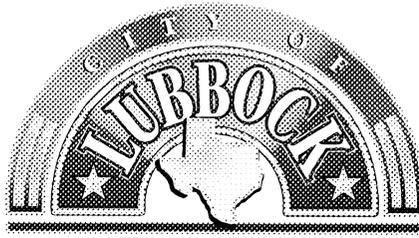


Comprehensive
Annual
Financial
Report

September 30, 2004
City of Lubbock, Texas





COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF LUBBOCK, TEXAS

Fiscal Year Ended September 30, 2004

Marc McDougal	Mayor
Linda DeLeon	Council Member - District 1
Floyd Price	Council Member - District 2
Gary O. Boren	Council Member - District 3
Phyllis S. Jones	Council Member - District 4
Tom Martin	Council Member - District 5
Jim Gilbreath	Council Member - District 6
Lou Fox	City Manager
Thomas Adams	Deputy City Manager
Quincy White	Assistant City Manager
Lee Ann Dumbauld	Chief Financial Officer/Assistant City Manager
Jeff Snyder	Director of Fiscal Operations
Andy Burcham	Cash and Debt Manager
Brack Bullock	Senior Accountant
Linda Cuellar, CPA	Senior Accountant
Veronica Valderaz	Senior Accountant
Damian Pantoya, CPA	LP & L Chief Financial Officer
Dena Morris	Accountant
Randall Brown	Accountant



**CITY OF LUBBOCK, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2004**

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CITY OF LUBBOCK, TEXAS

INTRODUCTORY **S**ECTION

March 31, 2005

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Lubbock, Texas (City) for the fiscal year ended September 30, 2004. The purpose of this report is to provide the City Council, citizens, representatives of financial institutions and others with detailed information concerning the financial condition and performance of the City of Lubbock. In addition, the report provides assurance that the City presents fairly, in all material respects, its financial position as verified by independent auditors.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principals (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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
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GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

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

THE CITY AND ITS ORGANIZATION

Population and Location

The City is located in the northwestern part of the state commonly known as the South Plains of Texas. The City currently occupies a land area of 115 square miles and serves a population of 206,290 (2004 estimated population). Based on the 2000 Census, Lubbock is the 10th largest city in the State of Texas and the 13th largest Metropolitan Statistical Area (MSA). The Lubbock MSA included just Lubbock County for the 2000 census, but it was changed in June of 2003 to include both Lubbock County and Crosby County.

Form of Government and City Services

The City was incorporated in 1909. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the city council.

The City has operated under the council-manager form of government since 1917. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and the City Secretary. The City Manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a two-year term. Six of the council members are elected by district. The mayor is elected at large.

Honorable Mayor, City Council,
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The City provides a full range of services that include public safety, the construction and maintenance of highways, streets, and other infrastructure, solid waste services and recreational activities and cultural events. The City also provides utilities for electricity, water, wastewater, and storm water as well as a public transportation system.

Public safety includes police protection and fire protection. Police protection is provided through the Police Department, which includes 320 authorized police officers. The City's Fire Department operates 14 fire stations and has 275 fire fighters and officers.

Electric service in the City is provided by Lubbock Power and Light (LP&L), Xcel Energy and South Plains Electric Cooperative. LP&L, the municipal electric company, has 63,076 meters in the City with an average daily consumption of 3,658,402 kwh. LP&L has 14 substations, 997 miles of distribution lines and 85 miles of transmission lines. Natural Gas service is provided by Atmos Energy.

Currently, the City obtains 80% of its drinking water supply from Lake Meredith and uses two ground water well fields in Bailey County and Roberts County to obtain the remaining 20%. The City provides water service to 72,505 meters. The capacity of the City water system is 75 million gallons per day with an average utilization of 39 million gallons per day. The City has 1,323 miles of distribution lines and 146 active water wells with 99,152 acres of water rights. The Canadian River Municipal Authority allocates more than \$14 billion gallons of water to the City annually. Lake Alan Henry, built by the City in 1993, is considered a tertiary (third) drinking water supply for future use. In order for the City to utilize water from Lake Alan Henry, future developments will be needed such as pump stations, a pipeline to carry the water to Lubbock and a new treatment plant.

For the past several years, the City has been planning for future water needs. In March 2003, the City contracted with WaterTexas, Inc. to evaluate and make recommendations on how the City could optimize existing and potential water supplies on a short-, mid-, and long-term basis. In a report titled *City of Lubbock Strategic Water Plan*, WaterTexas reported that the City is in good shape provided that it takes steps to address its maximum day capacity limitations; addresses its ability to respond readily to drought conditions at Lake Meredith; and strategically develops additional supplies giving due consideration to demand, cost, opportunity, and competing budgetary needs. Projects have been proposed in the FY2004-05 budget to address these issues. To strategically develop additional water supplies, the City Council established the Lubbock Water Advisory Commission in July 2003. The primary objective of this Commission is to assist in the development of a 100-year water supply plan.

Wastewater collection and treatment is provided within the city limits to residential, commercial, and industrial customers. The collection system consists of 924 miles of sanitary sewer lines and 60 miles of storm sewer lines. The system has a capacity of 31.5 million gallons per day (permitted capacity) and an average utilization of approximately 19.5 million gallons per day. The peak utilization of the system is 26 million gallons per day.

The City of Lubbock's drainage is primarily conveyed through the City's street system that discharges into more than 115 playa lakes. The subsurface drainage, via storm sewer pipes with curb inlets, conveys water to two small intermittent streams (Blackwater Draw and Yellowhouse Draw) which both converge at the upper reaches of the North Fork of the Double Mountain Fork

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of the Brazos River. The City's municipal separate storm sewer system (MS4) is made up of 1,050 linear miles of paved and unpaved streets, 461 linear miles of paved and unpaved alleys, 1,144 of storm sewer inlets, 70 miles of subsurface storm sewer pipe, three detention basins, 115 playa lakes, and one pump station. Maintenance of all of the storm sewers and street cleaning was funded from the Storm Water Fund during FY 03-04.

During FY 03-04 the primary focus of the storm water fund was to complete the construction of the South Central Drainage Project and to get the first phase of the South Lubbock Drainage Project under construction. Both were accomplished during the year. Work was ongoing on the Maxey Park Feasibility Study and work began on a FEMA Restudy of two of the playa lake systems. Compliance with the City's MS4 Permit with the Environmental Protection Agency consists of eleven different programs that all continued during the year.

The City also provides garbage collection and disposal services. The City provides services to 60,791 residential customers and 2,863 commercial customers. The City has two landfill sites. One site is designated as Lubbock Landfill and is a transfer station only. The second site is Lubbock's newest landfill, the West Texas Region Disposal Facility. The West Texas Region Disposal Facility is currently the largest landfill in the State of Texas with 1,260 acres and is expected to serve the region for the next 100 years.

Citibus is the public transportation provider for the City. Citibus provides three primary types of services. They include a Fixed Route Service, CitiAccess (paratransit system), and Special Services. Citibus has also expanded service later into the evenings. The Citibus Evening Service is designed to meet the needs of both CitiAccess and fixed route passengers who are transit dependent and who would have no other means of transportation in the evenings if the Evening Service were not provided. A majority of Evening Service passengers work at night and use the service for transportation to and from job sites. Citibus is professionally managed by McDonald Transit Associates, Inc.

The City has an aggressive housing and community development program implemented and administered through funding from the federal Community Development Block Grant program, HOME program, and Emergency Shelter Grant program. This year the City completed work on over 225 houses, assisted over 18,000 individuals, and created 5 jobs through an economic development loan program.

Community enrichment and cultural services are also major programs of the City. The City owns and operates four libraries with over 382,000 volumes. The City also owns and maintains 76 parks and 55 playgrounds. Extensive recreational facilities include 4 swimming pools, 60 tennis courts, 31 baseball and softball fields, 5 recreation centers and 5 Senior Centers. To further enhance quality of life and to provide support to the tourism industry, the City also owns the Civic Center (convention center), a coliseum, an auditorium for performing arts, and the Buddy Holly Center.

The City is responsible for the construction and maintenance of highways and streets. Currently the City has 975 miles of paved streets. A new fund was established after the City Council passed a resolution in 2004 stating that 40% of the franchise fee revenue and telecom line

Honorable Mayor, City Council,
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March 31, 2005

charges would be devoted to funding street projects. This fund is called the Gateway Street Fund. The funding will be used to fund the debt service on street projects as determined by the City Council. The FY 2004-05 budget includes the widening of Milwaukee Avenue that will be funded out of the Gateway Street Fund.

Other major road construction in the City includes the construction of the Marsha Sharp Freeway by the Texas Department of Transportation (TXDOT). This freeway will run from West Loop 289 east to link up with Interstate 27. The first phase of the project is underway and includes widening Loop 289 from four to six lanes from 34th street to Slide Road and rebuilding the frontage road system under the main lanes – three lanes on each side. It also includes building the 50th Street overpass and extending 50th Street to Frankford Avenue. This phase of the project is now eighty percent complete. TXDOT has just awarded the bid for the second phase of the Marsha Sharp Freeway to begin construction in 2005. The Marsha Sharp Freeway will benefit the City by providing a western connection to West Loop 289 ensuring a more efficient flow of traffic throughout the City. It will also reduce the congestion on north/south and east/west major arterials and give faster access to all points in Lubbock, specifically Texas Tech University, the central business district, education centers and medical facilities. The entire project is expected to cost \$256 million and be completed sometime after 2010.

One of the key components of the City's transportation system is the Lubbock Preston Smith International Airport, located 7 miles north of the City's central business district on 3,000 acres of property adjacent to Interstate 27, operated as a department of the City. The airport operates a 220,000 square foot passenger terminal and has three runways; 11,500' x 150'; 8,000' x 150'; 2869' x 75'. Air traffic control services include a 24-hour FAA control tower and a full range of instrument approaches. Currently the airport is served by a total of 68 scheduled daily flights from four major airlines.

The City is financially accountable for a legally separate, civic services corporation and an economic development corporation, both of which are reported separately within the City's financial statements as discretely presented component units. Additional information on these legally separate entities can be found in the notes to the financial statements.

Annual Budget Process

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager in June of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to August 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may request transfers of appropriations within a department. Transfers of appropriations between funds, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for the general fund, as part of the basic financial statements.

ECONOMIC CONDITION AND OUTLOOK

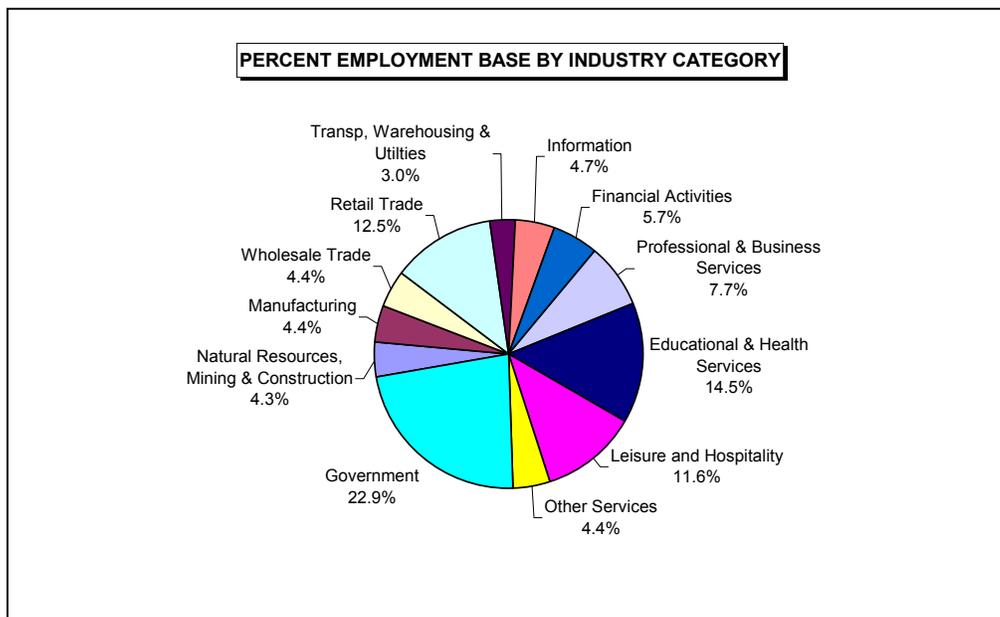
The information presented in the financial statements is perhaps best understood when it is considered within the context of the City's local economy. The following information is provided to highlight a broad range of economic forces that support the City's operations.

Local Economy

The City has a stable economy that has historically shown slow, steady growth and has continued that growth through October 2004. The city's economy is agriculturally based but has diversified over the past 20 years in order to minimize the affects of downturns in individual sectors.

The Southern High Plains is one of the United State's most productive agricultural areas. Twenty percent of the nation's cotton crop is planted by South Plains farmers. The 2002 Census of Agriculture reported that for the Lubbock Retail Trade area there was \$2.7 billion in market value of agricultural products sold. Crops were \$1 billion and livestock was \$1.7 billion. The net cash farm income in 2002 for the area was \$486 million.

The city has a strong manufacturing, wholesale and retail trade, services and government sectors. The manufacturers are a diverse group of employers who support approximately 5,500 workers. A central location and access to transportation have contributed to the City's development as a regional warehousing and distribution center. The city also serves as the major retail trade center and health-care provider for a region of more than a half a million people. A breakdown of the percent of employment base by industry category has been provided below that gives a "snapshot" of the industry base of the city.



Honorable Mayor, City Council,
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Two major components of the local economy are education and health care services. 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. Enrollment in these schools has been steadily growing over the past few years except for a slight decrease from Fall 2003 to Fall 2004. The availability of the schools in Lubbock is an added advantage for our industries as it provides a ready source of labor for their needs.

The health-care and social services sector is also a vital component of the Lubbock economy. It employs more than 17,000 people, whose payroll of \$567.6 million and related contributions provide a substantial impact to the Lubbock area. (Source: 2002 County Business Patterns)

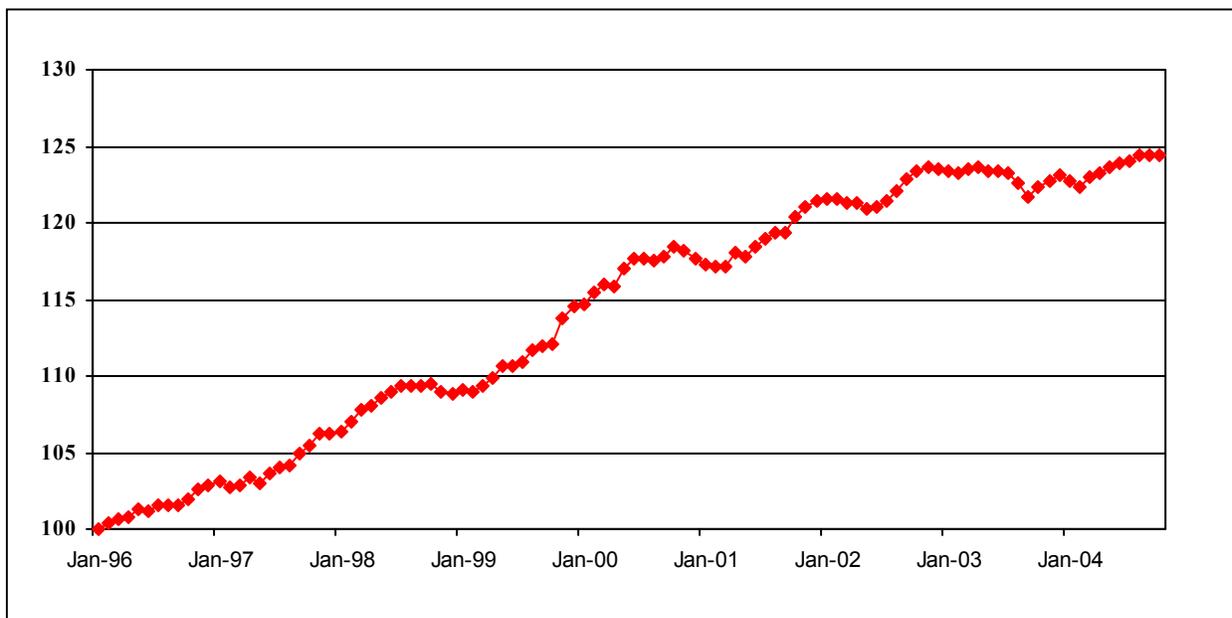
Other current and trend information has been provided below that gives a picture of the overall city economy.

Lubbock Economic Index.

The Lubbock Economic Index is designed to represent the general condition of the Lubbock economy, and is used to track local economic growth rates. It is based at 100.0 in January 1996. The economic index for October 2004 was 124.4, which is 1.6% improved over the index for October 2003.

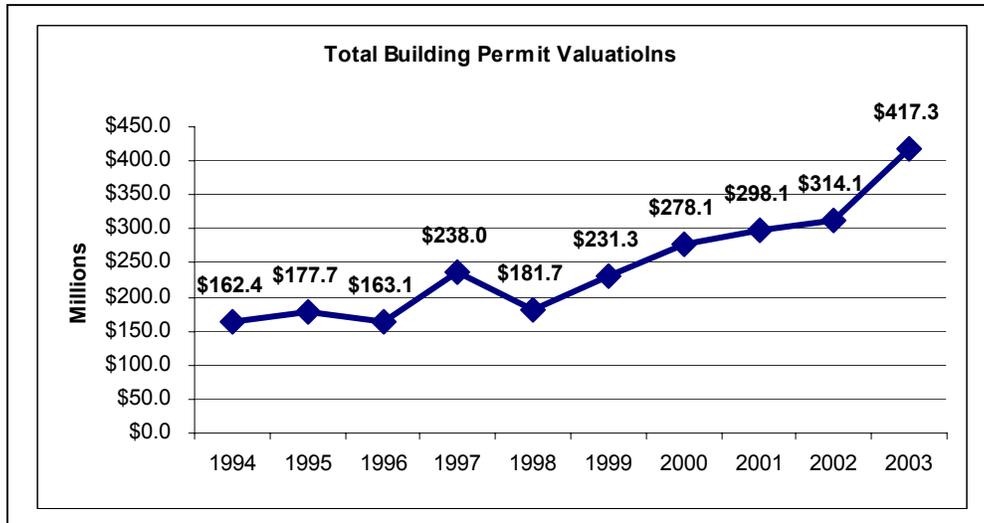
As is the case at the national and state level, and in many other Texas metro areas, the Lubbock economy is in transition from a period of sluggishness in 2003 to recovery and growth in 2004, as shown in the graph below. (Source: Lubbock Economic Index October 2004)

Lubbock Economic Index
January 1996 to October 2004



Building Permit Valuations.

Construction continues to make a strong contribution to the Lubbock economy, with the value of all building permits issued so far in 2004 up by 14.3% from last year's total through October. The \$369 million in building permits issued through the first ten months of 2004 continues the upward trend that has set records for the City for the last several years. (Source: Economic and Demographic Overview: Building Valuations – 10-Year Trend / Original Source of Data: Building Inspection Statistical Report)



Total new residential permits increased by 20.8% through October 2004 when compared to the same period in 2003. The \$256 million in residential building permits issued for the first 10 months of 2004 also continues an upward trend that has been seen in the City over the last few years. Average home sale price year-to-date through October 2004 also increased by 4% from October 2003 to October 2004. (Source: Economic and Demographic Overview: Building Valuations – 10-Year Trend / Original Source of Data: Building Inspection Statistical Report)

Sales Tax Collections

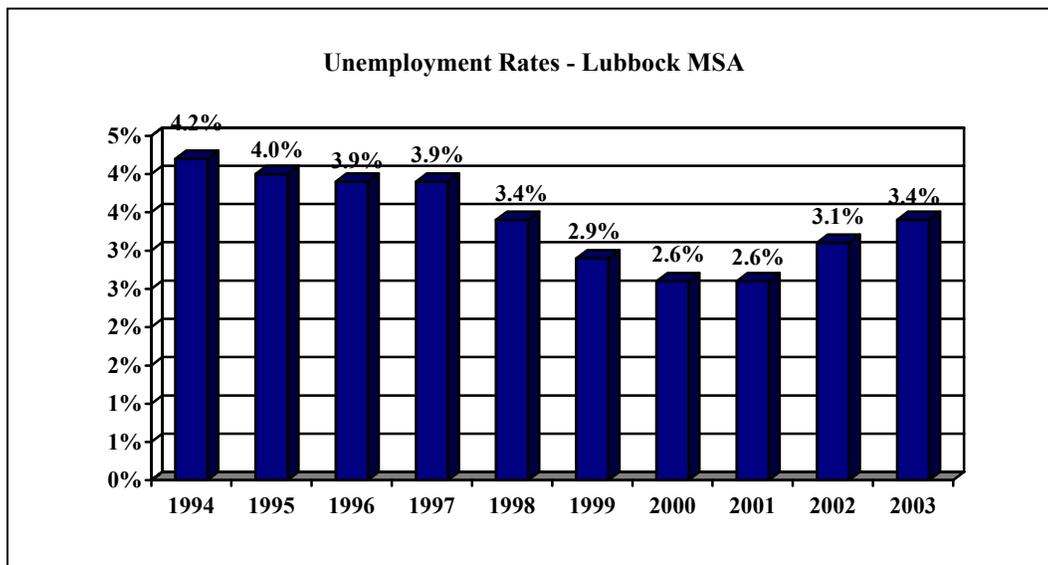
Sales tax collections for October 2004 were 26.91% improved over the October 2003 sales tax collected. Year-to-date sales tax collections through October 2004 were 7.58% improved over the same period in 2003. (Counted in the month the sales tax was collected, not the month it was paid) (Source: Economic and Demographic Overview; Monthly Sales Tax Collections – Calendar Year – City of Lubbock. / Original Source of Data: State Comptroller of Public Accounts – Allocation Historical Summary)

Tourism/Visitor Related Indicators

Lodging tax receipts increased from \$2.5 million in October 2003 to 2.6 million in October 2004. This is a year-to-date increase through October 2004 of 3.8%. Airline boardings at Lubbock Preston Smith International Airport also increased in 2004 by 6.2% over the same period last year. (Source: Lubbock Economic Index)

Employment

Total non-agricultural employment estimate for October 2004 was 130,600. This was 1.3% improved over October of last year. Average job growth for the first ten months of the year continues to improve, exceeding 1% for the first time in 2004. 1,600 more people were employed in October 2004 than in the same period of 2003. The unemployment rate for the Lubbock MSA in October 2004 was 2.8%, 2nd lowest in the State of Texas. Historically Lubbock has a low rate of unemployment that is generally 1% - 2% below the national rate and about 1% below the rate for Texas. (Source: Lubbock Economic and Demographic Overview and 2004 Population and Economics Report / Original Source of data: Texas Workforce Commission)



Economic Development

Economic development is a priority for the City. The City Council created Market Lubbock, Inc. in FY 1995-96 to enhance and encourage economic development and job creation and to facilitate the development of new industries in the city and region. Market Lubbock is funded by 3 cents of the property tax allocation. Over the last year, through their retention/expansion and industrial attraction programs, Market Lubbock assisted 6 companies in the creation of 600 new jobs with an estimated annual payroll of \$12.8 million and capital investment of \$2.98 million. Since Market Lubbock's creation, they have assisted companies' in the creation of more than 6,900 jobs with an estimated annual payroll of \$150.9 million and a capital investment of \$253.8 million.

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In October 2004 Lubbock Economic Development Alliance (LEDA), the new economic development sales tax corporation, assumed the responsibility for economic development in the City. Market Lubbock, Inc. will remain in place to handle the existing contracted obligations and will continue to receive 3 cents of property tax funding to pay off those obligations. 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 estimated revenues for LEDA for FY 2004-05 are \$3,512,863.

The city also has the Business Development Department that works closely with Market Lubbock and LEDA to provide the support needed to assist in their economic development projects. Business Development 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, and the two Tax Increment Financing Reinvestment Zones and two Public Improvement Districts. Business Development also works with retail/commercial projects that do not fit the criteria required by the state for economic development sales tax corporations.

Development Initiatives

Overton Park.

Overton Park is a 300+-acre revitalization project that is underway in the heart of the city. It has been called the largest privately funded revitalization project in the United States. Overton Park is the revitalization of a blighted area in the city called North Overton.

The North Overton area was established in 1907 and over the next twenty years developed as a middle class neighborhood, with home ownership predominating. Then in 1925 Texas Tech University (Texas Technological College) was established along the western boundary of the neighborhood. Following World War II, the growth of Texas Tech University stimulated a need for student housing. This need was provided by many non-conforming apartments, converted garages, and subdivided houses, reducing home ownership considerably. Continued growth of Texas Tech encouraged development of apartment buildings, further destroying the stability of the area. By the 1980's, the Lubbock City Council recognized that the passage of time, market trends, and land use changes had created severe pressures on North Overton. Through the 1990's, the situation in North Overton continued to stagnate. Population was declining, vacancies were high, owner occupancy was only 7.3% of the properties compared to 51.5% in the city. Crime was high in the area and many properties in the area were in poor condition, abandoned vehicles and weeds were prevalent, and there was little to attract anyone to this neighborhood other than extremely low values and rents.

A local developer approached the city to discuss plans to redevelop the North Overton area. The developer planned to purchase and redevelop about 90% of the North Overton area. The developer and other property owners submitted a petition to the city and asked that the city establish a Tax Increment Financing Reinvestment Zone to provide the public funds for constructing public improvements in the proposed district. In response the city created the North Overton Tax Increment Financing Reinvestment Zone with participation from the city, county, High Plains Underground Water District and Lubbock County Hospital District. This

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public/private partnership provides for a significantly enhanced redevelopment of the North Overton area by using public funds for upgraded intersections, additional right-of-way landscaping, improved street lighting, park improvements, and street and utility replacement/reconstruction. These infrastructure projects are designed to replace 70-year old utilities, provide new street lighting and signalization, upgrade Pioneer Park and provide for enhanced right-of-way landscaping, wider sidewalks and street furniture. The plans called for street closures to allow for larger development projects, student housing will be provided, there will be a variety of well-planned housing projects, retail to support the neighborhood and the Tech student population; and the entire development will be pedestrian oriented. The city has approved site design guidelines for the development in Overton Park in order to ensure the high quality of this development project.

It is anticipated that build-out of this public/private partnership will occur over a seven year period. It is expected that the North Overton Area Tax Increment Financing Reinvestment Zone planned expenditure of approximately \$51.9 million for public infrastructure improvements will result in future development/redevelopment in the Zone which will increase the taxable value by approximately \$317 million over the Zone's 30-year life.

At this time, two student-oriented apartment complexes have been completed and a third is under construction. The Centre, a \$26 million, 618,000 square foot plus project that includes the construction of a multi-story apartment complex built over an upscale retail shopping center and more than 226,000 square feet of parking, is nearing completion. City Bank is also nearing completion of their new 10,000 square foot bank facility. Walmart has announced their intention of building a 200,000 square foot plus store that will be built near the southwest corner of 4th street and Avenue Q, groundbreaking expected to be in 2005. Also in 2005, it is expected that ground will be broken on the first single-family houses in Overton Park as well. The project as a whole is running about three years ahead of schedule, with construction now expected to be done by the end of 2007.

North & East Lubbock Community Development Corporation

During the last 50 years, while Lubbock grew, North and East Lubbock has experienced an out-migration of people. From 1960 to 2000, the area's population decreased by 47%. Concluding that portions of northern and eastern Lubbock were in serious disrepair, the city and the North & East Lubbock Development Advisory Committee decided to take action. The solution was to create a comprehensive master development plan that would depict a clear direction for the future and a way to achieve the desired future. The master plan was completed in October 2004. The city created the North & East Lubbock Community Development Corporation to oversee and promote development in the area and is providing funding to the CDC for the next five years.

Central Business District Tax Increment Reinvestment Zone

The City of Lubbock Central Business District (CBD) has been typically developed over the years with office, retail and governmental agency uses. Like many cities, retail has moved to shopping areas and other areas outside the CBD and office development has stagnated. In an effort to reverse that trend and to stimulate further development downtown, the City in December 1986 established a Tax Increment Financing (TIF) District within the Neighborhood

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 31, 2005

Development Program Area under Texas Urban Renewal Law. This district included a large portion of the CBD and the North and South Overton neighborhoods. Unfortunately, with the real estate market downturn in the late 1980's and conversion of space from private to public use, the existing TIF had a tax value below the TIF 1986 base value and was terminated.

At this time, CBD values appear to have stabilized and have increased slightly over the last two years. To provide further stimulus to development and redevelopment in the CBD, the City established a new CBD Tax Increment Finance Reinvestment Zone (TIRZ) on December 3, 2001 with a different Boundary than the former TIF. The Board of the CBD TIRZ created a project plan that included projects that will assist redevelopment in the CBD. It is expected that the Central Business District Tax Increment Financing Reinvestment Zone planned expenditure of almost \$8.4 Million for public infrastructure improvements will result in future development and redevelopment in the Zone which will increase the taxable value by approximately \$106 Million over the Zone's 20-year life.

FINANCIAL INFORMATION

Long-term financial planning.

The City uses a 10-year rate model for long-range planning in the general fund and all enterprise funds. During fiscal year 2003 the City formed the Citizens Advisory Committee to survey City-wide infrastructure needs and priorities. The committee developed a six-year program for future capital needs for which general obligation bonds will be issued. The bond issuance was approved by the citizens of Lubbock in a bond election held in May, 2004.

Cash management policies and practices.

Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies and investment pools. The maturities of the investments range from 1 day to 3 years, with an average maturity of approximately 7 months. The average yield on investments was 1.251 percent for the City's operating funds and 1.409 percent for the City's bond funds. Investment income may include appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management.

During 2004, the City continued its use of third party workers' compensation coverage. The current coverage provides for coverage to begin with the initial dollar of claims. The City is primarily self-insured for medical and dental coverage. Stop loss coverage of \$150,000, per insured per year, is currently maintained with a third party insurer to mitigate risk associated with medical coverage. Additional information on the City's risk management activities can be found in the notes to the financial statements.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
March 31, 2005

Pension benefits.

The City sponsors a multiple-employer hybrid defined benefit pension plan for its employees other than firefighters. Each year, an independent actuary engaged by the plan calculates the amount of the annual contribution that the City must make to the plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of the City's conservative funding policy, the City has succeeded as of December 31, 2002, in funding 76.3 percent of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 25 years as part of the annual required contribution calculated by the actuary.

The City also provides benefits for its firefighters. These benefits are provided through a single-employer defined benefit pension plan, the Lubbock Firemen's Relief and Retirement Fund (LFRRF), which is administered by the Board of Trustees of the LFRRF. The City contributes an amount that is determined by formula and is anticipated to average 19.9 percent of firefighter's pay annually.

The City does provide 25% - 60% of post retirement health and dental care benefits for retirees or their dependents.

Additional information on the City's pension arrangements and post employment benefits can be found in the notes to the financial statements.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division. Exceptional effort was invested by the Accounting Department. We would like to express our appreciation to all members of the departments who assisted with and contributed to the preparation of this report.

Respectfully submitted,

Lou Fox
City Manager

Lee Ann Dumbauld
Chief Financial Officer/
Assistant City Manager

City of Lubbock, Texas

List of Elected and Appointed Officials

September 30, 2004

Elected Officials

Mayor	Marc McDougal
Council Member – District 1	Linda DeLeon
Council Member – District 2	Floyd Price
Council Member – District 3	Gary O. Boren
Council Member – District 4	Phyllis S. Jones
Council Member – District 5	Tom Martin
Council Member – District 6	Jim Gilbreath
Municipal Court Judge	Robert Doty

Appointed Officials

City Manager	Lou Fox
City Attorney	Anita Burgess
City Secretary	Rebecca Garza
Deputy City Manager	Tom Adams
Chief Financial Officer/ Assistant City Manager	Lee Ann Dumbauld
Assistant City Manager	Quincy White
Fire Chief	Steve Hailey
Police Chief	Claude Jones
Internal Audit Director	D. C. Kiyemba
Human Resources Director	Scott Snider
Information Technology Director	Mark Yearwood
Planning/Transportation Director	Craig Farmer
Public Works Director	Terry Ellerbrook
Public Health Director	Tommy Camden
Community Services Director	Randy Truesdell
Electric Utilities (Lubbock Power & Light) Director	Carroll McDonald





CITY OF LUBBOCK, TEXAS

FINANCIAL
SECTION



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

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, as of and for the year ended September 30, 2004, 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 of Lubbock's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Market Lubbock Economic Development Corporation and Civic Lubbock, Inc. which comprise the aggregate discretely presented component units. In addition, we did not audit the West Texas Municipal Power Agency, which is both a major fund and represents 4 percent, 1 percent, and 22 percent of the assets, net assets, and revenues of the business-type activities, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Market Lubbock Economic Development Corporation, Civic Lubbock, Inc., and the West Texas Municipal Power Agency are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Market Lubbock Economic Development Corporation, Civic Lubbock, Inc. and the West Texas Municipal Power Agency Fund 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 provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lubbock, Texas, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2005 on our consideration of the City of Lubbock'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.

The management's discussion and analysis and schedules of funding progress on pages 19 through 34 and 73 and 77, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lubbock's basic financial statements. The introductory section, combining fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

March 28, 2005

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

As management of the City of Lubbock, Texas (City), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2004.

We encourage readers of these financial statements 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 this discussion and analysis.

Financial Highlights

These financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS), as listed in the accompanying Table of Contents.

- The assets of the City exceeded its liabilities at September 30, 2004 by \$546 million (net assets). Of this amount, \$51 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by nearly \$2.7 million as a result of operations during the fiscal year.
- The ending unreserved fund balance for the General Fund was \$12.1 million or approximately 13.5% of total General Fund expenditures, or 14.0% of total General Fund revenues.
- All of the City's governmental funds reported combined ending fund balances of \$47.7 million. Of this total amount, \$13.8 million is available for spending at the City's discretion.
- All of the City's business-type activities reported combined ending net assets of \$442.4 million. Of this total amount, \$41.2 million is available for spending at the City's discretion.
- The City's proprietary funds net assets decreased by nearly \$5.0 million from \$437.1 million to \$432.1 million. The Electric Fund (Lubbock Power & Light or LP&L) ended the year with operating income of nearly \$3.3 million erasing a \$6.3 million operating loss experienced in the prior year.
- Near the end of the fiscal year, the City issued \$22.6 million of bonds to refund \$23.2 million in outstanding bonds. As a result of this transaction, the City will experience an economic gain of \$0.8 million and an accounting loss of \$1.0 million, with 4.2% in present value savings.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Overview of the Financial Statements

Basic Financial Statements. Management's Discussion and Analysis (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). This CAFR also contains other supplementary information in addition to the BFS.

Government-Wide Financial Statements. The GWFS, shown on pages 35-37 of this report, contain the *statement of net assets* and the *statement of activities*, described below:

The *statement of net assets* presents information on all of 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. 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 (referred to as "activities"). Direct expenses are those that are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program, in addition to grants and contributions that are restricted to meeting the operational or capital requirements of a particular activity. Revenues that are 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. The governmental activities (activities that are principally supported by taxes and intergovernmental revenues) of the City include administration of community services, electric (street lighting), financial services, fire, general government, human resources, police, streets, and public works. The business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include Electric (LP&L), Water, Sewer, Solid Waste, Stormwater, Transit, and Airport. All changes in net assets are reported as soon as the underlying event giving rise to the change 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 only result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Component Units. The GWFS include not only the City itself (the "primary government"), but also two legally separate entities (the "component units"): Market Lubbock Economic Development Corporation, d/b/a Market Lubbock, Inc. and Civic Lubbock, Inc., for which the City is financially accountable. These entities provide economic development services and arts and cultural activities for the City. Financial information for these component units is reported separately in the GWFS in order to differentiate them from the City's financial information. Neither of these component units are considered major component units.

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 new 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. Nonmajor 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 BFS. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary 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.

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, readers may better understand the long-term impact of the 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.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

The City maintains 24 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 only. The General Fund is considered to be a major fund. Data from the other governmental funds are combined into a single aggregated presentation. The City adopts a budget annually for the General Fund and all other funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. It is presented in the FFS following the statement of changes in revenues, expenditures, and changes in fund balances. The governmental FFS can be found on pages 39-43 of this report.

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 its Electric (LP&L), Water, Sewer, West Texas Municipal Power Agency (WTMPA), Stormwater, Transit, Solid Waste, and Airport activities, of which the first five activities are considered to be major funds by the City and are presented separately. The latter three activities are considered nonmajor funds by the City 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 its fleet of vehicles, management information systems, risk management, print shop, and central warehouse activities among others. 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 both the proprietary fund statement of net assets and the proprietary fund statement of revenues, expenses, and changes in fund net assets to facilitate the comparison between enterprise funds and business-type activities. The proprietary FFS can be found on pages 44-55 of this report.

Fiduciary FFS. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the GWFS because the resources of those funds are not available to support the City's own programs. The City presents an agency fund as its only fiduciary fund in the FFS. The fiduciary FFS can be found on page 56 of this report.

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 57-90 of this report.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Required Supplementary Information Other Than MD&A. The City has presented required supplementary information relating to its progress in funding its obligation to provide pension benefits to its employees in the Notes to the BFS.

Government-Wide Financial Analysis

As noted earlier, net assets serve as a useful indicator of the City's financial position. For the City, assets exceeded liabilities by \$546 million (*net assets*) at the close of the fiscal year. This compared to assets exceeding liabilities by \$549 million (*net assets*) at the end of the prior fiscal year. As a result of operations, total net assets decreased by \$2.7 million during the period.

By far the largest portion of the City's net assets, 78.7%, reflect its investment in capital assets, e.g., land, buildings, infrastructure, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding at the close of the fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Lubbock Net Assets
September 30
(in 000's)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 100,489	78,784	177,959	188,077	278,448	266,861
Capital assets	129,014	121,735	611,703	617,465	740,717	739,200
Total assets	229,503	200,519	789,662	805,542	1,019,165	1,006,061
Current liabilities	48,739	25,697	44,156	37,774	92,895	63,471
Noncurrent liabilities	76,423	73,138	303,173	320,024	379,596	393,162
Total liabilities	125,162	98,835	347,329	357,798	472,491	456,633
Net assets:						
Invested in capital assets,						
net of related debt	74,433	78,475	355,816	371,427	430,249	449,902
Restricted	20,339	4,391	45,417	43,389	65,756	47,780
Unrestricted	9,569	18,818	41,190	32,928	50,759	51,746
Total net assets	\$ 104,341	101,684	442,423	447,744	546,764	549,428

An additional portion of the City's net assets, 12%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$50.7 million may be used to meet the City's ongoing obligations to citizens and creditors.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

The City also reports positive balances in all three categories of net assets for the City as a whole, as well as for its separate governmental activities, and business-type activities.

The City's governmental activities experienced an increase in net assets of \$2.7 million, while net assets decreased by \$8.5 million during the prior fiscal year. This increase is primarily a result of strong growth in new construction and better than anticipated sales tax revenues coupled with a concentrated effort by City management to contain expenditures. This is the second year in a row that the City Council has been able to cut property tax rates while streamlining City operations.

The City's business-type activities experienced a decrease in net assets of \$5.3 million during the current fiscal year as compared to an increase of \$3.6 million during the prior fiscal year. This decrease in net assets resulted from a change in accounting estimate on the life of the City's landfill. This change in accounting estimate resulted in the nearly doubled depreciation in the Solid Waste Fund.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Changes in Net Assets

Details of the following summarized information can be found on pages 36-37 of this report.

City of Lubbock Changes in Net Assets
For the Year Ended September 30
(in 000's)

	Governmental Activities		Business- Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for services	\$ 12,713	13,888	181,411	178,536	194,124	192,424
Operating grants and contributions	9,643	12,137	6,739	5,219	16,382	17,356
Capital grants and contributions	-	-	9,269	7,909	9,269	7,909
General Revenues:						
Property taxes	44,497	42,303	-	-	44,497	42,303
Sales taxes	30,555	29,092	-	-	30,555	29,092
Other taxes	3,793	3,712	-	-	3,793	3,712
Franchise fees	9,654	6,613	-	-	9,654	6,613
Grants/contributions not restricted to specific programs	-	-	-	259	-	259
Other	4,274	3,834	2,932	2,737	7,206	6,571
Total revenues	115,129	111,579	200,351	194,660	315,480	306,239
Expenses:						
Administrative/Community Services	22,313	21,793	-	-	22,313	21,793
Electric	2,471	2,373	-	-	2,471	2,373
Financial Services	2,387	1,965	-	-	2,387	1,965
Fire	21,998	20,207	-	-	21,998	20,207
General Government	20,562	21,009	-	-	20,562	21,009
Human Resources	777	786	-	-	777	786
Police	33,249	31,429	-	-	33,249	31,429
Planning and Transportation	10,789	9,827	-	-	10,789	9,827
Public Works	3,078	9,856	-	-	3,078	9,856
Interest on long-term debt	4,593	3,346	-	-	4,593	3,346
Electric	-	-	110,591	105,216	110,591	105,216
Water	-	-	27,879	27,461	27,879	27,461
Sewer	-	-	17,020	17,248	17,020	17,248
Solid Waste	-	-	17,662	19,559	17,662	19,559
Stormwater	-	-	5,357	3,315	5,357	3,315
Transit	-	-	10,565	9,163	10,565	9,163
Airport	-	-	6,853	6,479	6,853	6,479
Golf	-	-	-	21	-	21
Total Expenses	122,217	122,591	195,927	188,462	318,144	311,053
Change in net assets before special items and transfers	(7,088)	(11,012)	4,424	6,198	(2,664)	(4,814)
Special items	-	-	-	-	-	-
Transfers	9,745	2,554	(9,745)	(2,554)	-	-
Change in net assets	2,657	(8,458)	(5,321)	3,644	(2,664)	(4,814)
Net assets - beginning of year	101,684	110,142	447,744	444,100	549,428	554,242
Net assets - end of year	\$ 104,341	101,684	442,423	447,744	546,764	549,428

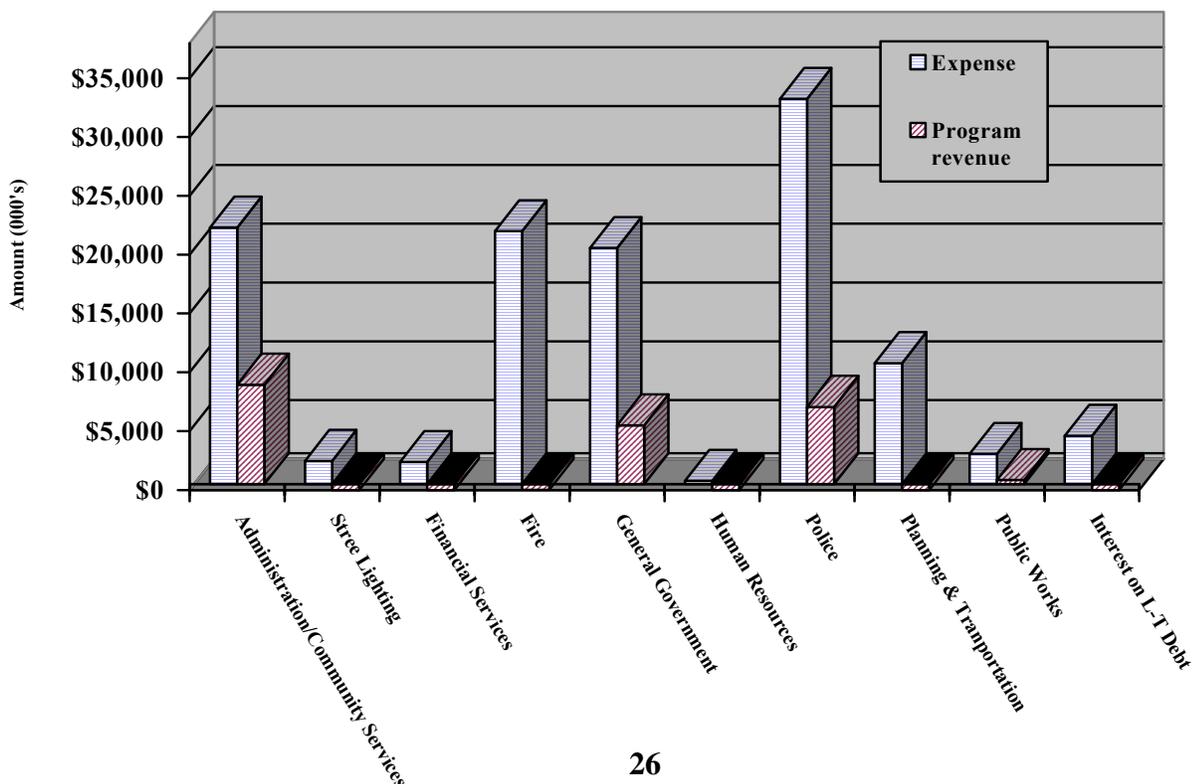
City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Governmental activities. Governmental activities increased the City's net assets by \$2.7 million. Key elements of the increase follow:

- Transfers to/from business-type activities during the fiscal year increased governmental activities net assets by \$9.7 million. During the prior fiscal year these transfers increased governmental activities net assets by approximately \$2.7 million. This is a net increase of \$7.1 million in resources to governmental activities, which is the primary factor for the increase in net assets. Transfers from the business-type activities included payments in lieu of taxes, franchise fees, and indirect costs of operations for centralized services such as payroll and purchasing.
- Total expenses decreased by nearly \$.4 million from the prior year due primarily to a payment made in the prior year of \$5.5 million for the City's share of the Marsha Sharp Freeway Project. This project will be owned and maintained by the State of Texas. However, the governmental activities did increase planning and transportation spending of \$1.0 million for the City's streets and had an increase in public safety spending, police and fire of \$3.6 million--a result of the City Council's commitment to public safety.
- Revenues increased by approximately \$3.6 million. The key factors impacting this increase include increases in property taxes of \$2.1 million due to the additional property being added to the tax rolls, increases in franchise fees of \$3.0 million due to changes in the fee structures, and increases in sales taxes of nearly \$1.5 million. Also, charges for services and operating grants and contributions decreased by \$1.1 million and 2.5 million, respectively.

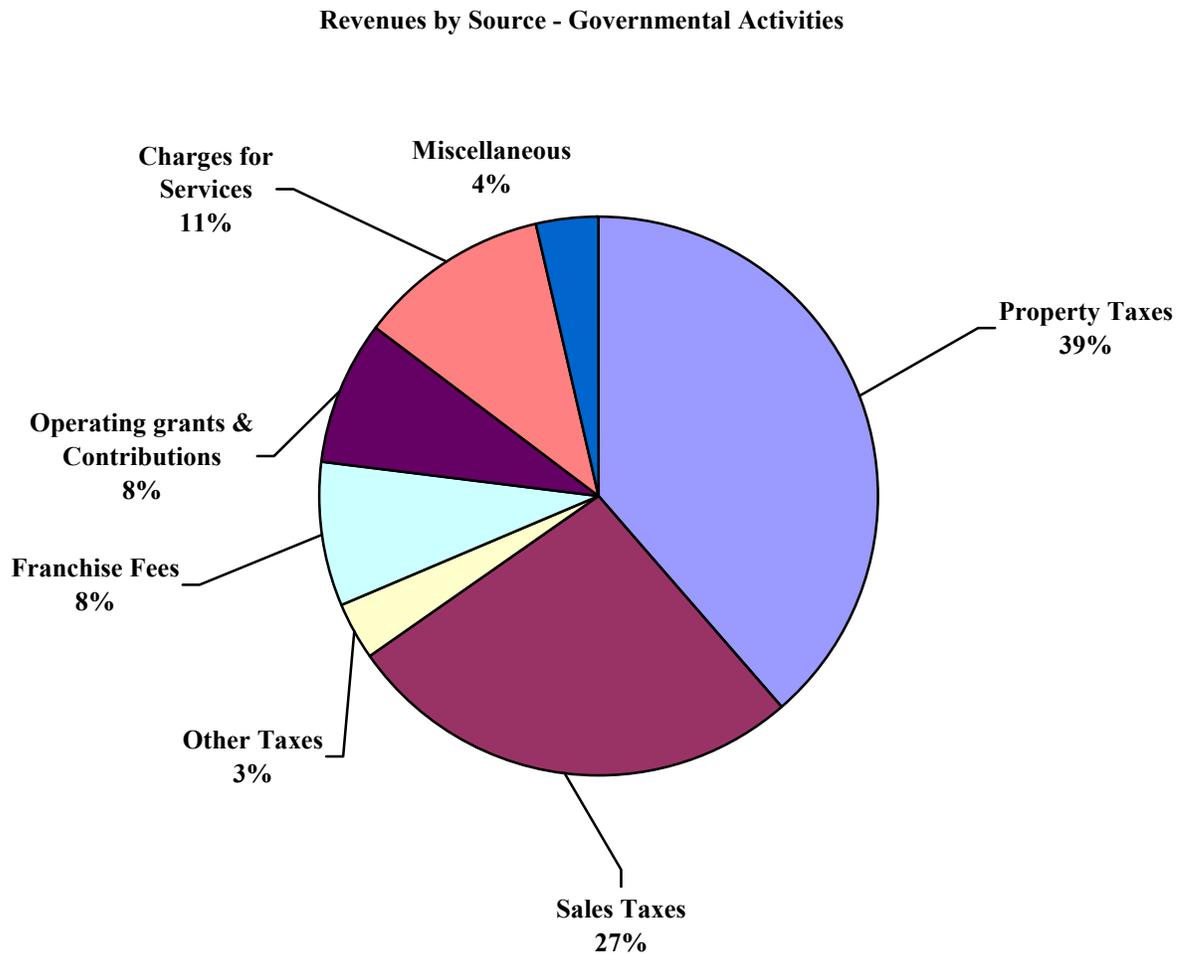
This graph depicts the expenses and program revenues generated through the City's various governmental activities.

Expenses and Program Revenues - Governmental Activities



City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

The following graph reflects the source of the revenue and the percentage each source represents of the total.



Business-type activities. Business-type activities decreased the City's net assets by \$5.3 million as a result of operations. Key elements of this increase follow:

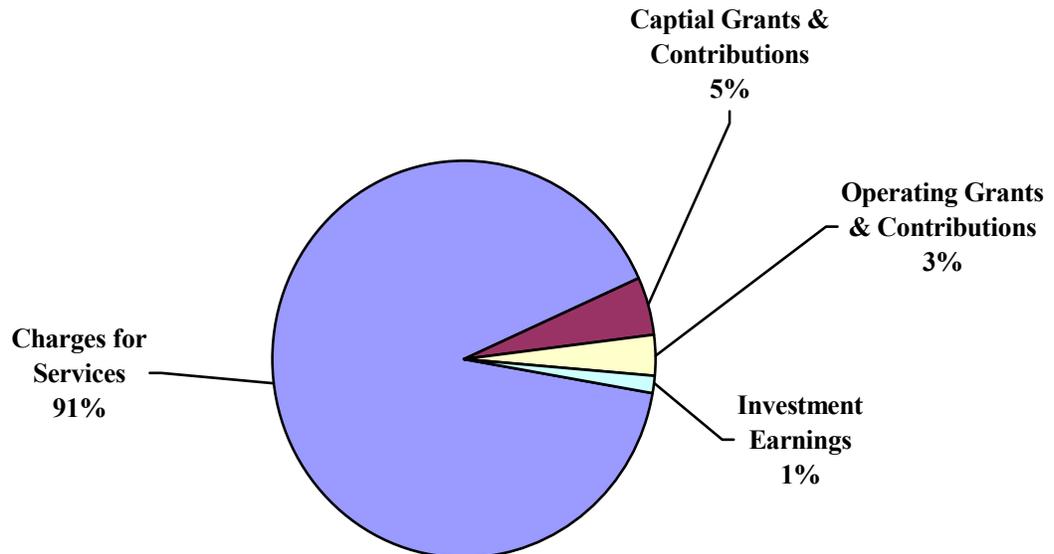
- Charges for services for business-type activities increased by \$2.9 million. This is mainly due to increased sales in the Electric Fund (LP&L) with revenues up nearly \$10.8 million over the prior year. Sales for the water fund were \$.9 million less than the prior fiscal year in spite of an increase in rates, because 2004 was the second wettest year in recorded history for the City. WTMPA revenues were impacted because of the capital lease of the co-generation power plant JRM8 to the Electric Fund. The plant was not utilized due to the continued high natural gas prices.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

- Capital grants and contributions continue to be a significant revenue source for the Electric (LP&L), Airport, Water, and Sewer Funds during the current fiscal year, producing nearly \$9.3 million in revenue. This is comparable to the prior fiscal year's support of \$7.9 million. These contributions primarily came from federal grants and from water and sewer lines and taps that were funded by property owners.
- Expenses increased in total by \$7.5 million over the prior fiscal year. This is mainly due to the increased cost of operations for electric activity, which increased nearly \$5.4 million over the prior year. The stormwater activity experienced a \$2.0 million increase in expenses due primarily to scheduled interest payments on debt. The transit activity expenses increased by \$1.4 million over the prior year due to the increased cost of personal services and other services.

The following graph reflects the revenue sources generated by the business-type activities. As noted earlier, these activities include Electric (LP&L), Water, Sewer, Solid Waste, Transit, WTMPA, Airport, and Stormwater Drainage.

Revenues by Source – Business-type Activities



City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

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. In particular, unreserved 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 fiscal year the City's governmental funds reported combined ending fund balances of \$47.7 million. This compared to \$50.3 million at the end of the prior fiscal year. A significant portion of this decrease resulted from the planned spend-down of fund balance in the Capital Projects Fund. This resulted in a reduction of net assets of \$5.7 million. This reduction was partially offset by the results of operations of the General Fund that ended the year adding \$3.3 million to net assets. Of the ending governmental fund balance, \$13.8 million or 28.9% constituted unreserved fund balance, which is available for spending at the City's discretion. This compared to \$10.6 million or 21.1% at the end of the prior fiscal year. The remainder of the fund balance is reserved to indicate it has already been committed to, 1) pay debt service, 2) use in construction of approved capital projects, or 3) for other restricted purposes.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance in the General Fund was approximately \$12.1 million compared to \$8.4 million in the previous fiscal year, representing an increase of \$3.7 million. Total fund balance (reserved and unreserved) approximated \$12.7 million at the end of the fiscal year compared to \$9.4 million at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represented 13.4% of total General Fund expenditures compared to 9.8% of total General Fund expenditures in the prior year. Total fund balance represented 14.1% of total General Fund expenditures compared to 11.0% in the prior year. The increase in fund balance is primarily a result of strong growth in new construction and better than anticipated sales tax revenues, coupled with a concentrated effort by City management to contain expenditures.

Proprietary funds. The City's proprietary funds provide essentially the same type of information found in the GWFS, but in more detail.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Unrestricted net assets of the major proprietary funds at the end of September 30 are shown next with amounts presented in 000s:

	2004	2003
Electric Fund	\$ 7,006	2,367
Water Fund	14,078	15,551
Sewer Fund	6,343	4,286
WTMPA	1,743	2,155
Stormwater	1,305	869
	<u>\$ 30,475</u>	<u>25,228</u>

The Electric Fund (LP&L) increased unrestricted net assets by \$4.6 million as opposed to a decrease of \$.4 million during the prior year. This is mainly due to the results of operations, a capital contribution from the Water, Sewer, Stormwater, and Solid Waste Funds of \$1.8 million for prior years costs of the utility billing system and a decision by City Council not to charge for payments in lieu of taxes and franchise fees until adequate cash reserves are established.

The Water Fund reflected a current year decrease in unrestricted net assets of nearly \$1.5 million compared to an increase of \$3.6 million during the prior year. This is due to decreases in consumption. Despite a raise of approximately 3% in water rates, revenues were down with record rainfall.

The Sewer Fund reflected a current year increase in unrestricted net assets of approximately \$2.1 million compared to a \$1.9 million decrease during the prior year. This is primarily due to sewer rates increases to all customers.

The WTMPA Fund reflected a decrease in unrestricted net assets of \$.4 million primarily as a result of operations. The prior fiscal year's change was an increase in unrestricted net assets of \$2.5 million.

The Stormwater Fund experienced an increase in unrestricted net assets of \$.4 million during the fiscal year compared to a \$1.6 million increase in the prior fiscal year. The increase continues to be due to an increase in stormwater rates of nearly 200%. This increase was necessitated to provide long-term funding for system improvements, maintenance, and flood prevention.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minimal. This is a result of the truth-in-budgeting initiative championed by the City Council. This resulted in fewer amendments as City management also made a concentrated effort to reduce spending and streamline operations. This also resulted in a planned increase in the General Fund's fund balance.

Adjustments were made to expenditures to lessen the impact of the net reductions in transfers from LP&L. The General Fund ended the fiscal year with expenditures more than \$1.3 million less than budgeted.

As noted earlier, the City chose to issue \$22.6 million in bonds to refund \$23.2 million in outstanding debt. This resulted in present value savings of \$836,312, decreasing total debt service requirements by \$874,031. The transaction resulted in an accounting loss of \$1,019,912.

Due to stronger than anticipated growth in new construction and better than expected sales tax revenue, actual revenues were nearly \$3.3 million more than budgeted for the fiscal year.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2004 amounted to \$741 million, net of accumulated depreciation. This was a \$1.5 million increase over the prior fiscal year's balance of \$739 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

Major capital asset events during the fiscal year included the following:

- Work continued in the Water Fund with another \$3.3 million expended on the construction of water lines ahead of the Marsha Sharp Freeway. Total expenditures on the project to date are \$4.3 million.
- \$1.7 million was expended on Cell II construction at the landfill. Total expenditures on the project to date total \$3.9 million.
- \$1.3 million was expended on the construction of the MacKenzie Park Amphitheater. Expenditures to date on the project total \$1.7 million.
- Scheduled improvements to LP&L's distribution infrastructure amount to \$4 million. In addition, the Electric Fund spent an additional \$3.2 million on a new substation to provide service to South and Southeast Lubbock. Total expenditures for this project to date total \$3.7 million.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

- The City continues work on a flood relief project linking South Lubbock's chain of playa lakes with an underground drainage system spending \$3.2 million during the fiscal year. Expenditures to date on the project total \$4.8 million.

At the end of the fiscal year, the City has construction commitments of \$113 million.

City of Lubbock Capital Assets
(Net of Accumulated Depreciation)
September 30
(in 000's)

	Governmental		Business-		Totals	
	Activities		Type		Activities	
	2004	2003	2004	2003	2004	2003
Land	\$ 8,608	7,996	31,676	31,676	40,284	39,672
Buildings	23,794	25,602	68,302	71,525	92,096	97,127
Improvements other than buildings	37,183	37,100	330,842	329,618	368,025	366,718
Machinery and equipment	15,957	14,881	66,922	79,957	82,879	94,838
Construction in progress	43,472	36,156	113,961	104,689	157,433	140,845
Total	\$ 129,014	121,735	611,703	617,465	740,717	739,200

Additional information about the City's capital assets can be found on pages 70-72 of this report.

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

City of Lubbock Outstanding Debt
General Obligation and Revenue Bonds
September 30
(in 000's)

	Governmental		Business-		Totals	
	Activities		Type		Activities	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 70,221	69,808	215,664	226,127	285,885	295,935
Revenue bonds	-	-	94,605	101,295	94,605	101,295
Total	\$ 70,221	69,808	310,269	327,422	380,490	397,230

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.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

The current interest and sinking fund tax rate per \$100 of assessed valuation is \$0.09496, which is significantly below the maximum allowable tax rate.

Over the fiscal year, the City's total outstanding debt decreased by \$16.74 million, or 4.2%. This is compared to an increase of \$62.5 million, or 18.8%, during the prior fiscal year. The decrease in outstanding debt is attributed to the payment of scheduled debt service totaling \$21.28 million and a reduction in outstanding debt of \$.585 million as a result of the refunding. The reductions in outstanding debt were offset by the issuance of \$5.125 million in debt to fund streets projects and the capital improvements plan.

During the fiscal year, the City issued \$2.025 million of General Obligation Bonds, Series 2004. This issuance was the first installment of the \$30 million capital improvement debt issuance approved by voters in 2004 to fund the current capital improvements plan. The City also issued \$3.1 million in Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2004. This issuance funded streets projects that included right-of-way costs on the Marsha Sharp Freeway project, environmental study costs for future thoroughfares, and for citywide traffic signals and streetlights.

The City also issued \$22.62 million of General Obligation Refunding Bonds, Series 2004 to defease \$23.205 million in outstanding bonds.

All bonds issued during the fiscal year were insured to provide a lower cost of interest expense for the City's taxpayers. It is the City's policy to evaluate each bond issue to determine whether it is economically feasible to purchase bond insurance.

The City of Lubbock maintains an "AA-" rating from Standard & Poor's and Fitch Ratings, Inc. and an "A1" rating from Moody's Investors Service for general obligation debt. The revenue bonds of LP&L and WTMPA have been rated "BBB-" by Standard & Poor's, "BBB+" by Fitch Ratings, Inc., and "A3" by Moody's Investors Service.

Additional information about the City's long-term debt can be found on pages 80-84 of this report.

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

- At the end of the City's fiscal year the unemployment rate for the Lubbock area was 2.9 percent. This is a decrease from a rate of 3.1 percent one year earlier. This compares favorably to the state's average unemployment rate of 5.5 percent and the national average of 5.1 percent on December 30, 2004.
- Total retail sales reflected a 2.4 percent increase over the prior year.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

- Building permits for new construction decreased from 3,125 during 2003 to 2,644 in 2004, or about a 15% decrease. This compares to a 25% decrease during the prior period. Conversely, building permit values for new construction decreased from \$370.6 million in 2003 to \$357.2 million in 2004, or about a 3.6% decrease.
- Total occupancy in local hotels and motels remained constant and the occupancy tax totaled nearly \$2.9 million, nearly identical to the amount received during the prior fiscal year.
- City Council again decided to support the operations of the Electric Fund by forgoing transfers for payments in lieu of taxes, and franchise fees for the upcoming fiscal year. The City Council intends to continue this support until such time as the Electric Fund has adequate monetary reserves.

All of these factors were considered in preparing the City of Lubbock's budget for the 2004-2005 fiscal year.

During the just ended fiscal year, unreserved fund balance in the General Fund increased by nearly \$3.7 million to \$12.1 million compared to \$8.4 million at the end of the prior fiscal year. It is intended that the unreserved undesignated fund balance be equal to 15% of operating expenditures, which equates to approximately \$13.5 million. The City ended the year nearly \$1.4 million under this target. City Management anticipates meeting this goal within the next few years.

The Electric Fund increased rates in May 2004 twelve and one half percent for the larger commercial consumers as a result of higher than anticipated cost of power. Residential and small commercial consumers rates remained relatively unchanged due to the rate increases implemented in the prior fiscal year.

Both the Water and Sewer Funds rates were increased for the 2003-2004 fiscal year. The water rates were increased by an average of 3 percent and the sewer rates were increased by an average of 5 percent for all customers. Currently, the City is in the process of having a rate study completed for both the water and sewer rates. The results of this study will impact future water rates. The water and sewer rates affected both residential and commercial consumers by approximately the same percentage. These rate increases were necessary to cover increased operating costs due to inflationary pressures.

Requests for Information

This 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 Chief Financial Officer, P.O. Box 2000, Lubbock, Texas, 79457.



CITY OF LUBBOCK, TEXAS

BASIC **F**INANCIAL **S**TATEMENTS

**CITY OF LUBBOCK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Pooled cash and cash equivalents	\$ 30,797,510	25,309,543	56,107,053	1,519,082
Investments	7,503,969	6,077,077	13,581,046	494,689
Receivables, net	16,383,864	29,811,958	46,195,822	158,612
Internal balances	(555,465)	555,465	-	-
Due from other governments	1,308,277	-	1,308,277	-
Due from others	1,470,831	1,119,160	2,589,991	-
Inventories	190,034	2,114,453	2,304,487	87,425
Investment in property	218,503	-	218,503	-
Prepaid expenses	897,648	-	897,648	25,229
Restricted assets:				
Cash and cash equivalents	2,152,275	44,658,899	46,811,174	100,000
Incentives advances	-	-	-	9,164,684
Investments	6,723,257	63,543,690	70,266,947	-
Accounts receivable	-	1,013,813	1,013,813	-
Bond proceeds receivable	27,745,000	-	27,745,000	-
Mortgage receivables	5,653,444	-	5,653,444	-
Capital assets:				
Non-depreciable	52,080,271	145,637,526	197,717,797	366,332
Depreciable	76,933,607	466,065,118	542,998,725	881,214
Deferred charges	-	3,751,695	3,751,695	-
Other assets	-	4,071	4,071	-
Total Assets	229,503,025	789,662,468	1,019,165,493	12,797,267
LIABILITIES				
Accounts payable	5,758,795	17,892,025	23,650,820	462,805
Due to others	35,195	-	35,195	547,519
Due to other governments	-	-	-	80,937
Accrued expenses	3,204,277	2,310,777	5,515,054	156,108
Accrued interest payable	387,855	1,611,164	1,999,019	-
Payable to escrow agent	22,620,000	-	22,620,000	-
Customer deposits	-	1,000,526	1,000,526	-
Deferred revenue	3,120,823	29,353	3,150,176	9,029,783
Noncurrent liabilities:				
Due within one year:				
Bonds payable	4,955,949	17,271,718	22,227,667	-
Compensated absences	5,475,861	2,143,563	7,619,424	-
Accrued insurance claims	2,354,536	1,184,210	3,538,746	-
Capital leases payable	826,018	622,442	1,448,460	2,085,606
Due in more than one year:				
Bonds payable	65,265,268	292,082,188	357,347,456	-
Deferred premium on bonds	1,179,722	-	1,179,722	-
Compensated absences	9,442,647	2,016,571	11,459,218	-
Accrued insurance claims	-	5,252,644	5,252,644	-
Landfill closure and postclosure care	-	3,051,116	3,051,116	-
Capital leases payable	534,939	770,765	1,305,704	1,455,515
Total Liabilities	125,161,885	347,239,062	472,400,947	13,818,273
NET ASSETS				
Invested in capital assets, net of related debt	74,433,159	355,816,406	430,249,565	1,247,546
Restricted for:				
Capital projects	7,869,506	38,650,935	46,520,441	-
Debt service	2,223,003	1,050,347	3,273,350	-
Other purposes	10,246,203	5,715,380	15,961,583	100,000
Unrestricted (deficit)	9,569,269	41,190,338	50,759,607	(2,368,552)
Total Net Assets	\$ 104,341,140	442,423,406	546,764,546	(1,021,006)

See accompanying Notes to Basic Financial Statements.

**CITY OF LUBBOCK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Administration/Community Services \$	22,313,139	2,912,165	6,041,287	-
Street Lighting	2,471,382	-	-	-
Financial Services	2,387,188	-	-	-
Fire	21,998,241	10,600	-	-
General Government	20,563,083	3,516,980	1,972,229	-
Human Resources	777,035	-	-	-
Police	33,248,228	5,424,232	1,629,923	-
Planning and Transportation	10,788,596	-	-	-
Public Works	3,078,122	849,147	-	-
Interest on Long-Term Debt	4,593,150	-	-	-
Total Governmental Activities	122,218,164	12,713,124	9,643,439	-
Business-Type Activities:				
Electric	110,591,149	105,433,133	-	1,849,662
Water	27,879,343	31,907,893	-	2,642,778
Sewer	17,020,092	18,889,095	-	3,203,482
Solid Waste	17,661,438	11,641,316	-	-
Stormwater	5,356,649	6,019,490	-	-
Transit	10,565,159	2,893,507	5,336,794	-
Airport	6,852,874	4,626,270	1,402,003	1,573,384
Total Business-Type Activities	195,926,704	181,410,704	6,738,797	9,269,306
Total Primary Government	318,144,868	194,123,828	16,382,236	9,269,306
Component Units:				
Civic Lubbock, Inc.	1,609,630	1,731,625	-	-
Market Lubbock, Inc.	5,721,854	127,826	6,707,783	-
Total Component Units \$	7,331,484	1,859,451	6,707,783	-
General revenues:				
Taxes:				
Property				
Sales				
Occupancy				
Other				
Franchise fees				
Investment earnings				
Miscellaneous				
Transfers, net				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning of year				
Net assets - end of year				

See accompanying Notes to Basic Financial Statements.

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

Primary Government

	Governmental Activities	Business-Type Activities	Total	Component Units
\$	(13,359,687)	-	(13,359,687)	-
	(2,471,382)	-	(2,471,382)	-
	(2,387,188)	-	(2,387,188)	-
	(21,987,641)	-	(21,987,641)	-
	(15,073,874)	-	(15,073,874)	-
	(777,035)	-	(777,035)	-
	(26,194,073)	-	(26,194,073)	-
	(10,788,596)	-	(10,788,596)	-
	(2,228,975)	-	(2,228,975)	-
	(4,593,150)	-	(4,593,150)	-
	<u>(99,861,601)</u>	<u>-</u>	<u>(99,861,601)</u>	<u>-</u>
	-	(3,308,354)	(3,308,354)	-
	-	6,671,328	6,671,328	-
	-	5,072,485	5,072,485	-
	-	(6,020,122)	(6,020,122)	-
	-	662,841	662,841	-
	-	(2,334,858)	(2,334,858)	-
	-	748,783	748,783	-
	-	1,492,103	1,492,103	-
	<u>(99,861,601)</u>	<u>1,492,103</u>	<u>(98,369,498)</u>	<u>-</u>
	-	-	-	121,995
	-	-	-	1,113,755
	-	-	-	<u>1,235,750</u>
	44,496,973	-	44,496,973	-
	30,554,632	-	30,554,632	-
	2,853,205	-	2,853,205	-
	939,456	-	939,456	-
	9,654,447	-	9,654,447	-
	1,151,620	2,859,344	4,010,964	8,636
	3,123,572	72,870	3,196,442	-
	9,745,250	(9,745,250)	-	-
	<u>102,519,155</u>	<u>(6,813,036)</u>	<u>95,706,119</u>	<u>8,636</u>
	2,657,554	(5,320,933)	(2,663,379)	1,244,386
	101,683,586	447,744,339	549,427,925	(2,265,392)
\$	<u>104,341,140</u>	<u>442,423,406</u>	<u>546,764,546</u>	<u>(1,021,006)</u>



**CITY OF LUBBOCK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Pooled cash and cash equivalents	\$ 5,888,268	2,282,997	21,407,030	29,578,295
Investments	1,426,351	553,024	5,229,256	7,208,631
Taxes receivable (net)	6,864,967	533,715	90,102	7,488,784
Accounts receivable (net)	6,098,853	162,485	2,433,012	8,694,350
Interest receivable	79,463	2,119	20,146	101,728
Due from other funds	1,930,500		-	1,930,500
Due from other governments	13,637		1,294,640	1,308,277
Due from others	781,704		679,746	1,461,450
Investment in property	-		218,503	218,503
Inventory	120,880		-	120,880
Bonds proceeds receivable	-	22,620,000	5,125,000	27,745,000
Secured receivables	-		5,653,444	5,653,444
Advances to other funds	445,676		-	445,676
	<u>23,650,299</u>	<u>26,154,340</u>	<u>42,150,879</u>	<u>91,955,518</u>
LIABILITIES				
Accounts payable	1,836,027	418,017	3,131,290	5,385,334
Due to others	35,195		-	35,195
Due to other funds	-		1,480,500	1,480,500
Accrued liabilities	3,036,761		121,374	3,158,135
Payable to escrow agent	-	22,620,000	-	22,620,000
Advances from other funds	-		1,469,381	1,469,381
Deferred revenue	6,047,791	475,303	3,547,898	10,070,992
	<u>10,955,774</u>	<u>23,513,320</u>	<u>9,750,443</u>	<u>44,219,537</u>
FUND BALANCES				
Reserved for:				-
Prepaid items/inventory	120,880	-	-	120,880
Advances to other funds	445,676	-	-	445,676
Debt service	-	2,641,020	-	2,641,020
Capital projects	-	-	24,870,961	24,870,961
Special revenue - grants	-	-	5,871,947	5,871,947
Unreserved, reported in				
General Fund	12,127,969	-	-	12,127,969
Special revenue funds	-	-	1,734,312	1,734,312
Capital projects funds	-	-	(76,784)	(76,784)
Total fund balances	<u>12,694,525</u>	<u>2,641,020</u>	<u>32,400,436</u>	<u>47,735,981</u>
Total Liabilities and Fund Balances	<u>\$ 23,650,299</u>	<u>26,154,340</u>	<u>42,150,879</u>	<u>91,955,518</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, 2004

Total fund balance - governmental funds	\$	47,735,981
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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.	129,013,878
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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	8,953,624
Net book value of capital assets (included in capital assets above)	(1,353,658)
Compensated absences	193,517
Amounts due from business-type ISFs for amounts overcharged	18,240

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	(70,221,217)
Capital leases payable	(1,360,957)
Compensated absences	(14,918,508)
Accrued interest on general obligation bonds	(387,855)

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.	(1,179,722)
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Actual City contributions to the fire fighter'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.	897,648
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Revenue earned but unavailable in the funds is deferred.	6,950,169
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Net assets of governmental activities	\$	104,341,140
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CITY OF LUBBOCK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 74,381,814	7,943,630	5,373,390	87,698,834
Fees and fines	3,675,857	-	-	3,675,857
Licenses and permits	1,982,281	-	-	1,982,281
Intergovernmental	428,458	-	9,214,981	9,643,439
Charges for services	4,467,730	-	849,147	5,316,877
Interest	334,730	28,622	375,997	739,349
Miscellaneous	1,442,675	-	1,612,800	3,055,475
Total revenues	<u>86,713,545</u>	<u>7,972,252</u>	<u>17,426,315</u>	<u>112,112,112</u>
EXPENDITURES				
Current:				
Administration/Community Services	18,156,455	-	-	18,156,455
Electric - street lighting	2,185,286	-	-	2,185,286
Financial Services	2,333,469	-	-	2,333,469
Fire	20,613,077	-	-	20,613,077
General Government	5,633,469	16,992	13,650,037	19,300,498
Human Resources	754,225	-	-	754,225
Police	32,400,371	-	-	32,400,371
Planning and Transportation	7,180,843	-	-	7,180,843
Non-departmental	214,562	-	-	214,562
Public Works	-	-	3,012,987	3,012,987
Debt service:				
Principal	-	4,498,304	-	4,498,304
Interest and other charges	-	4,749,272	-	4,749,272
Capital outlay	475,585	-	16,190,551	16,666,136
Total expenditures	<u>89,947,342</u>	<u>9,264,568</u>	<u>32,853,575</u>	<u>132,065,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,233,797)</u>	<u>(1,292,316)</u>	<u>(15,427,260)</u>	<u>(19,953,373)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	22,620,000	5,125,000	27,745,000
Due escrow agent	-	(22,620,000)	-	(22,620,000)
Bond premium (discount)	-	1,179,722	-	1,179,722
Capital leases	-	-	1,535,075	1,535,075
Transfers in	10,723,891	20,715,403	6,120,514	37,559,808
Transfers out	(4,212,915)	(19,955,679)	(3,871,880)	(28,040,474)
Total other financing sources (uses)	<u>6,510,976</u>	<u>1,939,446</u>	<u>8,908,709</u>	<u>17,359,131</u>
Net change in fund balances	3,277,179	647,130	(6,518,551)	(2,594,242)
Fund balances - beginning of year	9,417,346	1,993,890	38,918,987	50,330,223
Fund balances - end of year	<u>\$ 12,694,525</u>	<u>2,641,020</u>	<u>32,400,436</u>	<u>47,735,981</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, 2004

Net change in fund balances - total governmental funds	\$	(2,594,242)
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 \$16,666,136 exceeded depreciation of \$9,813,391 in the current period.		6,852,745
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 \$27,745,000 exceeded repayments and debt defeasance of \$27,118,304.		(626,696)
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 \$1,535,075 exceeded repayments of \$1,170,595.		(364,480)
Bond premiums are recognized as an other financing source in the governmental funds, but are considered deferred assets on the Statement of Net Assets. This amount will be amortized over the life of the bonds.		(1,179,722)
Estimated long-term liabilities for compensated absences are recognized as expenses in the Statement of Activities as earned, but are recognized when current financial resources are used in the governmental funds. This amount is the net change in the estimated long-term liability for compensated absences during the year.		(2,225,479)
Estimated long-term liabilities for rebatable arbitrage are recognized as expenses in the Statement of Activities as earned, but are recognized when current financial resources are used in the governmental funds. This amount is the net change in the estimated long-term liability for rebatable arbitrage during the year.		122,984
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.		2,537,988
The difference between the par value of debt defeased which is greater than the par value of the new debt is recognized as a contra expense in the Statement of Activities, but is a Note disclosure in the fund statements.		213,682
Actual City contributions to the fire fighter'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		15,025
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.		(94,019)
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.		(57,560)
The net effect of various miscellaneous transactions involving capital assets (e.g., sales and trade-ins) is to increase net assets.		57,328
Change in net assets of governmental activities	\$	2,657,554

See accompanying Notes to Basic Financial Statements.

CITY OF LUBBOCK, TEXAS
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and fees	\$ 71,855,445	72,262,445	74,381,814	2,119,369
Fees and fines	3,288,500	3,288,500	3,675,857	387,357
Licenses and permits	1,823,721	1,807,550	1,982,281	174,731
Intergovernmental	372,192	455,907	428,458	(27,449)
Charges for services	4,541,034	4,325,642	4,467,730	142,088
Interest	236,689	164,118	334,730	170,612
Miscellaneous	935,379	1,125,711	1,442,675	316,964
Total Revenues	<u>83,052,960</u>	<u>83,429,873</u>	<u>86,713,545</u>	<u>3,283,672</u>
EXPENDITURES				
Administration/Community Services	18,403,905	18,365,948	18,156,455	209,493
Electric - street lighting	2,302,033	2,210,784	2,185,286	25,498
Financial Services	1,873,928	2,185,455	2,333,469	(148,014)
Fire	21,026,400	20,775,537	20,613,077	162,460
General Government	5,435,697	5,507,366	5,633,469	(126,103)
Human Resources	714,338	801,863	754,225	47,638
Police	32,531,242	32,419,834	32,400,371	19,463
Planning and Transportation	7,659,089	7,664,495	7,180,843	483,652
Capital Outlay	53,000	502,136	475,585	26,551
Non-departmental	849,200	849,200	214,562	634,638
Total Expenditures	<u>90,848,832</u>	<u>91,282,618</u>	<u>89,947,342</u>	<u>1,335,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,795,872)</u>	<u>(7,852,745)</u>	<u>(3,233,797)</u>	<u>4,618,948</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,138,094	10,936,402	10,723,891	(212,511)
Transfers out	<u>(3,342,222)</u>	<u>(3,441,959)</u>	<u>(4,212,915)</u>	<u>(770,956)</u>
Total other financing sources (uses)	<u>7,795,872</u>	<u>7,494,443</u>	<u>6,510,976</u>	<u>(983,467)</u>
Net change in fund balances	-	(358,302)	3,277,179	3,635,481
Fund balances - beginning of year	9,417,346	9,417,346	9,417,346	-
Fund balances - end of year	<u>\$ 9,417,346</u>	<u>9,059,044</u>	<u>12,694,525</u>	<u>3,635,481</u>

See accompanying Notes to Basic Financial Statements.

CITY OF LUBBOCK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004

ASSETS	Business-type Activities-Enterprise Funds			
	Electric	Water	Sewer	West Texas Municipal Power Agency (WTMPA)
Current assets:				
Pooled cash and cash equivalents	\$ 2,633,706	9,646,398	4,300,692	627,826
Investments	637,979	2,336,705	1,041,782	-
Receivables, net	13,392,448	3,935,759	2,356,470	6,892,959
Interest receivable	7,694	34,961	11,658	-
Due from others	-	28,081	-	-
Due from other funds	-	261,500	-	-
Inventories	32,981	170,483	-	-
Total current assets	<u>16,704,808</u>	<u>16,413,887</u>	<u>7,710,602</u>	<u>7,520,785</u>
Noncurrent assets:				
Restricted cash and cash equivalents	5,435,733	9,888,565	247,331	1,050,347
Restricted investments	5,017,600	12,590,121	572,230	-
Receivables, net	-	-	-	21,218,605
Restricted interest receivable	2,456	25,426	21,201	-
Deferred charges	3,344,444	-	-	407,251
Other assets	-	4,071	-	-
Advances to other funds	-	-	-	-
Capital assets:				
Land	756,714	12,724,350	12,578,774	-
Construction in progress	9,488,738	45,999,985	5,227,618	-
Buildings	8,067,549	21,573,970	23,857,432	-
Improvements other than buildings	167,860,376	200,308,490	105,745,873	25,200
Machinery and equipment	48,790,387	19,405,223	15,856,542	-
Less accumulated depreciation	(94,090,505)	(77,889,617)	(53,936,873)	(25,200)
Total capital assets	<u>140,873,259</u>	<u>222,122,401</u>	<u>109,329,366</u>	<u>-</u>
Total noncurrent assets	<u>154,673,492</u>	<u>244,630,584</u>	<u>110,170,128</u>	<u>22,676,203</u>
Total Assets	\$ <u>171,378,300</u>	<u>261,044,471</u>	<u>117,880,730</u>	<u>30,196,988</u>

See accompanying Notes to Basic Financial Statements.

Business-type Activities-Enterprise Funds			
Stormwater	Total Nonmajor Enterprise Funds	Total Proprietary Funds	Internal Service Funds
\$ 938,663	5,826,657	23,973,942	2,554,816
227,378	1,509,702	5,753,546	618,869
705,599	2,226,503	29,509,738	309
7,264	29,257	90,834	9,381
-	1,091,079	1,119,160	13,148
-	-	261,500	-
-	467,557	671,021	1,512,586
<u>1,878,904</u>	<u>11,150,755</u>	<u>61,379,741</u>	<u>4,709,109</u>
22,394,882	4,990,434	44,007,292	2,803,882
22,785,586	10,306,990	51,272,527	18,994,420
-	-	21,218,605	150,686
23,277	28,282	100,642	45,603
-	-	3,751,695	-
-	-	4,071	-
-	1,023,705	1,023,705	-
115,669	5,500,647	31,676,154	65,343
43,053,522	9,493,563	113,263,426	1,632,378
64,580	41,756,630	95,320,161	1,608,618
8,158,852	91,972,033	574,070,824	313,341
2,766,404	43,677,838	130,496,394	8,178,213
<u>(8,368,621)</u>	<u>(100,941,974)</u>	<u>(335,252,790)</u>	<u>(8,315,760)</u>
<u>45,790,406</u>	<u>91,458,737</u>	<u>609,574,169</u>	<u>3,482,133</u>
<u>90,994,151</u>	<u>107,808,148</u>	<u>730,952,706</u>	<u>25,476,724</u>
\$ <u>92,873,055</u>	<u>118,958,903</u>	<u>792,332,447</u>	<u>30,185,833</u>

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2004

LIABILITIES	Business-type Activities-Enterprise Funds			
	Electric	Water	Sewer	West Texas Municipal Power Agency (WTMPA)
Current liabilities:				
Accounts payable	\$ 8,516,408	730,385	224,644	6,196,307
Accrued expenses	1,015,631	166,986	131,540	-
Accrued interest payable	602,093	700,818	122,246	129,608
Accrued insurance claims	-	-	-	-
Due to other funds	-	-	-	-
Customer deposits	969,689	24,715	-	-
Lease payable	1,525,000	-	235,259	-
Bonds payable	3,653,385	5,908,680	4,015,748	1,525,000
Total current liabilities	<u>16,282,206</u>	<u>7,531,584</u>	<u>4,729,437</u>	<u>7,850,915</u>
Noncurrent liabilities:				
Compensated absences	1,941,690	742,146	372,324	-
Deferred revenue	-	-	-	-
Accrued insurance claims	-	-	-	-
Landfill closure and post closure care	-	-	-	-
Contracts/leases payable	18,679,792	-	422,232	-
Bonds payable	44,217,709	104,820,983	40,329,424	19,552,463
Total noncurrent liabilities	<u>64,839,191</u>	<u>105,563,129</u>	<u>41,123,980</u>	<u>19,552,463</u>
Total Liabilities	<u>81,121,397</u>	<u>113,094,713</u>	<u>45,853,417</u>	<u>27,403,378</u>
NET ASSETS				
Invested in capital assets, net of related debt	76,855,904	125,395,032	65,684,404	-
Restricted for:				
Capital projects	6,394,802	8,476,392	-	-
Debt service	-	-	-	1,050,347
Other purposes	-	-	-	-
Unrestricted	<u>7,006,197</u>	<u>14,078,334</u>	<u>6,342,909</u>	<u>1,743,263</u>
Total Net Assets	\$ <u><u>90,256,903</u></u>	<u><u>147,949,758</u></u>	<u><u>72,027,313</u></u>	<u><u>2,793,610</u></u>

See accompanying Notes to Basic Financial Statements.

Business-type Activities-Enterprise Funds			
Stormwater	Total Nonmajor Enterprise Funds	Total Proprietary Funds	Internal Service Funds
\$ 54,385	1,157,219	16,879,348	1,386,138
471,617	405,685	2,191,459	165,460
-	56,399	1,611,164	-
-	-	-	3,538,746
-	711,500	711,500	-
-	6,122	1,000,526	-
-	387,183	2,147,442	-
1,281,550	887,355	17,271,718	-
<u>1,807,552</u>	<u>3,611,463</u>	<u>41,813,157</u>	<u>5,090,344</u>
71,659	626,968	3,754,787	598,864
-	29,353	29,353	-
-	-	-	5,252,644
-	3,051,116	3,051,116	-
-	348,533	19,450,557	-
<u>71,801,015</u>	<u>11,360,594</u>	<u>292,082,188</u>	<u>-</u>
<u>71,872,674</u>	<u>15,416,564</u>	<u>318,368,001</u>	<u>5,851,508</u>
<u>73,680,226</u>	<u>19,028,027</u>	<u>360,181,158</u>	<u>10,941,852</u>
5,504,853	82,376,213	355,816,406	3,482,133
12,383,463	11,396,278	38,650,935	-
-	-	1,050,347	-
-	-	-	10,089,636
<u>1,304,513</u>	<u>6,158,385</u>	<u>36,633,601</u>	<u>5,672,212</u>
<u>\$ 19,192,829</u>	<u>99,930,876</u>	<u>432,151,289</u>	<u>19,243,981</u>



CITY OF LUBBOCK, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

Total net assets - enterprise funds	\$	432,151,289
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Amounts reported for business-type activities in the Statement of Net Assets are different because:

Internal service funds (ISFs) 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 ISFs primarily serving enterprise funds are included in business-type activities in the Statement of Net Assets as follows:

Net assets of business-type ISFs		10,290,357
Amounts due to governmental ISFs for amounts overcharged		(18,240)
Net assets of business-type activities	\$	442,423,406

See accompanying Notes to Basic Financial Statements.

CITY OF LUBBOCK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	West Texas Municipal Power Agency (WTMPA)
OPERATING REVENUES				
Charges for services	\$ 103,864,178	32,222,280	18,203,020	48,966,215
Provision for bad debts	(2,312,477)	(738,125)	(301,780)	-
Charges for services (net)	101,551,701	31,484,155	17,901,240	48,966,215
New taps and reconnects	-	423,738	-	-
Effluent water sales	-	-	754,970	-
Commodity sales	-	-	232,885	-
Landing fees	-	-	-	-
Parking	-	-	-	-
Rentals	-	-	-	-
Concessions	-	-	-	-
Miscellaneous	-	-	-	-
Total Operating Revenues	<u>101,551,701</u>	<u>31,907,893</u>	<u>18,889,095</u>	<u>48,966,215</u>
OPERATING EXPENSES				
Personal services	8,294,785	5,274,209	3,522,215	331,148
Supplies	456,933	1,021,166	642,948	-
Maintenance	2,756,885	2,019,918	1,095,564	320,000
Purchase of fuel and power	73,969,427	-	-	48,936,216
Collection expense	-	1,850,565	346,446	158,619
Other services and charges	3,758,830	6,138,536	4,070,608	1,685
Depreciation and amortization	9,033,112	5,958,903	5,075,034	133,274
Total Operating Expenses	<u>98,269,972</u>	<u>22,263,297</u>	<u>14,752,815</u>	<u>49,880,942</u>
Operating Income (Loss)	<u>3,281,729</u>	<u>9,644,596</u>	<u>4,136,280</u>	<u>(914,727)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	129,257	588,435	88,789	1,006,104
Passenger facility charges/Federal grants	-	-	-	-
Disposition of assets	(240,692)	88,773	(8,481)	(2,825,018)
Miscellaneous	1,420,053	(137,795)	(571,119)	-
Pass-through grant payments	-	-	-	-
Interest expense on bonds	(3,353,899)	(5,584,522)	(2,188,707)	(1,062,316)
Total non-operating revenues (expenses)	<u>(2,045,281)</u>	<u>(5,045,109)</u>	<u>(2,679,518)</u>	<u>(2,881,230)</u>
Income (loss) before contributions and transfers	1,236,448	4,599,487	1,456,762	(3,795,957)
Capital contributions	1,849,662	2,642,778	3,203,482	-
Transfers in	1,777,956	6,891,766	6,235,864	356,922
Transfers (out)	(3,150,195)	(11,172,003)	(8,032,942)	-
Change in net assets	1,713,871	2,962,028	2,863,166	(3,439,035)
Total net assets - beginning of year	88,543,032	144,987,730	69,164,147	6,232,645
Total net assets - ending	<u>\$ 90,256,903</u>	<u>147,949,758</u>	<u>72,027,313</u>	<u>2,793,610</u>

See accompanying Notes to Basic Financial Statements.

Business-Type Activities - Enterprise Funds				
	Stormwater	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$	6,131,808	14,835,148	224,222,649	35,943,622
	(112,318)	(439,776)	(3,904,476)	-
	<u>6,019,490</u>	<u>14,395,372</u>	<u>220,318,173</u>	<u>35,943,622</u>
	-	-	423,738	-
	-	-	754,970	-
	-	-	232,885	-
	-	749,037	749,037	-
	-	1,065,838	1,065,838	-
	-	1,696,683	1,696,683	-
	-	1,114,712	1,114,712	-
	-	139,451	139,451	175,459
	<u>6,019,490</u>	<u>19,161,093</u>	<u>226,495,487</u>	<u>36,119,081</u>
	645,260	9,643,788	27,711,405	5,272,295
	-	1,599,917	3,720,964	6,852,554
	148,564	2,647,316	8,988,247	1,473,732
	-	-	122,905,643	-
	295,069	292,217	2,942,916	-
	49,413	4,398,830	18,417,902	23,122,204
	553,592	13,291,441	34,045,356	602,494
	<u>1,691,898</u>	<u>31,873,509</u>	<u>218,732,433</u>	<u>37,323,279</u>
	4,327,592	(12,712,416)	7,763,054	(1,204,198)
	594,120	320,356	2,727,061	544,554
	-	6,738,797	6,738,797	-
	-	(981,284)	(3,966,702)	(7,434)
	(307,464)	(334,780)	68,895	12,584
	-	(1,568,721)	(1,568,721)	-
	(3,658,830)	(424,539)	(16,272,813)	-
	<u>(3,372,174)</u>	<u>3,749,829</u>	<u>(12,273,483)</u>	<u>549,704</u>
	955,418	(8,962,587)	(4,510,429)	(654,494)
	-	1,573,384	9,269,306	-
	4,307,251	1,874,760	21,444,519	225,916
	(4,618,513)	(4,216,115)	(31,189,768)	-
	644,156	(9,730,558)	(4,986,372)	(428,578)
	<u>18,548,673</u>	<u>109,661,434</u>	<u>437,137,661</u>	<u>19,672,559</u>
\$	<u>19,192,829</u>	<u>99,930,876</u>	<u>432,151,289</u>	<u>19,243,981</u>



CITY OF LUBBOCK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net change in fund net assets - total enterprise funds	\$ (4,986,372)
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds (ISFs) 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 ISFs is reported with business-type activities.	(334,561)
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Change in net assets of business-type activities	\$ <u><u>(5,320,933)</u></u>
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CITY OF LUBBOCK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities - Enterprise Funds			West Texas
	Electric	Water	Sewer	Municipal Power Agency (WTMPA)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 101,626,637	32,863,422	19,074,799	47,218,295
Payments to suppliers	(78,396,377)	(11,220,827)	(6,259,433)	(47,864,595)
Payments to employees	(7,891,004)	(5,117,293)	(3,401,569)	-
Other receipts (payments)	1,179,361	(49,022)	(579,600)	-
Net cash provided (used) by operating activities	16,518,617	16,476,280	8,834,197	(646,300)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	1,777,956	6,891,766	6,235,864	356,922
Transfers out to other funds	(3,150,195)	(11,172,003)	(8,032,942)	-
Short-term interfund borrowings	-	3,678,500	5,909	-
Advances from (to) other funds	-	-	-	-
Operating grants	-	-	-	-
Payments received/(made) on advances (to)/from other funds	(4,644,865)	-	-	-
Net cash provided (used) by noncapital and related financing activities	(6,017,104)	(601,737)	(1,791,169)	356,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(12,307,612)	(11,663,809)	(5,551,770)	-
Sale of capital assets	2,646,037	110,281	201,939	22,810,000
Receipts (payments) on leases	-	-	(174,165)	2,580,495
Payments for bond issuance costs	(30,085)	-	-	-
Principal paid on revenue bonds	(4,413,300)	(1,464,741)	-	(1,525,000)
Interest paid on revenue bonds	(3,353,899)	(2,233,809)	-	(1,070,799)
Principal paid on general obligation bonds and other debt	-	(4,838,318)	(3,654,354)	-
Interest paid on general obligation bonds	-	(3,391,605)	(2,345,232)	-
Issuance of revenue, G.O. bonds, and capital leases	-	647,923	-	(22,810,000)
Passenger facility charges/capital grants	-	-	-	-
Contributed capital	1,849,662	2,672,324	3,090,696	-
Net cash provided (used) for capital and related financing activities	(15,609,197)	(20,161,754)	(8,432,886)	(15,304)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	932,430	10,219,927	2,665,663	-
Purchase of investments	(6,588,009)	(5,794,121)	(626,508)	-
Interest earnings on cash and investments	52,369	571,337	86,012	17,005
Net cash provided by (used for) investing activities	(5,603,210)	4,997,143	2,125,167	17,005
Net increase (decrease) in cash and cash equivalents	(10,710,894)	709,932	735,309	(287,677)
Cash and cash equivalents - beginning of year	18,780,333	18,825,031	3,812,714	1,965,850
Cash and cash equivalents - end of year	8,069,439	19,534,963	4,548,023	1,678,173
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	3,281,729	9,644,596	4,136,280	(914,727)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	9,033,112	5,958,903	5,075,034	117,994
Other income (expense)	1,179,361	(49,022)	(579,600)	-
Change in current assets and liabilities:				
Accounts receivable	74,936	955,547	185,704	(1,589,301)
Inventory	4,000	(53,333)	-	-
Prepaid expenses	-	-	-	-
Due from other governments	-	18,286	-	-
Accounts payable	1,876,018	(172,499)	(82,105)	1,724,455
Other accrued expenses	262,470	27,350	54,872	15,279
Customer deposits	644,570	24,715	-	-
Increase (decrease) in compensated absences	162,421	121,737	44,012	-
Net cash provided (used) by operating activities	16,518,617	16,476,280	8,834,197	(646,300)
Supplemental cash flow information:				
Noncash capital improvements and other changes	\$ 20,204,792	96,133	112,786	-

See accompanying Notes to Basic Financial Statements.

**CITY OF LUBBOCK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Business-Type Activities - Enterprise Funds			Internal Service Funds
	Stormwater	Other Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 6,047,779	20,044,130	226,875,062	36,000,252
Payments to suppliers	(510,507)	(8,079,833)	(152,331,572)	(31,042,646)
Payments to employees	(670,189)	(9,616,018)	(26,696,073)	(5,108,035)
Other receipts (payments)	(307,464)	(1,250,351)	(1,007,076)	19,348
Net cash provided (used) by operating activities	<u>4,559,619</u>	<u>1,097,928</u>	<u>46,840,341</u>	<u>(131,081)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	4,307,251	1,874,760	21,444,519	225,916
Transfers out to other funds	(4,618,513)	(4,216,115)	(31,189,768)	-
Short-term interfund borrowings	-	(644,181)	3,040,228	1,611
Advances from (to) other funds	-	(1,036,740)	(1,036,740)	-
Operating grants	-	3,768,073	3,768,073	-
Payments received/(made) on advances (to)/from other funds	-	1,045,135	(3,599,730)	-
Net cash provided (used) by noncapital and related financing activities	<u>(311,262)</u>	<u>790,932</u>	<u>(7,573,418)</u>	<u>227,527</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(3,447,008)	(3,928,747)	(36,898,946)	(823,430)
Sale of capital assets	-	225,164	25,993,421	-
Receipts (payments) on leases	-	-	2,406,330	-
Payments for bond issuance costs	-	(373,851)	(403,936)	-
Principal paid on revenue bonds	(546,551)	-	(7,949,592)	-
Interest paid on revenue bonds	(3,658,830)	-	(10,317,337)	-
Principal paid on general obligation bonds and other debt	-	(762,349)	(9,255,021)	-
Interest paid on general obligation bonds	-	(430,980)	(6,167,817)	-
Issuance of revenue, G.O. bonds, and capital leases	-	-	(22,162,077)	-
Passenger facility charges/capital grants	-	1,402,003	1,402,003	-
Contributed capital	-	1,573,384	9,186,066	-
Net cash provided (used) for capital and related financing activities	<u>(7,652,389)</u>	<u>(2,295,376)</u>	<u>(54,166,906)</u>	<u>(823,430)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	1,360,757	7,275,615	22,454,392	6,594,329
Purchase of investments	332,322	(4,648,301)	(17,324,617)	(5,061,927)
Interest earnings on cash and investments	569,120	291,746	1,587,589	511,156
Net cash provided by (used for) investing activities	<u>2,262,199</u>	<u>2,919,060</u>	<u>6,717,364</u>	<u>2,043,558</u>
Net increase (decrease) in cash and cash equivalents	(1,141,833)	2,512,544	(8,182,619)	1,316,574
Cash and cash equivalents - beginning of year	24,475,378	8,304,547	76,163,853	4,042,124
Cash and cash equivalents - end of year	<u>23,333,545</u>	<u>10,817,091</u>	<u>67,981,234</u>	<u>5,358,698</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	4,327,592	(12,712,416)	7,763,054	(1,204,198)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	553,592	13,291,441	34,030,076	602,494
Other income (expense)	(307,464)	(1,344,022)	(1,100,747)	19,348
Change in current assets and liabilities:				
Accounts receivable	28,289	883,037	538,212	(118,829)
Inventory	-	(41,924)	(91,257)	(114,330)
Prepaid expenses	-	12,097	12,097	-
Due from other governments	-	(194,307)	(176,021)	-
Accounts payable	(11,800)	514,153	3,848,222	450,968
Other accrued expenses	(35,352)	130,682	455,301	-
Customer deposits	-	150	669,435	470,655
Increase (decrease) in compensated absences	4,762	559,037	891,969	(237,189)
Net cash provided (used) by operating activities	<u>4,559,619</u>	<u>1,097,928</u>	<u>46,840,341</u>	<u>(131,081)</u>
Supplemental cash flow information:				
Noncash capital improvements and other changes	\$ -	21,477	20,435,188	-

See accompanying Notes to Basic Financial Statements.

CITY OF LUBBOCK, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2004

		<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$	1,099
Investments, at fair value:		
Pools		<u>73</u>
Total assets		<u><u>1,172</u></u>
LIABILITIES		
Accounts payable		<u>1,172</u>
Total liabilities	\$	<u><u>1,172</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

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 *Audits of State and Local Governmental Units* (GASB 34 Edition). 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 115 square miles and serves a population exceeding 206,000. 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 police and fire protection; recreational activities and cultural events; construction and maintenance of highways, streets, and other infrastructure; and sanitation services. The City also provides utilities for electricity, water, sewer, and stormwater as well as a public transportation system.

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 whether:

- 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 UNITS

The **Urban Renewal Agency (URA)** has been included in the City's financial reporting entity within the primary government using the blended method because, although it is legally separate, its operations are so intertwined with the City that it is, in substance, a part of the City. The URA was formed to provide urban renewal services including rehabilitation of housing, acquisition of housing, and disposition of land. The URA Board is composed of nine members appointed by the Mayor with the consent of the City Council, and acts only in an advisory capacity to the City Council. All powers to govern the URA are held by the City Council. There are no separate financial statements available for the URA.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY (CONTINUED)

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 a Board of eight directors who serve without compensation. WTMPA has no employees and instead contracts with the City for general operations. WTMPA may engage in the business of generation, transmission, sale, and exchange of electric energy to the four participating public entities: Lubbock, Tulia, Brownfield, and Floydada. WTMPA may also participate in power pooling and power exchange agreements with other entities. WTMPA provides electricity to its four member cities with the City having an 88.5% 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, approve capital projects, approve debt issuance, and approve any amendments to WTMPA rules and regulations. The City maintains the "majority in interest" vote based on Kilowatt purchases, and consequently has majority voting control. As the City purchases approximately 88.5% of the electricity brokered, WTMPA provides services almost exclusively to the City and is therefore presented as a blended enterprise fund. Their 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. They 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.

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 its surrounding area. The seven-member board is appointed by the City Council. City Council approves the annual budget. Separate financial statements for Civic Lubbock may be obtained from them at 1501 6th Street, Lubbock, Texas.

Market Lubbock Economic Development Corporation, dba Market Lubbock, 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 financial statements may be obtained from Market Lubbock at 1301 Broadway, Suite 200, Lubbock, Texas.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY (CONTINUED)

RELATED ORGANIZATIONS

The City Council is responsible for appointing the members of the boards of other organizations but the City's accountability for these organizations does not extend beyond making 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 **Housing Authority of the City of Lubbock (Authority)** is a legally separate entity. The Mayor appoints the five-member board.

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

North & East Lubbock Community Development Corporation (CDC) was formed from the recommendation of the mayor's commission formed in May 2002 to examine the condition of North & East Lubbock. Incorporated in February 2004, the CDC began work to effectuate change in North and East Lubbock. The North & East Lubbock Community Development Corporation is a local entity that drives social change; 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 City Council appoints two members of an eleven-member board. The City Council is not able to impose its will on the entity and there is no financial benefit/burden relationship.

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 school, and primary schools in providing educational facilities, housing facilities. The seven-member Board is appointed by the City Council.

The **Lubbock Firemen's Retirement and Relief Fund (Pension Trust Fund)** operates under provisions of the Firemen's Relief and Retirement Laws of the State of Texas for purposes of providing retirement benefits for the City's firefighters. The Mayor's designee, the Cash & Debt Manager, three firefighters elected by members of the Pension Trust Fund and two at-large members elected by the Board, govern its affairs. It is funded by contributions from the firefighters and City matching contributions. As provided by enabling legislation, the City's responsibility to the Pension Trust Fund is limited to matching monthly contributions made by the members. Title to assets is vested in the Pension Trust Fund and not in the City. The State Firemen's Pension Commission is the governing body over the Pension Trust Fund and the City cannot significantly influence its operations. Their separate audited financial statements may be obtained through the City.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Statements 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 Basic Financial Statements (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 units 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, excluding those reported in the fiduciary fund. 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 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 by either: (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 does not otherwise meet the definition of restricted net assets, are not shown in the GWFS.

The Government-Wide Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include, (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the BFS are Fund Financial Statements (FFS) for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the GWFS. The focus of the FFS is on major funds, as defined by GASB Statement No. 34. Although GASB Statement No. 34 sets forth minimum criteria for 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. 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 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.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Financial Statements

The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary FFS. The City's fiduciary FFS includes only an agency fund that uses the accrual basis of accounting. However, because agency funds report only assets and liabilities, this fund does not have a measurement focus. 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 inter-fund activity has been eliminated from the GWFS. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water and sewer 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. For instance, 88.5% of the operations of WTMPA representing transactions between WTMPA and Lubbock Power & Light have been eliminated for the GWFS presentation and for the electric BTA.

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, with the exception of sales taxes which are considered to be available if they are collected within 60 days of year end. 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, a reconciliation is 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.

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. 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 Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest (other than debt service payments made by proprietary funds).

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Electric Fund accounts for the activities of Lubbock Power & Light (LP&L), the City-owned electric production and distribution system.

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

The Sewer Fund accounts for the activities of the City's sanitary sewer system.

The West Texas Municipal Power Agency (WTMPA) Fund accounts for the activities of power generation and power brokering to member cities. Member cities include Lubbock with 88.5% ownership, and Tulia, Brownfield, and Floydada comprising the remaining 11.5% ownership.

The Stormwater Fund accounts for the activities of the stormwater utility, which provides stormwater drainage for the City.

The City reports the following non-major funds:

Governmental Funds

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

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital improvements (other than those recorded in the proprietary funds).

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purpose of perpetual care for the cemetery grounds.

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

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, central warehouse, print shop, self-insurance, etc.).

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, and the solid waste fund.

Fiduciary Funds include an **Agency Fund** that is used to account for assets held by the City as an agent for private organizations.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. BUDGETARY ACCOUNTING

The City Manager submits a proposed operating budget and capital improvement plan to the City Council annually for the upcoming fiscal year. Public hearings are conducted to obtain taxpayer comments, and the budget is legally enacted through passage of an ordinance by City Council. City Council action is also required for the approval of any supplemental appropriations. All budget amounts presented in the budget comparison statement reflect the original budget and the amended budget, which have been adjusted for legally authorized supplemental appropriations to the annual budgets during the fiscal year. The operating budget is adopted on a basis consistent with GAAP for the General Fund. Budgetary control is maintained at the department level in the following expenditure categories: personnel services, supplies, other charges, and capital outlay. Management may make administrative transfers and increases or decreases in accounts within categories, as long as expenditures do not exceed budgeted appropriations at the fund level, the legal level of control. All annual operating appropriations lapse at the end of the fiscal year. Capital budgets do not lapse at fiscal year end but remain in effect until the project is completed and closed.

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 Debt Service) which, with cash and investments in the fund, is sufficient to pay all debt service due during the fiscal year.

E. ENCUMBRANCES

At the end of the fiscal year, encumbrances for goods and services that have not been received are canceled. At the beginning of the next fiscal year, management reviews all open encumbrances. During the budget revision process, encumbrances may be re-established. On October 1, 2004, the General Fund had no significant amounts of open encumbrances.

F. ASSETS, LIABILITIES AND FUND BALANCE/NET ASSETS

Equity in Pooled 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, except for repurchase agreements with maturities, when purchased, of one year or less. Fair value is based on quoted market prices as of the valuation date.

Cash Equivalents - Cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less when purchased which present an insignificant risk of changes in value because of changes in interest rates.

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 Electric, Water, Sewer, and WTMPA Enterprise Funds, services rendered but not billed as of the close of the fiscal year are accrued and 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.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. ASSETS, LIABILITIES, AND FUND BALANCE/NET ASSETS (CONTINUED)

Inventories - Inventories consist of expendable supplies held for consumption. Inventories are valued at cost 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.

Restricted Assets - Certain enterprise fund and governmental activities assets are restricted for construction; consequently, net assets have been restricted for these amounts. The excess of other restricted assets over related liabilities are included as restricted net assets for capital projects, rate stabilization, economic development, and bond indentures.

Mortgage Receivables - Mortgage receivables consist of loans made to Lubbock residents under the City's Community Development loan program. These loans were originally funded primarily through grants received from the U.S. Department of Housing and Urban Development.

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 FFS. 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 lives 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	10-50 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 Financial Accounting Standards Board (FASB) Statement No. 34 *Capitalization of Interest Cost* and FASB Statement No. 62 *Capitalization of Interest Costs*. The City capitalized interest of approximately \$457,000, net of interest earned, for the business-type activities and the enterprise funds during the current fiscal year.

Advances to Other Funds - Amounts owed to one fund by another that are not due within one year are recorded as advances to other funds.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. REVENUES, EXPENSES AND EXPENDITURES

Interest Income on pooled cash and investments is allocated monthly based on the percentage of a fund's six-month rolling average monthly balance in pooled cash and investments to the total citywide six-month rolling average monthly balance in pooled cash and investments, except for certain Fiduciary Funds, certain Special Revenue Funds, Capital Project Funds, and certain Internal Service Funds. The interest income on pooled cash and investments of these funds is reported in the General Fund or the Debt Service Fund.

Sales Tax Revenue for the City results from an allocation of 1.125% of the total sales tax levy of 7.875%, 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 10th of the next 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.

Inter-fund 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 and sick 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 any available, unused vacation leave.

Sick leave for employees is accrued at 1-¼ 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, Civil Service Personnel (Police) are paid for up to 90 days accrued sick leave after one year of employment. Civil Service Personnel (Firefighters) are paid for up to 135 days of accrued sick leave upon retirement or termination. The Texas Civil Service laws dictate certain benefits and personnel policies above and beyond those policies of the City.

The liability for the accumulated vacation and sick leave 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 of Lubbock include the option to purchase health and life insurance benefits at their own expense. 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 \$1.3 million for fiscal 2004. These contributions are included in the amount of insurance expense reflected in the financial activity reported in the Health Insurance Internal Service Fund.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. NET ASSET/FUND BALANCE DEFICITS

The deficit of \$76,784 in the General Capital Projects Fund is due to timing differences of incurring capital outlay expenditures for an internally financed project. The fund balance should be positive by the end of fiscal year 2004/2005 with the final internal payback from the Special Revenue Funds.

The deficit of \$6,700 in the Investment Pool Internal Service Fund is the result of not recovering actual cost with the allocation of interest earnings to this fund. This also represents a timing difference.

The deficit of \$1,864,119 in Market Lubbock Inc. (MLI) is due to long-term commitments for incentive and special project contracts and tentative open convention offers. MLI management expects future receipts of funding from the City of Lubbock to pay these long-term commitments.

No other funds of the City had deficits in either total fund balances or total net assets.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. POOLED CASH AND INVESTMENTS

The City's investment policies are governed by State statute and City ordinances. The following are authorized investments for the City and all are authorized and further defined by the Public Funds Investment Act (Chapter 2256) ("PFIA"):

- Obligations of the United States or its agencies and instrumentalities, which have a liquid market with a readily determinable market value.
- Direct obligations of this state or its agencies and instrumentalities.
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities.
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- Fully collateralized certificates of deposit issued by a state or national bank doing business in Texas and guaranteed, or insured by the Federal Deposit Insurance Corporation or its successor, secured by obligations authorized by this subchapter, or secured in any other manner and amount provided by law for deposits of the investing entity.
- Fully collateralized repurchase agreements with a defined termination date; and secured by obligations authorized by the Act; such collateral pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with an independent third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank doing business in this state. The term of any reverse repurchase agreements may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by the City under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.
- Bankers' acceptances with a stated maturity of 270 days or fewer from the date of its issuance; and liquidated in full at maturity; and eligible for collateral for borrowing from a Federal Reserve Bank; and accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.
- Commercial paper with a stated maturity of 270 days or fewer from the date of its issuance, and rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. POOLED CASH AND INVESTMENTS (CONTINUED)

- No-load money market mutual funds regulated by the Securities and Exchange Commission, and with a dollar-weighted average stated maturity of 90 days or fewer, and whose investment objectives include the maintenance of a stable net asset value of \$1 for each share.
- AAA-rated, constant dollar, investment pools authorized by the City Council and as further defined by the Act, which invests in eligible securities as authorized by the PFIA. Government Pool investments as of September 30, 2004, were invested in TexPool and TexSTAR.

TexPool. The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company") which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers Inc. and Federated Investors, Inc. ("Lehman and Federated"), under an agreement with the Comptroller, acting on behalf of the Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Lehman and Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the PFIA, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. TexPool is currently rated AAAM by Standard and Poor's. An explanation of the significance of such rating may be obtained from Standard & Poor's at 1221 Avenue of the Americas, New York, New York 10020.

TexSTAR. Texas Short Term Asset Reserve Program ("TEXSTAR") has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. JPMorgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TEXSTAR under an agreement with the TEXSTAR board of directors (the "Board"). JPMFAM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co. Finally, TEXSTAR is currently rated AAAM by Standard and Poor's. An explanation of the significance of such rating may be obtained from Standard & Poor's at 1221 Avenue of the Americas, New York, New York 10020.

Collateral is required for demand deposits, certificates of obligation, and repurchase agreements at 102% of all amounts not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its subdivisions. The City's deposits and investments are categorized below to indicate the level of custodial credit risk assumed by the City at September 30, 2004.

INVESTMENT CATEGORY OF CUSTODIAL CREDIT RISK

- (1) Insured, registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's agent or trust department in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty or by the trust department or agent but not in the City's name.

DEPOSIT CATEGORY OF CUSTODIAL CREDIT RISK

- (1) Insured or collateralized with securities held by the City or by its agent in the City's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- (3) Uncollateralized.

Amounts invested in investment pools and money market funds are not categorized, because they do not represent securities that exist in physical form.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. POOLED CASH AND INVESTMENTS (CONTINUED)

The following table is a schedule of the City's pooled cash and investments at September 30, 2004:

Investments	(1)	Category (2)	(3)	Carrying Amount
<u>Primary Government</u>				
U.S. Treasuries	\$ 3,998,817	-	-	3,998,817
Agency Obligations	36,658,090	-	-	36,658,090
Investment Pools	-	-	-	47,413,743
Money Market Mutual Fund	-	-	-	2,796,414
Total Primary Government				<u>90,867,064</u>
<u>Agency Funds</u>				
Investment Pools	-	-	-	73
Total Agency Funds				<u>73</u>
Total Investments				<u>90,867,137</u>

Cash and Bank Deposits	(A)	Category (B)	(C)	Bank Balance	Carrying Amount
Primary Government	\$ 95,899,156	-	-	95,899,156	95,899,156
Agency Funds	1,099	-	-	1,099	1,099
Total	<u>\$ 95,900,255</u>	<u>-</u>	<u>-</u>	<u>95,900,255</u>	<u>95,900,255</u>

Cash and investments listed above include investment pools and money market mutual funds (mmmf). The table below categorizes the investment pools and mmmf's as cash and equivalents in unrestricted funds. Restricted funds include investment pool and mmmf balances. The difference in total investment balances between the table above and the table below totals \$7,019,071, which is due to the different reporting methods used in each table. Cash and investments are reported in the Statement of Net Assets as:

	Total Primary Government	Total Agency Funds	Total
Cash and Equivalents - Unrestricted	\$ 56,107,053	-	56,107,053
Cash and Equivalents - Restricted	46,811,174	1,099	46,812,273
Total Cash and Equivalents	<u>102,918,227</u>	<u>1,099</u>	<u>102,919,326</u>
Investments - Unrestricted	13,581,046	-	13,581,046
Investments - Restricted	70,266,947	73	70,267,020
Total Investments	<u>83,847,993</u>	<u>73</u>	<u>83,848,066</u>
Total Cash and Investments	<u>\$ 186,766,220</u>	<u>1,172</u>	<u>186,767,392</u>

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

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. These outstanding balances are repaid within the following fiscal year.

Interfund balances, specifically advances to and from other funds, are longer-term loans to cover Council directed internal financing of certain projects. At September 30, 2004 the City has nearly \$1.5 million of this type of internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

Net interfund receivables and payables between governmental activities and business-type activities in the amount of \$555,465, are included in the government-wide financial statements. 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):

	Interfund Receivables					
	Governmental		Proprietary Funds			Totals
	Funds					
	General	Water	Sewer	Solid Waste		
Interfund Payables:						
Governmental Funds:						
Nonmajor Governmental	\$ 1,930	-	-	1,024	2,954	
Proprietary Funds:						
Electric	-	-	-	-	-	
Nonmajor Proprietary	446	261	-	-	707	
Totals	\$ 2,376	261	-	1,024	3,661	

Net transfers of \$9,745,250 from business-type activities to governmental activities, up from \$2.6 million during the prior year, on the government-wide statement of activities is primarily the result of 1) debt service payments made from the debt service fund, but funded from an operating fund; 2) subsidy transfers from unrestricted general 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. The following interfund transfers are reflected in the fund financial statements (all amounts in thousands):

	Interfund Transfers Out:									
	Governmental			Proprietary Funds						
	Funds									
	Debt	Nonmajor				Storm-	Nonmajor	Interal	Totals	
Interfund	General	Service	Gov.	Electric	Water	Sewer	Water	Enterprise		
Transfers In:										
Governmental Funds:										
General Fund	\$ -	-	1,483	1,068	3,997	1,751	311	2,114	-	10,724
Debt Service Fund	-	-	760	1,679	6,799	6,236	4,307	935	-	20,715
Nonmajor Governmental	3,221	-	1,449	-	330	-	-	1,121	-	6,121
Proprietary Funds:										
Electric	9	1,679	90	-	-	-	-	-	-	1,778
Water	93	6,799	-	-	-	-	-	-	-	6,892
Sewer	-	6,236	-	-	-	-	-	-	-	6,236
Stormwater	-	4,307	-	-	-	-	-	-	-	4,307
WTMPA	-	-	-	357	-	-	-	-	-	357
Nonmajor Enterprise	849	935	91	-	-	-	-	-	-	1,875
Internal Service Funds	41	-	-	46	46	46	-	46	-	226
Total	\$ 4,213	19,956	3,872	3,150	11,172	8,033	4,619	4,216	-	59,230

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

C. DEFERRED CHARGES

The total deferred charges of \$3,344,444 in the Electric Enterprise Fund represents an advertising contract with the United Spirit Arena. The advertising (and amortization) began with the opening of the sports arena in fiscal year 2000 and will continue for 30 years.

The total deferred charges of \$407,251 in the West Texas Municipal Power Agency Fund represents unamortized bond issuance costs related to the bonds issued to build the JRM8 cogeneration facility.

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

Primary Government:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets not being depreciated:				
Land	\$ 7,996,406	611,843	-	8,608,249
Construction in Progress	36,155,690	14,140,550	6,824,218	43,472,022
Total Capital Assets not being depreciated	<u>44,152,096</u>	<u>14,752,393</u>	<u>6,824,218</u>	<u>52,080,271</u>
Capital Assets being depreciated:				
Buildings	51,475,936	6,864	28,522	51,454,278
Improvements Other than Buildings	125,742,157	3,908,958	-	129,651,115
Machinery and Equipment	48,896,000	5,585,646	1,526,973	52,954,673
Total Capital Assets being depreciated	<u>226,114,093</u>	<u>9,501,468</u>	<u>1,555,495</u>	<u>234,060,066</u>
Less Accumulated Depreciation for:				
Buildings	25,873,452	1,815,260	28,522	27,660,190
Improvements Other than Buildings	88,642,271	3,826,069	-	92,468,340
Machinery and Equipment	34,015,313	4,426,516	1,443,900	36,997,929
Total Accumulated Depreciation	<u>148,531,036</u>	<u>10,067,845</u>	<u>1,472,422</u>	<u>157,126,459</u>
Total Capital Assets being depreciated, net	<u>77,583,057</u>	<u>(566,377)</u>	<u>83,073</u>	<u>76,933,607</u>
Governmental Activities Capital Assets, net	<u>\$ 121,735,153</u>	<u>14,186,016</u>	<u>6,907,291</u>	<u>129,013,878</u>

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

Governmental activities:

General Government	\$ 325,447
Financial Services	5,279
Human Resources	4,636
Administration/Community Services	3,646,365
Fire	841,694
Police	1,339,872
Streets	3,364,002
Electric	286,096
Internal Service Funds	162,702
Total depreciation expense - governmental activities	<u>9,976,093</u>
Transfer in to accumulated depreciation - governmental activities	91,752
Increase in accumulated depreciation - governmental activities	<u>\$ 10,067,845</u>

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

D. CAPITAL ASSETS (CONTINUED)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets not being depreciated:				
Land	\$ 31,676,155	-	-	31,676,155
Construction in Progress	104,689,207	28,965,883	19,693,719	113,961,371
Total Capital Assets not being depreciated	<u>136,365,362</u>	<u>28,965,883</u>	<u>19,693,719</u>	<u>145,637,526</u>
Capital Assets being depreciated:				
Buildings	96,941,635	6,034	18,891	96,928,778
Improvements Other than Buildings	555,982,769	20,441,780	2,065,581	574,358,968
Machinery and Equipment	137,992,381	25,692,500	30,927,318	132,757,563
Total Capital Assets being depreciated	<u>790,916,785</u>	<u>46,140,314</u>	<u>33,011,790</u>	<u>804,045,309</u>
Less Accumulated Depreciation for:				
Buildings	26,180,634	2,465,313	18,891	28,627,056
Improvements Other than Buildings	225,416,823	19,574,185	1,473,470	243,517,538
Machinery and Equipment	58,219,321	12,838,270	5,221,994	65,835,597
Total Accumulated Depreciation	<u>309,816,778</u>	<u>34,877,768</u>	<u>6,714,355</u>	<u>337,980,191</u>
Total Capital Assets being depreciated, net	481,100,007	11,262,546	26,297,435	466,065,118
Business-Type Activities Capital Assets, net	<u>\$ 617,465,369</u>	<u>40,228,429</u>	<u>45,991,154</u>	<u>611,702,644</u>

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

Business-Type Activities:

Electric	\$ 9,121,124
Water	5,958,903
Sewer	5,075,034
Stormwater	553,592
Solid Waste	8,016,067
Airport	3,255,401
Transit	2,019,973
Internal Service Funds	<u>439,792</u>
Total depreciation expense - business-type activities	34,439,886
Transfer in to accumulated depreciation - business-type activities	437,882
Increase in accumulated depreciation - business-type activities	<u>\$ 34,877,768</u>

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

D. CAPITAL ASSETS (CONTINUED)

Construction Commitments

The City had many construction projects in progress at fiscal year end. Public Safety projects include construction of a fire pump test pit. Park projects include park irrigation and lighting systems. Street projects include the widening of 98th street from Slide to Frankford. A security upgrade of Police Headquarters was also underway.

Electric projects included the final touches on a new substation. Water projects included a new project to develop water wells south of Loop 289. Sewer projects included construction of sewer lines ahead of the Marsha Sharp Freeway. Airport projects included an extension of the airport's taxiways. Two large Stormwater projects are underway. The first project provides for the construction of an outfall storm sewer from Clapp Park to Yellowhouse Canyon and a series of upstream storm sewers that will provide various protections around four playa lakes. The second project provides for the construction of a flood relief project for south Lubbock's chain of playa lakes.

Projects	Original Commitments	Spent-to-Date	Remaining Commitments
Public Safety	\$ 9,371,433	7,799,579	1,571,854
Park Improvements	13,078,502	7,481,061	5,597,441
Street Improvements	25,866,652	15,479,352	10,387,300
Permanent Street Maintenance	1,788,000	1,626,990	161,010
General Capital Projects	355,171	285,505	69,666
General Facilities and System Improvements	10,062,864	7,773,968	2,288,896
Tax Increment Fund Capital Projects	3,800,000	1,198,597	2,601,403
Grant Terrorism Lab	1,179,000	892,540	286,460
Electric	14,650,111	9,488,738	5,161,373
Water	70,435,418	45,999,985	24,435,433
Sewer	11,001,937	5,227,618	5,774,319
Solid Waste	9,591,700	5,950,400	3,641,300
Airport	16,058,200	3,339,364	12,718,836
Transit	203,799	203,799	-
Stormwater	79,900,000	43,053,522	36,846,478
Internal Service Fund	2,956,000	1,632,378	1,323,622
Total	<u>\$ 270,298,787</u>	<u>157,433,396</u>	<u>112,865,391</u>

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

E. RETIREMENT PLANS

Each qualified employee is included in one of two retirement plans in which the City of Lubbock participates. These are the Texas Municipal Retirement System (TMRS) and the Lubbock Firemen's Relief and Retirement Fund (LFRRF). 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, one of 794 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 7% and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City 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 currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance 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, 2003 valuation is effective for rates beginning January 2005).

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

E. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The actuarial assumptions for the December 31, 2003 valuations are as follows:

Actuarial cost method:	Unit credit
Amortization method:	Level percent of payroll
Remaining amortization period:	25 years- open period
Asset valuation method:	Amortized cost
Investment rate of return:	7%
Projected salary increases:	None
Includes inflation at:	None
Cost of Living adjustments:	None

<u>As of September 30</u>	<u>Annual Pension Cost</u>	<u>Contribution Made</u>
2001	\$ 8,398,884	8,398,884
2002	8,803,613	8,803,613
2003	8,708,867	8,708,867

TEXAS MUNICIPAL RETIREMENT SYSTEM
THREE-YEAR HISTORICAL SCHEDULE OF ACTUARIAL LIABILITIES
AND FUNDING PROGRESS REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

<u>As of December 31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>
2001	\$ 172,510,622	215,584,035	80.0%	43,073,413
2002	181,191,012	228,372,843	79.3%	47,181,831
2003	182,884,183	239,809,434	76.3%	56,925,251

<u>As of December 31</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % Of Covered Payroll</u>
2001	\$ 58,173,019	74.0%
2002	60,285,077	78.3%
2003	57,577,743	98.9%

The City of Lubbock is one of 794 municipalities having the benefit plan administered by TMRS. Each of the municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2003 valuations are contained in the 2003 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

E. RETIREMENT PLANS (CONTINUED)

LUBBOCK FIREFIGHTER'S RELIEF AND RETIREMENT FUND (LFRRF)

Plan Description

The Board of Trustees of the LFRRF is the administrator of a single-employer defined benefit pension plan. 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 LFRRF.

The LFRRF 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 LFRRF Plan effective November 1, 2003 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.92% of final 48-month average salary plus \$335.05 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 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 postretirement benefit increases. LFRRF has the authority to provide, and has periodically provided for in the past, ad hoc postretirement 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.

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.

State law requires that each plan of benefits adopted by LFRRF 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, LFRRF's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize LFRRF's unfunded actuarial accrued liability (UAAL), if any, and the number of years needed to amortize LFRRF's unfunded actuarial liability, if any, is determined using a level percentage of payroll method.

The costs of administering the plan are financed by LFRRF.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

E. RETIREMENT PLANS (CONTINUED)

Annual Pension Cost

For the fiscal year ended September 30, 2004, the City of Lubbock's Annual Pension Cost (APC) for the Lubbock Fire Fund was equal to \$2,582,713 as described below in item 4 in the table below. Based on the results of the December 31, 2002 actuarial valuation of the Plan Effective November 1, 2003, the Board's actuary found that the fund had an adequate financing arrangement, as described in the paragraph below, based on the fixed level of the firefighter contribution rates and on the assumed level of City contribution rates. Based on the Plan Effective November 1, 2003, LFRRF's funding policy requires contributions equal to 12.43% of pay by the firefighters. Contributions by the City are based on a formula, which causes the City's contribution rate to fluctuate from year to year. The December 31, 2002 actuarial valuation (most recent available) reflecting the Plan Effective November 1, 2003 assumes that the City's contributions will average 18.67% of payroll in the future.

Therefore, based on the December 31, 2002 actuarial valuation of the Plan Effective November 1, 2003, the Annual Required Contributions (ARC) are not actuarially determined but are equal to the City's actual contributions beginning January 1, 2003. Prior to January 1, 2003, the ARC was based on the December 31, 2000 actuarial valuation and was actuarially determined as described below.

The following shows the development of the Net Pension Obligation (NPO) as of September 30, 2004:

1.	Annual Required Contributions (ARC)	\$ 2,597,738
2.	Interest on NPO	(70,609)
3.	Adjustment to ARC	55,584
4.	Annual Pension Cost (APC)	2,582,713
5.	Actual City Contributions made	(2,597,738)
6.	Increase (Decrease) in NPO/(asset)	(15,025)
7.	NPO/(asset) at October 1, 2002	(882,623)
8.	NPO/(asset) at September 30, 2003	(\$897,648)

The ARC for the period October 1, 2002 through September 30, 2004 was based on the December 31, 2002 actuarial valuation. The entry age actuarial cost method was used with the normal cost calculated as a level percentage of payroll. The actuarial value of assets was market value smoothed by a five-year deferred recognition method, with the actuarial value not more than 110% or less than 90% of the market value of assets. The actuarial assumptions included in an investment return assumption of 8% per year (net of expenses), projected salary increases including promotion and longevity averaging 6% per year over a 25-year career, and no postretirement cost-of-living adjustments. An inflation assumption of 4% per year was included in the investment return and salary increase assumptions. The UAAL is amortized with the excess of the assumed total contribution rate over the normal cost rate. The number of years needed to amortize the UAAL is determined using an open, level percentage of payroll method, assuming that the payroll will increase 4% per year, and was 25 years as of the December 31, 2002 actuarial valuation based on the plan provisions effective November 1, 2003.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

E. RETIREMENT PLANS (CONTINUED)

Further details concerning the financial position of the LFRRF and the latest actuarial valuation are available by contacting the Board of Trustees, LFRRF, City of Lubbock, P.O. Box 2000, Lubbock, Texas 79457. A stand-alone financial report is available by contacting the LFRRF.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/02	\$ 1,379,564	148 %	(660,692)
9/30/03	1,964,788	111	(882,623)
9/30/04	2,582,713	101	(897,648)

**ANALYSIS OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) /Funding excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL/ Funding Excess as a Percentage of Covered Payroll ((b-a)/c)
12/31/98 1,2	\$ 90,364,681	97,533,314	7,168,633	92.7%	10,290,190	69.7%
12/31/00 1,3	119,660,788	114,675,049	(4,985,739)	104.3	12,243,913	(40.7)
12/31/02 1,4	111,261,775	127,850,414	16,588,639	87.0	13,521,366	122.7

1. Economic and demographic assumptions were revised.
2. Reflects changes in plan benefit provisions effective November 1, 1999.
3. Reflects changes in plan benefit provisions effective December 1, 2001.
4. Reflects changes in plan benefit provisions effective November 1, 2003.
5. The covered payroll is based on estimated annualized salaries used in the valuation.

F. DEFERRED COMPENSATION

The City offers its employees two 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 benefits 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.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

G. SURFACE WATER SUPPLY

Canadian River Municipal Water Authority

The Canadian River Municipal Water Authority (CRMWA) is a Conservation and Reclamation District established by the Texas Legislature to construct a dam, water reservoir, and aqueduct system for the purpose of supplying water to surrounding cities. The District was created in 1953 and comprises eleven cities, including the City of Lubbock. The budget, financing, and operations of the District 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, 2004, the Board was comprised of 18 members, two of which represented the City.

The City contracted with the CRMWA to reimburse it for a portion of the cost of the Canadian River Dam and aqueduct system in exchange for surface water. Prior to fiscal year 1998-99, such payments were made solely from water system revenues and were not considered general obligations of the City. The City's pro rata share of annual fixed and variable operating and reserve assessments are recorded as an expense of obtaining surface water.

Prior to fiscal year 1998-99, long-term debt was owed to the U.S. Bureau of Reclamation for the cost of construction of the facility, which was completed in 1969. The City's allocation of project costs was \$32,905,862. During the year ended September 30, 1999, bonds in the principal amount of \$12,300,000 were issued to pay off the construction obligation owed to the U.S. Bureau of Reclamation via CRMWA in the amount of \$20,809,067. The difference of \$8,509,067 was a discount in the remaining principal provided by the U.S. Bureau of Reclamation to the member cities. This discount has been recorded as a deferred gain on refunding and is being amortized over the life of the refunding bonds. At September 30, 2004, \$5,904,703 remains unamortized. The annual principal and interest payments are included in the disclosures for other City related long-term debt. The above cost for the rights are recorded as capital assets and are being amortized over 85 years. The cost and debt are recorded in the Water Enterprise Fund.

Brazos River Authority - Lake Alan Henry

During 1989, the City entered into an agreement with the Brazos River Authority (BRA) for the construction, maintenance, and operation of the facilities known as Lake Alan Henry. The BRA, which is authorized by the State of Texas to provide for the conservation and development of surface waters in the Brazos River Basin, issued bonds for the construction of the dam and lake facilities on the South Fork of the Double Mountains Fork of the Brazos River. Total costs are expected to exceed \$120 million.

The agreement obligates the City to provide revenues to BRA in amounts sufficient to cover all maintenance and operating costs, management fees of the authority, as well as funds sufficient to pay all capital costs associated with construction. The City will receive surface water for the payments to BRA. Approximately \$515,005 was paid to the BRA for maintenance and operating costs during the fiscal year.

The BRA issued \$16,970,000 in revenue bonds in 1989 and \$39,685,000 in revenue bonds in 1991. These bonds were refunded July 1995. Construction of the dam and lake facilities began in 1989. The City is obligated to provide sufficient funds over the remaining life of the bonds to service the debt requirement. The asset, Lake Alan Henry dam and facilities, are recorded as capital assets and are being depreciated over 50 years. The financial activity, along with the related obligation, is accounted for in the Water Enterprise Fund.

In order to protect against the risk of interest rate changes between March 28, 2002 and May 1, 2005, the City entered into an interest rate swap agreement with JPMorgan Chase (herein referred to as the "Swap Provider") rated A+ by Standard & Poor's and Aa3 by Moody's Investors Service with a notational dollar amount of \$40,465,000. The City entered into an interest rate swap in order to achieve lower borrowing costs associated with an anticipative borrowing in 2005. This borrowing will prepay and refund the obligation of the City to pay debt service on Special Facilities (Lake Alan Henry) Revenue Refunding Bonds, Series 1995 issued by the BRA to finance or refinance the construction of surface water supply facilities known as Lake Alan Henry pursuant to a Water Supply Agreement, dated as of May 11, 1989, as amended, between the BRA and the City; and under this agreement commencing Each August 1, starting

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

G. SURFACE WATER SUPPLY (CONTINUED)

August 1, 2003 up to and including August 1, 2005 the Swap Provider pays a premium of \$280,000 to the City and in addition beginning May 1, 2005, the swap Provider will pay the City of Lubbock interest on the notational amount of the swap based on the Bond Market Association (BMA) Municipal Bond Index on a monthly (actual/actual) basis. On a monthly (30/360) basis, the City of Lubbock pays the Swap Provider interest at the fixed rate of 5.260%. Additionally, the Swap Provider has the right but, not the obligation, to terminate the transaction in whole when the 180 day weighted average of the Municipal Bond Index is more than 6.50%, but with no market value cost to the City. The notational amount of the swap reduces annually; the reductions begin on August 1, 2006 and mature on August 1, 2022. As of December 10, 2004, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Fixed payment	Fixed	5.260%
Variable payment	BMA	1.450%

At December 10, 2004 the swap agreement had a negative fair value of \$6,075,000. The fair value was developed by using the zero coupon method. This method calculates the future net settlement payments required by the agreement assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

At December 10, 2004, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City could be exposed to credit risk in the amount of the derivative's positive fair value. Should the swap have a positive fair value at some point the Swap Provider may be required to collateralize a percentage of their exposure. Since inception no impairments in respect to the Provider's ratings have occurred.

The City's derivative contract uses the International Swap Dealers Association Master Agreement. The swap agreements include standard termination events, such as failure to pay, credit rating downgrades, and bankruptcy. Although the City has obtained provisions to avoid an unwanted early termination event, the result of such an occurrence could result in the City being required to make an unanticipated termination payment.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

H. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

<u>Average Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 9-30-04</u>
9.01	05-15-91	02-15-11	\$ 1,085,000	370,000
5.50	05-15-92	02-15-04	34,520,000	1,725,000
3.97	05-01-93	02-15-15	14,425,000	725,000
5.39	10-01-93	02-15-14	3,625,000	1,825,000
5.39	10-01-93	02-15-14	2,550,000	1,300,000
5.20	10-01-93	02-15-14	1,470,000	225,000
5.14	10-01-93	02-15-14	19,215,000	2,895,000
5.50	05-15-95	02-15-15	4,690,000	235,000
5.07	12-15-95	02-15-16	6,505,000	650,000
5.07	12-15-95	02-15-16	10,000,000	1,000,000
4.91	01-15-97	02-15-09	17,530,000	9,190,000
4.61	01-01-98	02-15-08	1,330,000	610,000
4.71	01-01-98	02-15-18	10,260,000	7,200,000
4.36	01-15-99	02-15-14	20,835,000	18,870,000
4.58	01-15-99	02-15-19	15,355,000	11,505,000
4.77	04-01-99	02-15-19	6,100,000	4,575,000
4.71	04-01-99	02-15-19	12,300,000	9,300,000
5.37	09-15-99	02-15-20	24,800,000	21,600,000
5.54	03-15-00	02-15-20	7,000,000	2,430,000
4.90	02-01-01	02-15-21	9,100,000	8,410,000
4.81	02-01-01	02-15-21	2,770,000	2,350,000
5.25	06-01-01	02-15-31	35,000,000	33,715,000
4.68	02-15-02	02-15-22	9,400,000	9,095,000
4.71	02-15-02	02-15-22	6,450,000	6,235,000
4.70	02-15-02	02-15-22	1,545,000	1,490,000
4.62	07-01-02	02-15-22	2,605,000	2,440,000
3.18	07-01-02	02-15-10	10,810,000	7,865,000
4.42	07-15-03	02-15-23	11,855,000	11,255,000
4.47	07-15-03	02-15-24	9,765,000	9,765,000
4.48	07-15-03	02-15-24	680,000	680,000
4.47	07-15-03	02-15-24	3,590,000	3,590,000
4.87	07-15-03	02-15-34	40,135,000	40,135,000
4.47	07-15-03	02-15-24	3,795,000	3,795,000
4.60	08-15-03	04-15-23	8,900,000	8,465,000
4.60	08-15-03	04-15-23	13,270,000	12,625,000
4.09	09-28-04	02-15-24	2,025,000	2,025,000
4.08	09-28-04	02-15-24	3,100,000	3,100,000
3.58	09-28-04	02-15-20	22,620,000	22,620,000
Total			<u>\$411,010,000</u>	<u>285,885,000(A)</u>

(A) Excludes net deferred gains and losses on advance refundings, prior year bond discounts of \$4,993,103 (\$3,813,381 business-type and \$1,179,722 governmental). Additionally, this amount includes \$215,663,783 of bonds used to finance enterprise fund activities.

At September 30, 2004, management of the City believes that it was in compliance with all financial bond covenants on outstanding general obligation bonded debt, certificates of obligation, and water revenue bonded debt.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

H. LONG-TERM DEBT (CONTINUED)

ELECTRIC REVENUE BONDS

<u>Interest Rate(%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 9-30-04</u>
3.80 to 5.50	6-15-95	4-15-08	\$ 13,560,000	4,360,000
4.25 to 6.25	1-01-98	4-15-18	9,170,000	6,440,000
4.05 to 5.00	5-01-98	2-15-18	28,910,000	21,285,000
3.10 to 5.00	1-15-99	4-15-19	14,975,000	9,185,000
4.00 to 5.25	7-01-01	4-15-21	9,200,000	7,820,000
Total			<u>\$ 75,815,000</u>	<u>49,090,000 *</u>

* Balance outstanding excludes (\$595,420) of discount on bonds sold.

WATER REVENUE BONDS

<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 9-30-04</u>
3.80 to 5.50%	6-1-95	8-15-21	<u>\$58,170,000</u>	<u>45,515,000 *</u>

* Balance outstanding excludes (\$4,132,838) discount and deferred losses on bonds sold or refunded.

The annual requirements to amortize all outstanding debt of the City as of September 30, 2004 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>General Obligation Bonds</u>		<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004-05	\$ 4,955,949	2,975,462	11,104,051	9,824,743	6,265,000	4,784,861
2005-06	4,479,101	2,867,175	10,845,899	9,380,451	6,305,000	4,475,173
2006-07	4,685,492	2,674,605	11,329,508	8,916,898	6,370,000	4,176,228
2007-08	4,514,994	2,491,285	11,035,006	8,444,872	6,115,000	3,869,100
2008-09	4,468,654	2,298,592	10,861,346	7,974,453	5,415,000	3,571,735
2009-14	21,145,278	8,592,662	53,604,722	32,762,481	27,995,000	13,717,183
2014-19	15,776,749	4,246,685	44,128,251	21,506,908	29,750,000	6,206,365
2019-24	10,195,000	896,451	29,230,000	11,982,075	6,390,000	527,850
2024-29	-	-	17,900,000	6,371,230	-	-
2029-34	-	-	15,625,000	1,695,013	-	-
Totals	<u>\$ 70,221,217</u>	<u>27,042,917</u>	<u>215,663,783</u>	<u>118,859,124</u>	<u>94,605,000</u>	<u>41,328,494</u>

The annual requirements on capital leases of the City as of September 30, 2004, including interest payments of \$106,232 are as follows:

<u>Fiscal Year</u>	<u>Governmental Capital Lease Minimum Payment</u>	<u>Business-Type Capital Lease Minimum Payment</u>	<u>Total Capital Lease Minimum Payment</u>
2004-05	\$ 854,159	666,220	1,520,379
2005-06	545,380	418,741	964,121
2006-07	-	353,694	353,694
2007-08	-	22,202	22,202
Less:			
Interest	(38,582)	(67,650)	(106,232)
Total	<u>\$ 1,360,957</u>	<u>1,393,207</u>	<u>2,754,164</u>

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

H. LONG-TERM DEBT (CONTINUED)

The carrying values on the leased assets of the City as of September 30, 2004 are as follows:

	Gross Value	Accumulated Depreciation	Net Book Value
Governmental Activities	\$ 3,558,489	1,441,188	2,117,301
Business-Type Activities	3,404,477	1,064,892	2,339,585
Total Leased Assets	<u>\$ 6,962,966</u>	<u>2,506,080</u>	<u>4,456,886</u>

Long-term obligations (net of discounts and premiums) for governmental and business-type activities for the year ended September 30, 2004 are as follows:

	Debt Payable 9/30/2003	Additions	Deletions	Debt Payable 9/30/2004	Due in one year
Governmental activities:					
Tax-Supported -					
Obligation Bonds	\$ 69,808,204	27,745,000	27,331,987	70,221,217	4,955,949
Rebatable Arbitrage	122,984	-	122,984	-	-
Capital Leases	996,477	1,535,075	1,170,595	1,360,957	826,018
Compensated Absences	12,636,967	7,918,589	5,637,048	14,918,508	5,475,861
Insurance Claim Payable	2,720,897	14,328,384	14,694,745	2,354,536	2,354,536
Bond Discounts/Premiums	-	1,179,722	-	1,179,722	-
Total Governmental activities	<u>86,285,529</u>	<u>52,706,770</u>	<u>48,957,359</u>	<u>90,034,940</u>	<u>13,612,364</u>
Business-Type activities:					
Self-Supported -					
Obligation Bonds	226,126,796	-	10,463,013	215,663,783	11,104,051
Revenue Bonds	101,295,000	-	6,690,000	94,605,000	6,265,000
Capital Leases	1,941,223	1,844,606	2,392,622	1,393,207	622,442
Rebatable Arbitrage	119,152	-	119,152	-	-
Closure/Post Closure	2,690,001	361,115	-	3,051,116	-
Compensated Absences	3,695,242	2,849,947	2,385,047	4,160,142	2,143,563
Insurance Claim Payable	6,000,000	5,904,528	5,467,674	6,436,854	1,184,210
Bond Discounts/Premiums	(1,496,398)	2,796,962	2,215,441	(914,877)	(97,333)
Total Business-Type activities	<u>\$ 340,371,016</u>	<u>13,757,158</u>	<u>29,732,949</u>	<u>324,395,225</u>	<u>21,221,933</u>

Payments on bonds payable and arbitrage payable for governmental activities are made in the Debt Service Fund. 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.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

H. LONG-TERM DEBT (CONTINUED)

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

Long-term debt - Governmental Activities	\$ 90,034,940	
Long-term debt - Business-type Activities	324,395,225	
Interest	187,230,535	
Total amount of debt		601,660,700
Net gains/losses, premiums/discounts	(264,845)	
Less: Rebatable arbitrage	-	
Less: Capital leases	(2,754,164)	
Less: Insurance claims payable	(8,791,390)	
Less: Compensated absences	(19,078,650)	
Less: Closure/post closure	(3,051,116)	
Total other debt		(33,940,165)
Total future bonded debt requirements		<u>\$ 567,720,535</u>

The City Council called an election for May 15, 2004 to seek voter approval to issue general-purpose tax-supported bonds in the amount of \$30,000,000, which represents the City's current six-year general-purpose debt plan. The following seven propositions were approved by the voters: street improvements, \$9,210,000; civic center/auditorium renovations and improvements, \$6,450,000; park improvements, \$6,395,000; police/municipal court facilities, \$3,350,000; library improvements, \$2,145,000; fire stations, \$1,405,000 and animal shelter renovations and improvements, \$1,045,000. The City previously issued a capital improvement plan to voters in 1999, when voters in the City approved a \$37,385,000 capital improvement plan. In September 2004, the City issued \$2,025,000 General Obligation Bonds, Series 2004. This issuance was the first installment of the capital improvement debt issuance approved by the voters in 2004. The Obligations were issued at a net discount of \$23,332. After paying issuance costs of \$50,000, the net proceeds were \$1,951,668. The proceeds from the sale of the Obligations will be used to fund the following projects: Fire station improvements, \$80,000; animal shelter improvements, \$154,000; park improvements, \$181,000; street improvements, \$1,420,000; traffic control improvements, \$100,000; and costs associated with issuance of the bonds.

In September 2004, the City issued \$3,100,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2004. The Certificates were issued at a net discount of \$36,042. After paying issuance costs of \$58,000, the net proceeds were \$3,005,958. Proceeds from the sale of these Certificates will be used for street improvements, including drainage, streetlights, and traffic signalization and the acquisition of land and necessary rights-of-way; and costs associated with the issuance of the Certificates.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

I. ADVANCED REFUNDING

On September 28, 2004, the City issued General Obligation Refunding Bonds, Series 2004 ("Refunding Bonds") with a par value of \$22,620,000 and a net interest cost of 3.7855% to refund \$23,205,000 of outstanding bonds. These bonds were issued to refund a portion of the City's outstanding tax-supported debt to lower the debt service requirements on such indebtedness.

The Refunding Bonds were issued at a net premium of \$1,815,646. After paying issuance costs of \$304,179, the net proceeds were \$24,224,912. The net proceeds from the issuance of the Refunding Bonds were deposited with the Escrow Agent (JPMorgan Chase Bank, Dallas, Texas) in an amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their scheduled redemption date. These funds will be held by the Escrow Agent in a special escrow fund and used to purchase direct obligations of the United State of America. Under the escrow agreement, between the City and JPMorgan Chase Bank, the escrow fund is irrevocably pledged to the payment of principal and interest on the Refunded Bonds. The Refunded Bonds were removed from the City's basic financial statements.

As a result of the refunding, the City decreased its total debt service requirements by \$874,031, which resulted in an economic gain of \$836,312 and an accounting loss of \$1,019,912. The net premium and bond issuance costs are allocated to both the governmental funds and the enterprise funds based on the fund type which will be responsible for servicing the debt.

J. CONDUIT DEBT

The City issued Housing Finance Corporation Bonds, Health Facilities Development Corporation Bonds, and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of facilities deemed to be in the public interest. 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. Neither the City, 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, 2004, there were seven series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$338,358,912. The bonds were issued between 1993 and 2002. Also as of September 30, 2004, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$11,000,000. The bonds were issued in 1999.

K. RISK MANAGEMENT

The Risk Management Fund was established to account for liability claims, worker's 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 worker's compensation coverage, with no deductible, from a third party. Prior to April 1999 the City was self insured for worker's compensation claims. Any claims outstanding prior to April 1999 continue to be the responsibility of the City.

The City's self insurance liability program is on a cash flow basis, which means that the servicing contractor processes, adjusts and pays claims from a deposit provided by the City. The City accounts for the liability program by charging premiums based upon losses, administrative fees and reserve requirements. In order to control the risks associated with liability claims, the City purchased excess liability coverage in September 1999 which is renewed annually. The policy has a \$10 million annual aggregate limit and is subject to a \$250,000 deductible per claim.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

K. RISK MANAGEMENT (CONTINUED)

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 such complex factors 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 expense 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 \$250,000 dependent upon the unit. Premiums are charged to funds based upon estimated premiums for the upcoming year.

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. The City has had no significant reductions in insurance coverage during the fiscal year. Settlements in the current year and preceding two years have not exceeded insurance coverage. The City accounts for all insurance activity in Internal Service Funds.

L. HEALTH INSURANCE

The City provides medical and dental insurance for all full-time employees that are accounted for in the Health Insurance Fund. Revenue for the health insurance premiums are generated from each cost center based upon the number of active full-time employees. The City's plan is self-insured under an Administrative Services Only (ASO) Agreement. The ASO Agreement provides excess coverage of \$150,000 per covered individual annually and an aggregate cap of \$12,546,913. The insurance vendor based on medical trend, claims history, and utilization determines the aggregate deductible. The contract requires an IBNR reserve of approximately \$2.3 million.

The City also provides full-time employees basic term life insurance and long-term disability insurance. Revenues for the life insurance premiums and long-term disability premiums are also generated from each cost center based upon the number of active employees. The life insurance policy has a face value of \$10,000 per employee. The City will discontinue providing long-term disability insurance as an employer paid benefit during fiscal year 2004-05. Long-term disability premiums are set at a rate per \$100 of annual salary.

Full-time employees may elect to purchase medical and dental insurance for eligible dependents and the City subsidizes dependent premiums to reduce the cost to employees. Employees may also elect to participate in several voluntary insurance programs such as a cancer income policy, voluntary life, and personal accident insurance. Voluntary insurance products are fully paid by the employee.

Retiring City employees may elect to retain medical and dental insurance and a reduced amount of life insurance on themselves and eligible dependents. The retiree pays a portion of the premium costs, but the City subsidizes retiree premiums by about \$1.3 million annually. The life insurance is fully paid by the retiree.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

M. ACCRUED INSURANCE CLAIMS

The Self-Insurance Funds establish a liability for self-insurance for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Self-Insurance Funds during the past two years ended September 30:

	<u>2004</u>	<u>2003</u>
Workers' Compensation and Liability Reserves at beginning of fiscal year	\$ 6,000,000	6,000,000
Claims Expenses	5,467,674	4,561,925
Claims Payments	(5,030,820)	(4,561,925)
Workers' Compensation and Liability Reserves at end of fiscal year	<u>6,436,854</u>	<u>6,000,000</u>
Medical and Dental Claims Liability at beginning of fiscal year	2,720,897	2,685,925
Claims Expenses	14,328,384	13,148,048
Claims Payments	(14,694,745)	(13,113,076)
Medical and Dental Claims Liability at end of fiscal year	<u>2,354,536</u>	<u>2,720,897</u>
Total Self-Insurance Liability at end of fiscal year	<u>8,791,390</u>	<u>8,720,897</u>
Total Assets to pay claims at end of fiscal year	<u>18,920,469</u>	<u>19,741,497</u>
Accrued insurance claims payable from restricted assets - current	3,538,746	4,220,897
Accrued insurance claims payable - noncurrent	5,252,644	4,500,000
Total accrued insurance claims	<u>\$ 8,791,390</u>	<u>8,720,897</u>

N. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place final covers on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. 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 recognizing a corresponding liability) in each period based on landfill capacity used as of each balance sheet date.

The \$3,051,116 included in landfill closure and postclosure care liability at September 30, 2004, represents the cumulative amount expended 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. Over 92 percent of the estimated capacity of Landfill 69 has been used to date, with \$753,669 remaining to be recognized over the remaining closure period, which is estimated at three years. Approximately 2.2 percent of the estimated capacity of Landfill 2252 has been used to date, with \$22,867,597 remaining to be recognized over the remaining closure period, which is estimated at over 80 years. Postclosure care costs are based on prior estimates and have been adjusted for inflation. Actual costs may be different due to inflation, deflation, changes in technology, or changes in regulations.

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

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

O. DISAGREGATION OF ACCOUNTS

<u>Accounts Receivable Summary</u>							
	<u>Court</u>	<u>Property</u>					<u>Balance at</u>
	<u>Fines</u>	<u>Damage</u>	<u>TxDOT</u>	<u>Paving</u>	<u>Grants</u>	<u>Misc.</u>	<u>9/30/04</u>
Governmental activities:							
General Fund	\$ 4,537,134	551,155	472,281	403,300	-	385,908	6,349,778
Debt Service	-	-	-	-	-	162,485	162,485
NonMajor	-	-	-	-	2,433,012	5,938	2,438,950
Total	<u>\$ 4,537,134</u>	<u>551,155</u>	<u>472,281</u>	<u>403,300</u>	<u>2,433,012</u>	<u>554,331</u>	<u>8,951,213</u>

<u>Accounts Receivable Summary</u>					
	<u>General</u>	<u>From</u>	<u>Credit</u>		<u>Balance at</u>
	<u>Consumer</u>	<u>Others</u>	<u>Card</u>	<u>Misc.</u>	<u>9/30/04</u>
Business-type Activities					
Electric	14,192,556	-	-	35,207	14,227,763
Water	4,181,134	452	-	7,559	4,189,145
Sewer	2,380,864	89,104	-	11,875	2,481,843
Stormwater	768,042	-	-	-	768,042
WTMPA	7,568,176	-	-	-	7,568,176
Non-Major	2,331,690	-	2,580	40,726	2,374,996
Total	<u>\$ 31,422,462</u>	<u>89,556</u>	<u>2,580</u>	<u>95,367</u>	<u>31,609,965</u>

<u>Allowance for Doubtful Accounts Summary</u>			
	<u>Accounts</u>	<u>Taxes</u>	<u>Balance at</u>
			<u>9/30/04</u>
Governmental			
General Fund	\$ 250,925	1,202,795	1,453,720
Debt Service Fund	-	438,808	438,808
Non-Major	5,938	-	5,938
Business-Type			
Electric	835,314	-	835,314
Water	253,386	-	253,386
Sewer	125,372	-	125,372
Stormwater	62,443	-	62,443
WTMPA	675,217	-	675,217
Non-Major	148,493	-	148,493
Total	<u>\$ 2,357,088</u>	<u>1,641,603</u>	<u>3,998,691</u>

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUND

O. DISAGREGATION OF ACCOUNTS (CONTINUED)

Accounts Payable Summary					
	Vouchers	Accounts	Investments	Miscellaneous	Balance at 9/30/04
Governmental					
General Fund	\$ 454,395	1,287,984	-	93,648	1,836,027
Debt Service	-	167,374	250,643	-	418,017
Non-Major	349,943	2,371,925	174,987	234,437	3,131,292
Business-Type					
Electric	679,590	7,644,824	3,410	188,584	8,516,408
Water	78,964	580,589	1,462	69,370	730,385
Sewer	163,982	23,978	2,344	34,340	224,644
Stormwater	1,172	53,213	-	-	54,385
WTMPA	-	6,196,307	-	-	6,196,307
Non-Major	183,429	795,927	3,639	174,224	1,157,219
Total	<u>\$ 1,911,475</u>	<u>19,122,121</u>	<u>436,485</u>	<u>794,603</u>	<u>22,264,684</u>

P. DISAGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

Net Receivables					
	Accounts Receivable	Interest Receivable	Taxes Receivable	Internal Service Funds Receivables	Balance at 9/30/04
Governmental					
Activities	\$ 8,694,350	101,728	7,488,784	99,002	16,383,864
Business-Type					
Activities	29,509,738	191,476	-	110,744	29,811,958
Total	<u>\$ 38,204,088</u>	<u>293,204</u>	<u>7,488,784</u>	<u>209,746</u>	<u>46,195,822</u>

Accounts Payable			
	Accounts Payable	Internal Service Funds Payables	Balance at 9/30/04
Governmental			
Activities	\$ 5,385,334	373,461	5,758,795
Business-Type			
Activities	16,879,348	1,012,677	17,892,025
Total	<u>\$ 22,264,682</u>	<u>1,386,138</u>	<u>23,650,820</u>

Q. FUND CLOSURES

In fiscal year 2004, management streamlined the accounting process and closed the following funds: Information Technology Improvements and Community Improvements.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE IV. CONTINGENT LIABILITIES

A. FEDERAL GRANTS

In the normal course of operations, the City receives grant funds from various Federal and state 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 currently involved in the following lawsuits which could have an impact on the financial position if the City is found liable.

Adams, et al v. City of Lubbock:

The City has been sued by numerous firefighters employed by the City of Lubbock. They claim that the City did not properly pay its firefighters for "move-up" pay pursuant to the Civil Service Act. Pursuant to the Civil Service Act firefighters can move-up and perform temporary duties in higher classifications. When they perform these duties they are entitled to the pay of the higher classification. While the City has paid them this higher pay, the plaintiffs assert they are also entitled to the "seniority pay" which they've earned at the lower classification. Their basis for this assertion is that the statute says that they are entitled to the base pay of the higher classification plus any "longevity or seniority pay".

Both sides filed Motions for Summary Judgment in the trial court and the court ruled in favor of the plaintiffs. The City's Motion for Summary Judgment was denied. Plaintiffs were awarded damages, collectively, in the amount of \$688,000 for damages through July 12, 2002, which includes pre-judgment interest. Plaintiffs were denied attorney's fees.

The City of Lubbock appealed the trial court's decision to the appellate court. On October 7, 2004, the Appeals Court reversed the judgment of the trial court and rendered a decision in favor of the City, holding that the City paid its employees properly under the Civil Service Act. The Plaintiffs filed a Motion for Rehearing, which was denied. Plaintiffs have indicated they will attempt to have the Texas Supreme Court review the case.

Barnard Construction Company, Inc. v. City of Lubbock:

The Plaintiff is a construction company suing the City for breach of contract. The plaintiff alleges the City owes it nearly \$2,400,000 for rock it excavated on a drainage project. They assert that they are owed \$204,000 for rock excavated on Line A1 and assert they are owed nearly \$2,200,000 for rock excavated on other lines on the project.

The City has agreed to pay for approximately \$176,000 of rock excavated on Line A1. However, the City denied that it owes Barnard any compensation for rock excavated on the other Lines. The City filed a Motion for Summary Judgment as to this issue and a Trial Court ruled in the City's favor on September 28, 2004. Barnard has indicated it will appeal.

Jeanette Livingston, et al v. City of Lubbock:

Six Plaintiffs filed suit against the City alleging that the City and/or County failed to properly record information in its cemetery records that would indicate where their relatives were buried. The Plaintiffs' attorneys have indicated that he has approximately eighty other clients in the same or similar position. The City asserts it is not responsible for the improper recordation by the prior entities. The City also asserts that the Plaintiffs have no physical injuries and there is no cause of action in Texas for the negligent infliction of emotional distress. The City is also asserting defenses under the statute of limitations. At this time, damages are difficult to ascertain but, collectively, they would meet the \$200,000 materiality definition for damages.

CITY OF LUBBOCK, TEXAS
Notes to Basic Financial Statements
September 30, 2004

NOTE IV. CONTINGENT LIABILITIES

B. LITIGATION (CONTINUED)

Marcie Tanner v. City of Lubbock:

The Plaintiff sued the City for racial discrimination, pursuant to 42 U.S.C. § 1981, after she was terminated from her employment with the City of Lubbock. The City asserts that she was terminated because she sent duplicate mileage reimbursement requests to both the City her employer, and Texas Tech University.

The Plaintiff also sued Texas Tech, but Texas Tech was dismissed. The City does not believe the potential damages are above \$200,000.

C. SITE REMEDIATION

The City has identified specific locations requiring site remediation relative to underground fuel storage tanks and historical fire training sites. The potential exposure is not readily determinable as of September 30, 2004. In the opinion of management, the ultimate liability will not have a materially adverse effect on the City's financial position.

NOTE V. SUBSEQUENT EVENTS

A. VOTER APPROVED CHARTER AMENDMENT

The voters of the City of Lubbock on November 2, 2004, voted to amend the Charter of the City of Lubbock providing for an Electric Utility Board composed of nine Lubbock citizens and eligible voters appointed by City Council be created to govern, manage, and operate the City's electric utility. The City Council appointed the nine members of the new Electric Utility Board on November 12, 2004 pursuant to the Charter Amendment passed by the voters of the City of Lubbock on November 2, 2004. The purpose of the change is to give closer scrutiny to LP&L's competitive position and long term financial viability.

B. LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE, INC. (LEDA)

Lubbock Economic Development Alliance, Inc. (LEDA) is a 501C-4 Corporation created by the Lubbock City Council to take the lead in economic development for the City. LEDA is led by a five member Board appointed by the City Council and is funded by a 1/8 cent increase in the sales tax. The sales tax increase was approved by the voters for economic development activities in November 2003. LEDA will be considered a component unit of the City when it begins collecting funds from operations during the fiscal year 2004-05.



CITY OF LUBBOCK, TEXAS

COMBINING **F**UND STATEMENTS AND **S**CHEDULES

*Combining Fund
Statement & Schedules*

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 to expenditures for specified purposes.

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

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

Hotel/Motel Tax Fund - Accounts for total hotel/motel occupancy tax receipts and distributes to appropriate funds.

Cemetery Permanent Care Fund – Accounts for the receipt and disbursement of funds associated with the perpetual care and maintenance of the cemetery.

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

Central Business District Tax Increment Finance Fund (CBD) - Accounts for incremental tax funds dedicated to the development of the Central Business District.

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.

Urban Renewal Agency - Accounts for housing rehabilitation, housing acquisition, and land disposition. The URA is governed by the City Council.

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

Health Services Fund - Accounts for the receipt and disbursement of funds received from the Texas Department of Health 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 State Department of Highways and Public Transportation and the Office of the Governor, Criminal Justice Division, and United States Department of Justice.

Other Grants Fund - Accounts for the receipt and disbursement of funds received from the Texas State Department of Highways, Texas Historical Commission, United States Department of Transportation, United States Department of the Interior, Texas Department of Human Services, and South Plains Association of Governments.

CITY OF LUBBOCK, TEXAS

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 grants, and other specific receipts.

Public Safety Capital Projects Fund - Accounts for the financing and construction of public safety improvements.

Park Improvements Fund - Accounts for the financing and construction of park improvements.

Streets Improvements Fund - Accounts for the financing and construction of streets and alleys financed primarily by bond issues and property owner participation.

Street Permanent Maintenance - Accounts for the financing and reconstruction of public streets, thoroughfares, and public ways.

General Capital Projects Fund - Accounts for the financing and expenditures related to the purchase and/or construction of municipal buildings and equipment.

General Facilities and System Improvements Fund - Accounts for the maintenance, repair, or replacement of major components of all public buildings and public facilities owned by the City.

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



CITY OF LUBBOCK, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2004

Special Revenue				
	Criminal Investigation	Economic Development Incentive	Hotel/ Motel Tax	Cemetery Permanent Care
ASSETS				
Pooled cash and cash equivalents	\$ 308,393	59,198	300,980	-
Investments	74,704	14,340	72,908	43,702
Taxes receivable	-	90,102	-	-
Accounts receivable	-	-	-	-
Interest receivable	732	1,886	-	-
Bonds proceeds receivable	-	-	-	-
Mortgages receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from others	-	10,008	669,738	-
Investment in property	-	-	-	-
Advances to other governments	-	-	-	-
Total Assets	<u>383,829</u>	<u>175,534</u>	<u>1,043,626</u>	<u>43,702</u>
LIABILITIES				
Accounts payable	134,080	-	-	-
Due to other funds	-	-	335,000	-
Accrued liabilities	-	-	278	-
Advances from other funds	-	-	-	-
Deferred revenue	-	79,851	-	-
Total Liabilities	<u>134,080</u>	<u>79,851</u>	<u>335,278</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Special revenue funds-grants	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved	<u>249,749</u>	<u>95,683</u>	<u>708,348</u>	<u>43,702</u>
Total Fund Balances	<u>249,749</u>	<u>95,683</u>	<u>708,348</u>	<u>43,702</u>
Total Liabilities and Fund Balances	<u>\$ 383,829</u>	<u>175,534</u>	<u>1,043,626</u>	<u>43,702</u>

Special Revenue

	North Overton TIF	Central Business District TIF	Information Technology Improvements	Community Improvement	Community Development	Urban Renewal Agency (URA)
\$	76,309	45,216	-	-	1,175,810	-
	18,485	10,953	-	-	284,823	-
	-	-	-	-	-	-
	-	-	-	-	980,612	-
	213	127	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	5,653,444
	-	-	-	-	856,982	-
	-	-	-	-	-	218,503
	-	-	-	-	-	-
	<u>95,007</u>	<u>56,296</u>	<u>-</u>	<u>-</u>	<u>3,298,227</u>	<u>5,871,947</u>
	-	-	-	-	2,101,252	-
	-	-	-	-	-	-
	-	-	-	-	28,185	-
	-	-	-	-	-	-
	-	-	-	-	994,763	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,124,200</u>	<u>-</u>
	-	-	-	-	-	5,871,947
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>95,007</u>	<u>56,296</u>	<u>-</u>	<u>-</u>	<u>174,027</u>	<u>-</u>
	<u>95,007</u>	<u>56,296</u>	<u>-</u>	<u>-</u>	<u>174,027</u>	<u>5,871,947</u>
\$	<u>95,007</u>	<u>56,296</u>	<u>-</u>	<u>-</u>	<u>3,298,227</u>	<u>5,871,947</u>

CITY OF LUBBOCK, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2004

	<u>Special Revenue</u>			
	<u>Community Services</u>	<u>Health</u>	<u>Library</u>	<u>Police</u>
ASSETS				
Pooled cash and cash equivalents	\$ 12,264	8,416	21,732	6,750
Investments	2,971	2,039	5,264	1,635
Taxes receivable	-	-	-	-
Accounts receivable	-	576,655	148,342	696,094
Interest receivable	-	-	-	708
Bonds proceeds receivable	-	-	-	-
Mortgages receivable	-	-	-	-
Due from other governments	100,370	-	26,239	9,796
Due from others	-	-	-	-
Investment in property	-	-	-	-
Advances to other governments	-	-	-	-
Total Assets	<u>115,605</u>	<u>587,110</u>	<u>201,577</u>	<u>714,983</u>
LIABILITIES				
Accounts payable	9,374	60,382	429	157,799
Due to other funds	100,200	240,050	184,500	315,500
Accrued liabilities	5,275	25,489	9,201	4,997
Advances from other funds	-	-	-	-
Deferred revenue	-	-	1,330	205,710
Total Liabilities	<u>114,849</u>	<u>325,921</u>	<u>195,460</u>	<u>684,006</u>
FUND BALANCES				
Reserved for:				
Special revenue funds-grants	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved	<u>756</u>	<u>261,189</u>	<u>6,117</u>	<u>30,977</u>
Total Fund Balances	<u>756</u>	<u>261,189</u>	<u>6,117</u>	<u>30,977</u>
Total Liabilities and Fund Balances	<u>\$ 115,605</u>	<u>587,110</u>	<u>201,577</u>	<u>714,983</u>

Special Revenue		Capital Projects		
Other Grants	Total Special Revenue Funds	Public Safety	Park Improvements	Street Improvements
\$ 9,119	2,024,187	1,301,066	4,511,218	9,869,554
2,209	534,033	315,165	1,092,780	2,390,762
-	90,102	-	-	-
31,309	2,433,012	-	-	-
-	3,666	2,638	1,159	6,618
-	-	85,000	190,000	4,690,000
-	5,653,444	-	-	-
301,253	1,294,640	-	-	-
-	679,746	-	-	-
-	218,503	-	-	-
-	-	-	-	-
<u>343,890</u>	<u>12,931,333</u>	<u>1,703,869</u>	<u>5,795,157</u>	<u>16,956,934</u>
2,792	2,466,108	2,124	144,159	292,017
305,250	1,480,500	-	-	-
23,387	96,812	-	-	-
-	-	1,023,705	-	-
-	1,281,654	-	-	2,266,244
<u>331,429</u>	<u>5,325,074</u>	<u>1,025,829</u>	<u>144,159</u>	<u>2,558,261</u>
-	5,871,947	-	-	-
-	-	-	-	-
-	-	678,040	5,650,998	14,398,673
<u>12,461</u>	<u>1,734,312</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,461</u>	<u>7,606,259</u>	<u>678,040</u>	<u>5,650,998</u>	<u>14,398,673</u>
\$ <u>343,890</u>	<u>12,931,333</u>	<u>1,703,869</u>	<u>5,795,157</u>	<u>16,956,934</u>

CITY OF LUBBOCK, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2004

	Capital Projects			
	Permanent Street Maintenance	General Capital Projects	General Facilities and System Imp.	Tif Capital Projects
ASSETS				
Pooled cash and cash equivalents	\$ 207,907	296,331	1,494,664	1,702,102
Investments	50,362	71,782	362,062	412,311
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	1,560	920	3,168	417
Bonds proceeds receivable	-	-	160,000	-
Mortgages receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Investment in property	-	-	-	-
Advances to other governments	-	-	-	-
Total Assets	<u>259,829</u>	<u>369,033</u>	<u>2,019,894</u>	<u>2,114,830</u>
LIABILITIES				
Accounts payable	52,593	141	90,110	84,038
Due to other funds	-	-	-	-
Accrued liabilities	24,562	-	-	-
Advances from other funds	-	445,676	-	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>77,155</u>	<u>445,817</u>	<u>90,110</u>	<u>84,038</u>
FUND BALANCES				
Reserved for:				
Special revenue funds-grants	-	-	-	-
Debt service	-	-	-	-
Capital projects	182,674	-	1,929,784	2,030,792
Unreserved	<u>-</u>	<u>(76,784)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>182,674</u>	<u>(76,784)</u>	<u>1,929,784</u>	<u>2,030,792</u>
Total Liabilities and Fund Balances	<u>\$ 259,829</u>	<u>369,033</u>	<u>2,019,894</u>	<u>2,114,830</u>

<u>Capital Projects</u>		
<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>	
\$ 19,382,843	21,407,030	
4,695,223	5,229,256	
-	90,102	
-	2,433,012	
16,480	20,146	
5,125,000	5,125,000	
-	5,653,444	
-	1,294,640	
-	679,746	
-	218,503	
-	-	
<u>29,219,546</u>	<u>42,150,879</u>	
665,182	3,131,290	
-	1,480,500	
24,562	121,374	
1,469,381	1,469,381	
<u>2,266,244</u>	<u>3,547,898</u>	
<u>4,425,369</u>	<u>9,750,443</u>	
-	5,871,947	
-	-	
24,870,961	24,870,961	
-	-	
<u>(76,784)</u>	<u>1,657,528</u>	
<u>24,794,177</u>	<u>32,400,436</u>	
\$ <u>29,219,546</u>	<u>42,150,879</u>	

CITY OF LUBBOCK, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue			
	Criminal Investigation	Economic Development Incentive	Hotel/ Motel Tax	Cemetery Permanent Care
REVENUES				
Property taxes	\$ -	2,367,444	-	-
Hotel and motel taxes	-	-	2,853,205	-
Intergovernmental revenue	-	-	-	-
Charges for services	-	-	-	-
Interest	3,788	4,471	3,273	93
Miscellaneous	59,627	-	-	43,609
Total Revenues	<u>63,415</u>	<u>2,371,915</u>	<u>2,856,478</u>	<u>43,702</u>
EXPENDITURES				
Current:				
General government	174,888	2,228,691	1,391,261	-
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>174,888</u>	<u>2,228,691</u>	<u>1,391,261</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(111,473)</u>	<u>143,224</u>	<u>1,465,217</u>	<u>43,702</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Bond premium (discount)	-	-	-	-
Capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(504,677)	(1,692,322)	-
Total other financing sources (uses)	<u>-</u>	<u>(504,677)</u>	<u>(1,692,322)</u>	<u>-</u>
Net change in fund balances	<u>(111,473)</u>	<u>(361,453)</u>	<u>(227,105)</u>	<u>43,702</u>
Fund balances - beginning of year	361,222	457,136	935,453	-
Fund balances - end of year	<u>\$ 249,749</u>	<u>95,683</u>	<u>708,348</u>	<u>43,702</u>

Special Revenue

	<u>North Overton TIF</u>	<u>Central Business District TIF</u>	<u>Information Technology Improvements</u>	<u>Community Improvement</u>	<u>Community Development</u>	<u>Urban Renewal Agency (URA)</u>
\$	95,537	57,204	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	3,857,234	-
	450	267	138	-	-	-
	-	-	-	-	559,230	-
	<u>95,987</u>	<u>57,471</u>	<u>138</u>	<u>-</u>	<u>4,416,464</u>	<u>-</u>
	980	1,175	-	1,320,064	4,201,314	217,263
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	41,863	-
	<u>980</u>	<u>1,175</u>	<u>-</u>	<u>1,320,064</u>	<u>4,243,177</u>	<u>217,263</u>
	<u>95,007</u>	<u>56,296</u>	<u>138</u>	<u>(1,320,064)</u>	<u>173,287</u>	<u>(217,263)</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	1,450,973	-	-
	-	-	(296,617)	(125,000)	-	-
	-	-	(296,617)	1,325,973	-	-
	<u>95,007</u>	<u>56,296</u>	<u>(296,479)</u>	<u>5,909</u>	<u>173,287</u>	<u>(217,263)</u>
	-	-	296,479	(5,909)	740	6,089,210
\$	<u><u>95,007</u></u>	<u><u>56,296</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>174,027</u></u>	<u><u>5,871,947</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, 2004

	<u>Special Revenue</u>			
	<u>Community Services</u>	<u>Health</u>	<u>Library</u>	<u>Police</u>
REVENUES				
Property taxes	\$ -	-	-	-
Hotel and motel taxes	-	-	-	-
Intergovernmental revenue	638,816	1,545,237	555,905	1,629,923
Charges for services	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	285,251	-	280,037
Total Revenues	<u>638,816</u>	<u>1,830,488</u>	<u>555,905</u>	<u>1,909,960</u>
EXPENDITURES				
Current:				
General government	826,747	987,828	536,801	732,593
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	827,540	-	968,973
Total Expenditures	<u>826,747</u>	<u>1,815,368</u>	<u>536,801</u>	<u>1,701,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(187,931)</u>	<u>15,120</u>	<u>19,104</u>	<u>208,394</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Bond premium (discount)	-	-	-	-
Capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(187,931)</u>	<u>15,120</u>	<u>19,104</u>	<u>208,394</u>
Fund balances - beginning of year	<u>188,687</u>	<u>246,069</u>	<u>(12,987)</u>	<u>(177,417)</u>
Fund balances - end of year	<u>\$ 756</u>	<u>261,189</u>	<u>6,117</u>	<u>30,977</u>

Special Revenue		Capital Projects		
Other Grants	Total Special Revenue Funds	Public Safety	Park Improvements	Street Improvements
\$ -	2,520,185	-	-	-
-	2,853,205	-	-	-
987,866	9,214,981	-	-	-
-	-	-	-	849,147
-	12,480	14,579	91,502	176,407
153,727	1,381,481	51	58,336	135,432
<u>1,141,593</u>	<u>15,982,332</u>	<u>14,630</u>	<u>149,838</u>	<u>1,160,986</u>
1,030,432	13,650,037	-	-	-
-	-	143,459	-	516,974
-	-	-	-	-
-	-	-	-	-
99,851	1,938,227	504,819	3,277,193	4,055,640
<u>1,130,283</u>	<u>15,588,264</u>	<u>648,278</u>	<u>3,277,193</u>	<u>4,572,614</u>
11,310	394,068	(633,648)	(3,127,355)	(3,411,628)
-	-	85,000	190,000	4,690,000
-	-	-	-	-
-	-	-	-	-
-	1,450,973	462,193	-	301,000
-	(2,618,616)	(6,010)	(270,252)	(755,106)
-	(1,167,643)	541,183	(80,252)	4,235,894
11,310	(773,575)	(92,465)	(3,207,607)	824,266
1,151	8,379,834	770,505	8,858,605	13,574,407
<u>\$ 12,461</u>	<u>7,606,259</u>	<u>678,040</u>	<u>5,650,998</u>	<u>14,398,673</u>

CITY OF LUBBOCK, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Capital Projects</u>			
	<u>Permanent Street Maintenance</u>	<u>General Capital Projects</u>	<u>General Facilities and System Imp.</u>	<u>TIF Capital Projects</u>
REVENUES				
Property taxes	\$ -	-	-	-
Hotel and motel taxes	-	-	-	-
Intergovernmental revenue	-	-	-	-
Charges for services	-	-	-	-
Interest	5,161	6,474	28,646	40,748
Miscellaneous	-	37,500	-	-
Total Revenues	<u>5,161</u>	<u>43,974</u>	<u>28,646</u>	<u>40,748</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public works	-	337,203	1,468,967	546,384
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	1,668,693	100,035	3,729,151	916,793
Total Expenditures	<u>1,668,693</u>	<u>437,238</u>	<u>5,198,118</u>	<u>1,463,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,663,532)</u>	<u>(393,264)</u>	<u>(5,169,472)</u>	<u>(1,422,429)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	160,000	-
Bond premium (discount)	-	-	-	-
Capital leases	-	-	1,535,075	-
Transfers in	1,788,000	591,165	1,527,183	-
Transfers out	-	(212,327)	-	(9,569)
Total other financing sources (uses)	<u>1,788,000</u>	<u>378,838</u>	<u>3,222,258</u>	<u>(9,569)</u>
Net change in fund balances	124,468	(14,426)	(1,947,214)	(1,431,998)
Fund balances - beginning of year	58,206	(62,358)	3,876,998	3,462,790
Fund balances - end of year	<u>\$ 182,674</u>	<u>(76,784)</u>	<u>1,929,784</u>	<u>2,030,792</u>

<u>Capital Projects</u>		
<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>	
\$ -	2,520,185	
-	2,853,205	
-	9,214,981	
849,147	849,147	
363,517	375,997	
231,319	1,612,800	
-	-	
<u>1,443,983</u>	<u>17,426,315</u>	
-	-	
-	-	
-	13,650,037	
3,012,987	3,012,987	
-	-	
-	-	
-	-	
14,252,324	16,190,551	
-	-	
<u>17,265,311</u>	<u>32,853,575</u>	
-	-	
-	-	
<u>(15,821,328)</u>	<u>(15,427,260)</u>	
-	-	
-	-	
5,125,000	5,125,000	
-	-	
1,535,075	1,535,075	
4,669,541	6,120,514	
(1,253,264)	(3,871,880)	
<u>10,076,352</u>	<u>8,908,709</u>	
(5,744,976)	(6,518,551)	
30,539,153	38,918,987	
\$ <u>24,794,177</u>	<u>32,400,436</u>	

CITY OF LUBBOCK, TEXAS

Non-Major 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.

**CITY OF LUBBOCK, TEXAS
STATEMENT OF NET ASSETS
OTHER NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2004**

ASSETS	Business-Type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Airport	Solid Waste	Transit	
Current assets:				
Pooled cash and cash equivalents	\$ 11,336	5,806,506	8,815	5,826,657
Investments	2,746	1,406,545	100,411	1,509,702
Receivables, net	457,602	1,396,584	372,317	2,226,503
Interest receivable	3,102	26,155	-	29,257
Due from others	-	-	1,091,079	1,091,079
Due from other funds	-	-	-	-
Inventories	27,946	-	439,611	467,557
Total current assets	<u>502,732</u>	<u>8,635,790</u>	<u>2,012,233</u>	<u>11,150,755</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,871,454	3,118,980	-	4,990,434
Restricted investments	5,649,896	4,657,094	-	10,306,990
Receivables, net	-	-	-	-
Interest receivable	19,374	8,908	-	28,282
Deferred charges	-	-	-	-
Other assets	-	-	-	-
Advances to other funds	-	1,023,705	-	1,023,705
Capital assets:				
Land	3,574,176	1,607,932	318,539	5,500,647
Construction in progress	3,339,364	5,950,400	203,799	9,493,563
Buildings	36,113,083	1,399,523	4,244,024	41,756,630
Improvements other than buildings	74,930,191	15,768,155	1,273,687	91,972,033
Machinery and equipment	7,446,510	18,710,835	17,520,493	43,677,838
Less accumulated depreciation	<u>(60,821,793)</u>	<u>(24,425,952)</u>	<u>(15,694,229)</u>	<u>(100,941,974)</u>
Total capital assets	<u>64,581,531</u>	<u>19,010,893</u>	<u>7,866,313</u>	<u>91,458,737</u>
Total noncurrent assets	<u>72,122,255</u>	<u>27,819,580</u>	<u>7,866,313</u>	<u>107,808,148</u>
Total Assets	\$ <u>72,624,987</u>	<u>36,455,370</u>	<u>9,878,546</u>	<u>118,958,903</u>

**CITY OF LUBBOCK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004**

Business-Type Activities - Enterprise Funds

LIABILITIES	Airport	Solid Waste	Transit	Total Nonmajor Enterprise Funds
Current liabilities:				
Accounts payable	\$ 931,654	122,127	103,438	1,157,219
Accrued expenses	93,589	176,769	135,327	405,685
Accrued interest payable	7,984	48,415	-	56,399
Due to other funds	261,500	-	450,000	711,500
Customer deposits	-	6,122	-	6,122
Lease payable	-	387,183	-	387,183
Bonds payable	450,000	437,355	-	887,355
Total current liabilities	<u>1,744,727</u>	<u>1,177,971</u>	<u>688,765</u>	<u>3,611,463</u>
Noncurrent liabilities:				
Compensated absences	216,273	234,370	176,325	626,968
Deferred revenue	29,353	-	-	29,353
Advances from other funds	-	-	-	-
Landfill closure and post closure care	-	3,051,116	-	3,051,116
Contracts/leases payable	-	348,533	-	348,533
Bonds payable	3,285,000	8,075,594	-	11,360,594
Total noncurrent liabilities	<u>3,530,626</u>	<u>11,709,613</u>	<u>176,325</u>	<u>15,416,564</u>
Total Liabilities	<u>5,275,353</u>	<u>12,887,584</u>	<u>865,090</u>	<u>19,028,027</u>
NET ASSETS				
Invested in capital assets, net of related debt	62,190,062	12,319,838	7,866,313	82,376,213
Restricted for capital	6,177,819	5,218,459	-	11,396,278
Unrestricted	(1,018,247)	6,029,489	1,147,143	6,158,385
Total Net Assets	<u>\$ 67,349,634</u>	<u>23,567,786</u>	<u>9,013,456</u>	<u>99,930,876</u>

**CITY OF LUBBOCK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
OTHER NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Business-Type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Airport	Solid Waste	Transit	
OPERATING REVENUES				
Charges for services	\$ -	12,081,092	2,754,056	14,835,148
Provision for bad debts	-	(439,776)	-	(439,776)
Charges for services (net)	-	11,641,316	2,754,056	14,395,372
New taps and reconnects	-	-	-	-
Effluent water sales	-	-	-	-
Commodity sales	-	-	-	-
Landing fees	749,037	-	-	749,037
Parking	1,065,838	-	-	1,065,838
Rentals	1,696,683	-	-	1,696,683
Concessions	1,114,712	-	-	1,114,712
Miscellaneous	-	-	139,451	139,451
Total Operating Revenues	4,626,270	11,641,316	2,893,507	19,161,093
OPERATING EXPENSES				
Personal services	1,405,664	3,516,691	4,721,433	9,643,788
Supplies	124,989	852,922	622,006	1,599,917
Maintenance	313,594	1,699,461	634,261	2,647,316
Collection expense	-	292,217	-	292,217
Other services and charges	1,687,857	1,716,935	994,038	4,398,830
Depreciation and amortization	3,255,401	8,016,067	2,019,973	13,291,441
Total Operating Expenses	6,787,505	16,094,293	8,991,711	31,873,509
Operating Income (Loss)	(2,161,235)	(4,452,977)	(6,098,204)	(12,712,416)
NONOPERATING REVENUES (EXPENSES)				
Interest	80,482	239,874	-	320,356
Passenger facility charges/Federal grants	1,402,003	-	5,336,794	6,738,797
Disposition of properties	-	(976,557)	(4,727)	(981,284)
Miscellaneous	42,006	(287,842)	(88,944)	(334,780)
Pass-through grant payments	-	-	(1,568,721)	(1,568,721)
Interest on bonds	(65,203)	(359,336)	-	(424,539)
Total Nonoperating Revenues (Expenses)	1,459,288	(1,383,861)	3,674,402	3,749,829
Income (loss) before contributions and transfers	(701,947)	(5,836,838)	(2,423,802)	(8,962,587)
Capital contributions/(distributions)	1,573,384	-	-	1,573,384
Transfers in	292,914	732,646	849,200	1,874,760
Transfers (out)	(1,342,291)	(2,873,824)	-	(4,216,115)
Change in net assets	(177,940)	(7,978,016)	(1,574,602)	(9,730,558)
Total net assets - beginning of year	67,527,574	31,545,802	10,588,058	109,661,434
Total net assets - ending	\$ 67,349,634	23,567,786	9,013,456	99,930,876

CITY OF LUBBOCK, TEXAS
STATEMENT OF CASH FLOWS
OTHER NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Airport	Solid Waste	Transit	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,284,053	11,832,867	2,927,210	20,044,130
Payments to suppliers	(1,175,812)	(4,602,887)	(2,301,134)	(8,079,833)
Payments to employees	(1,456,906)	(3,440,679)	(4,718,433)	(9,616,018)
Other receipts (payments)	35,525	(1,285,876)	-	(1,250,351)
Net cash provided (used) by operating activities	<u>2,686,860</u>	<u>2,503,425</u>	<u>(4,092,357)</u>	<u>1,097,928</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	292,914	732,646	849,200	1,874,760
Transfers out to other funds	(1,342,291)	(2,873,824)	-	(4,216,115)
Short-term interfund borrowings	(298,500)	-	(345,681)	(644,181)
Advances from (to) other funds	(1,036,740)	-	-	(1,036,740)
Operating grants	-	-	3,768,073	3,768,073
Payments received/(made) on advances (to)/from other funds	-	1,045,135	-	1,045,135
Net cash provided (used) by noncapital and related financing activities	<u>(2,384,617)</u>	<u>(1,096,043)</u>	<u>4,271,592</u>	<u>790,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(1,059,659)	(2,799,079)	(70,009)	(3,928,747)
Sale of capital assets	-	225,164	-	225,164
Payments for bond issuance costs	-	(373,851)	-	(373,851)
Principal paid on general obligation bonds and other debt	(440,000)	(322,349)	-	(762,349)
Interest paid on general obligation bonds	(65,996)	(364,984)	-	(430,980)
Passenger facility charges/capital grants	1,402,003	-	-	1,402,003
Contributed capital	1,573,384	-	-	1,573,384
Net cash provided (used) for capital and related financing activities	<u>1,409,732</u>	<u>(3,635,099)</u>	<u>(70,009)</u>	<u>(2,295,376)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	942,327	6,333,288	-	7,275,615
Purchase of investments	(2,194,177)	(2,353,713)	(100,411)	(4,648,301)
Interest earnings on cash and investments	71,913	219,833	-	291,746
Net cash provided by (used for) investing activities	<u>(1,179,937)</u>	<u>4,199,408</u>	<u>(100,411)</u>	<u>2,919,060</u>
Net increase (decrease) in cash and cash equivalents	532,038	1,971,691	8,815	2,512,544
Cash and cash equivalents - beginning of year	1,350,752	6,953,795	-	8,304,547
Cash and cash equivalents - end of year	<u>1,882,790</u>	<u>8,925,486</u>	<u>8,815</u>	<u>10,817,091</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(2,161,235)	(4,452,977)	(6,098,204)	(12,712,416)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,255,401	8,016,067	2,019,973	13,291,441
Other income (expense)	35,525	(1,285,876)	(93,671)	(1,344,022)
Change in current assets and liabilities:				
Accounts receivable	657,783	191,551	33,703	883,037
Inventory	(13,505)	-	(28,419)	(41,924)
Prepaid expenses	-	-	12,097	12,097
Due from other governments	-	-	(194,307)	(194,307)
Accounts payable	861,133	(391,799)	44,819	514,153
Other accrued expenses	47,686	47,669	35,327	130,682
Customer deposits	-	150	-	150
Increase (decrease) in compensated absences	4,072	378,640	176,325	559,037
Net cash provided (used) by operating activities	<u>2,686,860</u>	<u>2,503,425</u>	<u>(4,092,357)</u>	<u>1,097,928</u>
Supplemental cash flow information:				
Noncash capital improvements and other changes	\$ -	21,477	-	21,477

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.

Central Warehouse Fund - Accounts for central warehouse operations.

Management Information Fund - Accounts for the information processing services provided to City departments and other governmental agencies.

Risk Management Fund - Accounts for activities related to general liability, auto liability, public official's liability, and workers' compensation liability.

Print Shop and Office Store Fund - Accounts for printing services and central office supplies provided to City departments.

Radio Shop Fund - Accounts for the mobile telephone and radio shop operations.

Custodial Services Fund – Accounts for custodial services provided for the City's facilities.

Building Services Fund - Accounts for the City's building services.

Environmental Compliance Fund – Accounts for activities associated with environmental activities.

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

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

Legislation Fund – Accounts for the operating costs associated with the legislative support for the City.

CITY OF LUBBOCK, TEXAS
COMBINING STATEMENT OF NET ASSETS-INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2004

Assets	Business-type Activities				
	Fleet Maintenance Fund	Central Warehouse Fund	Management Information Fund	Risk Management Fund	Total Business-Type Activities
Current assets:					
Pooled cash and cash equivalents	\$ 99,694	260,192	975,716	-	1,335,601
Investments	24,149	63,028	236,353	-	323,531
Accounts receivable	-	-	-	-	-
Due from others	-	-	-	-	-
Interest receivable	200	463	3,673	-	4,336
Inventory, at average cost	303,212	1,140,220	-	-	1,443,432
Total current assets	427,255	1,463,903	1,215,742	-	3,106,900
Restricted assets:					
Capital projects:					
Pooled cash and cash equivalents	57,202	-	594,405	-	651,607
Facilities/system improvements:					
Pooled cash and cash equivalents	-	-	-	-	-
Self-insurance - health:					
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	-	-	-
Self-insurance - risk management:					
Investments	-	-	-	12,271,163	12,271,163
Accounts receivable	-	-	-	80,333	80,333
Interest receivable	-	-	-	26,075	26,075
Total restricted assets	57,202	-	594,405	12,377,571	13,029,178
Capital assets:					
Land	-	-	-	-	-
Buildings	1,469,765	138,853	-	-	1,608,618
Improvements other than buildings	-	-	313,341	-	313,341
Machinery and equipment	602,957	74,495	1,541,296	17,227	2,235,975
Construction in progress	42,870	-	655,076	-	697,946
Total property, plant, and equipment	2,115,592	213,348	2,509,713	17,227	4,855,880
Less accumulated depreciation	(1,116,917)	(213,348)	(1,392,355)	(4,785)	(2,727,405)
Total capital assets	998,675	-	1,117,358	12,442	2,128,475
Total assets	\$ 1,483,132	1,463,903	2,927,505	12,390,013	18,264,553

Governmental Activities

	Print Shop and Office Store Fund	Radio Shop Fund	Custodial Services Fund	Building Services Fund	Environmental Compliance Fund
\$	101,693	503,425	81,337	414,925	71,783
	24,634	121,948	19,703	100,510	17,388
	-	-	-	309	-
	9,381	-	-	-	-
	283	5,110	619	1,123	1,425
	-	69,154	-	-	-
	<u>135,991</u>	<u>699,637</u>	<u>101,659</u>	<u>516,867</u>	<u>90,596</u>
	-	1,678,771	-	-	473,504
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	1,678,771	-	-	473,504
	-	65,343	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	333,180	5,433,372	-	170,118	-
	-	901,754	-	32,678	-
	<u>333,180</u>	<u>6,400,469</u>	<u>-</u>	<u>202,796</u>	<u>-</u>
	<u>(127,839)</u>	<u>(5,286,370)</u>	<u>-</u>	<u>(170,118)</u>	<u>-</u>
	<u>205,341</u>	<u>1,114,099</u>	<u>-</u>	<u>32,678</u>	<u>-</u>
\$	<u><u>341,332</u></u>	<u><u>3,492,507</u></u>	<u><u>101,659</u></u>	<u><u>549,545</u></u>	<u><u>564,100</u></u>

CITY OF LUBBOCK, TEXAS
COMBINING STATEMENT OF NET ASSETS-INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2004

Assets	Governmental Activities			Total Governmental Activities	Grand Total Internal Service Funds
	Health Benefits Fund	Investment Pool Fund	Legislation Fund		
Current assets:					
Pooled cash and cash equivalents	\$ -	-	46,052	1,219,215	2,554,816
Investments	-	-	11,155	295,338	618,869
Accounts receivable	-	-	-	309	309
Due from others	-	-	-	9,381	9,381
Interest receivable	-	-	252	8,812	13,148
Inventory, at average cost	-	-	-	69,154	1,512,586
Total current assets	-	-	57,459	1,602,209	4,709,109
Restricted assets:					
Capital projects:					
Pooled cash and cash equivalents	-	-	-	2,152,275	2,803,882
Facilities/system improvements:					
Pooled cash and cash equivalents	-	-	-	-	-
Self-insurance - health:					
Investments	6,723,257	-	-	6,723,257	6,723,257
Accounts receivable	70,353	-	-	70,353	70,353
Interest receivable	19,528	-	-	19,528	19,528
Self-insurance - risk management:					
Investments	-	-	-	-	12,271,163
Accounts receivable	-	-	-	-	80,333
Interest receivable	-	-	-	-	26,075
Total restricted assets	6,813,138	-	-	8,965,413	21,994,591
Capital assets:					
Land	-	-	-	65,343	65,343
Buildings	-	-	-	-	1,608,618
Improvements other than buildings	-	-	-	-	313,341
Machinery and equipment	5,568	-	-	5,942,238	8,178,213
Construction in progress	-	-	-	934,432	1,632,378
Total property, plant, and equipment	5,568	-	-	6,942,013	11,797,893
Less accumulated depreciation	(4,028)	-	-	(5,588,355)	(8,315,760)
Total capital assets	1,540	-	-	1,353,658	3,482,133
Total assets	\$ 6,814,678	-	57,459	11,921,280	30,185,833



CITY OF LUBBOCK, TEXAS
 COMBINING STATEMENT OF NET ASSETS-INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2004

Liabilities and Fund Equity	Business-type Activities				
	Fleet Maintenance Fund	Central Warehouse Fund	Management Information Fund	Risk Management Fund	Total Business-Type Activities
Current liabilities:					
Accounts payable	\$ 292,645	18,953	483,561	-	795,159
Due to other funds	-	-	-	-	-
Accrued liabilities	40,998	4,668	70,329	-	115,995
Total current liabilities	333,643	23,621	553,890	-	911,154
Liabilities (payable from restricted assets):					
Self-insurance - health:					
Accounts payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Health claims payable	-	-	-	-	-
Self-insurance - risk management:					
Accounts payable	-	-	-	217,518	217,518
Accrued liabilities	-	-	-	3,323	3,323
Accrued insurance claims	-	-	-	1,184,210	1,184,210
Capital projects:					
Accounts payable	-	-	-	-	-
Total liabilities (payable from restricted assets)	-	-	-	1,405,051	1,405,051
Long-term liabilities:					
Accrued insurance claims	-	-	-	5,252,644	5,252,644
Accrued vacation and sick leave	165,053	22,135	213,663	4,496	405,347
Total long-term liabilities	165,053	22,135	213,663	5,257,140	5,657,991
Total liabilities	498,696	45,756	767,553	6,662,191	7,974,196
Net Assets:					
Invested in capital assets, net of related debt	998,675	-	1,117,358	12,442	2,128,475
Restricted for insurance claims	-	-	-	5,715,380	5,715,380
Unrestricted	(14,239)	1,418,147	1,042,594	-	2,446,502
Total net assets	\$ 984,436	1,418,147	2,159,952	5,727,822	10,290,357

Governmental Activities

	Print Shop and Office Store Fund	Radio Shop Fund	Custodial Services Fund	Building Services Fund	Environmental Compliance Fund
\$	50,007	30,522	37,996	168,461	3,492
	-	-	-	-	-
	<u>3,272</u>	<u>6,077</u>	<u>-</u>	<u>21,323</u>	<u>7,982</u>
	<u>53,279</u>	<u>36,599</u>	<u>37,996</u>	<u>189,784</u>	<u>11,474</u>
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	29,487	-	-	300
	-	<u>29,487</u>	-	-	<u>300</u>
	-	-	-	-	-
	<u>23,291</u>	<u>25,924</u>	<u>-</u>	<u>59,846</u>	<u>45,708</u>
	<u>23,291</u>	<u>25,924</u>	<u>-</u>	<u>59,846</u>	<u>45,708</u>
	<u>76,570</u>	<u>92,010</u>	<u>37,996</u>	<u>249,630</u>	<u>57,482</u>
	205,341	1,114,099	-	32,678	-
	-	-	-	-	-
	<u>59,421</u>	<u>2,286,398</u>	<u>63,663</u>	<u>267,237</u>	<u>506,618</u>
\$	<u><u>264,762</u></u>	<u><u>3,400,497</u></u>	<u><u>63,663</u></u>	<u><u>299,915</u></u>	<u><u>506,618</u></u>

CITY OF LUBBOCK, TEXAS
COMBINING STATEMENT OF NET ASSETS-INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2004

Liabilities and Fund Equity	Governmental Activities			Total Governmental Activities	Grand Total Internal Service Funds
	Health Benefits Fund	Investment Pool Fund	Legislation Fund		
Current liabilities:					
Accounts payable	\$ -	195	8,386	299,059	1,094,218
Due to other funds	-	-	-	-	-
Accrued liabilities	-	2,704	-	41,358	157,353
Total current liabilities	-	2,899	8,386	340,417	1,251,571
Liabilities (payable from restricted assets):					
Self-insurance - health:					
Accounts payable	44,615	-	-	44,615	44,615
Accrued liabilities	4,784	-	-	4,784	4,784
Health claims payable	2,354,536	-	-	2,354,536	2,354,536
Self-insurance - risk management:					
Accounts payable	-	-	-	-	217,518
Accrued liabilities	-	-	-	-	3,323
Accrued insurance claims	-	-	-	-	1,184,210
Capital projects:					
Accounts payable	-	-	-	29,787	29,787
Total liabilities (payable from restricted assets)	2,403,935	-	-	2,433,722	3,838,773
Long-term liabilities:					
Accrued insurance claims	-	-	-	-	5,252,644
Accrued vacation and sick leave	34,947	3,801	-	193,517	598,864
Total long-term liabilities	34,947	3,801	-	193,517	5,851,508
Total liabilities	2,438,882	6,700	8,386	2,967,656	10,941,852
Net Assets:					
Invested in capital assets, net of related debt	1,540	-	-	1,353,658	3,482,133
Restricted for insurance claims	4,374,256	-	-	4,374,256	10,089,636
Unrestricted	-	(6,700)	49,073	3,225,710	5,672,212
Total net assets	\$ 4,375,796	(6,700)	49,073	8,953,624	19,243,981



CITY OF LUBBOCK, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS-
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-type Activities				
	Fleet Maintenance Fund	Central Warehouse Fund	Management Information Fund	Risk Management Fund	Total Business-Type Activities
Operating revenues:					
Charges for services	\$ 5,225,673	2,572,407	5,006,766	5,748,704	18,553,550
Administrative charges	175,459	-	-	-	175,459
Total operating revenue	5,401,132	2,572,407	5,006,766	5,748,704	18,729,009
Operating expenses:					
Personal services	1,289,624	148,261	2,115,111	134,841	3,687,837
Insurance	-	-	-	5,467,674	5,467,674
Supplies	54,782	6,046	20,981	2,291	84,100
Materials	4,106,899	2,381,781	-	-	6,488,680
Maintenance	68,075	13,112	1,115,095	4,291	1,200,573
Other services and charges	270,124	8,592	1,236,167	115,959	1,630,842
Depreciation	208,818	-	228,103	2,871	439,792
Total operating expenses	5,998,322	2,557,792	4,715,457	5,727,927	18,999,498
Total operating income (loss)	(597,190)	14,615	291,309	20,777	(270,489)
Nonoperating revenues (expenses):					
Interest earnings	2,315	2,788	13,238	113,942	132,283
Disposition of properties	3,430	-	-	-	3,430
Junk sales	-	-	546	-	546
Building rent	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total nonoperating revenues (expenses)	5,745	2,788	13,784	113,942	136,259
Income (loss) before contributions and operating transfers	(591,445)	17,403	305,093	134,719	(134,230)
Capital contributions(reductions)	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Change in net assets	(591,445)	17,403	305,093	134,719	(134,230)
Net assets - beginning of year	1,575,881	1,400,744	1,854,859	5,593,103	10,424,587
Net assets - end of year	\$ 984,436	1,418,147	2,159,952	5,727,822	10,290,357

Governmental Activities

	Print Shop & Office Store Fund	Radio Shop Fund	Custodial Services Fund	Building Services Fund	Environmental Compliance Fund
\$	375,234	1,272,291	9,414	2,029,899	286,000
	-	-	-	-	-
	<u>375,234</u>	<u>1,272,291</u>	<u>9,414</u>	<u>2,029,899</u>	<u>286,000</u>
	140,854	224,736	-	614,294	226,604
	-	-	-	-	-
	947	7,769	-	23,283	3,138
	127,098	108,500	-	-	-
	46,975	96,673	-	117,292	3,001
	25,223	10,974	-	1,191,691	120,761
	<u>34,545</u>	<u>50,892</u>	<u>-</u>	<u>75,417</u>	<u>-</u>
	<u>375,642</u>	<u>499,544</u>	<u>-</u>	<u>2,021,977</u>	<u>353,504</u>
	(408)	772,747	9,414	7,922	(67,504)
	1,210	21,495	2,023	4,357	6,626
	(11,410)	-	-	-	-
	-	-	-	-	-
	-	-	-	12,584	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(10,200)</u>	<u>21,495</u>	<u>2,023</u>	<u>16,941</u>	<u>6,626</u>
	(10,608)	794,242	11,437	24,863	(60,878)
	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(10,608)	794,242	11,437	24,863	(60,878)
	275,370	2,606,255	52,226	275,052	567,496
\$	<u>264,762</u>	<u>3,400,497</u>	<u>63,663</u>	<u>299,915</u>	<u>506,618</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, 2004

	Governmental Activities			Total Governmental Activities	Grand Total Internal Service Funds
	Health Benefits Fund	Investment Pool Fund	Legislation Fund		
Operating revenues:					
Charges for services	\$ 13,417,234	-	-	17,390,072	35,943,622
Administrative charges	-	-	-	-	175,459
Total operating revenue	13,417,234	-	-	17,390,072	36,119,081
Operating expenses:					
Personal services	182,996	113,501	81,473	1,584,458	5,272,295
Insurance	14,328,384	-	-	14,328,384	19,796,058
Supplies	5,037	2,626	1,376	44,176	128,276
Materials	-	-	-	235,598	6,724,278
Maintenance	8,357	861	-	273,159	1,473,732
Other services and charges	45,054	159,844	141,757	1,695,304	3,326,146
Depreciation	1,848	-	-	162,702	602,494
Total operating expenses	14,571,676	276,832	224,606	18,323,781	37,323,279
Total operating income (loss)	(1,154,442)	(276,832)	(224,606)	(933,709)	(1,204,198)
Nonoperating revenues (expenses):					
Interest earnings	98,198	277,342	1,020	412,271	544,554
Disposition of properties	-	-	-	(11,410)	(7,980)
Junk sales	-	-	-	-	546
Building rent	-	-	-	12,584	12,584
Miscellaneous	-	-	-	-	-
Total nonoperating revenues (expenses)	98,198	277,342	1,020	413,445	549,704
Income (loss) before contributions and operating transfers	(1,056,244)	510	(223,586)	(520,264)	(654,494)
Capital contributions(reductions)	-	-	-	-	-
Operating transfers in	-	-	225,916	225,916	225,916
Operating transfers out	-	-	-	-	-
Change in net assets	(1,056,244)	510	2,330	(294,348)	(428,578)
Net assets - beginning of year	5,432,040	(7,210)	46,743	9,247,972	19,672,559
Net assets - end of year	\$ 4,375,796	(6,700)	49,073	8,953,624	19,243,981

CITY OF LUBBOCK, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities				Total Business-Type Activities
	Fleet Maintenance Fund	Central Warehouse	Management Information	Risk Management	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 5,401,132	2,572,407	5,006,766	5,637,980	18,618,285
Payments to suppliers	(4,383,946)	(2,472,386)	(2,088,853)	(4,952,493)	(13,897,678)
Payments to employees	(1,248,626)	(143,593)	(2,044,782)	(131,518)	(3,568,519)
Other receipts (payments)	3,430	2,788	546	-	6,764
Net cash provided (used) by operating activities	<u>(228,010)</u>	<u>(40,784)</u>	<u>873,677</u>	<u>553,969</u>	<u>1,158,852</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in from other funds	-	-	-	-	-
Short-term interfund borrowings	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	-	-	(280,667)	-	(280,667)
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>-</u>	<u>(280,667)</u>	<u>-</u>	<u>(280,667)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	153,169	136,016	211,351	4,106,652	4,607,188
Purchase of investments	(9,374)	(24,465)	(180,038)	(4,763,277)	(4,977,155)
Interest earnings on cash and investments	2,408	298	11,242	102,656	116,604
Net cash provided by (used for) investing activities	<u>146,203</u>	<u>111,849</u>	<u>42,555</u>	<u>(553,969)</u>	<u>(253,363)</u>
Net increase (decrease) in cash and cash equivalents	(81,807)	71,065	635,565	-	624,822
Cash and cash equivalents - beginning of year	238,703	189,127	934,556	-	1,362,386
Cash and cash equivalents - end of year	<u>156,896</u>	<u>260,192</u>	<u>1,570,121</u>	<u>-</u>	<u>1,987,208</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(597,190)	14,615	291,309	20,777	(270,489)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	208,818	-	228,103	2,871	439,792
Other income (expense)	3,430	2,788	546	-	6,764
Change in current assets and liabilities:					
Accounts receivable	-	-	-	(110,724)	(110,724)
Inventory	15,906	(83,103)	-	-	(67,197)
Prepaid expenses	-	-	-	-	-
Due from other governments	-	-	-	-	-
Accounts payable	115,153	18,953	278,088	208,702	620,896
Due from others	-	-	-	-	-
Other accrued expenses	8,189	1,730	23,299	433,482	466,700
Customer deposits	-	-	-	-	-
Increase (decrease) in compensated absences	17,684	4,233	52,332	(1,139)	73,110
Net cash provided (used) by operating activities	<u>\$ (228,010)</u>	<u>(40,784)</u>	<u>873,677</u>	<u>553,969</u>	<u>1,158,852</u>

CITY OF LUBBOCK, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Governmental Activities				
	Print Shop and Office Store Fund	Radio Shop Fund	Custodial Services Fund	Building Services Fund	Environmental Compliance Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 375,234	1,272,291	9,414	2,029,590	286,000
Payments to suppliers	(226,811)	(236,262)	(8,661)	(1,326,423)	(121,879)
Payments to employees	(137,582)	(218,659)		(594,171)	(218,622)
Other receipts (payments)				12,584	
Net cash provided (used) by operating activities	<u>10,841</u>	<u>817,370</u>	<u>753</u>	<u>121,580</u>	<u>(54,501)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in from other funds	-	-	-	-	-
Short-term interfund borrowings	1,611	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>1,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	-	(510,085)	-	(32,678)	-
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>(510,085)</u>	<u>-</u>	<u>(32,678)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	43,330	180,870	35,409	141,294	16,865
Purchase of investments	(9,562)	(47,336)	(7,648)	(39,015)	(6,749)
Interest earnings on cash and investments	(7,795)	19,192	1,641	4,055	6,009
Net cash provided by (used for) investing activities	<u>25,973</u>	<u>152,726</u>	<u>29,402</u>	<u>106,334</u>	<u>16,125</u>
Net increase (decrease) in cash and cash equivalents	38,425	460,011	30,155	195,236	(38,376)
Cash and cash equivalents - beginning of year	63,268	1,722,185	51,182	219,689	583,663
Cash and cash equivalents - end of year	<u>101,693</u>	<u>2,182,196</u>	<u>81,337</u>	<u>414,925</u>	<u>545,287</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(408)	772,747	9,414	7,922	(67,504)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	34,545	50,892	-	75,417	-
Other income (expense)	-	-	-	12,584	-
Change in current assets and liabilities:					
Accounts receivable	-	-	-	(309)	-
Inventory	(283)	(46,850)	-	-	-
Prepaid expenses	-	-	-	-	-
Due from other governments	-	-	-	-	-
Accounts payable	(5,089)	24,937	(6,588)	(3,733)	3,492
Due from others	-	-	-	-	-
Other accrued expenses	(5,975)	587	-	5,872	3,759
Customer deposits	-	-	-	-	-
Increase (decrease) in compensated absences	(11,949)	15,057	(2,073)	23,827	5,752
Net cash provided (used) by operating activities	<u>\$ 10,841</u>	<u>817,370</u>	<u>753</u>	<u>121,580</u>	<u>(54,501)</u>

CITY OF LUBBOCK, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Governmental Activities			Total Governmental Activities	Total Internal Service Funds
	Health Benefits Fund	Legislation Fund	Investment Pool Fund		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 13,409,438			17,381,967	36,000,252
Payments to suppliers	(14,893,751)	(136,171)	(195,010)	(17,144,968)	(31,042,646)
Payments to employees	(178,212)	(81,473)	(110,797)	(1,539,516)	(5,108,035)
Other receipts (payments)				12,584	19,348
Net cash provided (used) by operating activities	<u>(1,662,525)</u>	<u>(217,644)</u>	<u>(305,807)</u>	<u>(1,289,933)</u>	<u>(131,081)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in from other funds	-	225,916	-	225,916	225,916
Short-term interfund borrowings	-	-	-	1,611	1,611
Net cash provided (used) by noncapital and related financing activities	<u>-</u>	<u>225,916</u>	<u>-</u>	<u>227,527</u>	<u>227,527</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	-	-	-	(542,763)	(823,430)
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(542,763)</u>	<u>(823,430)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	1,569,373	-	-	1,987,141	6,594,329
Purchase of investments	-	11,875	13,663	(84,772)	(5,061,927)
Interest earnings on cash and investments	93,152	956	277,342	394,552	511,156
Net cash provided by (used for) investing activities	<u>1,662,525</u>	<u>12,831</u>	<u>291,005</u>	<u>2,296,921</u>	<u>2,043,558</u>
Net increase (decrease) in cash and cash equivalents	-	21,103	(14,802)	691,752	1,316,574
Cash and cash equivalents - beginning of year	-	24,949	14,802	2,679,738	4,042,124
Cash and cash equivalents - end of year	<u>-</u>	<u>46,052</u>	<u>-</u>	<u>3,371,490</u>	<u>5,358,698</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(1,154,442)	(224,606)	(276,832)	(933,709)	(1,204,198)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,848	-	-	162,702	602,494
Other income (expense)	-	-	-	12,584	19,348
Change in current assets and liabilities:					
Accounts receivable	(7,796)	-	-	(8,105)	(118,829)
Inventory	-	-	-	(47,133)	(114,330)
Prepaid expenses	-	-	-	-	-
Due from other governments	-	-	-	-	-
Accounts payable	(162,692)	7,603	(27,858)	(169,928)	450,968
Due from others	-	-	-	-	-
Other accrued expenses	493	(641)	(140)	3,955	470,655
Customer deposits	-	-	-	-	-
Increase (decrease) in compensated absences	(339,936)	-	(977)	(310,299)	(237,189)
Net cash provided (used) by operating activities	<u>\$ (1,662,525)</u>	<u>(217,644)</u>	<u>(305,807)</u>	<u>(1,289,933)</u>	<u>(131,081)</u>

**CITY OF LUBBOCK, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2004**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,099
Investments, at fair value:	
Pools	<u>73</u>
Total assets	<u><u>1,172</u></u>
LIABILITIES	
Accounts payable	<u>1,172</u>
Total liabilities	\$ <u><u>1,172</u></u>

**CITY OF LUBBOCK, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Balance 10/1/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2004</u>
Agency Fund				
Pooled cash and cash equivalents	\$ 13,774	390	13,065	1,099
Investments	11,773	360	12,060	73
Total assets	<u>25,547</u>	<u>750</u>	<u>25,125</u>	<u>1,172</u>
Accounts payable	<u>25,547</u>	<u>750</u>	<u>25,125</u>	<u>1,172</u>
Total liabilities	<u>\$ 25,547</u>	<u>750</u>	<u>25,125</u>	<u>1,172</u>

CITY OF LUBBOCK, TEXAS

Non-Major 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 on them.

Civic Lubbock, Inc. was organized to foster and promote the presentation of wholesome educational and cultural programs, attractions and entertainments 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.

**CITY OF LUBBOCK, TEXAS
COMBINING STATEMENT OF NET ASSETS
NONMAJOR COMPONENT UNITS
SEPTEMBER 30, 2004**

ASSETS	<u>Civic Lubbock, Inc.</u>	<u>Market Lubbock, Inc.</u>	<u>Total Nonmajor Component Units</u>
Pooled cash and cash equivalents	\$ 1,035,653	483,429	1,519,082
Investments	-	494,689	494,689
Receivables, net	124,959	33,653	158,612
Inventories	70,515	16,910	87,425
Restricted assets:			
Cash and cash equivalents	100,000	-	100,000
Incentives advances	164,684	9,000,000	9,164,684
Investments	-	-	-
Prepaid expenses	8,537	16,692	25,229
Capital assets:			
Non-depreciable	366,332	-	366,332
Depreciable	128,962	752,252	881,214
Total assets	<u>1,999,642</u>	<u>10,797,625</u>	<u>12,797,267</u>
LIABILITIES			
Current liabilities:			
Accounts payable	296,417	166,388	462,805
Due to others	547,519	-	547,519
Due to other governments	80,937	-	80,937
Accrued expenses	15,972	140,136	156,108
Deferred revenue	29,783	9,000,000	9,029,783
Noncurrent liabilities:			
Due within one year:			
Contracts payable	65,914	2,019,692	2,085,606
Due in more than one year:			
Contracts payable	119,987	1,335,528	1,455,515
Total Liabilities	<u>1,156,529</u>	<u>12,661,744</u>	<u>13,818,273</u>
NET ASSETS			
Invested in capital assets, net of related debt	495,294	752,252	1,247,546
Restricted for:			
Other purposes	100,000	-	100,000
Unrestricted (deficit)	247,819	(2,616,371)	(2,368,552)
Total net assets	<u>\$ 843,113</u>	<u>(1,864,119)</u>	<u>(1,021,006)</u>

CITY OF LUBBOCK, TEXAS
 COMBINING STATEMENT OF ACTIVITIES
 NONMAJOR COMPONENT UNITS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
					<u>Civic Lubbock, Inc.</u>	<u>Market Lubbock, Inc.</u>	<u>Total</u>
Civic Lubbock, Inc.							
General government	\$ 1,609,630	1,731,625	-	-	121,995	-	121,995
Market Lubbock, Inc.							
General government	5,721,854	127,826	6,707,783	-	-	1,113,755	1,113,755
Total nonmajor component units	\$ <u>7,331,484</u>	<u>1,859,451</u>	<u>6,707,783</u>	<u>-</u>	<u>121,995</u>	<u>1,113,755</u>	<u>1,235,750</u>
General revenues:							
Unrestricted investment earnings					8,636	-	8,636
Miscellaneous					-	-	-
Total general revenues, special items and transfers					<u>8,636</u>	<u>-</u>	<u>8,636</u>
Change in net assets					130,631	1,113,755	1,244,386
Net assets - beginning of year					<u>712,482</u>	<u>(2,977,874)</u>	<u>(2,265,392)</u>
Net assets - end of year					<u>843,113</u>	<u>(1,864,119)</u>	<u>(1,021,006)</u>

CITY OF LUBBOCK, TEXAS
Schedule of Governmental Capital Assets

Year Ended September 30, 2004

Governmental fund capital assets:

Land	\$	8,608,249
Buildings		51,454,278
Improvements other than Buildings		129,651,115
Machinery and Equipment		52,954,673
Construction in Progress		<u>43,472,022</u>
Total capital assets		<u><u>286,140,337</u></u>

Investment in governmental funds capital assets by source:

Capital Projects Fund Expenditures		191,298,532
General Fund Expenditures		56,765,789
Community Development Expenditures		23,730,490
Federal Revenue Sharing Fund Expenditures		9,458,381
Contributions and Transfers		2,852,277
Investments prior to October 1, 1956		<u>2,034,867</u>
Total investments in capital assets	\$	<u><u>286,140,337</u></u>

CITY OF LUBBOCK, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

Year Ended September 30, 2004

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Total
General Government:					
City Council	\$ -	150,063	65,472	-	215,535
City Manager	-	93,789	-	7,355	101,144
City Secretary	-	-	-	119,530	119,530
City Attorney	-	353,068	445,783	148,524	947,375
General Multipurpose	241,853	415,369	94,699	7,392,611	8,144,532
Support Services - Business Dev.	-	-	-	9,000	9,000
Total General Government	<u>241,853</u>	<u>1,012,289</u>	<u>605,954</u>	<u>7,677,020</u>	<u>9,537,116</u>
Financial Services:					
Accounting and Reporting	-	79,186	-	-	79,186
Purchasing	-	-	-	-	-
Municipal Court	-	14,246	-	72,973	87,219
Total Financial Services	<u>-</u>	<u>93,432</u>	<u>-</u>	<u>72,973</u>	<u>166,405</u>
Management Services:					
Budget and Research	-	-	-	-	-
Personnel	-	69,535	-	-	69,535
Public Information	-	42,414	-	342,580	384,994
Community Services	162,000	2,618,200	-	237,268	3,017,468
Emergency Services	-	366,346	-	238,476	604,822
Building Maintenance	281,133	7,785,244	843,928	131,807	9,042,112
Total Management Services	<u>443,133</u>	<u>10,881,739</u>	<u>843,928</u>	<u>950,131</u>	<u>13,118,931</u>
Development Services:					
Planning	-	-	-	789,037	789,037
Zoning and Environment	-	-	-	263,005	263,005
Community Development	311,212	209,907	468,073	-	989,192
Neighborhood Redevelopment	-	232,265	491,916	160,203	884,384
Building Inspection	-	-	-	140,156	140,156
Traffic Engineering	-	185,089	1,176,533	1,691,483	3,053,105
Streets - Paved	248,309	463,307	98,879,968	1,995,744	101,587,328
Streets - Unpaved	-	-	14,440	1,434,402	1,448,842
Public Service Engineering	152,982	-	62,195	311,947	527,124
Total Development Services	<u>\$ 712,503</u>	<u>1,090,568</u>	<u>101,093,125</u>	<u>6,785,977</u>	<u>109,682,173</u>

(continued)

CITY OF LUBBOCK, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

Year Ended September 30, 2004

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Total
Public Safety and Services:					
Parks and Recreation	\$ 1,686,043	4,894,161	9,630,566	3,968,784	20,179,554
Cemetery	14,097	45,588	22,251	305,288	387,224
Swimming Pools	87,292	379,857	-	-	467,149
Civic Center/Auditorium/Coliseum	1,238,454	18,433,182	2,559,238	6,050,678	28,281,552
Canyon Lakes	3,472,689	16,494	3,379,678	-	6,868,861
Library	12,866	4,190,936	5,354,924	3,910,109	13,468,835
Fire	146,045	6,110,430	242,263	7,549,048	14,047,786
Health	-	1,547,034	14,806	937,384	2,499,224
Animal Shelter	21,925	1,395,807	-	273,545	1,691,277
Police	531,349	1,362,761	826,914	13,358,222	16,079,246
Street Lights	-	-	5,077,468	1,115,514	6,192,982
Total Public Safety and Services	<u>7,210,760</u>	<u>38,376,250</u>	<u>27,108,108</u>	<u>37,468,572</u>	<u>110,163,690</u>
Total allocated to functions	<u>\$ 8,608,249</u>	<u>51,454,278</u>	<u>129,651,115</u>	<u>52,954,673</u>	<u>242,668,315</u>
Construction in Progress					43,472,022
Total Capital Assets					<u>286,140,337</u>

CITY OF LUBBOCK, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

Year Ended September 30, 2004

Function and Activity	Governmental Funds Capital Assets 10-1-03	Additions*	Deletions*	Governmental Funds Capital Assets 9-30-04
General Government:				
City Council	\$ 215,535	-	-	215,535
City Manager	101,144	-	-	101,144
City Secretary	119,530	-	-	119,530
City Attorney	947,375	-	-	947,375
General Multipurpose	8,572,142	47,953	475,563	8,144,532
Support Services - Business Dev.	9,000	-	-	9,000
Total General Government	<u>9,964,726</u>	<u>47,953</u>	<u>475,563</u>	<u>9,537,116</u>
Financial Services:				
Accounting and Reporting	79,186	-	-	79,186
Purchasing	-	-	-	-
Municipal Court	42,317	44,902	-	87,219
Total Financial Services	<u>121,503</u>	<u>44,902</u>	<u>-</u>	<u>166,405</u>
Management Services:				
Budget and Research	18,957	-	18,957	-
Personnel	69,535	-	-	69,535
Public Information	384,994	-	-	384,994
Community Services	3,017,468	-	-	3,017,468
Emergency Services	589,822	15,000	-	604,822
Building Maintenance	8,965,708	94,741	18,337	9,042,112
Total Management Services	<u>13,046,484</u>	<u>109,741</u>	<u>37,294</u>	<u>13,118,931</u>
Development Services:				
Planning	789,037	-	-	789,037
Zoning and Environment	170,498	127,930	35,423	263,005
Community Development	989,192	-	-	989,192
Neighborhood Redevelopment	842,521	41,863	-	884,384
Building Inspection	109,946	30,210	-	140,156
Traffic Engineering	2,985,119	88,819	20,833	3,053,105
Streets - Paved	99,486,122	2,119,213	18,007	101,587,328
Streets - Unpaved	1,362,975	110,273	24,406	1,448,842
Street Cleaning	-	-	-	-
Storm Sewer	-	-	-	-
Public Service Engineering	577,584	-	50,460	527,124
Total Development Services	<u>\$ 107,312,994</u>	<u>2,518,308</u>	<u>149,129</u>	<u>109,682,173</u>

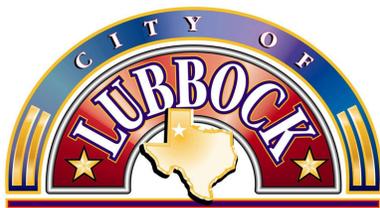
(continued)

CITY OF LUBBOCK, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

Year Ended September 30, 2004

Function and Activity	Governmental Funds Capital Assets 10-1-03	Additions*	Deletions*	Governmental Funds Capital Assets 9-30-04
Public Safety and Services:				
Parks and Recreation	\$ 17,651,616	2,611,576	83,638	20,179,554
Cemetery	353,554	99,899	66,229	387,224
Swimming Pools	467,149	-	-	467,149
Civic Center/Auditorium/Coliseum	27,922,725	368,517	9,690	28,281,552
Canyon Lakes	6,868,861	-	-	6,868,861
Library	12,895,243	573,592	-	13,468,835
Fire	13,421,874	669,840	43,928	14,047,786
Health	2,493,111	47,390	41,277	2,499,224
Animal Shelter	1,601,662	115,950	26,335	1,691,277
Police	13,801,951	2,899,707	622,412	16,079,246
Street Lights	6,187,046	5,936	-	6,192,982
Total Public Safety and Services	<u>103,664,792</u>	<u>7,392,407</u>	<u>893,509</u>	<u>110,163,690</u>
Construction in Progress	<u>36,155,690</u>	<u>14,140,550</u>	<u>6,824,218</u>	<u>43,472,022</u>
Total Capital Assets	<u>\$ 270,266,189</u>	<u>24,253,861</u>	<u>8,379,713</u>	<u>286,140,337</u>

*Includes Transfers





CITY OF LUBBOCK, TEXAS

SSTATISTICAL
SECTION

CITY OF LUBBOCK, TEXAS

**Statistical/
Supplementary Information**

The statistical/supplementary information section contains certain bond and financial information presented in proactive compliance with Securities and Exchange Commission Rule 15c2-12, as amended.

CITY OF LUBBOCK, TEXAS

TABLE A - Government-wide Expenditures by Function *

Fiscal Year	Function									
	Administration/ Community Services	Street Lighting	Financial Services	Fire	General Government	Human Resources	Police	Planning & Transportation	Public Works	Interest on Long-term Debt
2002	\$ 22,483,279	2,584,532	1,908,224	19,324,738	21,938,702	883,198	29,715,174	5,939,768	4,322,357	3,381,762
2003	21,793,053	2,372,936	1,964,729	20,207,240	21,008,713	786,231	31,429,080	9,826,857	9,856,148	3,345,931
2004	22,313,139	2,471,382	2,387,188	21,998,241	20,563,083	777,035	33,248,228	10,788,596	3,078,122	4,593,150

Fiscal Year	Function							Total
	Electric	Water	Sewer	Solid Waste	Stormwater	Transit	Airport	
2002	89,803,676	26,760,680	17,766,514	14,105,518	3,749,298	8,931,527	7,024,286	280,684,425
2003	105,216,078	27,461,215	17,247,936	19,558,444	3,315,261	9,163,091	6,478,728	311,052,382
2004	110,591,149	27,879,343	17,020,092	17,661,438	5,356,649	10,565,159	6,852,874	318,144,868

* Third year of GASB 34 implementation. Additional information will be provided as it becomes available.

CITY OF LUBBOCK, TEXAS

TABLE B - Government-wide Revenue by Function*

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Franchise Fees	Grants and Contributions Not Restricted To Specific Programs	Investment Earnings	Miscellaneous	Total
2002	\$ 184,987,518	7,006,815	-	72,992,007	6,998,085	3,856,446	5,330,854	6,894,764	288,066,489
2003	192,424,285	16,004,738	9,260,939	75,106,847	6,612,822	258,736	3,580,476	2,989,669	306,238,512
2004	194,123,828	16,382,236	9,269,306	78,844,266	9,654,447	-	4,010,964	3,196,442	315,481,489

* Third year of implementation. Additional information will be provided as it becomes available.

CITY OF LUBBOCK, TEXAS

TABLE C - General Government Expenditures by Function ⁽¹⁾

Last Five Fiscal Years ⁽²⁾

Fiscal year	Admin/Community Services	Street Lighting	Financial Services	Fire	General Government	Human Resources	Police	Total Governmental Funds							
								Planning & Transportation	Non-Departmental	Capital Outlay	Special Revenue Fund	Debt Service Fund ⁽³⁾	Total Governmental Funds		
1999	\$ 16,322,595	1,759,509	1,762,225	15,742,866	5,250,714	870,172	23,478,729								
2000	17,293,247	1,923,584	1,919,299	17,183,526	5,255,236	871,596	25,561,261								
2001	18,314,255	2,146,212	1,833,933	17,903,118	5,772,031	913,250	28,139,047								
2002	17,997,152	2,168,620	1,958,051	18,632,109	5,596,868	895,311	28,905,651								
2003	17,837,076	2,078,277	1,969,413	19,511,797	5,717,151	780,529	30,321,182								
2004	18,156,455	2,185,286	2,333,469	20,613,077	5,633,469	754,225	32,400,371								
Fiscal year	Planning & Transportation	Non-Departmental	Capital Outlay	Total General Fund	Special Revenue Fund	Debt Service Fund ⁽³⁾	Total Governmental Funds								
1999	7,631,495	926,201	-	73,744,506	4,495,736	9,642,546	87,882,788								
2000	8,004,402	606,843	-	78,618,994	4,529,238	7,738,784	90,887,016								
2001	7,443,017	1,716,167	-	84,181,030	5,044,166	7,757,392	96,982,588								
2002	6,510,394	1,497,485	480,749	84,642,390	7,516,999	7,503,477	99,662,866								
2003	6,610,394	175,499	378,059	85,379,377	4,810,216	7,606,708	97,796,301								
2004	\$ 7,180,843	214,562	475,585	89,947,342	3,796,995	7,844,688	101,589,025								

Notes:

- (1) Includes General, Special Revenue, and Debt Service Funds.
- (2) Includes five year data due to numerous reorganizations in the past several years. Information for years prior to 1999 is not readily available. Additional information will be provided as it becomes available. Prior years have been restated to reflect current organization.
- (3) Includes paying agent fees.

CITY OF LUBBOCK, TEXAS

TABLE D - Revenues and Other Financing Sources (Uses)⁽¹⁾

Last Ten Fiscal Years

Fiscal year	Taxes ⁽²⁾ and Fees	Licenses and Permits		Total Inter-Governmental	Charges For Services		Fines	Interest Earnings ⁽³⁾	Contributions and Miscellaneous Sources (Uses)		Other Financing Sources (Uses)	Total
		and	Permits		Governmental	Services			Miscellaneous	Sources (Uses)		
1994	\$ 60,825,627	1,038,772	8,435,179	2,326,521	2,141,811	3,196,127	1,599,040	2,238,369	81,801,446			
1995	60,234,506	1,184,292	10,006,454	2,420,122	2,339,288	2,305,215	2,093,493	6,223,434	86,806,804			
1996	62,454,295	1,125,809	7,824,222	2,725,584	3,144,431	2,222,370	1,722,038	5,170,052	86,388,801			
1997	65,523,160	1,077,878	8,463,046	3,522,397	3,460,453	1,847,277	2,802,657	1,909,102	88,605,970			
1998	69,078,511	1,037,458	9,678,699	4,016,475	3,313,233	1,386,946	1,328,086	4,252,063	94,091,471			
1999	69,579,355	976,091	10,864,066	4,032,665	3,335,340	1,347,527	2,122,618	6,780,947	99,038,609			
2000	73,269,866	1,138,924	9,637,406	4,210,334	2,834,208	1,368,623	1,800,728	8,083,364	102,343,453			
2001	77,590,314	1,202,794	10,252,855	4,299,958	3,051,055	1,296,818	1,670,899	10,096,023	109,460,716			
2002	79,034,461	1,477,320	7,074,787	4,453,250	3,069,362	529,775	2,024,553	7,876,325	105,539,833			
2003	81,682,453	1,875,118	12,137,101	5,541,745	3,672,509	810,443	4,200,523	(200,354)	109,719,538			
2004	\$ 87,698,834	1,982,281	9,643,439	5,316,877	3,675,857	739,349	3,055,475	7,282,779	119,394,891			

Notes:

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

(2) See schedule of Tax Revenues by Source (Table E).

(3) Interest earnings are separated from contributions and miscellaneous revenue for purposes of this schedule.

CITY OF LUBBOCK, TEXAS

TABLE E - Tax Revenues by Source

Last Ten Fiscal Years

Fiscal Year	Property Tax Revenues ⁽¹⁾	Sales Tax Revenues	Hotel and Motel Tax Revenues		Other Tax Revenues ⁽²⁾	Total Tax Revenues ⁽³⁾
			Sales Tax Revenues	Hotel and Motel Tax Revenues		
1993	\$ 30,110,166	20,036,081	1,396,788	100,341	51,643,376	
1994	31,536,341	22,022,223	1,884,274	135,438	55,578,276	
1995	32,924,887	20,082,629	1,850,499	207,666	55,065,681	
1996	32,006,813	22,983,167	2,077,604	205,837	57,273,421	
1997	32,955,182	24,391,081	2,050,634	687,574	60,084,471	
1998	34,171,004	25,002,759	2,101,020	675,694	61,950,477	
1999	35,121,964	25,231,686	2,368,699	721,907	63,444,256	
2000	35,940,214	27,397,170	2,568,957	743,770	66,650,111	
2001	38,030,370	28,436,970	2,663,704	774,587	69,905,631	
2002	39,675,589	28,902,649	2,860,785	820,507	72,259,530	
2003	42,303,280	29,092,032	2,862,719	848,816	75,106,847	
2004	\$ 44,496,973	30,554,632	2,853,205	939,456	78,844,266	

Notes:

(1) Includes General, Special Revenue, and Debt Service Funds. Also includes Penalty and Interest on Delinquent Taxes, and Reimbursement by BCD (1993).

(2) Includes bingo tax and mixed beverage tax.

(3) Excludes Franchise Fees

CITY OF LUBBOCK, TEXAS

TABLE F - Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ending	Total tax levy	Current tax collections	Percent of levy collected	Delinquent tax collections	Total tax collections	Percent of total tax collections to tax levy	Outstanding delinquent taxes	Percent of delinquent taxes to tax levy
1995	\$ 32,481,841	31,944,366	98.3%	741,546	32,685,912	100.6%	3,693,465	11.4%
1996	31,634,830	31,063,085	98.2%	579,893	31,642,978	100.0%	3,113,571	9.8%
1997	32,617,479	31,962,038	98.0%	583,746	32,545,784	99.8%	3,012,718	9.2%
1998	33,817,813	33,069,903	97.8%	595,604	33,665,507	99.5%	3,594,390	10.6%
1999	34,988,031	34,174,361	97.7%	547,498	34,721,859	99.2%	2,923,225	8.4%
2000	35,831,812	34,880,119	97.3%	552,775	35,432,894	98.9%	2,733,017	7.6%
2001	37,841,145	36,925,573	97.6%	646,658	37,572,231	99.3%	2,486,192	6.6%
2002	39,391,179	38,446,405	97.6%	711,130	39,157,535	99.4%	2,459,038	6.2%
2003	42,275,272	41,112,173	97.2%	648,481	41,760,654	98.8%	2,433,252	5.8%
2004	\$ 43,236,263	42,358,381	98.0%	705,629	43,064,010	99.6%	2,510,884	5.8%

Source: Lubbock Central Appraisal District

Table G - 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
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	All Property	Assessed value		
1995	\$ 4,114,545,547	4,341,014,405	972,766,473	972,766,473	226,468,858	5,087,312,020	5,313,780,878	95.7%
1996	4,335,043,928	4,569,711,436	1,064,312,534	1,064,312,534	234,667,508	5,399,356,462	5,634,023,970	95.8%
1997	4,581,834,893	4,833,288,787	985,237,748	985,237,748	251,453,894	5,567,072,641	5,818,526,535	95.7%
1998	4,753,046,144	5,017,598,349	1,077,203,029	1,077,203,029	264,552,205	5,830,249,173	6,094,801,378	95.7%
1999	4,925,727,049	5,231,934,736	1,093,861,300	1,093,861,300	306,207,687	6,019,588,349	6,325,796,036	95.2%
2000	5,049,788,819	5,306,197,556	1,209,373,598	1,267,062,431	314,097,570	6,259,162,417	6,573,259,987	95.2%
2001	5,524,769,736	5,786,749,443	1,229,735,158	1,289,565,602	321,810,151	6,754,504,894	7,076,315,045	95.5%
2002	5,668,005,835	6,038,538,207	1,246,369,470	1,310,018,689	434,181,591	6,914,375,305	7,348,556,896	94.1%
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%
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%

Source: Lubbock Central Appraisal District

Notes: Assessed and estimated actual value amounts for each fiscal year are based on the prior tax roll including supplemental and error rolls.

CITY OF LUBBOCK, TEXAS

TABLE H - Property Tax Rates - All Direct and Overlapping Governments (per \$100 of Assessed Value)

Fiscal Year Ending	Last Ten Fiscal Years									
	City of Lubbock					Lubbock				
	General Fund	Economic Development	Interest & Sinking Fund	Total City of Lubbock (COL)	Independent School District (LISD)	Lubbock County (County)	High Plains Underground Water District (High Plains)	Lubbock County Hospital District (Hospital)	Lubbock County Hospital District (Hospital)	Total
1995	0.43	0.03	0.18	0.64	1.48	0.17	0.01	0.11	2.41	
1996	0.40	0.03	0.16	0.59	1.47	0.17	0.01	0.10	2.34	
1997	0.38	0.03	0.18	0.59	1.48	0.17	0.01	0.10	2.35	
1998	0.40	0.03	0.15	0.58	1.57	0.17	0.01	0.10	2.43	
1999	0.42	0.03	0.13	0.58	1.57	0.19	0.01	0.10	2.45	
2000	0.43	0.03	0.12	0.58	1.57	0.19	0.01	0.10	2.44	
2001	0.43	0.03	0.11	0.57	1.61	0.19	0.01	0.10	2.47	
2002	0.43	0.03	0.11	0.57	1.61	0.19	0.01	0.10	2.48	
2003	0.43	0.03	0.11	0.57	1.61	0.19	0.01	0.10	2.48	
2004	0.42	0.03	0.10	0.55	1.61	0.26	0.01	0.11	2.53	

Source: Lubbock Central Appraisal District

CITY OF LUBBOCK, TEXAS

TABLE I - Principal Taxpayers

September 30, 2004

Name of Taxpayer	Type of Business	2004 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Macerich Lubbock LTD Partnership	Regional Shopping Mall	\$ 111,257,328	1.37%
Southwestern Bell Telephone Co.	Telephone Utility	52,145,030	0.64%
Southwestern Public Service	Electric Utility	49,304,650	0.61%
McLane Food Services	Food Wholesale	25,689,511	0.32%
X Fab Texas, Inc	Semiconductor Manufacturer	24,497,748	0.30%
Energas	Natural Gas Utility	24,454,575	0.30%
Watson Sysco	Food Services	21,308,471	0.26%
Lubbock, SMSA LP	Telecommunications	20,911,070	0.26%
United Super Markets	Retail Grocery	19,385,075	0.24%
Lubbock Heart Hospital	Healthcare	19,078,444	0.24%
		\$ 368,031,902	4.54%

Source: Lubbock Central Appraisal District

Table J - Special Assessment Billings and Collections

Last Ten Fiscal Years

Fiscal Year Ending	Assessments billed	Assessments collected
1995	-	53,634
1996	-	40,688
1997	-	37,644
1998	172,437	114,454
1999	-	32,020
2000	24,777	57,998
2001	-	44,087
2002	-	33,739
2003	-	12,242
2004	157,986	89,591

CITY OF LUBBOCK, TEXAS

Table K - Computation of Legal Debt Margin

September 30, 2004

Total Taxable Property Value	\$ 8,104,836,563
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	121,572,548
General Obligation bond & Certificate Obligation liability	(70,221,217)
Capital lease purchases	(1,360,957)
Margin of Indebtedness Available.	\$ 49,990,374

* - 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.

Table L - Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita

Fiscal year	Population*	Assessed Value (in thousands)	Gross Bonded Debt ⁽¹⁾	Debt Service Monies Available	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	
							Value	Capita
1995	191,020	\$ 5,087,312	148,130,295	1,614,523	96,590,300	49,925,472	0.98%	261.36
1996	193,064	5,399,356	151,720,965	1,676,182	88,631,753	61,413,030	1.14%	318.10
1997	195,367	5,567,073	138,039,535	505,449	81,601,282	55,932,804	1.00%	286.30
1998	196,679	5,830,249	137,104,242	1,420,101	85,538,141	50,146,000	0.86%	254.96
1999	197,117	6,019,588	158,117,749	1,151,270	112,274,771	44,691,708	0.74%	226.73
2000	199,445	6,259,162	176,847,762	1,260,450	128,467,416	47,119,896	0.75%	236.26
2001	201,097	6,754,505	210,408,321	1,415,094	157,325,512	51,667,715	0.76%	256.93
2002	202,000	6,914,375	217,269,682	1,697,046	158,764,335	56,808,301	0.82%	281.23
2003	204,737	7,585,116	295,935,000	1,993,891	226,126,796	67,814,313	0.89%	331.23
2004	206,290	\$ 8,104,837	285,885,000	2,641,020	215,723,783	67,520,197	0.83%	327.31

*Source: City of Lubbock Business Development estimates.

Note:

(1) Includes all long-term general obligation debt.

CITY OF LUBBOCK, TEXAS

Table M - 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⁾	
1995	\$ 4,329,822	2,746,860	7,076,682	9.8%
1996	4,961,453	3,417,399	8,378,852	10.0%
1997	5,725,476	3,119,886	8,845,362	10.9%
1998	5,746,935	2,919,813	8,666,748	10.4%
1999	5,723,124	2,538,570	8,261,693	9.4%
2000	4,622,633	3,097,514	7,720,147	8.5%
2001	4,397,538	3,347,994	7,745,532	8.0%
2002	4,113,177	3,373,675	7,486,852	7.5%
2003	4,347,143	3,258,749	7,605,892	7.8%
2004	\$ 4,498,304	3,329,392	7,827,696	7.6%
			Total	
			72,580,854	
			83,991,006	
			81,407,858	
			83,669,520	
			87,882,788	
			90,887,016	
			96,982,588	
			99,662,866	
			97,796,301	
			103,008,905	

Notes:

(1) Includes debt service requirements on General Obligation bonds included in Enterprise Funds.

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

Table N - Computation of Direct and Overlapping Bonded Debt General Obligation Bonds

	Funded Debt Outstanding at 09/30/2004	Percentage Applicable to City of Lubbock	Amount Applicable to City of Lubbock
City of Lubbock	\$ 285,885,000 ⁽¹⁾	100.00%	285,885,000
Subtotal Directs	285,885,000		285,885,000
Lubbock County	79,440,000	82.94%	65,887,536
Lubbock Independent School District	62,525,059	98.91%	61,843,536
Lubbock- Cooper Independent School District	13,834,555	15.30%	2,116,687
Frenship Independent School District	27,619,135	64.44%	17,797,771
Idalou Independent School District	1,205,000	1.10%	13,255
Subtotal Overlapping	184,623,749		147,658,784
Total	\$ 470,508,749		433,543,784

⁽¹⁾ General Purpose funded debt payable from ad valorem taxes (self-supporting electric, waterworks system, sewer system, solid waste disposal system and storm drainage system general obligation debt excluded).

CITY OF LUBBOCK, TEXAS

TABLE O - Revenue Bond Coverage - Electric, Water and Airport Bonds

Last Ten Fiscal Years

ELECTRIC BONDS:							
Fiscal Year	Net Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 57,272,355	39,873,027	17,399,328	3,635,000	2,081,845	5,716,845	3.04
1996	60,714,224	44,756,958	15,957,266	3,560,000	1,483,753	5,043,753	3.16
1997	63,185,595	50,199,268	12,986,327	2,644,243	2,028,480	4,672,723	2.78
1998	70,903,644	55,780,777	15,122,867	2,298,598	1,909,172	4,207,770	3.59
1999	64,296,441	50,968,221	13,328,220	2,798,098	2,373,385	5,171,483	2.58
2000	74,319,223	66,100,345	8,218,878	3,064,025	2,389,340	5,453,365	1.51
2001	114,607,693	99,288,733	15,318,960	3,625,000	1,569,418	5,194,418	2.95
2002	98,084,753	80,010,554	18,074,199	3,985,000	1,726,648	5,711,648	3.16
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

WATER BONDS:							
Fiscal Year	Net Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 29,560,731	10,871,374	18,689,357	755,000	1,966,329	2,721,329	6.87
1996	28,950,626	11,002,625	17,948,001	710,000	3,687,828	4,397,828	4.08
1997	27,873,916	11,664,279	16,209,637	1,350,000	3,032,047	4,382,047	3.70
1998	30,851,142	14,115,431	16,735,711	1,380,000	2,976,698	4,356,698	3.84
1999	29,354,414	12,952,686	16,401,728	1,420,000	2,918,048	4,338,048	3.78
2000	32,598,266	14,082,918	18,515,348	1,455,000	2,856,278	4,311,278	4.29
2001	33,048,984	15,996,460	17,052,524	1,500,000	2,791,530	4,291,530	3.97
2002	34,040,856	15,327,799	18,713,057	1,545,000	2,723,280	4,268,280	4.38
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

AIRPORT BONDS:							
Fiscal Year	Gross Revenue ⁽³⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 6,329,224	3,414,114	2,915,110	90,000	18,900	108,900	26.77
1996	6,510,573	3,351,803	3,158,770	0	0	0	N/A
1997	6,627,691	2,980,113	3,647,578	0	0	0	N/A
1998	6,491,547	2,616,391	3,875,156	0	0	0	N/A
1999	6,505,172	2,746,225	3,758,947	0	0	0	N/A
2000	6,544,479	3,042,164	3,502,315	0	0	0	N/A
2001	6,879,716	3,745,069	3,134,647	0	0	0	N/A
2002	6,705,967	3,821,480	2,884,487	0	0	0	N/A
2003	5,875,497	3,469,704	2,405,793	0	0	0	N/A
2004	\$ 6,150,761	3,532,104	2,618,657	0	0	0	N/A

Notes:

- (1) Net Revenue is gross revenue less refunds and allowances plus net nonoperating revenues.
- (2) Direct Operating expenses exclude depreciation. For Water, it includes CRMWA debt payment in years 1993-1998.
- (3) Airport revenue is based on gross revenue.

CITY OF LUBBOCK, TEXAS

TABLE P - Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Popu- lation ⁽¹⁾	Per Capita Income ⁽²⁾	Median Age ⁽¹⁾	Education Level in Years of		Unemployment Rate ⁽⁴⁾
				Formal Schooling Completed ⁽¹⁾	School Enrollment ⁽²⁾	
1995	191,020	15,091	29.0	12.4	30,442	4.5%
1996	193,064	15,468	30.0	12.4	30,154	4.4%
1997	195,367	15,885	30.0	12.4	29,918	4.4%
1998	196,679	14,237	31.0	12.4	30,082	3.6%
1999	197,117	16,890	31.0	12.6	29,397	2.9%
2000 ⁽³⁾	199,564	17,511	29.7	12.4	29,150	2.6%
2001	201,097	17,312	29.7	12.4	29,020	2.6%
2002	202,000	17,658	30.0	12.4	28,898	2.7%
2003	204,737	18,011	30.3	12.4	28,879	3.4%
2004	206,290	18,371	30.4	12.4	28,355	3.7%

Sources:

- (1) City of Lubbock Planning Department estimates.
- (2) City of Lubbock Business Development Department
- (3) Census
- (4) TWC

TABLE Q - Construction and Bank Deposits

Last Ten Fiscal Years

Fiscal Year	Commercial Construction ⁽¹⁾		Residential Construction ⁽¹⁾		Bank Deposits ⁽²⁾
	Number of Units	Value	Number of Units	Value	(in billions)
1995	1,483	100,781,405	956	78,392,716	2.46
1996	1,016	59,872,232	587	68,735,630	2.54
1997	5,950	11,299,542	1,012	78,014,771	2.64
1998	2,098	135,587,515	1,053	87,779,078	2.67
1999	1,732	156,970,341	743	97,005,882	2.76
2000	2,630	219,094,150	886	101,697,154	2.56
2001	5,243	155,941,718	1,362	135,936,681	2.78
2002	4,266	100,912,765	1,783	183,002,301	3.24
2003	2,879	319,882,024	1,537	229,263,669	3.60
2004	2,796	389,364,444	1,560	306,871,162	4.02

Sources:

- (1) For 1994 - 1995, the source was the Business Development Support Services Department at the City of Lubbock. Since 1996, numbers are provided by the Building Inspection Department monthly reports.
- (2) Amounts obtained from applicable banks for 1993; amounts subsequent to 1993 were obtained from FDIC (amounts are as of 06/30 of the respective year).

CITY OF LUBBOCK, TEXAS

TABLE R - Miscellaneous Statistics

Last Five Fiscal Years

Date of incorporation	1909				
Form of Government	Council - Manager				
Date present Charter adopted	December 27, 1917				
Date Charter amended	January 18, 1992; November 2, 2004				
Population	206,290				
Area	115 square miles				
	2004	2003	2002	2001	2000
Miles of streets:					
Paved	975	965	947	946	945
Unpaved	74	76	79	79	77
Number of street lights	14,377	14,343	14,157	14,157	14,093
Fire protection:					
Number of stations	14	14	14	14	14
Number of fire fighters and officers	275	260	260	251	251
Police protection:					
Number of stations	1	1	1	1	1
Number of authorized police officers	320	310	310	308	310
Municipal employees:					
Full-Time authorized positions	1,721	1,719	1,689	1,686	1,669
Education:					
Colleges (enrollment):					
Texas Tech University	28,325	28,549	27,569	25,573	24,558
Lubbock Christian University	1,974	1,937	1,851	1,823	1,617
South Plains College	9,570	9,630	9,034	8,447	8,019
Wayland Baptist University	686	700	715	691	550
Public schools (number of):					
High schools	4	4	4	4	4
Junior high schools	9	9	9	9	10
Elementary schools	35	36	36	36	38
Private schools	10	10	10	10	10
Building Permits Issued (Total Construction)	3,583	3,663	6,049	6,605	3,316
Recreation and culture:					
Number of parks and playgrounds	134	125	125	125	117
Number of recreation centers	18	18	18	18	18
Number of golf courses	9	9	8	8	8
Number of swimming pools	11	11	11	11	10
Number of auditoriums/coliseums	2	2	2	2	2
Number of amphitheaters	1	1	1	1	0
Number of civic centers	1	1	1	1	1
Number of libraries (excl. education)	4	4	4	4	4
Number of volumes	382,476	363,853	341,214	334,744	323,374
News media:					
Number of daily newspapers	1	1	1	1	1
Number of radio stations	34	30	28	21	21
Number of television stations	10	10	10	10	10

CITY OF LUBBOCK, TEXAS

TABLE R - Miscellaneous Statistics (Con't.)

Last Five Fiscal Years

	2004	2003	2002	2001	2000
Medical facilities:					
Number of hospitals	5	6	4	4	4
Number of beds	1,905	1,845	1,817	1,535	1,518
Number of clinics	102	102	102	102	125
Number of medical schools	1	1	1	1	1
Number of nursing schools	3	3	3	3	3
Churches:					
Number of churches all denominations	267	310	305	305	271
Banks:					
Number of national banks	8	8	8	8	8
Number of state banks	12	8	9	9	8
Number of savings banks	0	0	0	0	0
Municipal electric system:					
Number of meters	63,076	62,325	65,135	62,196	58,431
Average daily consumption (kwh)	3,658,402	3,836,652	3,731,289	3,532,489	3,387,493
Number of sub-stations	14	13	12	12	12
Number of steam turbines	6	6	6	6	6
Number of diesel engines	2	2	2	2	2
Number of gas turbine engines	5	5	5	5	5
Miles of distribution lines	997	975	969	948	928
Miles of transmission lines	85	80	79	79	79
Municipal water system:					
Number of meters	72,505	72,207	71,444	70,148	69,232
Average daily consumption (gal)	38,369,940	38,119,321	38,350,000	39,510,000	37,500,000
Miles of distribution lines	1,323	1,323	1,264	1,250	1,211
Number of fire hydrants	4,121	4,121	3,882	3,826	3,600
Number of water wells (active)	146	146	248	248	251
Acres of water rights	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)	14,007	14,000	12,438	12,438	11,194
Municipal sewer system:					
Miles of sanitary sewer lines	924	901	877	848	834
Miles of storm sewer lines	60	60	69	59	46
Municipal solid waste system (# of records billed):					
Number of residential customers	60,791	59,674	58,792	55,112	55,172
Number of commercial customers	2,863	2,914	2,943	2,931	2,931
Municipal airport:					
Number of airline passengers enplaned (annual projection)	539,372	510,319	536,670	565,000	585,000
Daily average of airplane departures and landings	221	264	247	275	360
Number of major airlines	4	4	4	4	4
Number of scheduled daily flights	68	70	60	65	68

