apartments	29,141,397	10	0.23%				
Southwestern Public Service	Electric Utility				56,725,001	3	0.71%	
X-Fab Texas, Inc.	Electronics Manufacturer				24,145,223	6	0.30%	
Energas	Natural Gas Utility				23,581,455	7	0.30%	
McLane Food Service	Food Wholesale				19,038,705	9	0.24%	
Farmers Co-op Compress	Agricultural Processing				18,193,121	10	0.23%	
		<u>\$ 473,620,240</u>		<u>3.75%</u>	<u>\$ 406,858,761</u>		<u>5.11%</u>	

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	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 42,275,272	\$ 41,112,173	97.2%	\$ 701,289	\$ 41,813,462	98.9%
2004 *	43,236,263	42,358,381	98.0%	981,253	43,339,634	100.2%
2005	39,777,866	38,797,152	97.5%	575,670	39,372,822	99.0%
2006	41,968,431	41,000,877	97.7%	487,680	41,488,557	98.9%
2007	46,068,744	45,092,834	97.9%	553,073	45,645,907	99.1%
2008	49,195,247	48,411,785	98.4%	507,748	48,919,533	99.4%
2009	51,616,589	50,472,997	97.8%	605,460	51,078,457	99.0%
2010	53,455,322	52,485,686	98.2%	564,316	53,050,002	99.2%
2011	55,783,339	54,819,823	98.3%	287,373	55,107,196	98.8%
2012	59,220,369	59,096,923	99.8%	-	59,096,923	99.8%

Source: Lubbock Central Appraisal District

* For 2004, collections do not include penalties or interest. In 2003, the legislature passed a one time amnesty from taxes omitted in years prior to 2003. This allowed the value to be placed on the tax roll for 2003, without adding the value for years prior to 2003, if the property was rendered between September 1 and December 1, 2003. The accounts were actually added to the roll during 2004, after the tax levy was calculated.

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

Fiscal Year	City Direct Rates					Overlapping Rates				
	General Fund	Economic Development	Interest & Sinking Fund	Total	Lubbock Independent School District (LISD)	Lubbock County	High Plains Underground Water District	Lubbock County Hospital District		
				Direct		(County)	(High Plains)	(Hospital)		
2003	0.43204	0.03000	0.10796	0.57000	1.60560	0.19110	0.00840	0.10435		
2004	0.41504	0.03000	0.10066	0.54570	1.60560	0.25954	0.00830	0.10896		
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		

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	
2003	\$ 69,808,204	\$ 996,477	\$ 70,804,681	0.96%	\$	346
2004	70,221,217	1,360,957	71,582,174	0.90%		347
2005	* 102,720,269	3,954,885	106,675,154	1.24%		510
2006	* 124,457,280	7,530,559	131,987,839	1.41%		625
2007	* 160,388,370	10,916,970	171,305,340	1.71%		807
2008	* 199,053,653	12,222,506	211,276,159	1.94%		983
2009	* 232,159,988	18,005,903	250,165,891	2.14%		1,146
2010	* 259,633,912	18,023,375	277,657,287	2.31%		1,209
2011	* 278,937,175	18,347,806	297,284,981	2.42%		1,282
2012	286,227,113	20,237,786	306,464,899	2.43%		1,312
Business-type						
Fiscal Year	General Obligation Bonds	Revenue Bonds	Capital Leases	Total	Percentage of Personal Income	Per Capita
2003	\$ 229,946,617	\$ 95,978,781	\$ 1,941,223	\$ 327,866,621	5.03%	\$ 1,601
2004	215,663,783	94,605,000	1,393,207	311,661,990	4.50%	1,511
2005	286,749,731	42,800,000	1,354,576	330,904,307	4.50%	1,582
2006	323,567,720	58,079,322	8,388,968	390,036,010	5.06%	1,847
2007	352,486,630	54,208,174	13,049,379	419,744,183	4.98%	1,977
2008	457,126,347	50,430,844	18,582,396	526,139,587	5.97%	2,449
2009	451,090,013	47,413,911	23,709,725	522,213,649	5.87%	2,392
2010	578,026,089	51,992,015	22,093,860	652,111,964	8.13%	2,841
2011	682,352,825	107,586,191	18,833,944	808,772,960	10.09%	3,523
2012	702,722,887	129,152,932	16,970,843	848,846,662	9.00%	3,660

* Includes HUD 108 Debt

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	Debt Payable from Other Government Revenues⁽²⁾	Debt Payable from Enterprise Revenues⁽³⁾	Net Bonded Debt⁽⁴⁾	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2003	204,737	\$ 7,342,345	\$ 295,935,000	\$ 1,993,891	\$ -	\$ 226,126,796	\$ 69,808,204	0.95%	\$ 340.97
2004	206,290	7,921,590	285,885,000	2,641,020	-	215,663,783	70,221,217	0.89%	340.40
2005	209,120	8,634,995	389,470,000	2,624,340	15,745,000	286,749,731	86,975,269	1.01%	415.91
2006	211,187	9,346,614	448,025,000	3,081,539	17,895,597	323,567,720	106,561,683	1.14%	504.58
2007	212,365	10,002,726	512,875,000	2,830,584	42,474,527	352,486,630	117,913,843	1.18%	555.24
2008	214,847	10,897,211	656,180,000	2,104,697	61,321,732	457,126,347	137,731,921	1.26%	641.07
2009	218,327	11,673,074	683,250,001	1,498,275	91,426,295	451,090,013	140,733,693	1.21%	644.60
2010	229,573	12,002,616	837,660,001	1,684,253	98,987,524	578,026,089	160,646,388	1.34%	699.76
2011	231,937	12,288,361	961,290,000	1,329,043	99,313,180	677,112,181	184,864,639	1.50%	797.05
2012	233,651	12,629,609	988,950,000	1,368,594	95,402,075	696,661,487	196,886,438	1.56%	842.65

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

Note: (1) Includes all long-term general obligation debt. (2) Includes debt paid for from HUD loans and franchise fees.

(3) Excludes Civic Center debt which is paid for from governmental funds (4) Includes TIF debt.

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

	2012	2011	2010	2009	2008
Total Taxable Property Value	\$ 12,629,609,265	\$ 12,288,360,698	\$ 12,002,616,180	\$ 11,673,074,132	\$ 10,897,210,563
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	189,444,139	184,325,410	180,039,243	175,096,112	163,458,158
General Obligation & Certificate Obligation principal payments	(50,335,000)	(43,580,000)	(35,190,000)	(30,435,000)	(26,535,000)
Capital lease principal payments	(10,588,477)	(10,666,928)	(10,356,147)	(7,099,497)	(5,218,128)
Margin of Indebtedness Available	\$ 128,520,662	\$ 130,078,482	\$ 134,493,096	\$ 137,561,615	\$ 131,705,030
Total Taxable Property Value	\$ 10,002,725,637	\$ 9,346,613,951	\$ 8,634,994,862	\$ 7,921,590,380	\$ 7,342,344,867
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	150,040,885	140,199,209	129,524,923	118,823,856	110,135,173
General Obligation & Certificate Obligation principal payments	(2,516,000)	(23,395,000)	(20,305,000)	(16,130,000)	(14,590,000)
Capital lease principal payments	(3,187,580)	(3,401,402)	(2,668,648)	(2,685,282)	(3,563,217)
Margin of Indebtedness Available	\$ 144,337,305	\$ 113,402,807	\$ 106,551,275	\$ 100,008,574	\$ 91,981,956

*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			Coverage
Fiscal Year	Net Revenue⁽¹⁾	Direct Operating Expenses⁽²⁾	Service	Principal	Interest	Total	Coverage
2003	\$ 103,399,717	\$ 100,864,068	\$ 2,535,649	\$ 3,535,000	\$ 1,900,354	\$ 5,435,354	0.47
2004	102,860,319	89,236,860	13,623,459	3,480,000	1,471,553	4,951,553	2.75
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

WATER BONDS:		Net Revenue Available for Debt Service		Debt Service Requirements			Coverage
Fiscal Year	Net Revenue⁽¹⁾	Direct Operating Expenses⁽²⁾	Service	Principal	Interest	Total	Coverage
2003	\$ 34,408,586	\$ 16,175,713	\$ 18,232,873	\$ 1,610,000	\$ 2,652,210	\$ 4,262,210	4.28
2004	33,185,431	17,042,519	16,142,912	1,685,000	2,563,660	4,248,660	3.80
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

(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⁾	Total General Expenditures ⁽²⁾	
2003	\$ 4,347,143	\$ 3,259,565	\$ 7,606,708	\$ 107,896,955	7.0%
2004	4,498,304	3,329,392	7,827,696	114,800,174	6.8%
2005	4,780,949	2,657,883	7,438,832	129,665,462	5.7%
2006	4,729,101	3,223,604	7,952,705	143,512,681	5.5%
2007	5,339,612	3,952,131	9,291,743	152,363,561	6.1%
2008	5,724,714	4,249,342	9,974,056	159,359,684	6.3%
2009	6,400,891	4,769,322	11,170,213	166,110,455	6.7%
2010	6,986,147	5,190,324	12,176,471	177,316,661	6.9%
2011	8,360,106	6,382,594	14,742,700	184,085,585	8.0%
2012	9,727,011	6,759,287	16,486,298	189,604,352	8.7%

⁽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 09/30/2012	Percentage Applicable to City of Lubbock	Amount Applicable to City of Lubbock
City of Lubbock	\$ 306,464,899 ⁽¹⁾	100.00%	\$ 306,464,899
Subtotal Directs	<u>306,464,899</u>		<u>306,464,899</u>
Lubbock County	⁽²⁾ 65,315,000	91.65%	59,861,198
Lubbock Independent School District	⁽²⁾ 157,989,999	99.68%	157,484,431
Lubbock- Cooper Independent School District	⁽²⁾ 122,697,593	63.45%	77,851,623
Frenship Independent School District	⁽²⁾ 163,064,368	77.32%	126,081,369
Idalou Independent School District	⁽²⁾ 14,870,000	4.05%	602,235
Roosevelt Independent School District	⁽²⁾ 11,144,000	4.13%	460,247
Subtotal Overlapping	<u>535,080,960</u>		<u>422,341,105</u>
Total	<u>\$ 841,545,859</u>		<u>\$ 728,806,004</u>

⁽¹⁾ General purpose funded debt payable from ad valorem taxes in governmental activities. (Also, includes all self-support debt. HUD 108 general obligation debt excluded). Also includes 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⁾ (in thousands)	Personal Income (in thousands)	Per Capita Income ⁽¹⁾	Median Age ⁽¹⁾	Education Level in Years of Formal Schooling			Unemployment Rate ⁽⁴⁾
					Completed ⁽¹⁾	School Enrollment ⁽³⁾	Rate ⁽⁴⁾	
2003	204,737	\$ 6,524,160	\$ 18,011	30.3	12.4	28,879	4.90%	
2004	206,290	6,927,223	18,371	30.4	12.4	28,355	4.60%	
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	25,106	31.5	12.7	28,728	6.20%	
2012	233,651	9,725,542	26,863	30.3	12.8	29,226	5.60%	

Sources:

- (1) City of Lubbock Planning Department estimates
- (2) www.bea.gov/nea/regional/reis/drill.cfm
- (3) City of Lubbock Finance Department (Based on Calendar Year Average)
- (4) Texas Workforce Commission Labor Market Information
- (5) Census Bureau

*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	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Tech University	4,994	1	3.56%	4,426	2	3.35%
Covenant Health System	4,900	2	3.49%	5,270	1	3.98%
TTU Health Sciences Center	3,656	3	2.60%	2,520	4	1.90%
Lubbock Independent School District	3,268	4	2.33%	4,233	3	3.20%
United Supermarkets (Corporate)	2,873	5	2.05%	1,956	7	1.48%
University Medical Center	2,816	6	2.01%	2,141	6	1.62%
City of Lubbock	2,221	7	1.58%	2,217	5	1.68%
G Boren Services	2,012	8	1.43%			
Lubbock County	1,062	9	0.76%			
Convergys Corporation	1,050	10	0.75%	1,100	9	0.83%
AT & T Communications/Cingular				1,700	8	1.28%
Lubbock State School				931	10	0.70%
Total	28,852		20.55%	26,494		20.03%

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	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
Administrative services and general government	79	82	80	76	86	86	85	86	92	91
Community development	18	22	22	18	18	18	18	21	21	23
Cultural and recreation	128	131	131	131	131	124	125	124	143	180
Economic and business development	7	15	15	15	15	15	15	13	11	17
Fire	375	358	355	355	355	330	321	294	289	280
Health	48	61	59	73	81	82	76	74	73	75
Police	536	535	535	535	535	534	499	424	417	416
Other public safety	82	75	76	73	78	78	74	64	57	38
Streets and traffic	90	89	89	92	94	88	98	94	82	117
Intergovernmental	-	-	-	-	-	-	7	5	6	6
Internal service	54	45	43	43	45	43	40	41	45	30
Total governmental activities	1,417	1,413	1,405	1,411	1,438	1,398	1,358	1,240	1,236	1,273
Business-type activities:										
Electric	288	284	249	245	237	235	191	191	189	252
Water	166	166	155	156	156	151	152	138	135	137
Sewer	71	72	72	77	77	78	78	71	71	73
Solid waste	110	110	110	110	110	106	106	91	89	90
Storm water	35	34	33	34	35	30	18	18	18	18
Transit	153	151	142	129	129	119	117	117	99	105
Airport	48	48	48	48	48	48	49	50	50	51
Cemetery	7	7	7	7	7	7	-	-	-	-
Civic Centers	27	27	30	30	31	31	31	34	35	-
Lake Alan Henry	1	1	1	1	1	1	1	1	-	-
Internal service	28	28	28	28	27	27	32	47	48	76
Total business-type activities	934	928	875	865	858	833	775	758	734	802
Total	2,351	2,341	2,280	2,276	2,296	2,231	2,133	1,998	1,970	2,075

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cultural and Recreation Services										
Civic Center number of events with greater than 500 attendees	139	131	151	129	129	105	120	123	128	330
Library Visits	538,119	566,462	583,932	537,393	547,595	554,864	602,947	721,847	704,784	703,517
Softball Team Registrations	377	365	372	344	344	401	438	442	465	420
Community Center Attendance	134,802	122,432	134,724	173,787	113,969	119,781	123,487	109,029	122,311	N/A
Senior Center Attendance	106,109	106,986	108,085	92,085	83,319	70,419	68,420	70,849	79,546	N/A
Garden and Arts Attendance	58,473	42,707	46,738	60,544	35,894	47,024	58,981	51,114	53,074	41,576
Other Public Safety										
Construction Permits	2,737	2,471	3,521	4,748	2,648	2,764	3,717	5,151	3,583	3,663
Building Department Inspections	33,370	31,475	33,158	34,530	29,381	34,647	36,775	50,735	44,432	43,863
Police										
Police Reports Processed	79,920	78,648	79,810	81,772	84,980	92,788	90,144	82,346	89,493	89,000
Police Crime/Incident Reports	37,059	39,242	38,385	41,328	45,539	47,994	47,992	45,551	46,074	45,200
Police Calls	363,297	332,425	352,791	316,049	235,697	244,671	317,571	268,855	281,367	293,644
Fire										
Public Fire Safety Education Presentations	174	188	183	221	192	176	163	166	150	150
Fire/Arson Investigations Conducted	170	262	136	177	169	116	118	88	85	175
Inspection Activities Performed	2,206	2,198	2,457	2,416	2,170	2,074	1,860	1,521	1,845	800
LP&L										
Average daily consumption (kwh)	7,089,327	7,089,091	4,736,004	4,516,842	4,475,348	4,162,753	4,259,994	3,956,904	3,658,402	3,836,652
Water										
Average daily consumption (gal)	36,550,000	41,207,000	31,630,000	32,700,000	31,220,000	37,280,000	35,087,000	33,050,000	38,380,000	36,570,000
Airport										
Number of airline passengers enplaned (annual projection)	500,000	521,678	531,504	547,333	581,655	582,836	564,967	547,435	539,372	510,319
Daily average of airplane departures and landings	183	200	220	212	223	266	239	255	221	264
Number of major airlines	3	4	4	4	3	3	3	3	4	4
Number of scheduled daily flights	22	24	34	54	33	54	54	54	68	70

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Streets and Traffic Engineering										
Miles of Streets Paved	1,090	1,080	1,076	1,071	1,058	1,030	1,030	1,004	975	965
Miles of Streets Unpaved	57	60	60	60	60	72	72	72	74	76
Fire										
Number of stations	17	16	16	16	15	15	15	15	14	14
Number of fire fighters and officers (civil service)	336	335	335	335	355	335	300	290	269	260
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of authorized police officers	423	423	422	422	422	422	422	380	320	310
Culture and Recreation Services										
Number of parks and playgrounds	140	140	140	138	138	137	137	137	134	125
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	1	1
Number of civic centers	1	1	1	1	1	1	1	1	1	1
Number of libraries (excl. education)	4	4	4	3	4	4	4	4	4	4
LP&L										
Number of meters	100,462	99,399	75,975	74,930	72,949	71,489	68,709	66,227	63,076	62,325
Number of sub-stations	37	38	14	14	14	14	14	14	14	13
Number of steam turbines	6	6	6	6	6	6	6	6	6	6
Number of diesel engines	0	2	2	2	2	2	2	2	2	2
Number of gas turbine engines	4	5	5	5	5	5	5	5	5	5
Miles of distribution lines	2,202	2,202	1,062	1,054	1,042	1,023	1,013	1,005	997	975
Miles of transmission lines	96	85	85	90	85	85	85	85	85	80
Water										
Number of meters	81,021	79,740	79,200	78,312	77,608	77,147	75,876	74,026	72,505	70,990
Miles of distribution lines	1,595	1,508	1,471	1,452	1,427	1,408	1,373	1,341	1,323	1,293
Number of fire hydrants	5,848	5,787	5,527	5,442	4,636	4,536	4,356	4,220	4,121	3,996
Number of water wells (active)	175	175	164	150	150	150	166	166	146	248
Acres of water rights	246,547	246,547	182,656	99,152	99,152	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	8,786	9,660	9,660	10,300	10,868	11,268	9,915	14,007	14,007
Sewer										
Miles of sanitary sewer lines	1,103	1,105	1,016	1,007	996	986	960	941	924	901

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total Federal 9/30/2012
<u>U. S. DEPARTMENT OF COMMERCE: EDA</u>			
Direct Programs:			
Public Works and Development Facilities 2010	11.300	08-01-04553	\$ 1,187,749
Total CFDA 11.300			<u>1,187,749</u>
Total U. S. Department of Commerce			1,187,749
<u>U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Direct Programs:			
Community Development Block Grant 11-12	14.218	B-11-MC-48-0022	1,496,255
Community Development Block Grant 10-11	14.218	B-10-MC-48-0022	427,300
Community Development Block Grant 09-10	14.218	B-09-MC-48-0022	191,566
Total CFDA 14.218			<u>2,115,121</u>
Emergency Solutions Grant 11-12	14.231	E-11-MC-48-0007	97,612
Emergency Shelter Grant 10-11	14.231	S-10-MC-48-0007	1,818
Total CFDA 14.231			<u>99,430</u>
HOME Program 11-12	14.239	M-11-MC-48-0205	39,191
HOME Program 10-11	14.239	M-10-MC-48-0205	252,507
HOME Program 09-10	14.239	M-09-MC-48-0205	280,719
HOME Program 08-09	14.239	M-08-MC-48-0205	60,061
HOME Program 06-07	14.239	M-06-MC-48-0205	25
HOME Program 00-01	14.239	M-00-MC-48-0205	8,489
Total CFDA 14.239			<u>640,992</u>
Section 108 Loan Guarantee Program	14.248	B-01-MC-48-0022	244,036
Total CFDA 14.248			<u>244,036</u>
ARRA-CDBG Recovery 2009	14.253	B-09MY-48-0022	33,791
Total CFDA 14.253			<u>33,791</u>
ARRA-HPRP 2009	14.257	S-09-MY-48-0007	110,439
Total CFDA 14.257			<u>110,439</u>
Passed through Texas Department of Housing & Comm. Affairs:			
HERA NSP 2009	14.228	77090000160	41,649
Total CFDA 14.228			<u>41,649</u>
Total U. S. Department of Housing & Urban Development			3,285,458
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Federal Equitable Sharing - Justice	N/A	N/A	190,131
Passed through Office of Justice Programs:			
Byrne Memorial (JAG 10)	16.738	2010-DJ-BX-1082	57,569
Byrne Memorial (JAG 11)	16.738	2011-DJ-BX-2647	149,875
Total CFDA 16.738			<u>207,444</u>
Internet Crimes Against Children Task Force	16.800	2010-MC-CX-K037	15,387
Total CFDA 16.800			<u>15,387</u>

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total Federal 9/30/2012
ARRA-Byrne Memorial (JAG)	16.804	2009-SB-B9-1571	1,414
Total CFDA 16.804			1,414
Total U. S. Department of Justice			\$ 414,376
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Aviation Administration:			
Phase II Rwy 8/26 Improvements	20.106	3-48-0138-034-2010	\$ 1,377,159
Wildlife Hazard Assessment	20.106	3-48-0138-035-2011	69,265
Pavement Analysis 17R/35L	20.106	3-48-0138-036-2011	423,814
Phase III Rwy 8/26 Improvements	20.106	3-48-0138-036-2011	22,178,808
Total CFDA 20.106			24,049,046
Federal Transit Administration:			
5307 Funds - Capital, Operating and Planning 09-10	20.507	TX-90-X887-01	5,463
5307 Funds - Capital, Operating and Planning 10-11	20.507	TX-90-X920-01	577,647
5307 Funds - Capital, Operating and Planning 11-12	20.507	TX-90-X963-00	2,805,967
Total CFDA 20.507			3,389,077
Federal Transit Administration:			
5309 Funds Bus Replacement 09-10	20.509	TX-04-0053	712,500
5309 Funds Bus Replacement 10-11	20.509	TX-04-0069	498,465
Total CFDA 20.509			1,210,965
Federal Transit Administration:			
5316 Funds Job Access-Reverse Commute FY 12	20.516	TX-37-X094-00	142,254
Total CFDA 20.516			142,254
Federal Transit Administration:			
5317 Funds New Freedom Mobility Management FY11	20.521	TX-57-X031-00	20,587
5317 Funds New Freedom Mobility Management FY12	20.521	TX-57-X036-00	56,966
Total CFDA 20.521			77,553
Passed through Texas Department of Transportation:			
5311 Funds - FY 11 DTP Renovations	20.509	51105F7050	344,227
Total CFDA 20.509			344,227
5310 Funds - FY 11 State Preventive Maintenance	20.513	51105F7263	50,000
5310 Funds - FY 12 State Preventive Maintenance	20.513	51205F7170	40,288
Total CFDA 20.513			90,288
5304 Funds - FY 12 State Planning	20.515	51205F7118	27,078
Total CFDA 20.515			27,078
Passed through Texas Department of Transportation:			
Under the Unified Planning Work Program:			
Lubbock Metropolitan Planning Organization 11-12	20.505	51-74-108-0105-11-810	93,563
Total CFDA 20.505			93,563
Federal Highway Administration:			
Passed through Texas Department of Transportation:			
Under the Unified Planning Work Program:			
Lubbock Metropolitan Planning Organization 11-12	20.205	50-72-2-11-1105-70-806	383,169
Total CFDA 20.205			383,169

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total Federal 9/30/2012
Passed through Texas Department of Transportation:			
Safety City Teaching Kids to be Street Smart 11-12	20.600	2012-LubbockP-G-1YG-0013	28,062
STEP Comprehensive 11-12	20.600	2012-Lubbock-S-1YG-0075	68,861
Total CFDA 20.600			<u>96,923</u>
STEP Click It or Ticket Mobilization 2012	20.602	2012-Lubbock PD-CIOT-00028	14,796
Total CFDA 20.602			<u>14,796</u>
Total U. S. Department of Transportation			\$ 29,918,939
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed through Texas State Library and Archives Commission:			
Interlibrary Loan Center 11-12	45.310	771-12005	\$ 111,660
Library Systems Operation 11-12	45.310	470-12004	148,183
Library Technical Assistance 11-12	45.310	476-12009	99,952
Total CFDA 45.310			<u>359,795</u>
Total U. S. Department of Education			359,795
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Programs:			
Canyon Lakes Water Reuse Project	66.202	XP96629501	93,881
Total CFDA 66.202			<u>93,881</u>
Total U. S. Environmental Protection Agency			93,881
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Programs:			
ARRA-Energy Efficiency and Conservation Block Grant Program	81.128	EE0000968	21,804
Total CFDA 81.128			<u>21,804</u>
Passed through Texas Department of Housing and Community Affairs:			
ARRA-DOE County 2009	81.042	16090000668	285,292
ARRA-DOE City 2009	81.042	16090000708	213,638
Total CFDA 81.042			<u>498,930</u>
Total U. S. Department of Energy			520,734
<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 11-12	93.044	A100	28,251
Total CFDA 93.044			<u>28,251</u>
Special Program for the Aging Title III C 11-12	93.045	A100	153,285
Total CFDA 93.045			<u>153,285</u>
Passed through Texas Department of State Health Services:			
Immunization / Locals 12-13	93.268	2013-041470-001	19,994
Immunization / Locals 11-12	93.268	2012-039518	256,471
Total CFDA 93.268			<u>276,465</u>

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total Federal 9/30/2012
Public Health Emergency Preparedness 12-13	93.069	2013-041470-002	15,866
Public Health Emergency Preparedness 11-12	93.069	2011-038944	300,201
Public Health Emergency Preparedness-Lab 11-12	93.069	2011-038576	153,170
Total CFDA 93.069			469,237
National Bioterrorism Hospital Preparedness Program (HPP) 11-12	93.889	2011-038401	19,490
Total CFDA 93.889			19,490
Preventive Health & Health Services Block Grant (RLSS/LPHS) 11-12	93.991	2012-039501	18,906
Total CFDA 93.991			18,906
Passed through Texas Department of Housing & Comm. Affairs:			
Comprehensive Energy Assistance Program (CEAP) 2012	93.568	58120001362	780,152
Comprehensive Energy Assistance Program (CEAP) 2011	93.568	58110001086	647,954
Total CFDA 93.568			1,428,106
Community Services Block Grant 2012	93.569	61000001426	27,594
Community Services Block Grant 2012	93.569	61120001291	194,120
Community Services Block Grant 2011	93.569	61110001133	208,877
Total CFDA 93.569			430,591
Total U. S. Department of Health & Human Services			\$ 2,824,331
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Governor's Division of Emergency Management:			
Emergency Management Performance Grant 11-12	97.042	12TX-EMPG-0944	\$ 128,075
Total CFDA 97.042			128,075
Metropolitan Medical Response Systems (MMRS)	97.071	233-01-0049	56,160
MMRS 2011	97.071	2011-SS-00019	59,784
MMRS 2010	97.071	2010-SS-T0-0008	317,412
MMRS 2009	97.071	2009-SS-T9-0064	173,201
Total CFDA 97.071			606,557
Total U. S. Department of Homeland Security			734,632
<u>U. S. DEPARTMENT OF THE TREASURY</u>			
Federal Equitable Sharing - Treasury	N/A	N/A	85
Total U. S. Department of the Treasury			85
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 39,339,980

CITY OF LUBBOCK, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

(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 180.

(4) Relationship to Federal and State Financial Reports

Grant expenditure reports as of September 30, 2012, 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 \$1,533,064.

<u>Program</u>	<u>CFDA Number</u>	<u>Sub-recipient</u>	<u>Amount</u>
CDBG	14.218	Various	\$ 285,121
ESG	14.231	Various	90,929
Home	14.239	Various	41,500
ARRA – HPRP	14.257	Various	96,006
Byrne Memorial	16.738	Lubbock County	99,423
CEAP	93.568	Various	752,352
CSBG	93.569	Various	137,914
Emergency Management	97.042	Lubbock County	29,819
Total Federal Assistance			<u>\$1,533,064</u>

(6) Outstanding Loans

The City has provided loans through its various housing programs. The outstanding balance of loans at September 30, 2012 was \$4,832,801.

(7) Outstanding Debt Balance

The Schedule of Expenditures of Federal Awards includes \$131,200 of HUD Section 108 debt service. Of this debt service, \$128,314 is recorded in the Community Development Block Grant 10-11 & 11-12 and \$2,886 is recorded in the Section 108 Loan Guarantee Program Grant. The HUD Section 108 Fund was completely redeemed at September 30, 2012.

**Independent Accountants' 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 the 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 (the City) as of and for the year ended September 30, 2012, which collectively comprise its basic financial statements and have issued our report thereon dated March 27, 2013, which contained a reference to the reports of other accountants and an explanatory paragraph regarding a change in accounting principle. 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. Other accountants 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 accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of the 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*.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the City's management in a separate letter dated March 27, 2013.

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

BKD, LLP

March 27, 2013

Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Honorable Mayor and City Council
City of Lubbock, Texas

Compliance

We have audited the compliance of City of Lubbock, Texas (the 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, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lubbock, Texas based on our audit.

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

In our opinion, the City of Lubbock, Texas complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

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

Our consideration of the 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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

BKD, LLP

March 27, 2013

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2012

7. The City's major programs were:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106
Public Works and Economic Development Cluster	11.300
Formula Grants for Other Than Urbanized Areas	20.509

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$ 1,180,199.

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, 2012

Findings Required to be Reported by Government Auditing Standards

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

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, 2012

Findings Required to be Reported by OMB Circular A-133

Reference Number	Summary of Finding	Status
-----------------------------	---------------------------	---------------

No matters are reportable.

**City of Lubbock, Texas
Schedule of Expenditures of State Awards
For the Year Ended September 30, 2012**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Grant/ Contract Number	Total State 9/30/2012
Texas Department of State Health Services		
Infectious Disease Control Unit/FLU-LAB 11-12	2012-038649	\$ 5,000
Milk & Dairy Products Division 11-12	2012-038793	5,685
Milk & Dairy Products Division 10-11	2011-035202	31,260
Preventive Health & Health Services Block Grant (RLSS/LPHS) 12-13	2013-041470-003	7,228
Preventive Health & Health Services Block Grant (RLSS/LPHS) 11-12	2012-039501	80,599
STD Syphilis Elimination 12-13	2013-041470-004	14,036
STD Syphilis Elimination 11-12	2012-039674	208,813
Total Department of State Health Services		352,621
Texas Department of Transportation		
5304 Funds - FY 12 State Planning	51205F7118	6,769
5307 Funds - FY 12 State Operation	51205F7052	619,530
Total Texas Department of Transportation		626,299
Texas Forest Service		
Palo Pinto County		3,357
Little Bear Fire		4,186
Total Texas Forest Service		7,543
TOTAL STATE FINANCIAL ASSISTANCE		\$ 986,463

CITY OF LUBBOCK, TEXAS
Notes to Schedule of Expenditures of State Awards
For the Year Ended September 30, 2012

(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, 2012, 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 Accountants' 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 the 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 (the City) as of and for the year ended September 30, 2012, which collectively comprise its basic financial statements and have issued our report thereon dated March 27, 2013, which contained a reference to the reports of other accountants and an explanatory paragraph regarding a change in accounting principle. 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 and the state of Texas *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Management of the state of Texas. Other accountants 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 accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of the Civic Lubbock, Inc., a discretely presented component unit, 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 Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance were not audited in accordance with the state of Texas *Uniform Grant Management Standards*.

Internal Control over Financial Reporting

The management of the City of Lubbock, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the state of Texas *Uniform Grant Management Standards*.

We noted certain matters that we reported to the City's management in a separate letter dated March 27, 2013.

This report is intended solely for the information and use of the governing body, management and others within the City and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

March 27, 2013

Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the State of Texas *Uniform Grant Management Standards*

The Honorable Mayor and City Council
City of Lubbock, Texas

Compliance

We have audited the compliance of City of Lubbock, Texas (the 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 its major state program for the year ended September 30, 2012. The City's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state program is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lubbock, Texas, based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Lubbock, Texas, complied, in all material respects, with the compliance requirements referred to above that are applicable to its major state program for the year ended September 30, 2012.

Internal Control over Compliance

The management of the City of Lubbock, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and

to test and report on internal control over compliance in accordance with 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management and others within the City and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

March 27, 2013

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2012

7. The City's major state program was:

Cluster/Program	State Agency	Grant Number
5307 Funds—FY12 State Operation	Texas Department of Transportation	51205F7052

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, 2012

Findings Required to be Reported by *Government Auditing Standards*

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

No matters are reportable

Findings Required to be Reported by *Uniform Grant Management Standards*

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

No matters are reportable

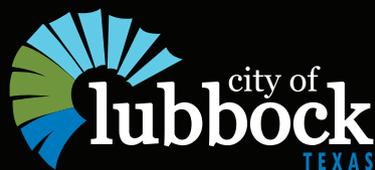
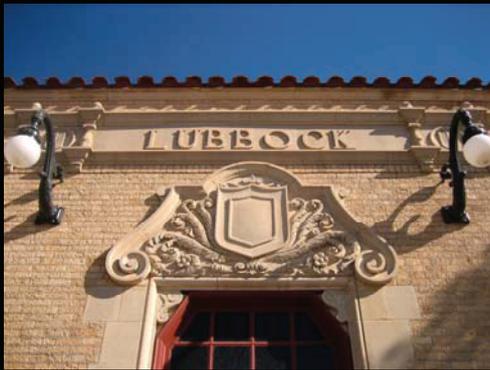
City of Lubbock, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2012

Findings Required to be Reported by *Uniform Grant Management Standards*

Reference Number	Summary of Finding	Status
-----------------------------	---------------------------	---------------

No matters are reportable.





P. O. Box 2000 ■ 1625 13th Street ■ Lubbock, TX 79457 ■ (806) 775-2000
www.mylubbock.us ■ Citizen Call Center: 3-1-1