

Comprehensive Annual Financial Report



City of Lubbock, Texas for the Fiscal Year Ended September 30, 2006



"Serve with humility, lead with passion, commit to excellence."



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Comprehensive Annual Financial Report
City of Lubbock, Texas
List of Elected and Appointed Officials
For the Fiscal Year Ended September 30, 2006

Prepared by:

Department of Accounting

Mayor
Council Member – District 1
Council Member – District 2
Council Member – District 3
Council Member – District 4
Council Member – District 5
Council Member – District 6

David Miller
Linda DeLeon
Floyd Price
Gary O. Boren
Phyllis S. Jones
John Leonard
Jim Gilbreath

City Manager
City Attorney
City Secretary
Deputy City Manager

Lee Ann Dumbauld
Anita Burgess
Rebecca Garza.
Tom Adams

Chief Financial Officer
Director of Accounting
Senior Accountant
Senior Accountant
Senior Accountant
Senior Accountant
Senior Accountant
LP&L
Grant Accountant
Grant Accountant

Jeff Yates
Pamela Moon, CPA
Brack Bullock
Linda Cuellar, CPA
Veronica Valderaz
Lawrence Jones, CPA
Dorothy Lewis, CPA
Damian Pantoya, CPA
Rhonda Gentry
Deborah Hansard

**City of Lubbock, Texas
 Comprehensive Annual Financial Report
 Year Ended September 30, 2006**

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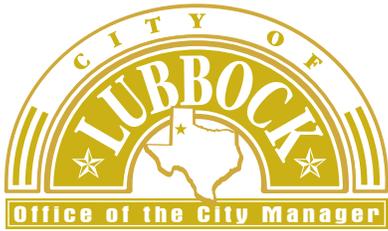
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January 3, 2007

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

It is with much pride that we submit the Comprehensive Annual Financial Report (CAFR) for the City of Lubbock, Texas for the fiscal year ended September 30, 2006. The purpose of the CAFR is to provide the City Council, citizens, and other interested parties with accurate and meaningful information concerning the financial condition and performance of the City. In addition, as part of the CAFR review process; independent auditors have verified that the City has presented its financial position fairly in all material respects.

The CAFR is presented with management's representation of the City's finances, and as such, management assumes full responsibility for the completeness and reliability of all the information presented. To ensure a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the City'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 principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. 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 BKD, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the latest fiscal year 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

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independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

- Fair presentation of the financial statements,
- Internal Controls involving the administration of federal awards, and
- Compliance with legal requirements.

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 119.9 square miles and serves a population of 212,365 (2007 Planning Department estimated population). Lubbock is the 11th largest Metropolitan Statistical Area (MSA) in the State of Texas and the 12th largest city. The Lubbock MSA includes Lubbock and Crosby Counties. (Source of ranking: 2006 estimates from Demographics Now, a product of SRC)

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 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 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. Some of the City Council's responsibilities include adopting ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and 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 City Council is elected on a non-partisan basis. Council members serve four-

Honorable Mayor, City Council,
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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.

The City provides a full range of services including 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 public utility services for electricity, water, wastewater, and storm water.

Public safety includes police protection and fire protection. Police protection is provided through the Police Department, which includes, with the adoption of the FY 2006-07 Operating, 422 sworn police officers. The Fire Department operates 15 fire stations and has 311 sworn fire fighters.

Electric service in Lubbock is provided by Lubbock Power and Light (LP&L), Xcel Energy, and South Plains Electric Cooperative. LP&L is the municipal-owned electric company and has 68,836 meters in Lubbock with an average daily consumption of 4,259,994 kWh. LP&L has 14 substations, 1,011 miles of distribution lines, and 85 miles of transmission lines. Natural gas service is provided by Atmos Energy.

Currently, Lubbock obtains 75% to 85% of its drinking water supply from Canadian River Municipal Water Authority (CRMWA). CRMWA combines surface water from Lake Meredith and ground water from Roberts County to meet the water demands of Lubbock and the other 10 member cities of CRMWA. Lubbock secures the remaining 15% to 25% of its water from its groundwater rights in Bailey and Lamb counties. The City provides water service to 78,000 meters as well as the City of Shallowater, City of Ransom Canyon, Buffalo Springs Lake, and Lubbock Reese Redevelopment Authority. The capacity of the City water transmission system is 81 million gallons per day with an average utilization of 39 million gallons per day. The City has 1,400 miles of distribution lines and 146 active water wells with 83,265 acres of water rights. CRMWA allocates more than 11 billion gallons of water to the City annually. Lake Alan Henry, built by the City in 1993, is considered a third water supply for future use. In order for the City to utilize water from Lake Alan Henry, future construction is required for pump stations, a pipeline to carry the water to Lubbock, and a new treatment plant. The preliminary engineering for these improvements is now under contract and should be completed by early 2008.

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 can 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 Lubbock has adequate water supply and will continue to do so 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. To strategically develop additional water supplies, the City Council established the Lubbock Water Advisory Commission in July 2003, with the primary objective of developing a 100-year water supply plan. They have since

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achieved that object and continue to play an intricate role in the City's long-term water planning efforts. The City has also worked closely with the Region O Planning Group in the preparation of the State Water Plan that reflects Lubbock's water supply needs and alternatives.

CRMWA has secured an additional 260,000 acres of groundwater rights in the Northern Panhandle. Groundwater rights now total over 300,000 acres, with an estimated 15 million acre feet of water within those rights. Conservative projections using current secured water rights indicate CRMWA will be able to provide groundwater supplies through existing infrastructure through 2097.

Wastewater collection and treatment is provided within the city limits to residential, commercial, and industrial customers. The collection system consists of 960 miles of sanitary sewer as of January 1, 2006. The wastewater treatment plant has a capacity of 31.5 million gallons per day (permitted capacity) and an average utilization of approximately 23 million gallons per day. The peak utilization of the wastewater treatment plant is 27 million gallons per day. The City has a contract for final design to upgrade the wastewater treatment plant for discharge quality effluent.

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 of the Brazos River. The City's municipal separate storm sewer system (MS4) is made up of 1,089 linear miles of paved and unpaved streets, 544 linear miles of paved and unpaved alleys, 1,188 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 2005-06.

During FY 2005-06 the primary focus of the storm water fund was the construction of the South Lubbock Drainage Project – Phase I Main Trunk Line. This project remains approximately one year ahead of schedule and will connect six playa lakes during Phase I of the overall project. Construction for the widening of 98th Street from Slide Road to Iola Avenue began during FY 2005-06 and included the remainder of the South Lubbock Drainage Project trunk line and a regional storm sewer designed to drain two detention basins at 98th Street and Frankford Ave. The construction of the drainage channel north of Andrews Park Lake was completed during FY 2005-06. Work continued on a FEMA Restudy of two of the playa lake systems and a new study was undertaken to master plan the northwest quadrant of the city and to look at other options for flood risk reduction at Maxey Park Lake. The other focus was on the submission of the City's application for the Texas Pollution Discharge Elimination System (TPDES) MS4 permit for the City's storm water quality activities. Compliance with the City's MS4 permit is currently with the Environmental Protection Agency and consists of 11 different programs that continued during the fiscal year.

The City provides garbage collection and disposal services to 63,638 residential customers and 2,937 commercial customers. One of the City's two landfill sites is designated as Lubbock Landfill and is a transfer station only. The second site is Lubbock's premier landfill and is

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designated as the West Texas Regional Disposal Facility. The West Texas Regional Disposal Facility opened in 1999 and is currently the largest landfill in the State of Texas. With 1,260 acres, it is expected to serve the region for the next 100 years.

Citibus is the public transportation provider for the City of Lubbock and is professionally managed by McDonald Transit Associates, Inc. Citibus provides a Fixed Route Service, CitiAccess (paratransit system), Evening Service, and Special Services. The CitiAccess service is a curb-to-curb service for disabled members of the community. 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 was not provided. A majority of Evening Service passengers work at night and use the service for transportation to and from their jobs. In addition, Citibus offers route service for Texas Tech University.

The City has a housing and community development program implemented and administered through funding from the Federal Community Development Block Grant Program, HOME Investment Partnership Program, and Emergency Shelter Grant Program. Through these sources of funding, the City completed work on over 250 houses, assisted over 24,104 individuals, and created 3 jobs through an economic development loan program.

The City also receives funding from the Texas Department of Housing and Community Affairs. These funds allow the city to offer additional programs to the citizens of Lubbock. Through these programs, 216 households received assistance in weatherizing their home and/or making their home more energy efficient, 1,200 households received utility assistance, 75 graduated from the self-sufficiency program, and 12,000 residents received referral assistance through the Information and Referral Hotline.

Community enrichment and cultural services are also major programs of the City. The City owns and operates four libraries with over 391,718 volumes. The City also owns and maintains 77 parks and 57 playgrounds. Extensive recreational facilities include 4 swimming pools, 54 tennis courts, 30 baseball and softball fields, 5 community centers and 5 senior centers. To further enhance quality of life and to provide support to the tourism industry, the City also operates the Civic Center (convention center), Lubbock Coliseum, Lubbock Auditorium for the performing arts, the Buddy Holly Center, and the Silent Wings Museum.

The City is responsible for the construction and maintenance of 1,015 miles of paved streets. The new Gateway Street Fund by the City Council in 2004, allocating 40% of the franchise fee revenue and telecom line charges to gateway corridor street projects. The FY 2005-06 budget for the Gateway Street Fund includes the widening of Milwaukee Avenue from 34th to 98th Street, construction of a T-2 thoroughfare street on Erskine from Frankford to Salem, construction of a T-2 thoroughfare street on Slide Road from Loop 289 to Erskine, and widening Loop 289 from South of the 4th Street interchange to south of the Clovis Road interchange, constructing a grade separation of Slide Road and Loop 289, widening of Slide Road from 4th Street to Loop 289, improvements at the 4th Street and Loop 289 interchange, and the construction of the Quaker/Erskine/Loop 289 interchange. These projects support substantial commercial and residential development on the west side of Lubbock.

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Other major road construction in Lubbock includes construction on 98th Street from Slide Road to Frankford Avenue and construction of the Marsha Sharp Freeway by the Texas Department of Transportation (TXDOT). This freeway will run east from West Loop 289 to link up with Interstate 27. The first phase of the project is completed and included 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 included building the 50th Street overpass and extending 50th Street to Frankford Avenue. TXDOT awarded the bid for the second phase of the Marsha Sharp Freeway that began construction in May 2005. The Marsha Sharp Freeway will benefit Lubbock by providing a western connection to West Loop 289 ensuring a more efficient flow of traffic throughout Lubbock. It will also reduce the congestion on north/south and east/west major arterials and provide 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 \$360 million and be completed sometime after 2015.

One of the key components of Lubbock's transportation system is the Lubbock Preston Smith International Airport located 7 miles north of Lubbock's central business district on 3,000 acres of land adjacent to Interstate 27. The airport is operated as a department of the City and includes a 220,000 square foot passenger terminal building. The airport has two commercial service runways; one 11,500 feet in length and one 8,000 feet in length. The airport's third general aviation runway is 2,869 feet in length. Air traffic control services include a 24-hour Federal Aviation Administration control tower and a full range of instrument approaches. The airport is currently served by three major passenger airlines and two major cargo airlines having over 80 commercial flights per day.

The City of Lubbock annexed two areas during FY 2005-06. One of the areas annexed included 95.1 acres located north of Erskine and west of North Milwaukee that is under development as Shadow Hills Estates. The other area annexed was 66.1 acres south of 98th Street and west of Avenue P that is now under development as the Stonebridge Community.

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 City departments 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 City Council for review before August 31. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department directors are held accountable for managing their departments on total appropriation basis. Transfers of appropriations between funds and departments requires 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

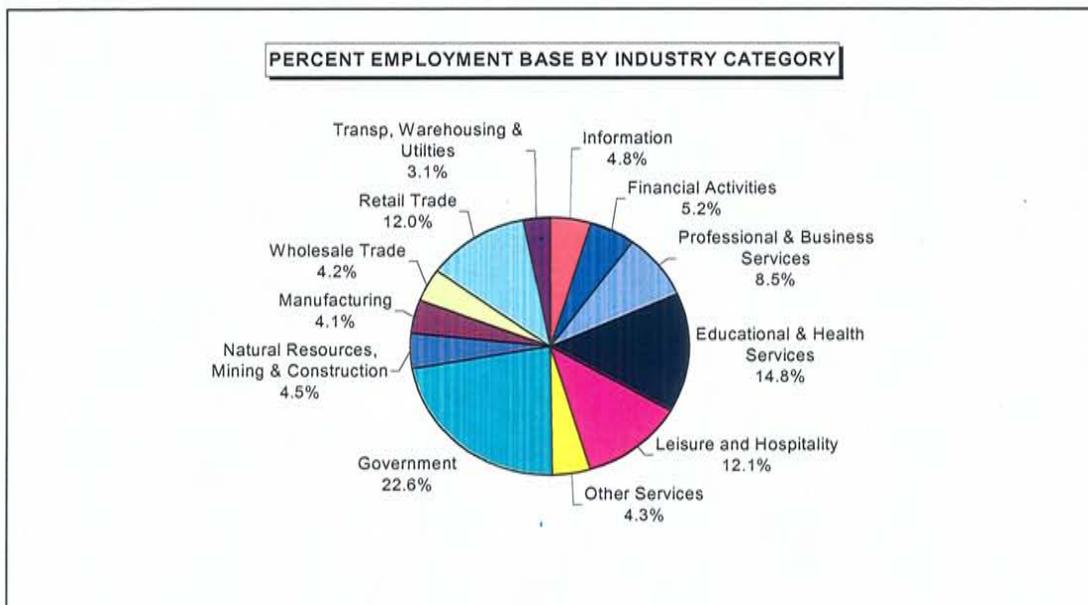
The information presented in the financial statements is perhaps best understood when it is considered within the context of the Lubbock's local economy. The following information is provided to highlight a broad range of economic forces that support the City's operations.

Local Economy

Lubbock has a stable economy with historically slow and steady growth, which has continued through September 2006. Lubbock's agriculturally based economy has diversified over the past 20 years, which minimizes the effects of business cycles experienced by individual sectors.

The South Plains is one of the most productive agricultural areas in the United States. In 2006, almost 12% of the nation's cotton crop and 43% of the state's cotton crop were produced by farmers in the Southern High Plains District. Production in the Southern High Plains District is estimated to total 2.5 million bales for 2006, down 41% from last years production due to lack of rain during the peak growing season.

Lubbock has strong manufacturing, wholesale and retail trade, services, and government sectors. The manufacturers are a diverse group of employers who support approximately 5,200 workers. A central location and access to transportation have contributed to Lubbock's development as a regional warehousing and distribution center. Lubbock also serves as the major retail trade center and health-care provider for a region of more than a half million people. A breakdown of the percent of employment base by industry category has been provided below, which gives a "snapshot" of the industry base of Lubbock.



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. Total enrollment for all higher education institutions in Lubbock for Fall 2006 is 42,241. This is a slight decrease from the enrollment for Fall of 2005. The availability of the schools in Lubbock is an added advantage for our industries as they provide a ready source of labor for their successful operation.

The healthcare and social services sector is also a vital component of the Lubbock economy. This sector employs more than 18,000 people, whose payroll of more than \$628 million and related contributions provide a substantial impact to the Lubbock area.

(Source: 2004 County Business Patterns)

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

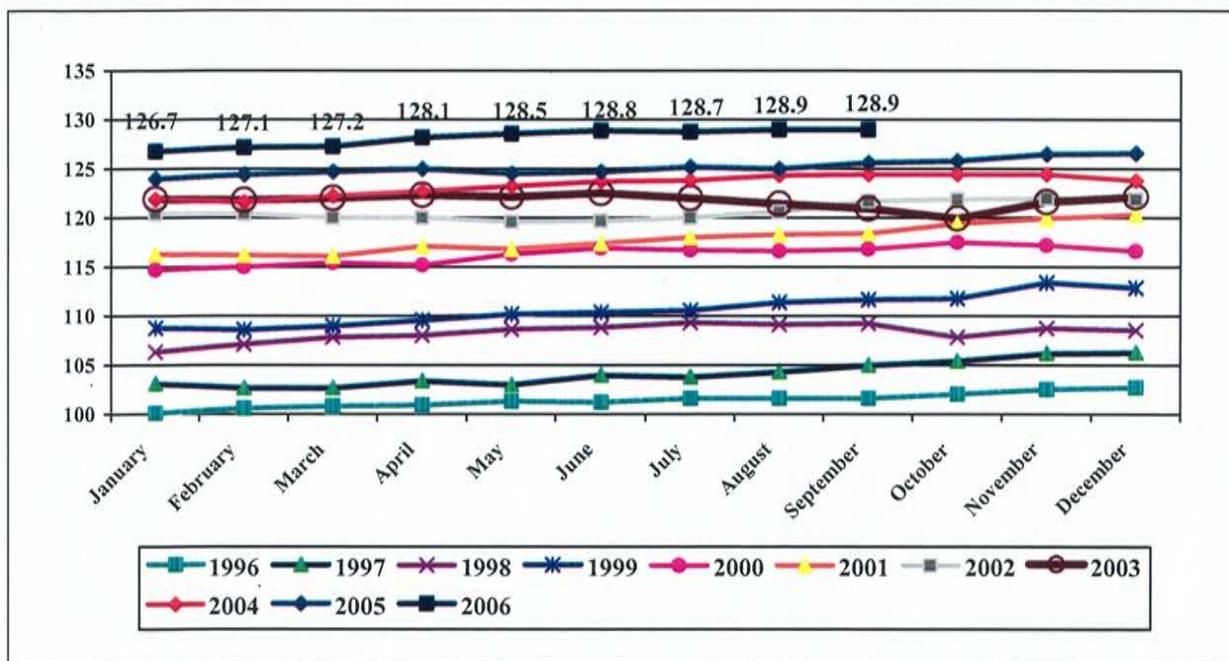
Lubbock Economic Index.

The Lubbock Economic Index is designed to represent the general condition of the Lubbock economy by tracking local economic growth rates. It is based at 100.0 in January 1996. The economic index for September 2006 was 128.9, which is 2.7% improved over the index for September 2005.

The Lubbock Economic Index remains at a record level through September 2006, suggesting that the overall Lubbock economy continues to perform at a high aggregate level.

(Source: Lubbock Economic Index September 2006)

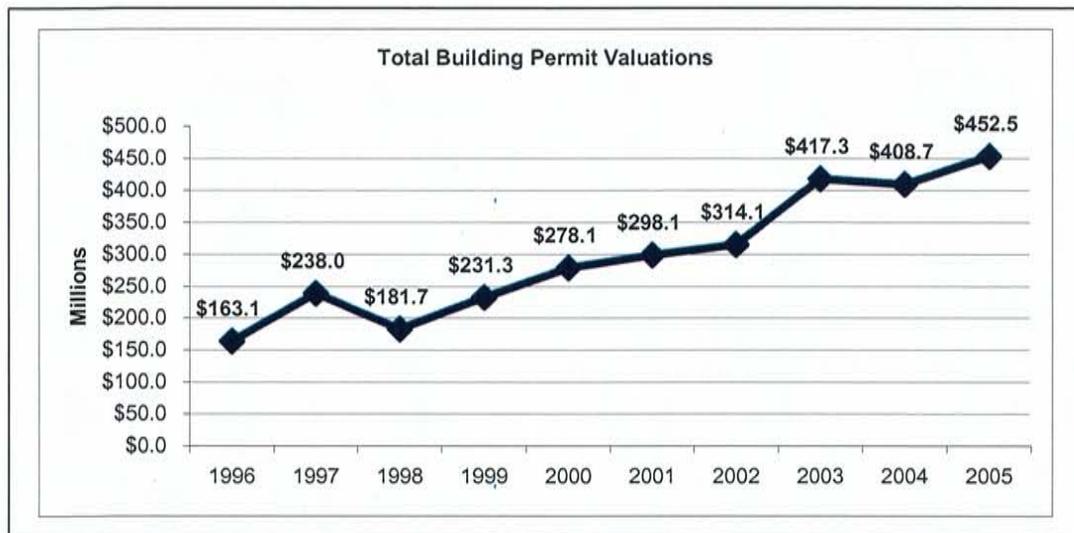
Lubbock Economic Index
 January 1996 to September 2006



Building Permit Valuations.

Construction continues to make a strong contribution to the Lubbock economy even though the value of all building permits issued so far in 2006 is down by 5.8% from last year's total through September. The \$333.2 million in building permits issued through the first nine months of 2006 is slightly down from the record setting levels that have been seen in the city over the last few years.

(Source: Economic and Demographic Overview: Building Valuations – 10-Year Trend / Original Source of Data: Building Inspection Statistical Report)



Total new residential permits decreased by 14.3% through September 2006 when compared to the same period in 2005. The \$154.4 million in residential building permits issued for the first 9 months of 2006 is slightly down from the record setting levels of 2003 through 2005. Average home sale price year-to-date through September 2006 has increased by 4.7% from September 2005 to September 2006.

(Source: Economic and Demographic Overview: Building Valuations – 10-Year Trend / Original Source of Data: Building Inspection Statistical Report and The Real Estate Center at Texas A & M University, Lubbock Residential Housing Activity Report)

Sales Tax Collections

Sales tax collections for September 2006 were 2.82% improved over the September 2005 sales tax collected. Year-to-date sales tax collections through September 2006 were 7.97% improved over the same period in 2005. (Counted in the month the sales tax was collected, not the month it was paid. Does not include sales tax collected by the City of Lubbock and not reported to Comptroller of Public Accounts)

(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

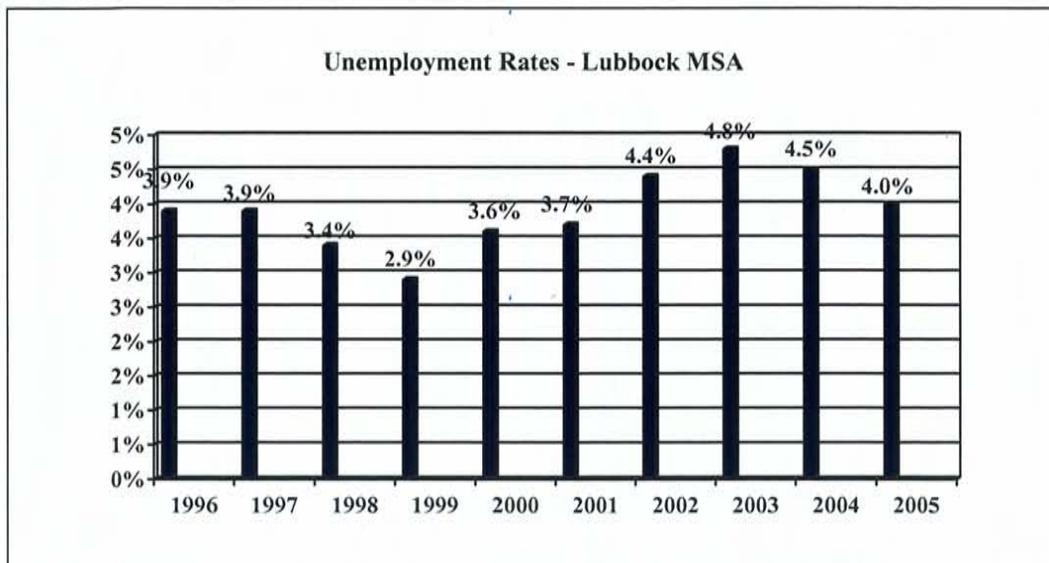
Lodging tax receipts increased from \$2.4 million in September 2005 to \$2.5 million in September 2006. This is a year-to-date increase through September 2006 of 3.2%. Airline boardings at Lubbock Preston Smith International Airport also increased in 2006 by 3.1% over the same period last year.

(Source: Lubbock Economic Index)

Employment

The total non-agricultural employment estimate for September 2006 was 127,600. This was .5% improved over September of last year. There were 600 more people employed in September 2006 than in the same period of 2005. The unemployment rate for the Lubbock MSA in September 2006 was 3.8%, 4th 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 / Original Source of data: Texas Workforce Commission)



Note: The methodology for calculating the unemployment rate was changed in 2005 and the last five years were recalculated based on the new method. The Lubbock MSA also changed in 2005 to include both Lubbock and Crosby Counties.

Economic Development

Economic development is a priority for the City of Lubbock. In 1995, the City Council created Market Lubbock, Inc., a non-profit corporation, to oversee economic development for the City. Market Lubbock, Inc. is funded with three cents of the property tax allocation. In October 2004,

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the Lubbock Economic Development Alliance (LEDA), an economic development sales tax corporation, assumed the responsibility for economic development in Lubbock. 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 2006-07 are \$3,905,080. During the last year, through their business retention, expansion, and attraction programs, LEDA assisted 13 companies in the creation of 295 new jobs with an estimated annual payroll of \$9.2 million and capital investment of \$2.3 million.

The City's Business Development Department works closely with 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, the two Tax Increment Financing Reinvestment Zones, and all Public Improvement Districts. Business Development also works with retail and 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 Lubbock and has been called the largest privately funded revitalization project in the United States. Overton Park is the complete revitalization of a blighted area called North Overton.

Overton Park has developed much faster than anticipated. It is projected that the build-out of this public/private project will occur over a seven-year period. According to the latest Project and Finance Plan for the North Overton Tax Increment Financing Reinvestment Zone (TIRZ), there are planned expenditures of approximately \$41.7 million for public infrastructure improvements, which will result in future development/redevelopment that will increase the taxable value by approximately \$530 million over the Zone's 30-year life. The 2006 appraised value of the North Overton TIRZ was \$185.4 million, which is a \$158.5 million increase over the 2002 base year value.

To-date, three student-oriented apartment complexes have been completed along with The Centre, a \$26 million, 618,000 square foot 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. Also completed are City Bank, Starbucks, and the new 200,000 square foot Wal-Mart near 4th Street and Avenue Q. A retail center adjacent to the new Wal-Mart is nearing completion and will house several different retail businesses. Construction was completed on the first condominiums in Overton Park during 2006 and construction of the first single-family houses will begin in the next few months. Construction will begin on a new hotel/conference center project in early 2007. A new retail center adjacent to the hotel/conference center will begin construction in February 2007. The project, as a whole, is running about three years ahead of schedule with much of the construction now expected to be completed by the end of 2008.

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January 3, 2007

North & East Lubbock Community Development Corporation

While Lubbock grew during the last 50 years, North and East Lubbock experienced an out-migration of people. From 1960 to 2000, the area's population decreased by 47%. In response to the deterioration of North and East Lubbock, the City of Lubbock created the North & East Lubbock Community Development Corporation (CDC) to oversee and promote development in the area and committed to providing funding to the CDC for four years. The North and East Lubbock CDC has experienced significant progress in their projects during the past year. King's Dominion is a new single-family housing project with five home buyers who have closed and moved into their new homes, and five more houses are under construction. The CDC has also placed three clients into scattered site development, one client's home is presently under construction, and an additional three clients have been approved for mortgages within the target area. The North and East Lubbock CDC has originated \$1,079,643 in mortgages for King's Dominion and an additional \$702,187 for scattered site developments this year.

The CDC also awarded Somethin' Fresh Cleaners, a North and East Lubbock business, a \$40,000 micro-enterprise loan and has received a grant from the US Department of Health and Human Services, Office of Community Services to go towards the development of the Parkway Place Shopping Center.

Central Business District Tax Increment Reinvestment Zone

The City of Lubbock Central Business District (CBD) has been developed over the years typically with office, retail, and governmental agency uses. Like many cities in the last ten to twenty years, retail has moved to shopping areas and other areas outside the CBD and office development has stagnated. In an effort to reverse that trend and to stimulate further development downtown, the City established a CBD Tax Increment Finance Reinvestment Zone (TIRZ) on December 3, 2001. The Board of the CBD TIRZ created a project plan that includes projects that will assist redevelopment in the CBD. Under the revised Project Plan and Finance Plan, it is expected that the CBD TIRZ planned expenditure of almost \$10.4 million for public infrastructure improvements will result in future development and redevelopment in the CBD TIRZ which will increase the taxable value by approximately \$122.9 million over the zone's 20-year life. The 2006 appraised value of the Central Business District TIRZ was \$137.8 million which is an increase of \$31.9 million over the 2001 base year value.

Central Lubbock Stabilization and Revitalization Master Plan

The Central Lubbock Stabilization and Revitalization Master Plan is a comprehensive guide for future growth and prosperity for the Central Lubbock Area. The plan was developed with the assistance of Gould Evans Affiliates through a public process bringing together local residents, local employers, city staff, and major stakeholders. This plan is intended to provide a framework for future development in Central Lubbock and to be a "living document" evolving to address any unforeseen future concerns or strategies. As a result of the plan, the 34th Street Business Association, made up of business owners on 34th Street, was formed in 2005.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
January 3, 2007

Other Residential/Commercial Development

Growth in commercial and residential construction has been occurring at a phenomenal rate over the past few years. During the past year, construction on several new residential developments started in Lubbock. The Willow Bend Project, is being constructed on the North side of Lubbock with an expected investment of \$177.3 million. North Point is being constructed along Quaker Avenue and is projected to have investment in new development of \$200.9 million. Vintage Township is another residential/commercial development underway and is, a new concept in community development that will have an estimated \$350 million investment in new development. The construction of Milwaukee Avenue is a public/private partnership between the City of Lubbock and developers who own property along the corridor that is expected to generate a total investment in new commercial/residential development of approximately \$844 million in the next five to ten years. Canyon West has already started development of its outdoor mall on Milwaukee Avenue with the construction and opening of a new Target store. Other commercial projects already planned or underway in Canyon West are Main Event and Cracker Barrel.

Other projects underway or almost completed in Lubbock include a new Market Street on 98th Street, a new Wal-Mart in Southwest Lubbock, Grace Clinic, and Quaker Avenue Medical Center.

Downtown Redevelopment Commission

The City Council created the Downtown Redevelopment Commission (Commission) in May 2005 to develop an action plan for the redevelopment of the downtown area. The Commission is composed of eleven members that are citizens of Lubbock and stakeholders in the downtown area. After collecting information on the issues in the downtown area as well as ongoing activities, the Commission drafted a fund-raising action plan for the development of a downtown master plan. Over the last year, the Commission has raised \$324,000 for the master plan from private sources and the Central Business District Tax Increment Financing Reinvestment Zone. The Commission hired EDAW to draft the downtown master plan and they began work on the plan in July 2006. EDAW completed the Assessment Phase and have begun the Visioning Phase of the project. The Commission is expecting the Downtown Redevelopment Plan to be completed by the second quarter of 2007.

Lubbock Entertainment and Arts Facilities Task Force

The Mayor created the Lubbock Entertainment and Arts Facilities (LEAF) Task Force in September 2006 to look at Lubbock's current and future needs for public facilities. The task force is made up of 15 Lubbock citizens whose responsibilities include a review of existing public facilities to determine if they meet current and future needs as well as establishing whether there is a need for upgrades to the existing facilities or construction of new facilities. LEAF will complete its work in early January 20?? and submit a recommended plan of action to the City Council.

FINANCIAL INFORMATION

Long-term financial planning

The City uses 35 - year rate models for long-range planning in the General Fund and all enterprise funds. These models are based on current projects and policies and are driven by the idea that the rate should be annually adjusted to reflect the service needs of the citizens. Because of this philosophy, the rates in the models are annually trimmed to leave as little excess as possible, after allowing for financially sound net-asset reserves, as established by City Council Policy. The models, in association with the City's "5-year Forecast", provide anticipated trends given current policies. These forward looking models provide a basis for budget discussion and policy decision-making.

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 have been or 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, U.S. Agencies, money market mutual funds, and state investment pools. The maturities of the investments range from 1 day to 3-1/2 years, with an average maturity of approximately 10-1/2 months. The average yield on investments was 4.35% for the City's operating funds and 4.70% for the City's bond funds. Investment income is offset by decreases in the fair value of investments. Decreases 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 2006, 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 \$250,000 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.

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

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
January 3, 2007

December 31, 2005, in funding 74.6% 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% to 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.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lubbock for its comprehensive annual financial report for the fiscal year ended September 30, 2005. The City reapplied for this prestigious award last year after a one-year lapse. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

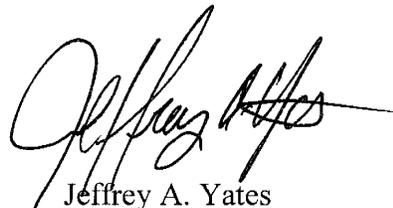
A Certificate of Achievement is valid for a period of one-year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division. Exceptional and tireless effort was invested by the Accounting Department. We would particularly like to thank Pamela Moon, Director of Accounting, and the Senior Accountants, and Accountants for their countless hours of work on this financial report. We would like to express our appreciation to all members of the departments who assisted with and contributed to the preparation of this report. Credit is also given to City Council and the Audit Committee for their interest and support in planning and conducting the operations of the City of Lubbock in a responsible and progressive manner.

Respectfully submitted,

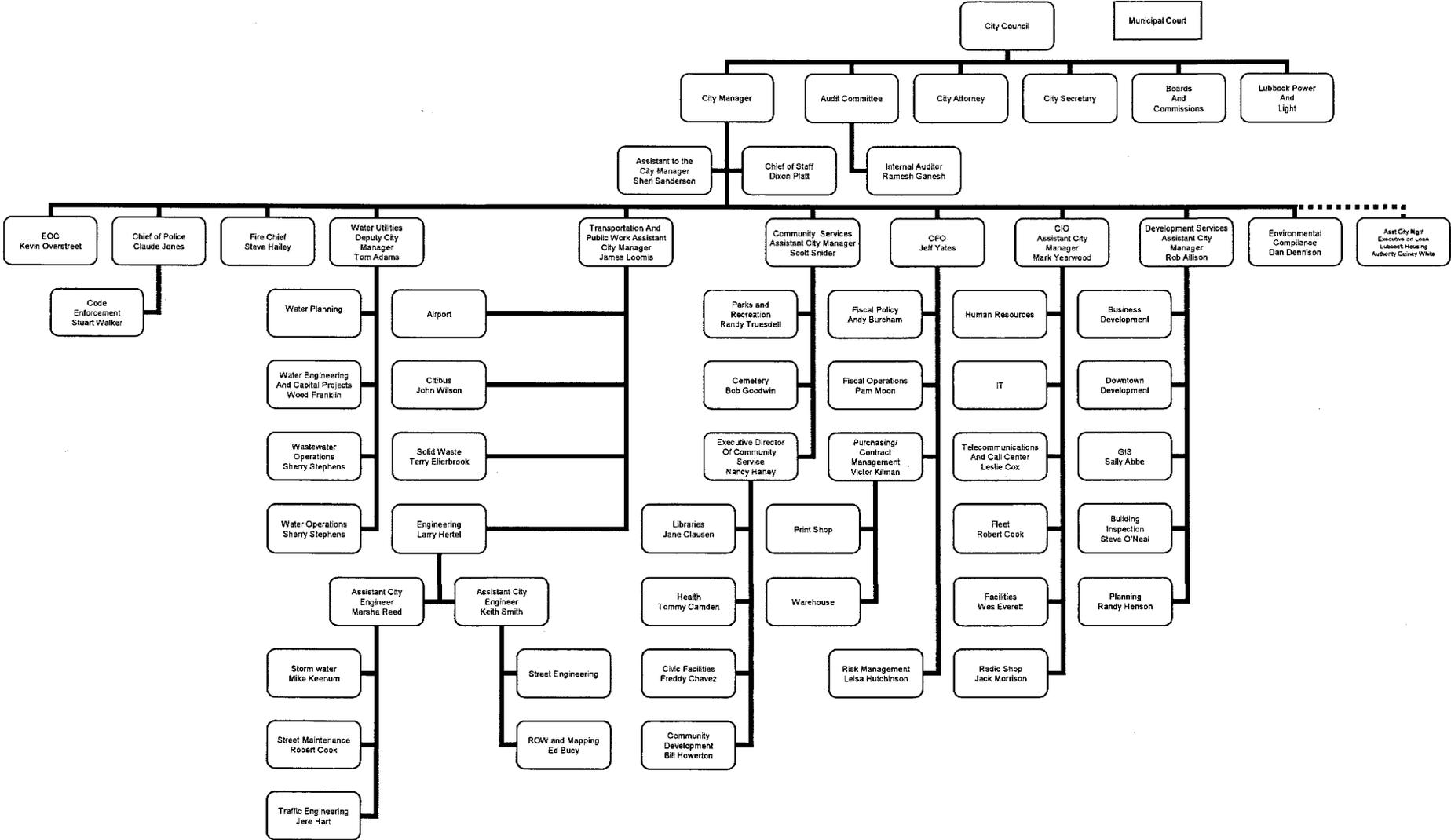


Lee Ann Dumbauld
City Manager



Jeffrey A. Yates
Chief Financial Officer

City of Lubbock, Texas Organization Chart September 30, 2006



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lubbock
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



President

Executive Director

CAFER



"Serve with humility, lead with passion, commit to excellence."



Independent Accountants' Report on Financial Statements and Supplementary Information

The Honorable Mayor and 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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock and Lubbock Economic Development Alliance, which comprise the aggregate discretely presented component units. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units Civic Lubbock, Inc.; Market Lubbock Economic Development Corporation d/b/a Market Lubbock; Lubbock Economic Development Alliance and the major fund West Texas Municipal Power Agency, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying information in the introductory and statistical sections as listed in the table of contents has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

December 22, 2006, except for Note V.
as to which the date is January 10, 2007

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

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, 2006.

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, 2006 by \$583.5 million (net assets). Of this amount, \$97.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$38.0 million as a result of operations during the fiscal year.
- The ending unreserved fund balance for the General Fund was \$19.8 million or approximately 20.2% of total General Fund revenues; an increase of \$2.5 million over the prior year amount.
- All of the City's governmental funds reported combined ending fund balances of \$96.8 million. Of this total amount, \$39.8 million is available for spending at the City's discretion.
- All of the City's business-type activities reported combined ending net assets of \$470.8 million. Of this total amount, \$71.7 million is available for spending at the City's discretion.
- The City's proprietary funds net assets increased by \$35.6 million from \$429.7 million to \$465.3 million.
- During FY 2006, the City issued \$79.7 million in debt for various capital projects and issued \$18.8 million in debt to refund \$18.0 million in outstanding debt. The City also participated in the issuance of \$18.6 million of contract revenue bonds with the Canadian River Municipal Water Authority.

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 37-39 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.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

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 administrative services, community services, cultural and recreation, economic and business development, fire, health, police, other public safety, streets and traffic, and non-departmental. 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, Wastewater, Solid Waste, Storm Water, 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.

Component Units. The GWFS include not only the City itself (the "primary government"), but also three legally separate entities (the "component units"): Market Lubbock Economic Development Corporation, d/b/a Market Lubbock, Inc., Lubbock Economic Development Alliance, 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. None 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.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

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.

The City maintains 31 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 revenues, expenditures, and changes in fund balances. The governmental FFS can be found on pages 40-43 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, Wastewater, West Texas Municipal Power Agency (WTMPA), Storm Water, 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 46-57 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 had one agency fund, which was closed in FY 2006.

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 59-94 of this report.

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.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006**

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 \$583.5 million (*net assets*) at the close of the fiscal year. This compared to assets exceeding liabilities by \$545.5 million (*net assets*) at the end of the prior fiscal year. As a result of operations, total net assets increased by \$38.0 million during the period.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 124,446	116,021	203,858	170,945	328,304	286,966
Capital assets	160,550	138,614	700,154	637,444	860,704	776,058
Total assets	284,996	254,635	904,012	808,389	1,189,008	1,063,024
Current liabilities	35,197	16,837	54,322	25,505	89,519	42,342
Noncurrent liabilities	137,078	127,169	378,896	348,036	515,974	475,205
Total liabilities	172,275	144,006	433,218	373,541	605,493	517,547
Net assets:						
Invested in capital assets, net of related debt	76,483	82,330	380,149	363,227	456,632	445,557
Restricted	10,149	8,770	18,915	26,276	29,064	35,046
Unrestricted	26,089	19,529	71,730	45,345	97,819	64,874
Total net assets	\$ 112,721	110,629	470,794	434,848	583,515	545,477

By far the largest portion of the City's net assets, 78.3%, 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.

An additional portion of the City's net assets, 5.0%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$98.7 million may be used to meet the City's ongoing obligations to citizens and creditors.

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 \$2.1 million, while net assets increased by \$6.3 million during the prior fiscal year. The increase in FY 2006 is primarily due to higher than expected sales tax collections due to better than anticipated retail sales and an increase in franchise taxes from power companies due to increased fuel and electric prices.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

The City's business-type activities experienced an increase in net assets of \$35.9 million during the current fiscal year as compared to a decrease of \$7.6 million during the prior fiscal year. The increase in net assets was budgeted to meet City Council and LP&L Board goals of minimum unrestricted net asset balances.

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

	Governmental Activities		Business- Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 9,632	10,583	313,782	272,902	323,414	283,485
Operating grants and contributions	10,203	13,296	8,352	8,156	18,555	21,452
Capital grants and contributions	845	-	17,625	5,206	18,470	5,206
General Revenues:						
Property taxes	42,771	39,748	-	-	42,771	39,748
Sales taxes	45,577	41,803	-	-	45,577	41,803
Other taxes	4,447	4,242	-	-	4,447	4,242
Franchise fees	13,348	11,154	-	-	13,348	11,154
Investment earnings	4,394	1,633	6,140	3,758	10,534	5,391
Other	6,898	4,110	4,277	1,388	11,175	5,498
Total revenues	138,115	126,569	350,176	291,410	488,291	417,979
Expenses:						
Administrative services	9,910	8,220	-	-	9,910	8,220
Community services	6,112	6,145	-	-	6,112	6,145
Cultural and recreation	18,915	17,745	-	-	18,915	17,745
Economic development	10,283	9,739	-	-	10,283	9,739
Fire	26,711	23,517	-	-	26,711	23,517
Health	5,014	5,040	-	-	5,014	5,040
Police	42,063	38,452	-	-	42,063	38,452
Other public safety	5,240	4,977	-	-	5,240	4,977
Streets and traffic	11,850	12,467	-	-	11,850	12,467
Non-departmental	5,206	6,253	-	-	5,206	6,253
Interest on long-term debt	4,326	3,195	-	-	4,326	3,195
Electric	-	-	213,027	192,902	213,027	192,902
Water	-	-	32,830	28,738	32,830	28,738
Sewer	-	-	21,274	17,804	21,274	17,804
Solid Waste	-	-	14,971	14,695	14,971	14,695
Stormwater	-	-	5,175	5,586	5,175	5,586
Transit	-	-	9,349	9,003	9,349	9,003
Airport	-	-	7,997	8,151	7,997	8,151
Total Expenses	145,630	135,750	304,623	276,879	450,253	412,629
Change in net assets before special items and transfers	(7,515)	(9,181)	45,553	14,531	38,038	5,350
Special items	-	-	-	(6,637)	-	(6,637)
Transfers	9,607	15,469	(9,607)	(15,469)	-	-
Change in net assets	2,092	6,288	35,946	(7,575)	38,038	(1,287)
Net assets - beginning of year	110,629	104,341	434,848	442,423	545,477	546,764
Net assets - end of year	\$ 112,721	110,629	470,794	434,848	583,515	545,477

Changes in Net Assets. Details of the above summarized information can be found on pages 38-39 of this report.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

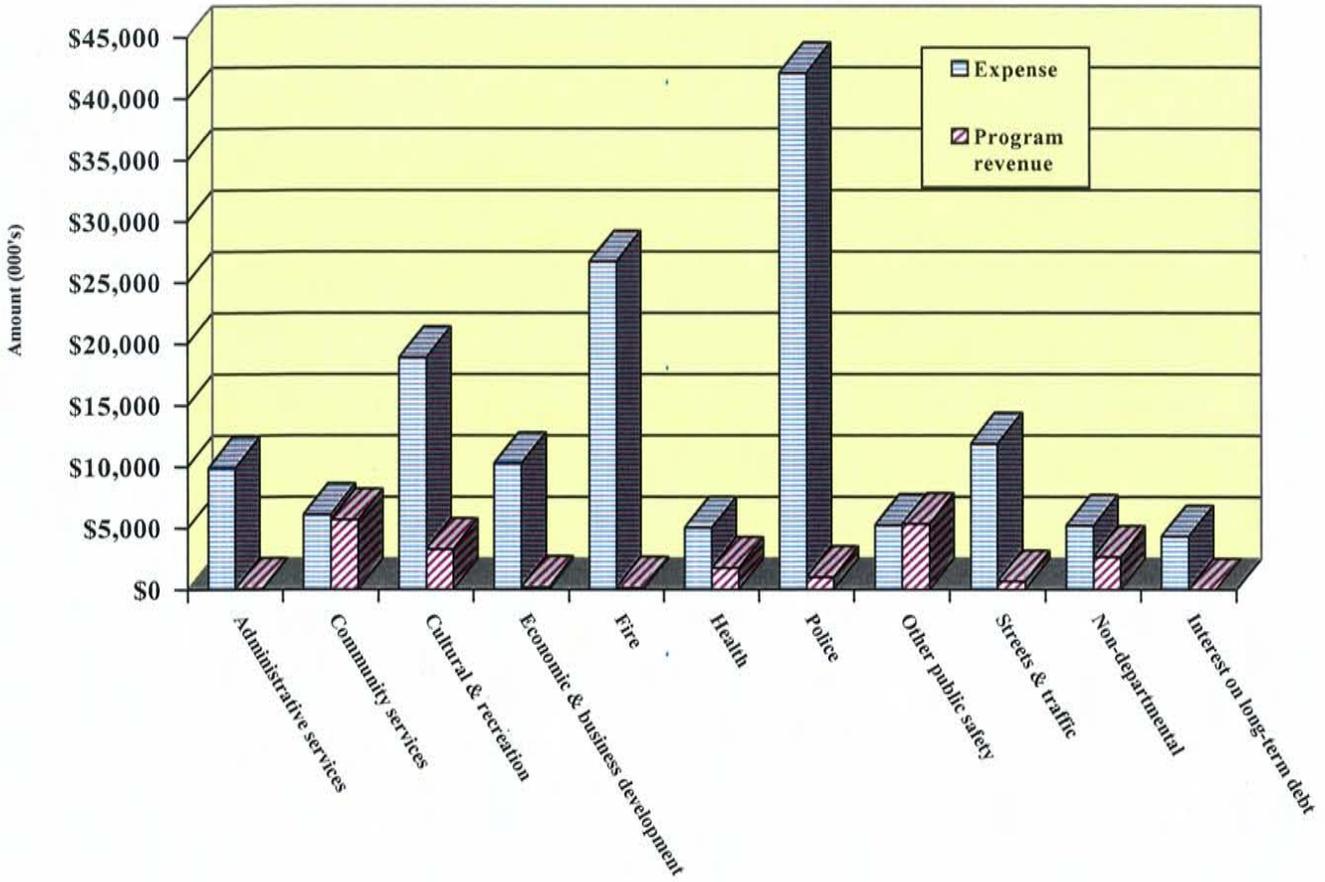
Governmental activities. Governmental activities increased the City's net assets by \$2.1 million. Key elements of the increase include:

- Transfers to/from business-type activities during the fiscal year increased governmental activities net assets by \$9.6 million. During the prior fiscal year these transfers increased governmental activities net assets by approximately \$15.5 million. This is a net decrease of \$5.9 million in resources to governmental activities. 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 increased by \$9.9 million from the prior year primarily due to increased spending in public safety functions. City Council has continued to be committed to public safety and has allocated more resources to public safety than other areas in the government. Fire expenses increased \$3.2 million and police expenses increased \$3.6 million in FY 2006. Administrative expenses increased \$1.7 million due to moving facilities management from an internal service fund to the General Fund. These expenses were previously spread to many different functions. Interest on long-term debt increased \$1.1 million due to new debt issuances. These were offset by a \$1.0 million decrease in non-departmental functions, which was mainly due to Federal Emergency Management Administration (FEMA) expenses incurred in FY 2005 while hosting evacuees from Louisiana and southeast Texas during Hurricanes Katrina and Rita.
- Revenues increased by approximately \$11.5 million. Grants and contributions decreased by \$2.2 million, partially due to decrease in FEMA and other emergency management funds. The property tax rate was reduced to \$.44720 per \$100 assessed value in FY 2006, down from the \$.45970 per \$100 assessed value rate in FY 2005; however, property tax revenues increased \$3.1 million due to increased assessments. Sales tax revenue increased \$3.8 million in FY 2006 due to an improved economy. Franchise taxes increased \$2.2 million, primarily due to increased costs on gas and electric bills to consumers and an increase in the franchise rate from 2.0% to 5.0% percent on one electric company. Investment income increased \$2.8 million due to increases in interest rates and improved cash balances. Other revenues increased \$2.8 million due to developer contributions in the Gateway Capital Project Fund.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006**

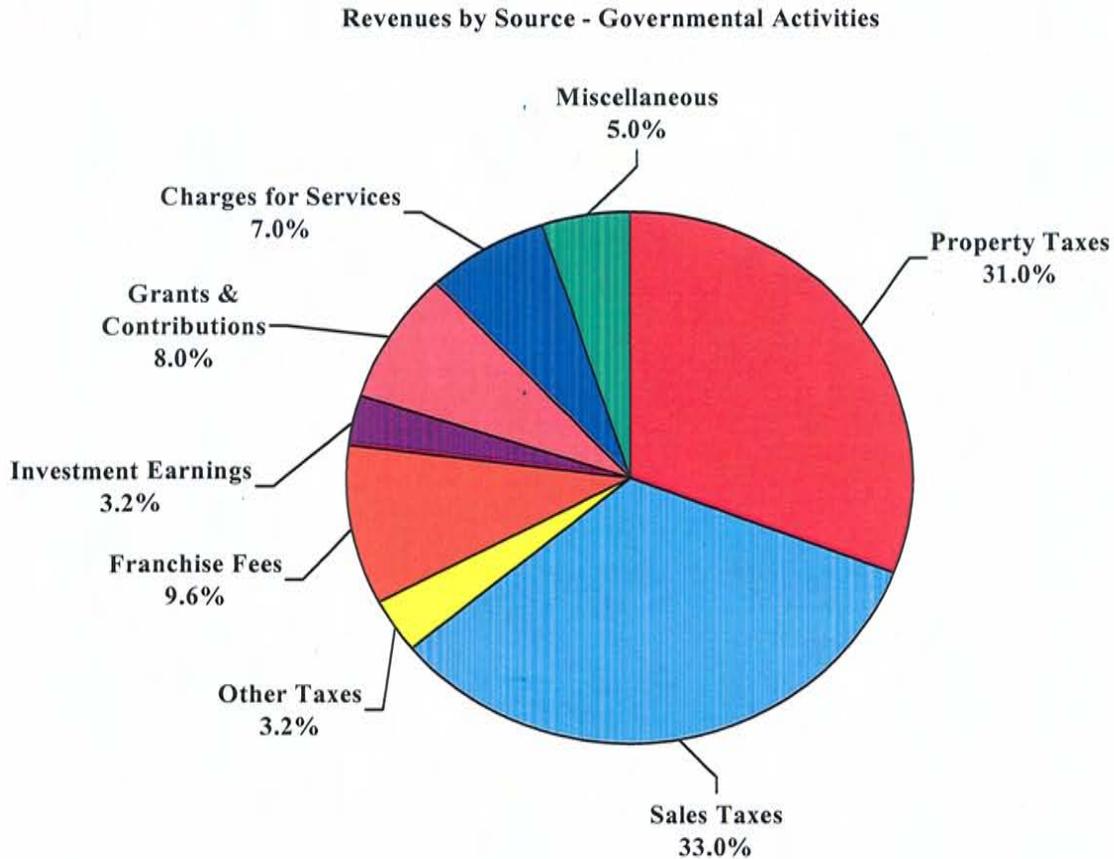
This graph depicts the expenses and program revenues generated through the City's various governmental activities.

Expenses and Program Revenues - Governmental Activities



**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006**

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



Business-type activities. Business-type activities increased the City's net assets by \$35.9 million as a result of operations. Key elements of the increase include:

- Charges for services for business-type activities were \$313.8 million in FY 2006, an increase of \$40.9 million. Expenses for business-type activities were \$304.6 million in FY 2006, an increase of \$27.7 million.
- Electric operations accounted for \$33.8 million of the increase in charges for services. Electric operations include both Lubbock Power and Light (LP&L) and West Texas Municipal Power Agency (WTMPA). Because of the interfund activity between LP&L and WTMPA, approximately one third of the combined electric revenue was eliminated for the entity wide statements. Operating revenues consist principally of the retail sales of electricity to residential, commercial, and government customers, and off-system sales to wholesale power customers. LP&L charges a base rate for electric service plus a fuel cost adjustment rate for electric service. While the base rate has remained consistent between years, there have been many fuel cost adjustments during FY 2006 which have

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

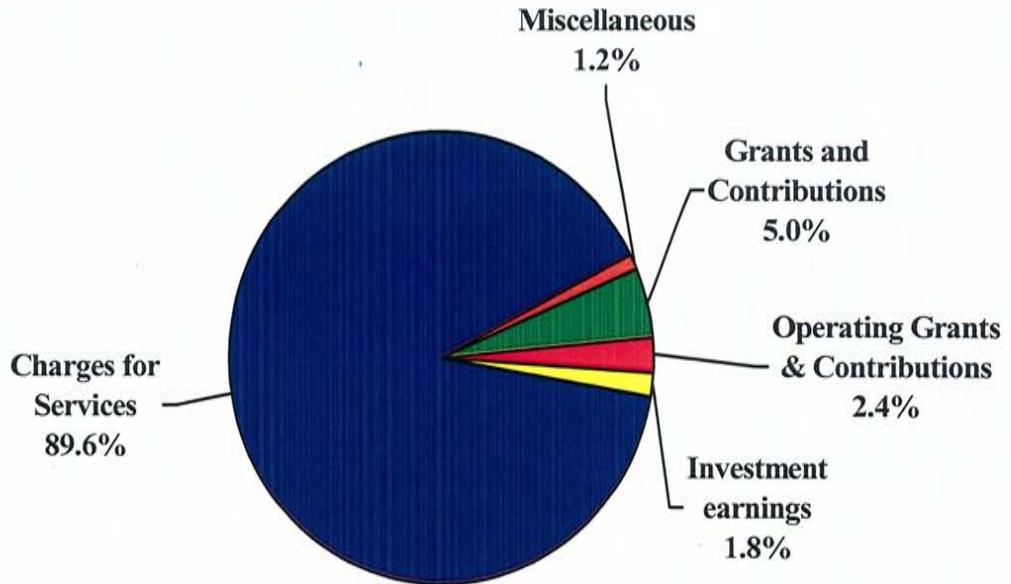
cumulatively increased the rates charged to customers. Also, WTMPA gas sales to third parties increased from \$65.2 million in FY 2005 to \$76.2 million in FY 2006, again due to fuel cost adjustments. Electric operation expenses increased \$20.1 million, from \$192.9 million in FY 2005 to \$213.0 million in FY 2006. The increase in expenses is primarily due to the nation's increased fuel and energy costs in FY 2006, which affected both LP&L and WTMPA cost of power.

- Revenues were also up slightly in most of the City's other enterprise funds, with the Water and Wastewater Funds accounting for the largest increase. Water usage, which effects both Water and Wastewater Funds, increased due to drought conditions. Water rates also increased 3% in FY 2006. Construction activity was also higher in FY 2006 and contractors contributed \$6.6 million in Water and Wastewater assets, \$2.4 more than prior year.
- Operating grants, capital grants, and contributions continue to be a significant revenue source for business-type activities during the current fiscal year, producing nearly \$26.0 million in revenue. This is a \$12.6 million increase over prior year support of \$13.4 million. The Airport Fund incurred the largest increase due to receiving federal grants of \$12.0 million for aviation apron and taxiway improvements. In the prior year the Airport received \$2.2 million in federal grants. The Water and Wastewater Funds also received additional developer contributions.
- Expenses in Water and Wastewater Funds increased in total by \$7.6 million over the prior fiscal year. In FY 2006 the Wastewater Fund paid \$2.4 million for a Water Resource Master Plan. These funds also incurred almost \$2 million additional utility costs to run their plants due to the higher fuel and electrical costs. The Wastewater and Water Funds also had an additional \$1.5 million in depreciation expense, which is directly attributed to the recent capital activities that are now placed in service and depreciated.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006**

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

Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 \$96.8 million, compared to \$85.2 million at the end of the prior fiscal year. This increase is primarily the result of debt issuance for park capital projects, which resulted in an increase of fund balance of \$9.5 million. Also affecting this increase was the result of operations of the General Fund where fund balance increased by \$2.5 million. Of the ending governmental fund balance, \$39.8 million or 41.1% percent, constituted unreserved fund balance which is available for spending at the City's discretion. This compared to \$25.9 million or 30.4% at the end of the prior fiscal year. The remainder of the fund balance is reserved to indicate it has already been committed to pay debt service, use in construction of approved capital projects, or is restricted for other 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 \$19.8 million compared to \$17.3 million in the previous

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

fiscal year, representing an increase of approximately \$2.5 million. Total fund balance (reserved and unreserved) was \$19.9 million at the end of the fiscal year compared to \$17.4 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 revenues. Unreserved fund balance represented 20.2% of total General Fund revenues, which is an improvement over 19.7% of total General Fund revenues in the prior year. Total fund balance was 20.4% of total General Fund revenues compared to 19.8% in the prior year.

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

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

	<u>2006</u>	<u>2005</u>
Electric Fund	\$ 32,141	14,151
Water Fund	10,878	6,818
Wastewater Fund	9,593	5,964
WTMPA	1,307	1,314
Stormwater	10,022	7,420
	<u>\$ 63,941</u>	<u>35,667</u>

The LP&L Fund increased unrestricted net assets by \$18.0 million compared to an increase of \$7.1 million during the prior year. This is mainly due to the results of operations and the decision by City Council not to charge for payments in lieu of taxes and franchise fees until adequate cash reserves are established. Increase in net assets was \$16.4 million in FY 2006 and \$3.0 million in FY 2004-05.

The Water Fund reflected a current year increase in unrestricted net assets of nearly \$4.1 million compared to a decrease of \$7.3 million during the prior year. In the current year, revenues were higher than expected due to increased water usage, while in prior year the Water Fund had a loss due to termination of an interest rate swap agreement.

The Wastewater Fund reflected a current year increase in unrestricted net assets of approximately \$3.6 million compared to a \$.4 million decrease during the prior year. In current year, revenues were higher than expected due to the discharge of a higher volume of water consumption.

The WTMPA Fund had a slight decrease in unrestricted net assets. The prior fiscal year's change was a decrease in unrestricted nets assets of \$.4 million, primarily as a result of operations.

The Storm Water Fund experienced an increase in unrestricted net assets of \$2.6 million during the fiscal year compared to a \$6.1 million increase in the prior fiscal year. The increase is due to the result of operations.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately \$7.5 million in increases to expenditures and transfers out. The main reason for the increase was budgeting for purchase of machinery and equipment through the issuance of capital leases.

Revenues in the General Fund exceeded budget by \$4.3 million primarily due to higher than expected sales tax collections and franchise fees. The General Fund ended the fiscal year with expenditures and transfers out of \$459,394 more than budgeted. The primary reason for this overage was related to higher than anticipated energy and fuel costs across all departments. The City Manager has implemented the following additional controls to ensure more stringent budget control:

- Biweekly Budget Forecasting and Manager Review
- Position Control Management System and Requisition Review
- Biweekly Overtime Reporting and Management Review
- General Ledger Reconciliation Policy
- Centralized Facilities Management, and Utilities Budgeting
- Improved Monthly Management Reporting to City Council
- Changes in the Home Storage of Fleet Vehicles

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2006 amounted to \$860.7 million, net of accumulated depreciation. This was an \$84.6 million increase over the prior fiscal year's balance of \$776.1 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:

- Many large street projects progressed due to dedicated funding from the local franchise tax, which earmarks 2% of the 5% franchise fees to fund Gateway Street Projects. The largest Gateway Street Project continued with the construction of a T-2 thoroughfare street with \$12.6 million expended in the fiscal year on Milwaukee Avenue from 34th Street to 98th Street.
- Large amounts of existing infrastructure and reconstruction of roadways has been accomplished within the North Overton Tax Increment Financing (TIF) Reinvestment Zone. The funding for these projects comes from taxes generated from the increment of property valuation growth within the TIF. The funds used to finance the projects are generated within the zone, and do not impact taxes or fees to citizens outside the TIF.
- The Water Fund acquired \$19.1 million in water rights from the Canadian Municipal Water Rights Authority and continued work on numerous water line change outs and extensions.
- Approximately 38,000 square yards of new paving was constructed at the Lubbock Preston Smith International Airport to help serve air carrier aircraft. This project also involved removal and installation of new taxiway lighting and drainage improvements. Expenditures on this project totaled \$9.7 million during the fiscal year. Expenditures to date on the project total \$10.5 million.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006**

- The City continues work on a flood relief project linking South Lubbock's chain of playa lakes with an underground drainage system, spending \$12.8 million during the fiscal year. Expenditures to date on the project total \$26.1 million.

At the end of the fiscal year, the City has construction commitments of \$159.7 million.

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

	Governmental Activities		Business- Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 8,971	8,951	31,949	31,949	40,920	40,900
Buildings	29,870	28,146	64,092	65,951	93,962	94,097
Improvements other than buildings	50,443	43,895	389,474	347,393	439,917	391,288
Machinery and equipment	20,615	19,829	77,993	63,719	98,608	83,548
Construction in progress	50,650	37,793	136,646	128,432	187,296	166,225
Total	\$ 160,549	138,614	700,154	637,444	860,703	776,058

Additional information about the City's capital assets can be found on pages 72-75 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 Activities		Business- Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 124,457	102,720	323,568	286,750	448,025	389,470
Revenue bonds	-	-	58,079	42,800	58,079	42,800
Total	\$ 124,457	102,720	381,647	329,550	506,104	432,270

There is no direct debt limitation in the City Charter or under State law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation bonds debt service. The current interest and sinking fund tax rate per \$100 of assessed valuation is \$0.06094, which is significantly below the maximum allowable tax rate.

As of September 30, 2006, the City's total outstanding debt has increased by \$73.8 million or 17.1% over the prior fiscal year. The increase in outstanding debt is attributed to the issuance of \$98.3 million in debt, offset by the payment of scheduled debt service totaling \$25.3 million, and the issuance of \$18.8 million of debt to defease debt of \$18.0 million.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

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

- \$2.7 million of General Obligation Bonds, Series 2006 were issued to fund the current capital improvements plan. This issuance was the third installment of the \$30.0 million capital improvement debt issuance approved by voters in 2004.
- \$77.0 million of Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2006 were issued to finance projects in Water, Wastewater, Solid Waste, Storm Water, Airport, Tax Increment Financing, Lubbock Power & Light, and Gateway Streets; as well as Parks, Streets and Municipal Building projects throughout the City.
- \$18.6 million in bonds were issued by the Canadian River Municipal Water Authority (CRMWA) for Lubbock's share of the \$49.1 million CRMWA Contract Revenue Bonds, Series 2006 (Conjunctive Use Groundwater Supply Project) for the purchase of water rights. The City of Lubbock is contractually obligated to pay the debt service on these bonds over a 20 year period.
- \$18.8 million of General Obligation Refunding Bonds, Series 2006 were issued to defease \$18.0 million in outstanding bonds in order to achieve interest savings.

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.

On November 22, 2005, the City of Lubbock received a rating outlook upgrade from "stable" to "positive" from Moody's Investors Service. The City currently 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. All three rating agencies have placed the City on a positive outlook, which indicates the possibility of a rating upgrade in the near term. On December 21, 2005, LP&L received a rating upgrade from "BBB-" to "BBB" from Standard & Poor's. The LP&L revenue bonds are currently 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 81-86 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 3.8%. This is the same rate as September 2005. This compares favorably to the state's unemployment rate of 4.7 % and the national rate of 4.4 % for September 2006.
- Retail sales figures are only available through the third quarter of FY 2006. Total retail sales reflected a 7.3% increase for that period over the same period in 2005.
- The number of building permits for new construction decreased from 2,222 during FY 2005 to 2,052 in FY 2006, or about a 7.7% decrease. This compares to a 20.5% decrease during the prior period. Building permit values for new construction decreased from \$388.4 million in FY 2005 to \$376.2 million in FY 2006, or about a 3.1% decrease. The number of new construction permits and new construction valuations hit an all-time high in FY 2004. The current numbers are still much improved over years prior to FY 2004.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

- Total occupancy in local hotels and motels improved and the local occupancy tax totaled nearly \$3.4 million, a 4.6% increase over last fiscal year.
- City Council again decided to support the operations of LP&L 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 LP&L has adequate monetary reserves as set by City ordinance.

All of these factors were considered in preparing the City of Lubbock's budget for FY 2007.

- During FY 2007 the City adopted a \$.00444 increase in the General Fund property tax rate. The General Fund increase will bring an additional \$1.7 million increase in revenue from both property value growth and the adjusted tax rate. The additional revenues will help cover medical insurance inflation costs, a \$1,200 cost of living adjustment for all employees, increased fuel costs, and 29 public safety positions added mid-year of FY 2006 that will have the full effect of cost in FY 2007.
- During FY 2007 the City adopted a \$.01035 increase in the Debt Service Fund real estate tax rate. In the last several years, City Council has adopted a number of capital improvement projects to address changing community needs. The bonds for these projects were sold in 2006 and related debt service begins in FY 2007, necessitating an increase in the interest and sinking fund tax rate.
- In FY 2005 the City adopted a master lease program to replace public safety vehicles and other equipment that had been neglected. The cumulative effect of master leasing the last two years will increase debt service payments on master lease obligations in FY 2007.
- The City has prepared a 5 year projection of utility rates for Water, Storm Water, Wastewater, and Solid Waste Funds. The Water Fund will experience an increase in rates as the City aggressively seeks to obtain water rights, plans on adding infrastructure to transport water to the City, and maintains existing infrastructure. The Water Fund rates will increase 11% in FY 2007 and are expected to rise over the remaining 4 years to fund debt service on water capital projects. The Storm Water Fund will incur debt as the City focuses on infrastructure through the South Lubbock Drainage project and ongoing maintenance. Storm water rates are adequate for the future debt and are not expected to increase until FY 2010. The Wastewater Fund and Solid Waste Fund are also expecting slight fee increases over the next 5 years due to operational cost increases and increased debt service.
- At the March 23, 2006 City Council meeting, the City Council approved the "Policy on General Fund Unrestricted Fund Balance and Appropriable Net Assets for All Other Funds". The policy targets an unrestricted fund balance in an amount equal to at least 20% of regular general fund operating revenues. The policy targets appropriable net assets in the Water and Wastewater funds in an amount equal to 25% of regular operating revenues, appropriable net assets in the Solid Waste, Airport and Storm Water funds in an amount equal to 15% of regular operating revenues, and appropriable net assets in the Internal Service funds in an amount equal to 8% of regular operating revenues. Funds that have budgeted utilization of net assets that exceed the appropriate target policy include: \$3.0 million in Water Fund, \$1.5 million in Wastewater Fund, \$2.2 million in Solid Waste Fund, and \$2.2 million in Storm Water Fund. The City has not planned any use of General Fund fund balance in FY 2007. The LP&L Board has set their unrestricted net assets goal to be \$50 million, or 4 months of operating expenditures, whichever is greater. In FY 2007, LP&L has budgeted to increase unrestricted net assets by \$19.3 million.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2006

- LP&L FY 2007 base rates will be consistent with FY 2006 rates, but the fuel cost adjustment rates will vary based on supplier cost. One of the main suppliers of fuel to LP&L has applied for a 15% increase in rates, and if approved, could increase fuel costs up to 15% in early 2007. This may cause electric rates to increase in FY 2007.

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, City of Lubbock, P.O. Box 2000, Lubbock, Texas, 79457.

City of Lubbock, Texas
Statement of Net Assets
September 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 21,577,439	\$ 37,135,183	\$ 58,712,622	\$ 5,950,665
Investments	19,013,367	33,373,806	52,387,173	225,144
Receivables (net of allowance for uncollectibles)	11,719,391	27,620,285	39,339,676	1,052,895
Internal balance	2,009,936	(2,009,936)	-	-
Due from other governments	3,487,278	-	3,487,278	-
Due from others	2,369,856	1,863,690	4,233,546	-
Inventories	212,052	3,116,055	3,328,107	82,758
Investment in property	208,103	-	208,103	-
Prepaid expenses	920,722	-	920,722	53,490
Restricted assets:				
Cash and cash equivalents	4,002,576	18,915,606	22,918,182	176,852
Investments	52,987,526	80,658,868	133,646,394	-
Receivables	124,694	106,010	230,704	7,000,000
Mortgage receivables	5,813,330	-	5,813,330	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	59,621,807	168,594,938	228,216,745	1,404,299
Depreciable	100,927,834	531,559,552	632,487,386	829,241
Deferred charges	-	3,077,777	3,077,777	-
Total assets	<u>284,995,911</u>	<u>904,011,834</u>	<u>1,189,007,745</u>	<u>16,775,344</u>
LIABILITIES				
Accounts payable	5,666,721	16,869,683	22,536,404	1,018,218
Accrued expenses	6,953,799	3,155,693	10,109,492	162,308
Accrued interest payable	959,422	4,261,554	5,220,976	-
Customer deposits	-	2,990,665	2,990,665	-
Unearned revenue	5,176,605	-	5,176,605	7,133,046
Noncurrent liabilities due within one year:				
Compensated absences	6,133,264	2,571,795	8,705,059	-
Accrued insurance claims	2,512,041	2,444,632	4,956,673	-
Contracts and leases payable	1,426,999	1,974,403	3,401,402	1,412,685
Bonds payable	6,367,599	20,053,550	26,421,149	-
Noncurrent liabilities due in more than one year:				
Compensated absences	10,126,773	2,794,001	12,920,774	-
Landfill closure and postclosure care	-	3,299,131	3,299,131	-
Accrued insurance claims	249,115	2,816,344	3,065,459	-
Contracts and leases payable	6,103,560	6,414,565	12,518,125	1,241,971
Bonds payable	120,598,987	363,571,365	484,170,352	-
Total liabilities	<u>172,274,885</u>	<u>433,217,381</u>	<u>605,492,266</u>	<u>10,968,228</u>
NET ASSETS				
Invested in capital assets, net of related debt	76,483,334	380,149,135	456,632,469	2,164,396
Restricted for:				
Passenger facility charges	-	3,630,625	3,630,625	-
Debt service	4,002,576	15,284,981	19,287,557	-
Grant programs	6,145,719	-	6,145,719	-
Primary government agreement	-	-	-	100,000
Unrestricted	26,089,397	71,729,712	97,819,109	3,542,720
Total net assets	<u>\$ 112,721,026</u>	<u>\$ 470,794,453</u>	<u>\$ 583,515,479</u>	<u>\$ 5,807,116</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Administrative services	\$ 9,910,392	\$ 54,356	\$ -	\$ -
Community services	6,112,193	-	5,677,173	-
Cultural and recreation	18,915,265	2,590,241	668,258	-
Economic and business development	10,283,007	188,856	-	-
Fire	26,711,389	13,165	36,632	86,614
Health	5,013,691	722,113	1,028,999	-
Police	42,063,023	209,251	386,165	397,054
Other public safety	5,239,386	4,984,968	17,452	321,962
Streets and traffic	11,849,496	494,312	104,885	39,300
Non-departmental	5,206,309	374,629	2,283,899	-
Interest on long-term debt	4,326,128	-	-	-
Total governmental activities	<u>145,630,279</u>	<u>9,631,891</u>	<u>10,203,463</u>	<u>844,930</u>
Business-type activities:				
Electric	213,026,628	226,373,638	-	-
Water	32,830,002	37,330,953	59,296	2,754,551
Wastewater	21,273,796	21,087,364	-	3,808,242
Solid Waste	14,971,421	13,948,861	-	21,633
Stormwater	5,174,635	6,348,461	31,740	-
Transit	9,349,206	3,268,441	7,294,964	-
Airport	7,996,692	5,424,016	965,605	11,040,385
Total business-type activities	<u>304,622,380</u>	<u>313,781,734</u>	<u>8,351,605</u>	<u>17,624,811</u>
Total primary government	<u>\$ 450,252,659</u>	<u>\$ 323,413,625</u>	<u>\$ 18,555,068</u>	<u>\$ 18,469,741</u>
Component units:				
Civic Lubbock, Inc.	\$ 1,772,007	\$ 1,703,598	\$ 249,220	\$ -
Market Lubbock, Inc.	6,350,716	96,728	6,082,671	-
Lubbock Economic Development Alliance	2,638,367	-	6,435,160	-
Total component units	<u>\$ 10,761,090</u>	<u>\$ 1,800,326</u>	<u>\$ 12,767,051</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Occupancy taxes				
Other Taxes				
Franchise Taxes				
Investment Earnings				
Miscellaneous				
Transfers, net				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See accompanying Notes to Basic Financial Statements

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

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (9,856,036)	\$ -	\$ (9,856,036)	\$ -
(435,020)		(435,020)	
(15,656,766)	-	(15,656,766)	-
(10,094,151)	-	(10,094,151)	-
(26,574,978)	-	(26,574,978)	-
(3,262,579)	-	(3,262,579)	-
(41,070,553)	-	(41,070,553)	-
84,996	-	84,996	-
(11,210,999)	-	(11,210,999)	-
(2,547,781)	-	(2,547,781)	-
(4,326,128)	-	(4,326,128)	-
<u>(124,949,995)</u>	<u>-</u>	<u>(124,949,995)</u>	<u>-</u>
-	13,347,010	13,347,010	-
-	7,314,798	7,314,798	-
-	3,621,810	3,621,810	-
-	(1,000,927)	(1,000,927)	-
-	1,205,566	1,205,566	-
-	1,214,199	1,214,199	-
-	9,433,314	9,433,314	-
-	35,135,770	35,135,770	-
<u>(124,949,995)</u>	<u>35,135,770</u>	<u>(89,814,225)</u>	<u>-</u>
-	-	-	180,811
-	-	-	(171,317)
-	-	-	3,796,793
-	-	-	<u>3,806,287</u>
42,770,826	-	42,770,826	-
45,576,582	-	45,576,582	-
3,410,920	-	3,410,920	-
1,036,283	-	1,036,283	-
13,348,364	-	13,348,364	-
4,393,782	6,140,436	10,534,218	14,735
6,898,288	4,277,297	11,175,585	-
9,607,211	(9,607,211)	-	-
<u>127,042,256</u>	<u>810,522</u>	<u>127,852,778</u>	<u>14,735</u>
2,092,261	35,946,292	38,038,553	3,821,022
110,628,765	434,848,161	545,476,926	1,986,094
<u>\$ 112,721,026</u>	<u>\$ 470,794,453</u>	<u>\$ 583,515,479</u>	<u>\$ 5,807,116</u>

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2006

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 8,456,754	\$ 11,897,583	\$ 20,354,337
Investments	7,605,360	10,344,578	17,949,938
Taxes receivable (net)	8,642,511	517,184	9,159,695
Accounts receivable (net)	1,825,656	341,907	2,167,563
Interest receivable	336,741	49,608	386,349
Due from other funds	2,415,681	631,346	3,047,027
Due from other governments	-	3,487,278	3,487,278
Due from others	797,380	1,375,633	2,173,013
Investment in property	-	208,103	208,103
Inventory	168,964	-	168,964
Restricted cash	-	4,002,576	4,002,576
Restricted investments	-	50,430,838	50,430,838
Mortgage receivables	-	5,813,330	5,813,330
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 30,249,047</u>	<u>\$ 89,099,964</u>	<u>\$ 119,349,011</u>
LIABILITIES			
Accounts payable	\$ 3,285,899	\$ 2,199,533	\$ 5,485,432
Due to other funds	-	2,621,995	2,621,995
Accrued liabilities	4,303,221	1,713,024	6,016,245
Accrued interest payable	-	206,557	206,557
Deferred revenues	2,735,216	5,454,344	8,189,560
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>10,324,336</u>	<u>12,195,453</u>	<u>22,519,789</u>
FUND BALANCES			
Reserved for:			
Prepaid items/inventory	168,964	-	168,964
Debt service	-	3,081,539	3,081,539
Capital projects	-	52,331,096	52,331,096
Special revenue - grants	-	1,392,508	1,392,508
Perpetual care	-	89,220	89,220
Unreserved, reported in			
General fund	19,755,747	-	19,755,747
Special revenue funds	-	20,010,148	20,010,148
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>19,924,711</u>	<u>76,904,511</u>	<u>96,829,222</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 30,249,047</u>	<u>\$ 89,099,964</u>	<u>\$ 119,349,011</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, 2006

Total fund balance - governmental funds \$ 96,829,222

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. 160,549,641

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	3,100,464
Net book value of capital assets	(906,088)
Compensated absences	61,808
Amounts due from business-type ISFs for amounts undercharged	1,584,904

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	(124,457,280)
Capital leases payable	(7,530,559)
Compensated absences	(16,260,037)
Accrued interest on general obligation bonds	(752,865)
Arbitrage payable	(151,716)
Environmental remediation	(922,555)

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. (2,357,592)

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. 920,722

Revenue earned but unavailable in the funds is deferred. 3,012,957

Net assets of governmental activities \$ 112,721,026

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 75,999,624	\$ 16,865,905	\$ 92,865,529
Franchise taxes	8,008,973	5,339,391	13,348,364
Fees and fines	3,981,978	-	3,981,978
Licenses and permits	2,250,635	-	2,250,635
Intergovernmental	408,997	10,639,396	11,048,393
Charges for services	4,781,043	1,307,162	6,088,205
Interest	921,742	2,953,198	3,874,940
Miscellaneous	1,465,215	5,501,042	6,966,257
Total revenues	<u>97,818,207</u>	<u>42,606,094</u>	<u>140,424,301</u>
EXPENDITURES			
Current:			
Administrative services	9,356,059	-	9,356,059
Community services	-	5,932,820	5,932,820
Cultural and recreation	13,986,576	1,409,701	15,396,277
Economic and business development	1,146,267	8,973,916	10,120,183
Fire	24,638,814	-	24,638,814
Health	3,738,790	908,623	4,647,413
Police	37,463,740	913,251	38,376,991
Other public safety	4,287,806	360,056	4,647,862
Streets and traffic	7,439,045	527,745	7,966,790
Non-departmental	1,882,255	2,376,525	4,258,780
Debt service:			
Principal	1,009,368	6,324,040	7,333,408
Interest and other charges	144,858	3,996,563	4,141,421
Capital outlay	7,184,866	28,460,783	35,645,649
Total expenditures	<u>112,278,444</u>	<u>60,184,023</u>	<u>172,462,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,460,237)</u>	<u>(17,577,929)</u>	<u>(32,038,166)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	27,526,113	27,526,113
Bond premium (discount)	-	620,860	620,860
Capital leases	5,119,980	-	5,119,980
Transfers in	13,325,046	5,352,042	18,677,088
Transfers out	(1,436,498)	(6,840,909)	(8,277,407)
Net other financing sources (uses)	<u>17,008,528</u>	<u>26,658,106</u>	<u>43,666,634</u>
Net change in fund balances	2,548,291	9,080,177	11,628,468
Fund balances - beginning of year	<u>17,376,420</u>	<u>67,824,334</u>	<u>85,200,754</u>
Fund balances - end of year	<u>\$ 19,924,711</u>	<u>\$ 76,904,511</u>	<u>\$ 96,829,222</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, 2006

Net change in fund balances - total governmental funds	\$ 11,628,468
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 \$35,645,649 exceeded depreciation of \$13,291,425 in the current period.	22,354,224
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 \$27,526,113 exceeded repayments and debt defeasance of \$5,789,102.	(21,737,011)
Capital lease transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. This is the amount by which proceeds of \$5,119,980 exceeded repayments of \$1,544,306.	(3,575,674)
Bond premiums are recognized as an other financing source in the governmental funds, but are considered deferred assets on the Statement of Net Assets. Premiums are amortized over the life of the bonds. This is the amount by which bond premium issued of \$620,860 exceeded amortization of \$129,252.	(491,608)
Estimated long-term liabilities are recognized as expenses in the Statement of Activities as earned, but are recognized when current financial resources are used in the governmental funds.	
Arbitrage payable	(151,716)
Compensated absences	(124,692)
Environmental remediation	(922,555)
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.	(2,759,845)
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.	11,610
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.	(1,724,658)
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.	(162,255)
The net effect of various miscellaneous transactions involving capital assets (e.g., sales and trade-ins) is to decrease net assets.	(252,027)
Change in net assets of governmental activities	<u>\$ 2,092,261</u>

See accompanying Notes to Basic Financial Statements.

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"Serve with humility, lead with passion, commit to excellence."

City of Lubbock, Texas
Budget Comparison Statement
General Fund
For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Taxes	\$ 73,888,110	\$ 73,888,110	\$ 75,999,624	\$ 2,111,514
Franchise taxes	6,886,000	6,916,000	8,008,973	1,092,973
Fees and fines	3,782,866	3,868,099	3,981,978	113,879
Licenses and permits	2,170,512	2,351,155	2,250,635	(100,520)
Intergovernmental	406,638	406,638	408,997	2,359
Charges for services	4,530,123	4,347,518	4,781,043	433,525
Interest	660,073	660,073	921,742	261,669
Miscellaneous	1,066,411	1,081,411	1,465,215	383,804
Total revenues	<u>93,390,733</u>	<u>93,519,004</u>	<u>97,818,207</u>	<u>4,299,203</u>
EXPENDITURES				
Current:				
Administrative services	8,877,967	9,036,722	9,356,059	(319,337)
Cultural and recreation	13,393,317	13,393,317	13,986,576	(593,259)
Economic and business development	1,180,867	1,173,897	1,146,267	27,630
Fire	24,466,277	24,623,844	24,638,814	(14,970)
Health	3,634,443	3,649,443	3,738,790	(89,347)
Police	38,802,898	38,802,898	37,463,740	1,339,158
Other public safety	4,367,615	4,413,756	4,287,806	125,950
Streets and traffic	8,281,641	6,981,641	7,439,045	(457,404)
Non-departmental	1,422,064	672,294	1,882,255	(1,209,961)
Debt service:				
Principal	-	1,044,682	1,009,368	35,314
Interest and other charges	-	150,606	144,858	5,748
Capital outlay	486,290	8,028,860	7,184,866	843,994
Total expenditures	<u>104,913,379</u>	<u>111,971,960</u>	<u>112,278,444</u>	<u>(306,484)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,522,646)</u>	<u>(18,452,956)</u>	<u>(14,460,237)</u>	<u>3,992,719</u>
OTHER FINANCING SOURCES (USES)				
Capital leases	-	6,210,000	5,119,980	(1,090,020)
Transfers in	12,371,843	12,548,843	13,325,046	776,203
Transfers out	(849,200)	(1,283,588)	(1,436,498)	(152,910)
Net other financing sources (uses)	<u>11,522,643</u>	<u>17,475,255</u>	<u>17,008,528</u>	<u>(466,727)</u>
Net change in fund balances	(3)	(977,701)	2,548,291	3,525,992
Fund balances - beginning of year	<u>17,376,420</u>	<u>17,376,420</u>	<u>17,376,420</u>	-
Fund balances - end of year	<u>\$ 17,376,417</u>	<u>\$ 16,398,719</u>	<u>\$ 19,924,711</u>	<u>\$ 3,525,992</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2006

	<u>Enterprise Funds</u>			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>WTMPA</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,436,691	\$ 6,167,041	\$ 4,990,325	\$ 1,296,219
Investments	14,329,105	5,362,050	4,338,932	366,253
Accounts receivable	15,545,253	4,292,453	2,257,674	1,800,814
Interest receivable	53,919	25,851	17,612	-
Due from others	-	70,919	145,322	-
Due from other funds	-	-	-	6,173,451
Inventories	246,533	273,979	-	-
Total current assets	<u>44,611,501</u>	<u>16,192,293</u>	<u>11,749,865</u>	<u>9,636,737</u>
Noncurrent assets:				
Restricted cash and cash equivalents	4,455,759	6,136,977	2,937,014	-
Restricted investments	3,669,238	21,029,028	16,435,385	-
Restricted interest receivable	-	3,611	-	-
Restricted accounts receivable	-	23,640	24,090	-
Deferred charges	3,077,777	-	-	-
Total noncurrent assets	<u>11,202,774</u>	<u>27,193,256</u>	<u>19,396,489</u>	<u>-</u>
Capital assets:				
Land	756,714	12,724,350	12,578,775	-
Construction in progress	8,814,299	32,078,599	8,377,603	-
Buildings	8,054,811	21,640,589	24,013,170	-
Improvements other than buildings	180,986,045	261,578,561	114,818,170	-
Machinery and equipment	53,267,250	31,342,138	17,684,958	25,200
Less accumulated depreciation	<u>(109,872,651)</u>	<u>(90,024,387)</u>	<u>(63,919,720)</u>	<u>(25,200)</u>
Total capital assets	<u>142,006,468</u>	<u>269,339,850</u>	<u>113,552,956</u>	<u>-</u>
Total noncurrent and capital assets	<u>153,209,242</u>	<u>296,533,106</u>	<u>132,949,445</u>	<u>-</u>
Total assets	<u>\$ 197,820,743</u>	<u>\$ 312,725,399</u>	<u>\$ 144,699,310</u>	<u>\$ 9,636,737</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

Stormwater	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 6,013,928	\$ 3,342,335	\$ 36,246,539	\$ 2,111,746
5,228,922	2,975,896	32,601,158	1,836,077
689,268	2,917,543	27,503,005	-
4,529	9,665	111,576	11,488
-	1,647,449	1,863,690	196,843
-	1,540,853	7,714,304	-
-	663,001	1,183,513	1,975,630
<u>11,936,647</u>	<u>13,096,742</u>	<u>107,223,785</u>	<u>6,131,784</u>
1,358,770	4,027,086	18,915,606	-
21,504,033	9,370,844	72,008,528	11,207,028
15,169	18,676	37,456	30,350
-	-	47,730	115,168
-	-	3,077,777	-
<u>22,877,972</u>	<u>13,416,606</u>	<u>94,087,097</u>	<u>11,352,546</u>
283,337	5,605,535	31,948,711	65,343
65,636,771	21,083,879	135,991,151	655,076
64,580	42,129,035	95,902,185	1,608,618
8,353,591	98,576,429	664,312,796	649,868
2,832,458	54,977,238	160,129,242	7,737,422
<u>(9,252,045)</u>	<u>(117,037,649)</u>	<u>(390,131,652)</u>	<u>(7,808,182)</u>
<u>67,918,692</u>	<u>105,334,467</u>	<u>698,152,433</u>	<u>2,908,145</u>
<u>90,796,664</u>	<u>118,751,073</u>	<u>792,239,530</u>	<u>14,260,691</u>
<u>\$ 102,733,311</u>	<u>\$ 131,847,815</u>	<u>\$ 899,463,315</u>	<u>\$ 20,392,475</u>

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2006

	<u>Enterprise Funds</u>			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>WTMPA</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,035,206	\$ 2,635,560	\$ 1,066,886	\$ 8,329,910
Accrued liabilities	1,535,678	165,716	129,143	-
Accrued interest payable	1,405,988	1,501,852	473,697	-
Due to other funds	6,173,451	-	-	-
Customer deposits	2,924,883	58,710	-	-
Compensated absences	1,076,262	542,602	269,716	-
Accrued insurance claims	-	-	-	-
Leases payable	321,414	248,255	509,081	-
Bonds payable	5,623,977	7,503,179	4,460,688	-
Total current liabilities	<u>20,096,859</u>	<u>12,655,874</u>	<u>6,909,211</u>	<u>8,329,910</u>
Noncurrent liabilities:				
Compensated absences	1,385,951	421,359	209,448	-
Accrued insurance claims	-	-	-	-
Landfill closure and post closure care	-	-	-	-
Leases payable	1,274,449	1,020,101	1,187,000	-
Bonds payable	65,369,133	148,948,252	54,315,110	-
Rebatable arbitrage	11,338	15,669	31,806	-
Total noncurrent liabilities	<u>68,040,871</u>	<u>150,405,381</u>	<u>55,743,364</u>	<u>-</u>
Total liabilities	<u>88,137,730</u>	<u>163,061,255</u>	<u>62,652,575</u>	<u>8,329,910</u>
NET ASSETS				
Invested in capital assets, net of related debt	73,086,733	132,649,091	69,516,462	-
Restricted for:				
Passenger facility charges	-	-	-	-
Debt service	4,455,759	6,136,977	2,937,014	-
Unrestricted	32,140,521	10,878,076	9,593,259	1,306,827
Total net assets	<u>\$ 109,683,013</u>	<u>\$ 149,664,144</u>	<u>\$ 82,046,735</u>	<u>\$ 1,306,827</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 1,146,437	\$ 1,919,467	\$ 16,133,466	\$ 917,506
27,237	1,195,171	3,052,945	117,747
666,542	213,475	4,261,554	-
-	1,927,000	8,100,451	38,885
-	7,072	2,990,665	-
50,483	431,693	2,370,756	228,056
-	-	-	4,956,673
21,145	706,244	1,806,139	168,264
<u>1,540,083</u>	<u>925,623</u>	<u>20,053,550</u>	<u>-</u>
<u>3,451,927</u>	<u>7,325,745</u>	<u>58,769,526</u>	<u>6,427,131</u>
39,202	479,155	2,535,115	293,677
-	-	-	3,065,459
-	3,299,131	3,299,131	-
81,020	2,467,085	6,029,655	384,910
76,804,339	18,063,340	363,500,174	-
-	12,378	71,191	-
<u>76,924,561</u>	<u>24,321,089</u>	<u>375,435,266</u>	<u>3,744,046</u>
<u>80,376,488</u>	<u>31,646,834</u>	<u>434,204,792</u>	<u>10,171,177</u>
10,976,138	92,543,019	378,771,443	2,354,971
-	3,630,625	3,630,625	-
1,358,770	396,461	15,284,981	-
<u>10,021,915</u>	<u>3,630,876</u>	<u>67,571,474</u>	<u>7,866,327</u>
<u>\$ 22,356,823</u>	<u>\$ 100,200,981</u>	<u>\$ 465,258,523</u>	<u>\$ 10,221,298</u>

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"Serve with humility, lead with passion, commit to excellence."

City of Lubbock, Texas
Reconciliation of the Statement of Net Assets - Proprietary Funds
To the Statement of Net Assets
September 30, 2006

Total net assets - proprietary funds \$ 465,258,523

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	7,120,834
Amounts due to governmental ISFs for amounts overcharged	(1,584,904)

Net assets of business-type activities	<u>\$ 470,794,453</u>
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See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended September 30, 2006

	<u>Enterprise Funds</u>			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>WTMPA</u>
OPERATING REVENUES				
Charges for services (net)	\$ 212,074,481	\$ 37,330,953	\$ 21,087,364	\$ 183,322,521
Miscellaneous	-	-	-	-
Total operating revenues	<u>212,074,481</u>	<u>37,330,953</u>	<u>21,087,364</u>	<u>183,322,521</u>
OPERATING EXPENSES				
Personal services	10,718,282	5,910,861	3,816,414	-
Insurance	-	-	-	-
Supplies	884,891	1,210,729	972,075	-
Materials	-	-	-	-
Maintenance	1,907,683	2,458,357	1,176,302	-
Purchase of fuel and power	167,854,029	-	-	183,149,178
Collection expense	-	1,482,000	926,172	-
Other services and charges	4,072,409	9,658,448	6,887,394	503,655
Depreciation and amortization	8,972,917	7,118,132	5,462,027	-
Total operating expenses	<u>194,410,211</u>	<u>27,838,527</u>	<u>19,240,384</u>	<u>183,652,833</u>
Operating income (loss)	<u>17,664,270</u>	<u>9,492,426</u>	<u>1,846,980</u>	<u>(330,312)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	1,063,573	1,321,864	844,020	16,565
Passenger facility charges/Federal grants	-	59,296	-	-
Disposition of assets	(463,749)	(110,320)	92,221	-
Miscellaneous	2,042,509	407,216	128,000	-
Pass-through grant payments	-	-	-	-
Interest expense	(3,301,209)	(4,775,332)	(2,064,305)	-
Net nonoperating revenues (expenses)	<u>(658,876)</u>	<u>(3,097,276)</u>	<u>(1,000,064)</u>	<u>16,565</u>
Income (loss) before contributions and transfers	17,005,394	6,395,150	846,916	(313,747)
Capital contributions	-	2,754,551	3,808,242	-
Transfers in	637,075	663,221	620,238	306,756
Transfers out	<u>(1,211,566)</u>	<u>(4,874,264)</u>	<u>(2,623,397)</u>	<u>-</u>
Change in net assets	16,430,903	4,938,658	2,651,999	(6,991)
Total net assets - beginning	<u>93,252,110</u>	<u>144,725,486</u>	<u>79,394,736</u>	<u>1,313,818</u>
Total net assets - ending	<u>\$ 109,683,013</u>	<u>\$ 149,664,144</u>	<u>\$ 82,046,735</u>	<u>\$ 1,306,827</u>

See accompanying Notes to Basic Financial Statements.

<u>Enterprise Funds</u>			
<u>Stormwater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 6,348,461	\$ 22,641,318	\$ 482,805,098	\$ 39,460,284
-	112,610	112,610	-
<u>6,348,461</u>	<u>22,753,928</u>	<u>482,917,708</u>	<u>39,460,284</u>
868,480	11,782,232	33,096,269	4,199,269
-	-	-	22,296,187
80,572	2,803,942	5,952,209	94,876
-	-	-	9,907,836
5,680	3,331,021	8,879,043	2,180,157
-	-	351,003,207	-
504,732	512,832	3,425,736	-
212,115	4,911,389	26,245,410	2,569,274
384,514	8,497,448	30,435,038	322,088
<u>2,056,093</u>	<u>31,838,864</u>	<u>459,036,912</u>	<u>41,569,687</u>
<u>4,292,368</u>	<u>(9,084,936)</u>	<u>23,880,796</u>	<u>(2,109,403)</u>
1,618,842	893,718	5,758,582	901,559
-	8,697,882	8,757,178	31,740
-	16,774	(465,074)	69,239
180,359	973,645	3,731,729	427,892
-	(437,313)	(437,313)	-
<u>(3,096,082)</u>	<u>(432,527)</u>	<u>(13,669,455)</u>	<u>(863)</u>
<u>(1,296,881)</u>	<u>9,712,179</u>	<u>3,675,647</u>	<u>1,429,567</u>
2,995,487	627,243	27,556,443	(679,836)
-	11,062,018	17,624,811	119,897
-	849,200	3,076,490	32,915
<u>(907,310)</u>	<u>(3,100,079)</u>	<u>(12,716,616)</u>	<u>(792,470)</u>
2,088,177	9,438,382	35,541,128	(1,319,494)
<u>20,268,646</u>	<u>90,762,599</u>	<u>429,717,395</u>	<u>11,540,792</u>
<u>\$ 22,356,823</u>	<u>\$ 100,200,981</u>	<u>\$ 465,258,523</u>	<u>\$ 10,221,298</u>

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"Serve with humility, lead with passion, commit to excellence."

City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Funds
To the Statement of Activities
For the Year Ended September 30, 2006

Net change in fund net assets - total enterprise funds \$ 35,541,128

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.

405,164

Change in net assets of business-type activities

\$ 35,946,292

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>West Texas Municipal Power Agency (WTMPA)</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 211,732,604	\$ 37,152,261	\$ 21,154,689	\$ 187,743,764
Payments to suppliers	(184,633,458)	(13,074,362)	(9,198,476)	(188,068,136)
Payments to employees	(10,718,282)	(5,910,861)	(3,816,414)	-
Other receipts (payments)	1,578,760	356,192	136,463	-
Net cash provided (used) by operating activities	<u>17,959,624</u>	<u>18,523,230</u>	<u>8,276,262</u>	<u>(324,372)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	637,075	663,221	620,238	306,756
Transfers out to other funds	(1,211,566)	(4,874,264)	(2,623,397)	-
Short-term interfund borrowings	6,173,451	-	(145,322)	-
Operating grants	-	-	-	-
Payments received/(made) on advances (to)/from other funds	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>5,598,960</u>	<u>(4,211,043)</u>	<u>(2,148,481)</u>	<u>306,756</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(11,965,276)	(29,900,154)	(6,312,263)	-
Sale of capital assets	131,729	118,078	152,222	-
Receipts (payments) on leases	(34,338)	1,268,356	1,278,169	-
Principal paid on bonds and other debt	(5,289,070)	(5,911,003)	(3,932,162)	-
Bond issuance cost paid	(36,963)	(286,741)	(85,600)	-
Interest paid on revenue bonds	(3,131,934)	(1,533,126)	-	-
Interest paid on bonds and other debt	-	(2,727,081)	(1,839,429)	-
Issuance of revenue, G.O. bonds, and capital leases	7,732,563	34,418,322	14,985,740	-
Passenger facility charges/capital grants	-	-	-	-
Rebatable arbitrage	-	15,669	31,806	-
Contributed capital	-	329,685	1,199,940	-
Net cash provided (used) for capital and related financing activities	<u>(12,593,289)</u>	<u>(4,207,995)</u>	<u>5,478,423</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	7,678,162	21,210,534	14,471,454	-
Purchase of investments	(17,998,344)	(33,308,076)	(26,219,184)	(366,253)
Interest earnings on cash and investments	1,028,921	1,311,182	921,370	16,565
Net cash provided by (used for) investing activities	<u>(9,291,261)</u>	<u>(10,786,360)</u>	<u>(10,826,360)</u>	<u>(349,688)</u>
Net increase (decrease) in cash and cash equivalents	1,674,034	(682,168)	779,844	(367,304)
Cash and cash equivalents - beginning of year	17,218,416	12,986,186	7,147,495	1,663,523
Cash and cash equivalents - end of year	<u>\$ 18,892,450</u>	<u>\$ 12,304,018</u>	<u>\$ 7,927,339</u>	<u>\$ 1,296,219</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 17,664,270	\$ 9,492,426	\$ 1,846,980	\$ (330,312)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	8,972,917	7,118,132	5,462,027	-
Other income (expense)	1,578,760	356,192	136,463	-
Change in current assets and liabilities:				
Accounts receivable	(341,877)	(178,692)	67,325	(704,746)
Inventory	8,977	(58,173)	-	-
Due from other governments	-	(28,475)	-	-
Accounts payable	(11,074,043)	1,752,655	702,046	(4,415,303)
Due from others	-	-	-	5,125,989
Other accrued expenses	242,913	(7,190)	20,373	-
Customer deposits	656,110	29,355	-	-
Increase in compensated absences	251,597	47,000	41,048	-
Net cash provided (used) by operating activities	<u>\$ 17,959,624</u>	<u>\$ 18,523,230</u>	<u>\$ 8,276,262</u>	<u>\$ (324,372)</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	<u>\$ -</u>	<u>\$ 1,509,919</u>	<u>\$ 2,337,901</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds

		Other Nonmajor Enterprise Funds		Totals	Internal Service Funds
Stormwater					
\$ 6,315,727	\$ 21,686,091	\$ 485,785,136	\$ 39,453,127		
(288,843)	(10,097,933)	(405,361,208)	(38,617,334)		
(868,480)	(11,690,079)	(33,004,116)	(4,199,269)		
86,684	985,352	3,143,451	50,782		
<u>5,245,088</u>	<u>883,431</u>	<u>50,563,263</u>	<u>(3,312,694)</u>		
-	849,200	3,076,490	32,915		
(907,310)	(3,100,079)	(12,716,616)	(792,470)		
(4,500,000)	1,071,633	2,599,762	(129,808)		
-	7,294,964	7,294,964	-		
-	(1,540,853)	(1,540,853)	-		
<u>(5,407,310)</u>	<u>4,574,865</u>	<u>(1,286,253)</u>	<u>(889,363)</u>		
(13,982,108)	(26,285,549)	(88,445,350)	(369,790)		
1,058	97,017	500,104	496,305		
-	-	2,512,187	482,631		
(19,983,521)	(2,392,824)	(37,508,580)	-		
(240,030)	(41,615)	(690,949)	-		
(3,096,082)	-	(7,761,142)	-		
-	(294,016)	(4,860,526)	-		
27,018,321	9,462,160	93,617,106	70,744		
-	965,605	965,605	-		
-	12,378	59,853	-		
-	11,062,018	12,591,643	-		
<u>(10,282,362)</u>	<u>(7,414,826)</u>	<u>(29,020,049)</u>	<u>679,890</u>		
1,360,757	10,806,625	55,527,532	16,824,689		
(2,009,595)	(15,562,310)	(95,463,762)	(16,511,105)		
1,709,580	995,059	5,982,677	887,593		
<u>1,060,742</u>	<u>(3,760,626)</u>	<u>(33,953,553)</u>	<u>1,201,177</u>		
(9,383,842)	(5,717,156)	(13,696,592)	(2,320,990)		
16,756,540	13,086,577	68,858,737	4,432,716		
<u>\$ 7,372,698</u>	<u>\$ 7,369,421</u>	<u>\$ 55,162,145</u>	<u>\$ 2,111,726</u>		
\$ 4,292,368	\$ (9,084,936)	\$ 23,880,796	\$ (2,109,403)		
384,514	8,497,448	30,435,038	322,088		
86,684	900,665	3,058,764	50,782		
(32,734)	(733,257)	(1,923,981)	(7,157)		
-	(54,556)	(103,752)	(380,619)		
-	(124,114)	(152,589)	-		
266,346	1,017,859	(11,750,440)	58,566		
-	-	5,125,989	-		
240,703	131,087	627,886	(1,260,890)		
-	300	685,765	-		
7,207	332,935	679,787	13,939		
<u>\$ 5,245,088</u>	<u>\$ 883,431</u>	<u>\$ 50,563,263</u>	<u>\$ (3,312,694)</u>		
\$ -	\$ -	\$ 3,847,820	\$ 119,897		

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"Serve with humility, lead with passion, commit to excellence."

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basic Financial Statements (BFS) of the City of Lubbock, Texas (City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to government units, including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled *State and Local Governments*. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities related to business-type activities and enterprise funds, including component units, the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant accounting policies are described below.

A. REPORTING ENTITY

The City is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in 1909, is located in the northwestern part of the state. The City currently occupies a land area of 119.1 square miles and serves a population exceeding 211,000. 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, wastewater, 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

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.

West Texas Municipal Power Agency (WTMPA) is a legally separate municipal corporation, a political subdivision of Texas, and body politic and corporate, formed in 1983, governed by an eight member Board of Directors. The board consists of two directors from each city. One member is elected as the president who presides over monthly meetings. Directors 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 a 92.2% 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 92.2% 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 eleven-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 1500 Broadway, Sixth Floor, Lubbock, Texas.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Lubbock Economic Development Alliance is a legally separate entity that was formed on June 1, 2004 by the City of Lubbock to create, manage and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the seven-member board and its operations are funded primarily through budgeted allocations of the City's sales and use taxes. Separate financial statements may be obtained from Market Lubbock at 1500 Broadway, Sixth Floor, Lubbock, Texas.

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 do 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 and 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 and 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 Director of Fiscal Planning, 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, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's financial statements are prepared using the reporting model specified in GASB Statement No. 34 – *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37 – *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments – Omnibus*, GASB Statement No. 38 – *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. As specified by Statement No. 34, the Basic Financial Statements (BFS) include both Government-Wide and Fund Financial Statements. In FY 2006 the City adopted the provisions of GASB Statement No. 44 – *Economic Condition Reporting: The Statistical Section*. This new standard improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model.

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 do not otherwise meet the definition of restricted net assets, are considered unrestricted in the GWFS.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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. 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. However, it also gives governments the option of displaying other funds as major funds. The City can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the FFS. Other non-major funds are combined in a single column in the appropriate FFS.

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

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. For instance, 92.2% 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. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, reconciliations are provided immediately following each fund statement. These reconciliations explain the adjustments necessary to convert the FFS into the governmental activities column of the GWFS.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 one major governmental fund:

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.

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 Wastewater Fund accounts for the activities of the City's sanitary wastewater 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 92% ownership, and Tulia, Brownfield, and Floydada comprising the remaining 8% ownership.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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).

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).

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.

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.

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 Fund, Central Warehouse Fund, Print Shop Fund, Self-Insurance Fund, etc.).

Fiduciary Fund is an **Agency Fund** that is used to account for assets held by the City as an agent for private organizations. This fund closed in FY 2006 and is not part of the government-wide financials.

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 budget 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY ACCOUNTING (Continued)

capital outlay. Management may make administrative transfers and increases or decreases in accounts within categories without Council approval, 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, 2006, the General Fund had no significant amounts of open encumbrances.

F. ASSETS, LIABILITIES AND FUND BALANCE/NET ASSETS

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

Cash 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. Restricted cash includes cash equivalents that have been restricted by bond covenants for debt service requirements and passenger facility charges.

Investments - Investments include securities in the Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. Restricted investments include investments that have been restricted for bond financed capital projects and money restricted for claims in the Risk and Health Insurance Funds.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, Wastewater, 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.

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.

Mortgage Receivables - Mortgage receivables consist of loans made to Lubbock residents and businesses 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 three years. These capital assets are reported in the GWFS and the proprietary funds. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair value on the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset 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 \$961,000 net of interest earned, for the business-type activities and the enterprise funds during the current fiscal year.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted Net Assets - Certain enterprise fund and governmental activities assets are restricted for construction and debt; 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 bond proceeds, bond indentures requirements, and passenger facility charges.

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.

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 1.5% of the total sales tax levy of 8.25%, 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.

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

Compensated Absences consists of vacation leave 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 employees in good standing 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 90 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. REVENUES, EXPENSES AND EXPENDITURES (Continued)

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. However, employees that retire with 15 years of service or Civil Service employees that retire who have a sick-leave balance in excess of 90 days will be able to elect to continue receiving medical coverage in full 30-day periods for the term of the balance of their sick leave. Amounts to cover premiums and administrative costs, with an incremental charge for reserve funding, are determined by the City's health care administrator. Employer contributions are funded on a pay-as-you-go basis and approximated \$1.4 million for fiscal 2005. These contributions are included in the amount of insurance expense reflected in the financial activity reported in the Health Insurance Internal Service Fund.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. RESTRICTED NET ASSETS

Restricted net assets are only used for their intended purpose. For projects funded by tax exempt debt proceeds, the debt proceeds are used first, then unrestricted resources are used.

B. NET ASSET/FUND BALANCE DEFICIT

The deficit of \$198,884 in the Health Benefits Internal Service Fund is due to unusually high health claim activity in FY 2006. The revenues charged to user departments were based on predetermined rates. The health rates have been reevaluated in FY 2007 to prevent future deficits.

C. GENERAL FUND BUDGET OVERAGE

The General Fund FY 2006 amended budgeted expenditures and transfers out were \$113,255,548 and actual expenditures and transfers out were \$113,714,942, an overage of \$459,394. Management has recently issued new policies for departmental review of budgets.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

On September 30, 2006, the bank balance of the City's deposits was \$3,002,928. All of the bank balances are covered by federal depository insurance or collateralized. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance, eligible securities, or a surety bond having an aggregate value at least equal to the amount of the deposits. The City's Investment Policy requires the minimum collateral level to be 102% of market value of principal and accrued interest.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. CASH AND DEPOSITS (Continued)

At September 30, 2006, bank balances was exposed to custodial credit risk as follows:

Insured	\$ 400,000
Uninsured and uncollateralized	-
Uninsured and collateral held by pledging financial institution	2,602,928
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the City's name	-
	\$3,002,928

Investments

At September 30, 2006, the City had the following investments and maturities:

Type	September 30, 2006		
	Fair Value	Maturities in Years	
		Less Than 1	1-5
Repurchase Agreements *	\$ 1,796,529	\$ 1,796,529	-
Federal Home Loan Banks	9,929,600	9,929,600	-
Federal Home Loan Mortgage Corporation	10,579,104	8,591,704	\$ 1,987,400
Federal National Mortgage Association	36,548,440	30,605,040	5,943,400
Farm Credit Note	1,980,000	1,980,000	-
Federal Home Loan Step Up Note	3,978,600	1,981,400	1,997,200
Money market mutual funds **	35,926,078	35,926,078	-
State Investment Pools **	166,306,317	166,306,317	-
	\$ 267,044,668	\$ 257,116,668	\$ 9,928,000

*Considered cash equivalent for financial reporting.

** Money market mutual funds and State Investment Pools are considered cash equivalents for financial reporting, unless restricted for bond financed capital projects and claims for Risk and Health Insurance Funds.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments to those that can be held to maturity and by limiting final maturity to no more than five (5) years. The money market mutual funds and investment pools are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's policy allows investment in direct obligations of and other obligations guaranteed as to principal of the U.S. Treasury and U.S. agencies and instrumentalities with the exception of mortgage backed securities. It allows obligations of investment in the State of Texas or its agencies and obligations of states, agencies, counties, cities, and other political subdivisions rated not less than A or its equivalent. It may also invest in fully collateralized repurchase agreements, fully collateralized certificates of deposit, commercial paper and bank acceptances with a stated maturity of 270 days or fewer from the date of issuance, AAA-rated, no-load money market mutual funds regulated by the Securities and Exchange Commission, and AAA-rated, constant dollar investments pools authorized by the City Council. At September 30, 2006, Standard & Poor's rated the investment pools and the money market mutual funds AAAM. The senior unsecured debt for investments in FNMA and FHLMC are rated AAA by Standard & Poor's and Moody's.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City required that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102% of the market value. FHLB, FHLMC, and FNMA investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a City depository. The City shall maintain a list of authorized broker/dealers and financial institutions, which are approved by the Audit Committee for investment purposes.

Concentration of Credit Risk - The City places limits on the amount that may be invested in any one issuer with the exception of United States Treasury obligations. At September 30, 2006, the City's investments constituted the following percentages of total investments: repurchase agreements - 0.7%, FHLB - 5.2%, FHLMC - 0.4%, FNMA - 13.7%, FFCN - 0.7%, Money Market Mutual Funds - 13.45%, and State Investment Pools - 62.28%.

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

B. INTERFUND TRANSACTIONS

Interfund balances, specifically the due to and due from other funds, are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. 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, 2006 the City had \$10,761,331 in internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

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

Interfund Payables (Thousands)	Interfund Receivables (Thousands)				
	Governmental Funds		Proprietary Funds		Totals
	General	Nonmajor Government	WTMPA	Nonmajor Enterprise	
Governmental Funds:					
Nonmajor Governmental	\$ 450	\$ 631	\$ -	\$ 1,541	\$ 2,622
Proprietary Funds:					
Electric	-	-	6,173	-	6,173
Nonmajor Enterprise	1,927	-	-	-	1,927
Internal Service	39	-	-	-	39
Totals	\$ 2,416	\$ 631	\$ 6,173	\$ 1,541	\$ 10,761

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

B. INTERFUND TRANSACTIONS (Continued)

Net transfers of \$9,607,211 from business-type activities to governmental activities, down \$5.9 million from 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 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: (Thousands)								
	Governmental Funds			Proprietary Funds					
	General	Nonmajor Gov.	Electric	Water	Sewer	Storm-Water	Nonmajor Enterprise	Internal Service	Totals
Interfund Transfers In: (Thousands)									
Governmental Funds:									
General Fund	\$ -	\$ 723	\$ 880	\$ 4,649	\$ 2,623	\$ 907	\$ 2,828	\$ 714	\$ 13,324
Nonmajor Governmental	587	4,632	25	-	-	-	30	78	5,352
Proprietary Funds:									
Electric	-	312	-	225	-	-	100	-	637
Water	-	521	-	-	-	-	142	-	663
Wastewater	-	620	-	-	-	-	-	-	620
Stormwater	-	-	-	-	-	-	-	-	-
WTMPA	-	-	307	-	-	-	-	-	307
Nonmajor Enterprise	849	-	-	-	-	-	-	-	849
Internal Service Funds	-	33	-	-	-	-	-	-	33
Total	<u>\$ 1,436</u>	<u>\$ 6,841</u>	<u>\$ 1,212</u>	<u>\$ 4,874</u>	<u>\$ 2,623</u>	<u>\$ 907</u>	<u>\$ 3,100</u>	<u>\$ 792</u>	<u>\$ 21,785</u>

C. DEFERRED CHARGES

The total deferred charge of \$3,077,777 in the LP&L Enterprise Fund represents an advertising contract with the United Spirit Arena. The advertising (and amortization) began with the opening of the sports arena in fiscal year 2000 and will continue for 30 years.

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006, was as follows:

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Primary Government:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 8,951,100	\$ 20,354	\$ -	\$ 8,971,454
Construction in Progress	37,793,428	27,701,223	14,844,298	50,650,353
Total Capital Assets Not Depreciated	<u>46,744,528</u>	<u>27,721,577</u>	<u>14,844,298</u>	<u>59,621,807</u>
Capital Assets Depreciated:				
Buildings	57,606,045	3,674,134	330,543	60,949,636
Improvements Other than Buildings	136,398,990	11,520,452	914,367	147,005,075
Machinery and Equipment	60,242,876	8,065,957	3,336,666	64,972,167
Total Capital Assets Depreciated	<u>254,247,911</u>	<u>23,260,543</u>	<u>4,581,576</u>	<u>272,926,878</u>
Less Accumulated Depreciation:				
Buildings	29,459,873	1,934,827	314,587	31,080,113
Improvements Other than Buildings	92,503,760	4,834,434	775,906	96,562,288
Machinery and Equipment	40,414,655	7,057,454	3,115,466	44,356,643
Total Accumulated Depreciation	<u>162,378,288</u>	<u>13,826,715</u>	<u>4,205,959</u>	<u>171,999,044</u>
Total Capital Assets Depreciated, Net	91,869,623	9,433,828	375,617	100,927,834
Governmental Activities Capital Assets, Net	<u>\$ 138,614,151</u>	<u>\$ 37,155,405</u>	<u>\$ 15,219,915</u>	<u>\$ 160,549,641</u>

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

Governmental activities:

Administrative Services	\$ 386,871
Community Services	144,336
Cultural and Recreation Services	3,351,006
Economic and Development	146,397
Fire	1,213,165
Health	271,771
Other Public Safety	496,369
Police	3,163,233
Street and Traffic Engineering	3,791,173
Non-Departmental	327,104
Internal Service Funds	130,646
Total depreciation expense - governmental activities	<u>13,422,071</u>
Transfer in to accumulated depreciation - governmental activities	404,644
Increase in accumulated depreciation - governmental activities	<u>\$ 13,826,715</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 31,948,711	\$ -	\$ -	\$ 31,948,711
Construction in Progress	128,432,179	58,415,600	50,201,552	136,646,227
Total Capital Assets Not Depreciated	<u>160,380,890</u>	<u>58,415,600</u>	<u>50,201,552</u>	<u>168,594,938</u>
Capital Assets Depreciated:				
Buildings	97,027,146	483,657	-	97,510,803
Improvements Other than Buildings	605,412,170	59,621,921	375,396	664,658,695
Machinery and Equipment	138,670,688	27,169,630	4,116,964	161,723,354
Total Capital Assets Depreciated	<u>841,110,004</u>	<u>87,275,208</u>	<u>4,492,360</u>	<u>923,892,852</u>
Less Accumulated Depreciation:				
Buildings	31,075,692	2,342,667	-	33,418,359
Improvements Other than Buildings	258,019,184	17,325,603	159,373	275,185,414
Machinery and Equipment	74,952,427	12,057,269	3,280,169	83,729,527
Total Accumulated Depreciation	<u>364,047,303</u>	<u>31,725,539</u>	<u>3,439,542</u>	<u>392,333,300</u>
Total Capital Assets Depreciated, Net	477,062,701	55,549,669	1,052,818	531,559,552
Business-Type Activities Capital Assets, Net	<u>\$ 637,443,591</u>	<u>\$ 113,965,269</u>	<u>\$ 51,254,370</u>	<u>\$ 700,154,490</u>

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

Business-Type Activities:	
Electric	\$ 8,839,585
Water	7,118,132
Wastewater	5,462,027
Stormwater	384,514
Solid Waste	3,875,819
Airport	3,281,317
Transit	1,340,312
Internal Service	191,442
Total depreciation expense - business-type activities	<u>30,493,148</u>
Transfer in to accumulated depreciation - business-type activities	1,232,391
Increase in accumulated depreciation - business-type activities	<u>\$ 31,725,539</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Construction Commitments

The City of Lubbock has active construction projects at fiscal year end. The Parks Department projects include a 12-field fastpitch softball complex. The City continues to work on a large street project involving Milwaukee Avenue from 34th Street to 98th Street . This project is in the Gateway Street Projects Fund.

Water projects include the design and construction of a new pump station in southwest Lubbock. The recompaction of 98th Street from Slide to just beyond Frankford Avenue is a major wastewater project. The City is busy working at the airport to construct 38,000 square yards of new pavement to help serve air carrier aircrafts. Stormwater operations continue to work on two very large construction projects. The first project provides for flood relief for Clapp Park and the eleven playa lakes immediately upstream. 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	\$ 1,708,338	\$ 1,553,720	\$ 154,618
Park Improvements	27,149,311	8,620,769	18,528,542
Street Improvements	26,133,199	10,999,784	15,133,415
General Capital Projects	925,000	6,575	918,425
General Facilities Improvements	4,456,673	2,259,430	2,197,243
Tax Increment Fund Capital Projects	24,131,566	6,537,195	17,594,371
Gateway Street Projects	23,349,000	19,684,371	3,664,629
Electric	26,476,192	8,814,299	17,661,893
Water	71,421,032	32,078,599	39,342,433
Wastewater	17,400,000	8,377,603	9,022,397
Solid Waste	7,215,680	991,100	6,224,580
Airport	30,994,699	20,092,779	10,901,920
Stormwater	83,688,018	65,636,771	18,051,247
Internal Service Fund	1,000,000	655,076	344,924
Total	<u>\$ 346,048,708</u>	<u>\$ 186,308,071</u>	<u>\$ 159,740,637</u>

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:

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

E. RETIREMENT PLANS (Continued)

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 811 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.

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

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, 2005 valuation is effective for rates beginning January 2007).

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

E. RETIREMENT PLANS (Continued)

Actuarial Assumptions

The actuarial assumptions for the December 31, 2005 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:	3.5%
Cost of Living adjustments:	None

As of September 30	Annual Pension Cost	Contribution Made
2004	\$ 8,708,867	8,708,867
2005	9,933,373	9,933,373
2006	10,904,031	10,904,031

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

As of December 31	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)
2003	\$ 182,884,183	239,809,434	76.3%	56,925,251
2004	186,398,545	248,432,807	75.0%	62,034,262
2005	195,046,632	261,430,108	74.6%	66,383,476

As of December 31	Annual Covered Payroll	UAAL as a % Of Covered Payroll
2003	\$ 57,577,743	98.9%
2004	61,931,003	100.2%
2005	65,424,918	101.5%

The City of Lubbock is one of 811 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, 2005 valuations are contained in the 2005 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, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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. This pension fund is a trust fund. It is reported by the City as a related organization and is not considered to be a part of the City financial reporting entity. Firefighters in the Lubbock Fire Department are covered by the 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 years of age with 21 years of service at the selected "RETRO DROP benefit calculation date" (which is prior to date of employment termination). Early RETRO DROP with benefit reductions is available at age 50 with 20 years of service for the selected "early RETRO DROP benefit calculation date". A Partial Lump Sum option is also available where a reduced monthly benefit is determined based on an elected lump sum amount such that the combined present value of the benefits under the option is actuarially equivalent to that of the normal form of the monthly benefit. Optional forms are also available at varying levels of surviving spouse benefits instead of the standard two-thirds form.

There is no provision for automatic 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, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

E. RETIREMENT PLANS (Continued)

Annual Pension Cost

For the fiscal year ended September 30, 2006, the City of Lubbock's Annual Pension Cost (APC) for the Lubbock Fire Fund was equal to \$3,208,595 as described in item 4 in the table below. Based on the results of the December 31, 2004 actuarial valuation of the Plan Effective November 1, 2003, the most recent biennial actuarial valuation, 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, 2004 actuarial valuation assumes that the City's contributions will average 19% of payroll in the future.

Therefore, based on the December 31, 2004 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, 2005. This actuarial valuation satisfied the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 27. Prior to January 1, 2005, the ARC were not actuarially determined but, based on the December 31, 2002 actuarial valuation, were equal to the City's actual contributions in calendar year 2004. This actuarial valuation also satisfied the parameters of GASB Statement No. 27.

The following shows the development of the Net Pension Obligation (NPO) as of September 30, 2006:

1. Annual Required Contributions (ARC)	\$ 3,220,205
2. Interest on NPO	(72,729)
3. Adjustment to ARC	<u>61,119</u>
4. Annual Pension Cost (APC)	3,208,595
5. Actual City contributions made	<u>(3,220,205)</u>
6. Increase (Decrease) in NPO/(asset)	(11,610)
7. NPO/(asset) at October 1, 2005	<u>(909,112)</u>
8. NPO/(asset) at September 30, 2006	<u><u>(\$920,722)</u></u>

The ARC for the period October 1, 2005 through September 30, 2006 was based on the December 31, 2002 and the December 31, 2004 actuarial valuations. 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 5.7% per year over a 30-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 24.7 years as of the December 31, 2002 actuarial valuation and 20.6 years as of December 31, 2004 actuarial valuation, both based on the plan provisions effective November 1, 2003.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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)
9/30/04	\$ 2,582,713	101 %	(897,648)
9/30/05	3,016,942	100	(909,112)
9/30/06	3,208,595	100	(920,722)

**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) 4	UAAL/ Funding Excess as a Percentage of Covered Payroll ((b-a)/c)
12/31/00 1,2	\$119,660,788	114,675,049	(4,985,739)	104.3%	12,243,913	(40.7)%
12/31/02 1,3	111,261,775	127,850,414	16,588,639	87.0	13,521,366	122.7
12/31/04 5	130,174,984	143,991,975	13,816,991	90.4	14,711,366	93.9

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

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, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. SURFACE WATER SUPPLY

Canadian River Municipal Water Authority

The Canadian River Municipal Water Authority (CRMWA) is a Conservation and Reclamation Authority established by the Texas Legislature to construct a dam, water reservoir, and aqueduct system for the purpose of supplying water to surrounding cities. The Authority was created in 1953 and comprises eleven cities, including the City of Lubbock. The budget, financing, and operations of the Authority are governed by a Board of Directors selected by the governing bodies of each of the member cities, each city being entitled to one or two members dependent upon population. At September 30, 2006, 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. 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 FY 1999, 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 FY 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, 2006, \$4,091,071 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.

In 2005, the Canadian River Municipal Authority issued \$48,125,000 in Contract Revenue Bonds. The City of Lubbock shared in this issue in the amount of \$17,960,000.

The Canadian River Municipal Authority issued a new Contract Revenue Bond, Series 2006 in April 2006 in the amount of \$49,075,000. The City of Lubbock shared in the issue for \$18,573,906 and other costs of \$492,465, and received depreciable assets (water rights) valued at \$19,066,371. These assets and liabilities 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 a dam and lake facilities on the South Fork of the Double Mountain Fork of the Brazos River. The BRA issued \$16,970,000 in revenue bonds in 1989 and \$39,685,000 in revenue bonds in 1991, which were refunded in July 1995. 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 related obligation, is accounted for in the Water Enterprise Fund.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

H. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

<u>Interest Rate%</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding 9-30-06</u>
5.39	10-01-93	02-15-14	\$ 2,550,000	\$ 1,040,000
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
4.91	01-15-97	02-15-09	17,530,000	5,225,000
4.61	01-01-98	02-15-08	1,330,000	320,000
4.71	01-01-98	02-15-18	10,260,000	2,575,000
4.36	01-15-99	02-15-14	20,835,000	16,710,000
4.58	01-15-99	02-15-19	15,355,000	2,310,000
4.77	04-01-99	02-15-19	6,100,000	915,000
4.71	04-01-99	02-15-19	12,300,000	8,060,000
5.37	09-15-99	02-15-20	24,800,000	3,100,000
5.54	03-15-00	02-15-20	7,000,000	875,000
4.90	02-01-01	02-15-21	9,100,000	1,560,000
4.81	02-01-01	02-15-21	2,770,000	560,000
5.25	06-01-01	02-15-31	35,000,000	3,710,000
4.68	02-15-02	02-15-22	9,400,000	8,470,000
4.71	02-15-02	02-15-22	6,450,000	5,805,000
4.70	02-15-02	02-15-22	1,545,000	1,385,000
4.62	07-01-02	02-15-22	2,605,000	2,250,000
3.18	07-01-02	02-15-10	10,810,000	4,635,000
4.42	07-15-03	02-15-23	11,885,000	10,415,000
4.47	07-15-03	02-15-24	9,775,000	9,130,000
4.48	07-15-03	02-15-24	685,000	635,000
4.47	07-15-03	02-15-24	3,595,000	3,355,000
4.87	07-15-03	02-15-34	40,135,000	38,710,000
4.47	07-15-03	02-15-24	3,800,000	3,550,000
4.60	08-15-03	04-15-23	8,900,000	7,810,000
4.60	08-15-03	04-15-23	13,270,000	11,655,000
4.37	06-30-04	08-01-12	1,000,000	750,000
4.09	09-28-04	02-15-24	2,025,000	1,735,000
4.08	09-28-04	02-15-24	3,100,000	2,585,000
3.58	09-28-04	02-15-20	22,620,000	22,100,000
3.89	02-15-05	04-15-25	23,055,000	21,470,000
3.94	06-15-05	02-15-21	49,615,000	49,615,000
4.26	08-15-05	02-15-25	46,525,000	44,950,000
4.82	07-15-05	02-15-21	43,080,000	41,380,000
4.27	07-15-05	02-15-25	7,265,000	7,035,000
4.58	04-15-06	02-15-26	76,950,000	76,950,000
4.58	04-15-06	02-15-26	2,740,000	2,740,000
4.84	05-15-06	02-15-31	18,830,000	18,830,000
Total			<u>\$ 605,275,000</u>	<u>\$ 448,025,000(A)</u>

(A) Excludes (\$4,264,274) net deferred losses on advance refundings, net bond premiums and discounts, and bond issuance costs - (\$1,906,682) business-type and (\$2,357,592) governmental. Additionally, this amount includes \$323,567,720 of bonds used to finance enterprise fund activities.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

H. LONG-TERM DEBT (Continued)

At September 30, 2006, 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.

LP&L REVENUE BONDS

<u>Interest Rate(%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 9-30-06</u>
3.80 to 5.50	6-15-95	4-15-08	\$ 13,560,000	\$ 1,965,000
4.25 to 6.25	1-01-98	4-15-18	9,170,000	5,520,000
3.10 to 5.00	1-15-99	4-15-19	14,975,000	7,525,000
4.00 to 5.25	7-01-01	4-15-21	9,200,000	6,900,000
Total			<u>\$ 46,905,000</u>	<u>\$21,910,000 *</u>

* Balance outstanding excludes \$274,845 of net deferred losses on advance refundings, bond premiums and discounts, and bond issuance costs.

OTHER REVENUE BONDS

<u>Interest Rate(%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 9-30-06</u>
3.983	09-30-05	09-30-25	17,960,000	17,595,417
4.25 to 5.0	04-30-06	02-15-27	18,573,906	18,573,905
			<u>\$36,533,906</u>	<u>\$36,169,322 *</u>

* Balance outstanding excludes (\$461,839) discount and deferred losses on bonds sold or refunded.

The annual requirements to amortize all outstanding debt of the City as of September 30, 2006 are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities			
	General Obligation Bonds		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	6,367,599	5,970,307	16,182,401	15,617,695	3,871,149	3,021,708
2008	6,815,093	5,270,849	17,019,907	14,101,110	3,777,331	2,612,994
2009	6,855,963	4,994,544	17,004,037	13,406,654	3,016,932	2,448,196
2010	6,677,160	4,718,846	17,147,840	12,696,672	3,062,637	2,315,474
2011	6,892,527	4,428,865	17,557,473	11,942,950	3,110,359	2,181,036
2012-2016	33,943,446	17,559,698	86,021,554	47,795,579	14,872,099	8,860,165
2017-2021	32,655,873	9,916,808	79,014,127	27,439,606	14,887,118	5,089,955
2022-2026	24,249,619	2,482,180	46,720,381	12,003,058	10,891,111	1,655,657
2027-2031	-	-	19,835,000	4,279,800	590,586	29,529
2032-2036	-	-	7,065,000	541,625	-	-
Totals	<u>\$ 124,457,280</u>	<u>\$ 55,342,097</u>	<u>\$ 323,567,720</u>	<u>\$ 159,824,748</u>	<u>\$ 58,079,322</u>	<u>\$ 28,214,714</u>

Capital leases were used to acquire equipment and vehicles. The interest rate on the leases ranged from 2.0% to 4.3%. The annual requirements on capital leases of the City as of September 30, 2006, including interest payments of \$1,790,785 are as follows:

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

H. LONG-TERM DEBT (Continued)

Fiscal Year	Governmental	Business-Type	Total
	Capital Lease Minimum Payment	Capital Lease Minimum Payment	Capital Lease Minimum Payment
2007	1,694,843	2,277,756	3,972,599
2008	1,694,843	1,946,263	3,641,106
2009	1,673,144	1,842,705	3,515,849
2010	1,522,290	1,748,474	3,270,764
2011	725,904	1,086,012	1,811,916
2012-2016	1,116,246	381,832	1,498,078
Less:			
Interest	(896,711)	(894,074)	(1,790,785)
Total	\$ 7,530,559	\$ 8,388,968	\$ 15,919,527

The carrying values on the leased assets of the City as of September 30, 2006 are as follows:

	Gross Value	Accumulated Depreciation	Net Book Value
Governmental Activities	\$ 12,350,672	\$ 3,363,345	\$ 8,987,327
Business-Type Activities	12,093,797	2,158,891	9,934,906
Total Leased Assets	\$ 24,444,469	\$ 5,522,236	\$ 18,922,233

Long-term obligations (net of discounts and premiums) for governmental and business-type activities for the year ended September 30, 2006 are as follows:

	Debt Payable			Debt Payable		Due in
	9/30/2005	Additions	Deletions	9/30/2006	one year	
Governmental activities:						
Tax-Supported -						
Obligation Bonds	\$ 102,720,269	\$ 27,526,113	\$ 5,789,102	\$ 124,457,280	\$ 6,367,599	
Capital Leases	3,954,885	5,119,980	1,544,306	7,530,559	1,426,999	
Compensated Absences	16,288,365	6,313,086	6,341,414	16,260,037	6,133,264	
Insurance Claim Payable	2,340,260	19,060,956	18,640,060	2,761,156	2,512,041	
Bond Discounts/Premiums	1,865,984	620,860	129,252	2,357,592	-	
Arbitrage Payable	-	151,716	-	151,716	-	
Total Governmental activities	\$ 127,169,763	\$ 58,792,711	\$ 32,444,134	\$ 153,518,340	\$ 16,439,903	
Business-Type activities:						
Self-Supported -						
Obligation Bonds	286,749,731	70,993,887	34,175,898	323,567,720	16,182,401	
Revenue Bonds	42,800,000	18,573,906	3,294,584	58,079,322	3,871,149	
Capital Leases	1,354,576	8,158,734	1,124,342	8,388,968	1,974,403	
Closure/Post Closure	3,073,391	225,740	-	3,299,131	-	
Compensated Absences	5,000,765	2,582,659	2,217,628	5,365,796	2,571,795	
Insurance Claim Payable	6,501,898	3,235,231	4,476,153	5,260,976	2,444,632	
Bond Discounts/Premiums	2,555,448	648,300	1,297,066	1,906,682	-	
Arbitrage Payable	-	71,191	-	71,191	-	
Total Business-Type activities	\$ 348,035,809	\$ 104,489,648	\$ 46,585,671	\$ 405,939,786	\$ 27,044,380	

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

H. LONG-TERM DEBT (Continued)

Payments on bonds payable for governmental activities are made in the Debt Service Fund. Bonded debt is subject to the applicability of federal arbitrage regulations. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund and Special Revenue funds. The Risk Management Internal Service Fund will liquidate insurance claims payable that pertain to governmental activities. Payments for the capital leases that pertain to the governmental activities will be liquidated by the General Fund and Capital Projects Funds.

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

Long-term debt - Governmental Activities	\$ 153,518,340
Long-term debt - Business-type Activities	405,939,786
Interest	243,381,559
Total amount of debt	\$ 802,839,685
Net gains/losses, premiums/discounts	(4,264,274)
Less: Arbitrage payable	(222,907)
Less: Capital leases	(15,919,527)
Less: Insurance claims payable	(8,022,132)
Less: Compensated absences	(21,625,833)
Less: Closure/post closure	(3,299,131)
Total other debt	(53,353,804)
Total future bonded debt requirements	<u>\$ 749,485,881</u>

New Bond Issuances

In April 2006, the City issued \$76,950,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2006. The Certificates were issued at a premium of \$2,580,245. After paying issuance costs of \$541,101, the net proceeds were \$78,985,000. Proceeds from the sale of these certificates will be used for airport, Municipal Building, parks, and cemetery improvements, street repairs, and solid waste, stormwater, wastewater, parks, streets, Lubbock Power & Light and economic development projects; and costs associated with the issuance of the Certificates. The proceeds of the debt are recorded in various Enterprise Funds and Capital Projects Funds.

The City also issued \$2,740,000 General Obligation Bonds, Series 2006 in April 2006. The General Obligation Bonds were issued at a premium of \$8,076. After paying issuance costs of \$14,766, the net proceeds were \$2,715,000. Proceeds from the sale of these certificates will be used for constructing street improvements including drainage, curbs, gutters, landscaping, sidewalks, curb ramps, utility line relocation and traffic signalization and the acquisition of land and rights-of-way and for acquiring and improving land for park purposes. The proceeds of the debt are recorded in various Capital Projects Funds.

The Canadian River Municipal Authority issued a new Contract Revenue Bond, Series 2006 in April 2006 in the amount of \$49,075,000. The City of Lubbock shared in that issue for \$18,573,906 and other costs of \$492,465, and received depreciable assets (water rights) valued at \$19,066,371. These assets and liabilities are recorded in the Water Enterprise Fund.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

H. LONG-TERM DEBT (Continued)

Advanced Refundings

The City issued an advance refunding to retire a portion of the City's outstanding debt to lower the debt service requirements on such indebtedness. The net proceeds from the issuance of the Refunding Bonds were deposited with the Escrow Agent (JP Morgan Chase Bank, National Association) 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 States of America. Under the escrow agreements, between the City and JP Morgan Chase Bank, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunded Bonds.

In May 2006, the City issued General Obligation Refunding Bonds, Series 2006 ("Refunding Bonds") with a par value of \$18,830,000. The Refunding Bonds refunded \$18,015,000 outstanding bonds. They were issued at a net premium of \$272,244 and had \$208,013 issuance costs. As a result of the refunding, the City decreased its total debt service requirements by \$702,199, which resulted in an economic gain of \$450,705 and an accounting loss of \$862,823. The debt transactions are recorded in an Enterprise Fund.

I. 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, 2006, there were five series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$273,890,991. The bonds were issued between 1993 and 2005. Also as of September 30, 2006, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$8,635,000. The bonds were issued in 1999.

J. 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 workers' 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

J. RISK MANAGEMENT (Continued)

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 prior to October 1, 2005, and a \$500,000 deductible per claim since October 1, 2005.

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 \$500,000 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.

K. HEALTH INSURANCE

The City provides medical and dental insurance for all full-time employees that are accounted for in the Health Benefits 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 \$175,000 per covered individual annually and an aggregate cap of \$18,845,757. 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. Revenues for the life insurance 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.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

K. HEALTH INSURANCE (Continued)

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.

L. 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>FY 2006</u>	<u>FY 2005</u>
Workers' Compensation and Liability Reserves at beginning of fiscal year	\$ 6,501,898	\$ 6,436,854
Claims Expenses	3,235,231	4,658,359
Claims Payments	<u>(4,476,153)</u>	<u>(4,593,315)</u>
Workers' Compensation and Liability Reserves at end of fiscal year	<u>5,260,976</u>	<u>6,501,898</u>
Medical and Dental Claims Liability at beginning of fiscal year	2,340,260	2,354,536
Claims Expenses	19,060,956	17,432,646
Claims Payments	<u>(18,640,060)</u>	<u>(17,446,922)</u>
Medical and Dental Claims Liability at end of fiscal year	<u>2,761,156</u>	<u>2,340,260</u>
Total Self-Insurance Liability at end of fiscal year	<u>8,022,132</u>	<u>8,842,158</u>
Total Assets to pay claims at end of fiscal year	<u>11,237,066</u>	<u>12,646,638</u>
Accrued insurance claims payable from restricted assets - current	4,956,673	3,943,861
Accrued insurance claims payable - noncurrent	<u>3,065,459</u>	<u>4,898,297</u>
Total accrued insurance claims	<u>\$ 8,022,132</u>	<u>\$ 8,842,158</u>

M. 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

M. LANDFILL CLOSURE AND POSTCLOSURE CARE COST (Continued)

The \$3,299,131 included in landfill closure and postclosure care liability at September 30, 2006, represents the cumulative amount expensed by the City to date for its two landfills that are registered under TCEQ permit numbers 69 (Landfill 69) and 2252 (Landfill 2252), less amounts that have been paid. Approximately 92 percent of the estimated capacity of Landfill 69 has been used to date, with \$806,525 remaining to be recognized over the remaining closure period, which is estimated at two years. Approximately 2.7 percent of the estimated capacity of Landfill 2252 has been used to date, with \$23,900,641 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.

N. DISAGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

	Accounts Receivable Summary				Balance at 9/30/06
	Court Fines	Property Damage	Paving	Misc.	
Governmental Activities:					
General Fund	\$ 4,394,859	\$ 258,940	\$ 329,780	\$ 175,317	\$ 5,158,896
Nonmajor	-	-	-	341,907	341,907
Total	<u>\$ 4,394,859</u>	<u>\$ 258,940</u>	<u>\$ 329,780</u>	<u>\$ 517,224</u>	<u>\$ 5,500,803</u>

	Accounts Receivable Summary			Balance at 9/30/06
	General Consumer	Credit Card	Misc.	
Business-type Activities:				
LP&L	\$ 16,472,414	\$ -	\$ 81,008	\$ 16,553,422
Water	4,737,859	-	250	4,738,109
Wastewater	2,445,149	-	-	2,445,149
Stormwater	775,559	-	-	775,559
WTMPA	1,800,814	-	-	1,800,814
Nonmajor	3,142,939	5,791	125	3,148,855
Total	<u>\$ 29,374,734</u>	<u>\$ 5,791</u>	<u>\$ 81,383</u>	<u>\$ 29,461,908</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

N. DISAGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS (Continued)

Allowance for Doubtful Accounts Summary

	Balance at 9/30/06
Governmental	
General Fund	\$ 3,333,240
Nonmajor	-
Business-Type	
LP&L	1,008,169
Water	445,656
Wastewater	187,475
Stormwater	86,291
WTMPA	-
Nonmajor	231,312
Total	\$ 5,292,143

Accounts Payable Summary

	Vouchers	Accounts	Miscellaneous	Balance at 9/30/06
Governmental:				
General Fund	\$ 688,014	\$ 2,188,258	\$ 409,627	\$ 3,285,899
Nonmajor	1,022,563	1,000,889	176,081	2,199,533
Business-Type:				
LP&L	490,514	272,557	272,135	1,035,206
Water	331,100	2,179,886	124,574	2,635,560
Wastewater	149,577	755,676	161,633	1,066,886
Stormwater	55,729	1,075,828	14,880	1,146,437
WTMPA	-	8,329,910	-	8,329,910
Nonmajor	96,251	1,728,886	94,330	1,919,467
Total	\$ 2,833,748	\$ 17,531,890	\$ 1,253,260	\$ 21,618,898

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUND (Continued)

O. DISAGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

	Net Receivables				
	Accounts Receivable	Interest Receivable	Taxes Receivable	Internal Service Receivables	Balance at 9/30/06
Governmental Activities	\$ 2,167,563	\$ 386,349	\$ 9,159,695	\$ 5,784	\$ 11,719,391
Business-type Activities	27,503,005	111,576	-	5,704	27,620,285
Total	<u>\$ 29,670,568</u>	<u>\$ 497,925</u>	<u>\$ 9,159,695</u>	<u>\$ 11,488</u>	<u>\$ 39,339,676</u>

	Accounts Payable		
	Accounts Payable	Internal Service Payables	Balance at 9/30/06
Governmental Activities	\$ 5,485,432	\$ 181,289	\$ 5,666,721
Business-type Activities	16,133,466	736,217	16,869,683
Total	<u>\$ 21,618,898</u>	<u>\$ 917,506</u>	<u>\$ 22,536,404</u>

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.

Charles Emmanuel Bosler, as Surviving Parent of Courtney Nicole Bosler, as Guardian of Colton Bosler v. Travis Riddle and The City of Lubbock:

Plaintiff sued the City of Lubbock and Officer Travis Riddle on behalf of himself and his children arising out of the death of his teenage daughter and injuries to his son from an automobile accident with Officer Travis Riddle. Plaintiff alleges that Officer Riddle was operating his vehicle in a negligent manner and was speeding at the time of the collision. The Defendants asserted that the driver of the vehicle carrying the Bosler children, which was the mother, was negligent in failing to yield the right-of-way to Officer Travis Riddle.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE IV. CONTINGENT LIABILITIES (Continued)

B. LITIGATION (Continued)

The City filed a Motion for Summary Judgment based on the fact that the Plaintiff did not present his notice of claim to the City of Lubbock within six (6) months of the date of the accident. The Plaintiff never filed a notice of claim and filed suit seven (7) months after the date of the accident. The Plaintiff claims that notice was not necessary in that the Defendants had actual notice of the incident.

The trial court granted the City's Summary Judgment based on the fact that the Plaintiff did not file a claim with the City of Lubbock within six (6) months from the date of the accident. The Plaintiff has appealed this decision to the Court of Appeals.

Martha Dillon v. City of Lubbock:

Plaintiff is suing the City of Lubbock for injuries arising from an automobile accident with a City of Lubbock driver. The City of Lubbock driver was exiting an alley when he "T-Boned" the vehicle driven by Martha Dillon. The Plaintiff had undergone previous back surgery, undergone rehabilitation, and had recovered from the previous back surgery to return to work full-time. She had been working full-time for approximately three (3) weeks before this accident occurred.

As a result of this accident she has undergone other procedures including another back surgery at the end of October. According to her treating physician, who is a well respected local physician, her prognosis for being able to return to work on a full-time basis is not very good.

Grace Nunez and Juan Nunez, et al v. City of Lubbock and Taser International, Inc.:

Plaintiffs are suing the City of Lubbock and Taser International arising from the City of Lubbock's police officer's use of a taser in arresting Juan Nunez. The City of Lubbock police officer utilized a taser in arresting Juan Nunez and Nunez died after the taser was utilized.

The City of Lubbock's Plea to the Jurisdiction asserting that the City has no liability under Section 101.057 of the Texas Tort Claims Act has been denied by the trial court. The City has appealed the decision to the Court of Appeals. A recent case with similar facts to the present case was decided by the Waco Court of Appeals in *City of Waco v. Williams*. In that case the appellate court ruled that the City of Waco had immunity under this scenario. This was a 2-1 decision and it is anticipated that the Plaintiffs will appeal the City of Waco case to the Texas Supreme Court.

Grace Nunez and Juan Nunez, et all v. City of Lubbock, Officer Matt Doherty and Taser International, Inc.

This lawsuit presents the same fact situation as described in the previous Nunez lawsuit. The difference is that this lawsuit alleges civil rights violations against the City and Officer Matt Doherty. The suit was filed on December 22, 2006 in the Amarillo Division of the Northern District.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE IV. CONTINGENT LIABILITIES (Continued)

B. LITIGATION (Continued)

Oscar Renda Contracting, Inc., et al v. City of Lubbock, et al:

The Plaintiff is a contractor who bid to perform a contract for the City of Lubbock. Even though Oscar Renda Contracting's bid was over \$2,000,000 less than the company who received the award from the City of Lubbock, Oscar Renda Contracting was not awarded such bid. Oscar Renda asserts that the reason it was not awarded the bid was because it has filed a suit against another public entity in El Paso regarding one of its construction projects. They base this on the fact that litigation and the cost of litigation with non-local contractors was mentioned at the time the bid was awarded in August 2006. City of Lubbock filed a Motion for Summary Judgment and it was granted by the trial court. However, the Fifth Circuit of Appeals reversed the decision of the trial court and remanded the case back to trial in a split decision in August 2006. The City of Lubbock has filed a petition with the United States Supreme Court in an effort to get them to review the case.

Layne Stanford v. City of Lubbock and Lubbock Civil Service Commission:

Plaintiff, a fire fighter, filed suit under the Civil Service Act alleging he was wrongfully denied a promotion. He asserts that the Fire Chief wrongfully passed him over for a promotion because he was charged, but not convicted, of DWI.

The main issue in the case pertains to whether he was entitled to have his case heard by a third-party hearing examiner. He asserts that since the City refused to allow the case to be heard by a hearing examiner, he is entitled to the promotion.

The trial court ruled in the Defendant's favor. The case is currently on appeal. Damages are limited to attorney's fees and back pay.

L.J. McCallan, Jr. v. City of Lubbock, et al:

A lawsuit was filed in late November against the City of Lubbock and three Lubbock police officers pertaining to an incident in which a suspect was injured with a taser utilized by one of the Lubbock police officers.

Plaintiff is suing the City and the officers under the Civil Rights Act and is also suing the City under the Texas Tort Claims Act. At this time we do not have much information as we have yet to review the police reports, the investigation by internal affairs, or review the video of the incident. However, it does not appear that there were any significant injuries to the plaintiff.

Terry Ellerbrook v. City of Lubbock:

Plaintiff is a current employee of the City of Lubbock alleging claims of age discrimination, whistle blower claims, retaliation and damages because he was moved from one position to another position within the City. Also, the Plaintiff is asserting open meeting violations by the City. Mr. Ellerbrook is employed as the Director of Solid Waste and is currently earning more money than he was in his prior position. Discovery is ongoing. This case is pending the 237th District Court and is set for trial in August 2007. The City is denying the allegations and claims made by the Plaintiff.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2006

NOTE IV. CONTINGENT LIABILITIES (Continued)

C. SITE REMEDIATION

The City has identified specific locations requiring site remediation relative to underground fuel storage tanks and historical fire training sites. One of the sites referred to below as Lubbock Power & Light (LP&L) Plant 1, represents a liability equally shared by both the City and LP&L.

As of September 30, 2006 the City identified three locations that posed a probable liability. The City recorded the liabilities for the three locations in the Enterprise Funds as follows:

- LP&L Plant 1 (\$236,000) – this represents LP&L’s portion of the liability only
- LP&L Cooke Plant (\$539,000)
- WesTex Aircraft (\$300,000)

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

- LP&L Plant 1 (\$236,000) – this represents the City’s portion only
- Police Firing Range (\$30,000)
- CFR Training Facility (\$114,220)
- Fire Training Academy (\$338,335)
- South Fueling Facility (\$204,000)

The potential exposure for one remaining location is not readily determinable as of September 30, 2006. In the opinion of management, the ultimate liability for this location will not have a materially adverse effect on the City’s financial position.

NOTE V. SUBSEQUENT EVENT

On January 10, 2007, the City sold \$54,020,000 General Obligation Refunding Bonds and \$25,255,000 Certificate of Obligation Bonds.

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.

Municipal Court Fund – Accounts for revenues from municipal court fees collected, and all the related costs for operating the court.

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF LUBBOCK, TEXAS

Special Revenue Funds (Continued)

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 (URA) - 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 Housing and Community Affairs, United States Department of Energy, and United States Department of Health and Human Services.

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

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

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

Other Grants Fund - Accounts for the receipt and disbursement of funds received from the Texas State Department of Highways, Texas Historical Commission, United States Department of Transportation, United States Department of Agriculture, Texas Department of Health and Human Services, South Plains Association of Governments, U.S Department of Homeland Security/FEMA, Texas Department of Aging and Disability Services, Governor's Division of Emergency Management, State Domestic Preparedness Equipment Program, and Texas Parks and Wildlife Department.

Debt Service Fund

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

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 Fund - Accounts for the financing and construction of public safety improvements.

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

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

Streets Permanent Maintenance Fund - 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 Improvement 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 (TIF) Fund – Accounts for the financing and expenditures related to the Central Business and North Overton Districts.

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

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Criminal Investigation</u>	<u>Municipal Court</u>	<u>Abandoned Motor Vehicle</u>	<u>Economic Development Incentive</u>
ASSETS				
Cash and cash equivalents	\$ 182,985	\$ 415,247	\$ 188,477	\$ 48,719
Investments	159,100	361,044	163,874	42,360
Taxes receivable (net)	-	-	-	69,006
Accounts receivable (net)	-	-	3,000	-
Interest receivable	454	2,014	808	2,054
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Due from others	-	-	-	2,602
Investment in property	-	-	-	-
Restricted cash	-	-	-	-
Restricted investments	-	-	-	-
Mortgage receivables	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 342,539</u>	<u>\$ 778,305</u>	<u>\$ 356,159</u>	<u>\$ 164,741</u>
LIABILITIES				
Accounts payable	\$ 136,884	\$ 66,286	\$ 77,370	\$ -
Due to other funds	-	-	-	-
Accrued interest payable	-	-	-	-
Accrued liabilities	-	3,783	-	-
Deferred revenues	-	-	-	63,395
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>136,884</u>	<u>70,069</u>	<u>77,370</u>	<u>63,395</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Special revenue - grants	-	-	-	-
Perpetual care	-	-	-	-
Unreserved				
Special revenue funds	<u>205,655</u>	<u>708,236</u>	<u>278,789</u>	<u>101,346</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>205,655</u>	<u>708,236</u>	<u>278,789</u>	<u>101,346</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 342,539</u>	<u>\$ 778,305</u>	<u>\$ 356,159</u>	<u>\$ 164,741</u>

Special Revenue Funds

<u>Donations</u>	<u>Hotel/Motel Tax</u>	<u>Lake Alan Henry</u>	<u>Cemetery Permanent Care</u>	<u>Lubbock Economic Development Alliance</u>	<u>North Overton TIF</u>	<u>Central Business District TIF</u>
\$ 250,995	\$ 130,085	\$ 240,713	\$ 49,060	\$ 7,666	\$ -	\$ 97,179
218,232	113,105	209,293	42,656	6,666	-	84,495
-	-	-	-	-	-	-
33,400	-	75	-	-	-	-
1,079	1,238	1,267	-	268	1,024	421
-	-	-	-	-	-	-
-	-	-	-	643,121	-	-
-	879,853	-	-	9,982	-	-
-	-	-	-	-	-	-
-	-	-	-	-	382,557	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 503,706</u>	<u>\$1,124,281</u>	<u>\$ 451,348</u>	<u>\$ 91,716</u>	<u>\$ 667,703</u>	<u>\$ 383,581</u>	<u>\$ 182,095</u>
\$ 35,307	\$ 260,752	\$ 337	\$ -	\$ 665,261	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,401	-	-	1,013	-
-	-	-	-	-	-	-
<u>35,307</u>	<u>260,752</u>	<u>2,738</u>	<u>-</u>	<u>665,261</u>	<u>1,013</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	89,220	-	-	-
468,399	863,529	448,610	2,496	2,442	382,568	182,095
468,399	863,529	448,610	91,716	2,442	382,568	182,095
<u>\$ 503,706</u>	<u>\$1,124,281</u>	<u>\$ 451,348</u>	<u>\$ 91,716</u>	<u>\$ 667,703</u>	<u>\$ 383,581</u>	<u>\$ 182,095</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	Special Revenue Funds				
	North Overton PID	North Point PID	Gateway Streets Project	Community Development	Urban Renewal Agency (URA)
ASSETS					
Cash and cash equivalents	\$ 60,598	\$ 4,483	\$4,517,323	\$ 1,173,010	\$ -
Investments	52,688	3,897	3,927,671	1,019,895	-
Taxes receivable (net)	-	-	-	-	-
Accounts receivable (net)	-	-	-	-	-
Interest receivable	734	-	19,603	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	951,361	-
Due from others	-	-	477,910	-	-
Investment in property	-	-	-	-	208,103
Restricted cash	-	-	388,404	-	-
Restricted investments	-	-	-	-	-
Mortgage receivables	-	-	-	-	5,813,330
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 114,020</u>	<u>\$ 8,380</u>	<u>\$9,330,911</u>	<u>\$ 3,144,266</u>	<u>\$6,021,433</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 292,741	\$ -
Due to other funds	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Accrued liabilities	2,643	-	-	26,608	-
Deferred revenues	-	-	-	1,931,035	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,643</u>	<u>-</u>	<u>-</u>	<u>2,250,384</u>	<u>-</u>
FUND BALANCES					
Reserved for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Special revenue - grants	-	-	-	-	-
Perpetual care	-	-	-	-	-
Unreserved					
Special revenue funds	<u>111,377</u>	<u>8,380</u>	<u>9,330,911</u>	<u>893,882</u>	<u>6,021,433</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>111,377</u>	<u>8,380</u>	<u>9,330,911</u>	<u>893,882</u>	<u>6,021,433</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 114,020</u>	<u>\$ 8,380</u>	<u>\$9,330,911</u>	<u>\$ 3,144,266</u>	<u>\$6,021,433</u>

Special Revenue Funds

<u>Community Services</u>	<u>Health</u>	<u>Library</u>	<u>Police</u>	<u>Other Grants</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>
\$ 1,243	\$ -	\$ -	\$ 276,661	\$ 14,185	\$ 7,658,629	\$ -
1,081	-	-	240,549	12,334	6,658,940	-
-	-	-	-	-	69,006	448,178
-	-	-	-	-	36,475	-
-	-	-	1,205	-	32,169	1,285
-	-	-	-	-	-	-
262,468	284,901	152,096	17,122	1,176,209	3,487,278	-
-	-	-	-	-	1,370,347	5,286
-	-	-	-	-	208,103	-
-	-	-	-	-	770,961	3,231,615
-	-	-	-	-	-	-
-	-	-	-	-	5,813,330	-
<u>\$ 264,792</u>	<u>\$ 284,901</u>	<u>\$ 152,096</u>	<u>\$ 535,537</u>	<u>\$1,202,728</u>	<u>\$ 26,105,238</u>	<u>\$ 3,686,364</u>
\$ 64,346	\$ 57,644	\$ 5,289	\$ 43,499	\$ 118,171	\$ 1,823,887	\$ 900
195,454	148,593	105,749	-	-	449,796	-
-	-	-	-	-	-	192,190
4,992	13,530	7,309	-	12,782	75,061	-
-	-	-	258,104	12,084	2,264,618	411,735
<u>264,792</u>	<u>219,767</u>	<u>118,347</u>	<u>301,603</u>	<u>143,037</u>	<u>4,613,362</u>	<u>604,825</u>
-	-	-	-	-	-	3,081,539
-	-	-	-	-	-	-
-	65,134	33,749	233,934	1,059,691	1,392,508	-
-	-	-	-	-	89,220	-
-	-	-	-	-	20,010,148	-
<u>-</u>	<u>65,134</u>	<u>33,749</u>	<u>233,934</u>	<u>1,059,691</u>	<u>21,491,876</u>	<u>3,081,539</u>
<u>\$ 264,792</u>	<u>\$ 284,901</u>	<u>\$ 152,096</u>	<u>\$ 535,537</u>	<u>\$1,202,728</u>	<u>\$ 26,105,238</u>	<u>\$ 3,686,364</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

	<u>Capital Project Funds</u>			
	<u>Public Safety</u>	<u>Park Improvement</u>	<u>Street Improvement</u>	<u>Streets Permanent Maintenance</u>
ASSETS				
Cash and cash equivalents	\$ 474,103	\$ 8,671	\$ 3,031,767	\$ -
Investments	412,217	7,539	2,636,027	-
Taxes receivable (net)	-	-	-	-
Accounts receivable (net)	-	-	-	-
Interest receivable	971	-	13,257	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Investment in property	-	-	-	-
Restricted cash	-	-	-	-
Restricted investments	349,892	22,764,402	11,816,863	-
Mortgage receivables	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,237,183</u>	<u>\$ 22,780,612</u>	<u>\$ 17,497,914</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 176,034	\$ 70,493	\$ 133	\$ -
Due to other funds	-	631,346	-	-
Accrued interest payable	-	3,409	-	-
Accrued liabilities	527	3,956	429,428	-
Deferred revenues	-	-	2,777,991	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>176,561</u>	<u>709,204</u>	<u>3,207,552</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	-
Capital projects	1,060,622	22,071,408	14,290,362	-
Special revenue - grants	-	-	-	-
Perpetual care	-	-	-	-
Unreserved				
Special revenue funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,060,622</u>	<u>22,071,408</u>	<u>14,290,362</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,237,183</u>	<u>\$ 22,780,612</u>	<u>\$ 17,497,914</u>	<u>\$ -</u>

Capital Project Funds

General Capital Projects	General Facilities Improvement	TIF Capital Projects	Gateway Streets Project	Total Capital Project Funds	Total Nonmajor Governmental Funds
\$ 138,990	\$ 186,872	\$ 6,384	\$ 392,167	\$ 4,238,954	\$ 11,897,583
120,848	162,480	5,550	340,977	3,685,638	10,344,578
-	-	-	-	-	517,184
-	27,217	-	278,215	305,432	341,907
1,220	706	-	-	16,154	49,608
631,346	-	-	-	631,346	631,346
-	-	-	-	-	3,487,278
-	-	-	-	-	1,375,633
-	-	-	-	-	208,103
-	-	-	-	-	4,002,576
1,264	1,265,650	11,823,524	2,409,243	50,430,838	50,430,838
-	-	-	-	-	5,813,330
<u>\$ 893,668</u>	<u>\$ 1,642,925</u>	<u>\$ 11,835,458</u>	<u>\$ 3,420,602</u>	<u>\$ 59,308,362</u>	<u>\$ 89,099,964</u>
\$ 11,633	\$ 116,453	\$ -	\$ -	\$ 374,746	\$ 2,199,533
-	-	1,540,853	-	2,172,199	2,621,995
-	-	2,509	8,449	14,367	206,557
578	29,916	157,942	1,015,616	1,637,963	1,713,024
-	-	-	-	2,777,991	5,454,344
<u>12,211</u>	<u>146,369</u>	<u>1,701,304</u>	<u>1,024,065</u>	<u>6,977,266</u>	<u>12,195,453</u>
-	-	-	-	-	3,081,539
881,457	1,496,556	10,134,154	2,396,537	52,331,096	52,331,096
-	-	-	-	-	1,392,508
-	-	-	-	-	89,220
-	-	-	-	-	20,010,148
<u>881,457</u>	<u>1,496,556</u>	<u>10,134,154</u>	<u>2,396,537</u>	<u>52,331,096</u>	<u>76,904,511</u>
<u>\$ 893,668</u>	<u>\$ 1,642,925</u>	<u>\$ 11,835,458</u>	<u>\$ 3,420,602</u>	<u>\$ 59,308,362</u>	<u>\$ 89,099,964</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2006

	Special Revenue Funds			
	Criminal Investigation	Municipal Court	Abandoned Motor Vehicle	Economic Development Incentive
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 2,755,340
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise fees	-	-	-	-
Intergovernmental revenue	-	-	-	-
Charges for services	-	345,304	-	-
Interest	5,348	28,178	9,154	11,493
Miscellaneous	54,688	-	618,215	-
Total revenues	<u>60,036</u>	<u>373,482</u>	<u>627,369</u>	<u>2,766,833</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	-	-	-	2,651,240
Health	-	-	-	-
Police	10	-	349,268	-
Other public safety	-	360,056	-	-
Streets and traffic	-	-	-	-
Non-departmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	37,592	-	-
Total expenditures	<u>10</u>	<u>397,648</u>	<u>349,268</u>	<u>2,651,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,026</u>	<u>(24,166)</u>	<u>278,101</u>	<u>115,593</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Bond premium (discount)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(72,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,000)</u>
Net change in fund balances	60,026	(24,166)	278,101	43,593
Fund balances - beginning of year	<u>145,629</u>	<u>732,402</u>	<u>688</u>	<u>57,753</u>
Fund balances - end of year	<u>\$ 205,655</u>	<u>\$ 708,236</u>	<u>\$ 278,789</u>	<u>\$ 101,346</u>

Special Revenue Funds

<u>Donations</u>	<u>Hotel/Motel Tax</u>	<u>Lake Alan Henry</u>	<u>Cemetery Permanent Care</u>	<u>Lubbock Economic Development Alliance</u>	<u>North Overton TIF</u>	<u>Central Business District TIF</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 933,268	\$ 154,975
-	-	-	-	3,798,049	-	-
-	3,410,921	-	-	-	-	-
-	-	-	-	-	-	-
-	-	475,228	-	-	-	-
10,919	6,869	11,709	1,528	1,917	11,599	4,705
350,033	-	-	13,564	-	-	-
<u>360,952</u>	<u>3,417,790</u>	<u>486,937</u>	<u>15,092</u>	<u>3,799,966</u>	<u>944,867</u>	<u>159,680</u>
-	-	-	-	-	-	-
-	-	204,978	-	-	-	-
-	2,426,363	-	-	3,798,049	4,854	3,854
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
231,971	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,484	-	-	-	-	-	-
<u>252,455</u>	<u>2,426,363</u>	<u>204,978</u>	<u>-</u>	<u>3,798,049</u>	<u>4,854</u>	<u>3,854</u>
<u>108,497</u>	<u>991,427</u>	<u>281,959</u>	<u>15,092</u>	<u>1,917</u>	<u>940,013</u>	<u>155,826</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
161,130	-	-	-	-	-	-
-	(534,118)	(126,398)	-	-	(827,380)	(109,988)
<u>161,130</u>	<u>(534,118)</u>	<u>(126,398)</u>	<u>-</u>	<u>-</u>	<u>(827,380)</u>	<u>(109,988)</u>
269,627	457,309	155,561	15,092	1,917	112,633	45,838
198,772	406,220	293,049	76,624	525	269,935	136,257
<u>\$ 468,399</u>	<u>\$ 863,529</u>	<u>\$ 448,610</u>	<u>\$ 91,716</u>	<u>\$ 2,442</u>	<u>\$ 382,568</u>	<u>\$ 182,095</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2006

	Special Revenue Funds				
	North Overton PID	North Point PID	Gateway Streets Project	Community Development	Urban Renewal Agency
REVENUES					
Property taxes	\$ 159,674	\$ 12,008	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Occupancy taxes	-	-	-	-	-
Franchise fees	-	-	5,339,391	-	-
Intergovernmental revenue	-	-	-	4,519,547	-
Charges for services	-	-	-	-	-
Interest	3,588	-	186,809	42,879	-
Miscellaneous	-	-	-	590,144	-
Total revenues	<u>163,262</u>	<u>12,008</u>	<u>5,526,200</u>	<u>5,152,570</u>	<u>-</u>
EXPENDITURES					
Current:					
Community services	-	-	-	4,594,114	124,286
Cultural and recreation	-	-	-	-	-
Economic and business development	85,928	3,628	-	-	-
Health	-	-	-	-	-
Police	-	-	-	-	-
Other public safety	-	-	-	-	-
Streets and traffic	-	-	-	-	-
Non-departmental	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	-	-	-	630,892	-
Total expenditures	<u>85,928</u>	<u>3,628</u>	<u>-</u>	<u>5,225,006</u>	<u>124,286</u>
Excess (deficiency) of revenues over (under) expenditures	<u>77,334</u>	<u>8,380</u>	<u>5,526,200</u>	<u>(72,436)</u>	<u>(124,286)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Bond premium (discount)	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(679,024)	(161,687)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(679,024)</u>	<u>(161,687)</u>	<u>-</u>
Net change in fund balances	77,334	8,380	4,847,176	(234,123)	(124,286)
Fund balances - beginning of year	34,043	-	4,483,735	1,128,005	6,145,719
Fund balances - end of year	<u>\$ 111,377</u>	<u>\$ 8,380</u>	<u>\$ 9,330,911</u>	<u>\$ 893,882</u>	<u>\$ 6,021,433</u>

Special Revenue Funds

<u>Community Services</u>	<u>Health</u>	<u>Library</u>	<u>Police</u>	<u>Other Grants</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,015,265	\$ 5,641,670
-	-	-	-	-	3,798,049	-
-	-	-	-	-	3,410,921	-
-	-	-	-	-	5,339,391	-
1,157,625	905,898	571,162	691,120	2,731,774	10,577,126	-
-	-	-	-	-	820,532	-
-	-	-	9,242	-	345,937	83,910
56,434	132,184	-	2,400	32,336	1,849,998	-
<u>1,214,059</u>	<u>1,038,082</u>	<u>571,162</u>	<u>702,762</u>	<u>2,764,110</u>	<u>30,157,219</u>	<u>5,725,580</u>
1,214,420	-	-	-	-	5,932,820	-
-	-	541,509	-	-	746,487	-
-	-	-	-	-	8,973,916	-
-	908,623	-	-	-	908,623	-
-	-	-	563,973	-	913,251	-
-	-	-	-	-	360,056	-
-	-	-	-	-	-	-
-	-	-	-	1,881,229	2,113,200	-
-	-	-	-	-	-	5,789,102
-	-	-	-	-	-	3,986,120
-	119,951	-	182,431	519,312	1,510,662	-
<u>1,214,420</u>	<u>1,028,574</u>	<u>541,509</u>	<u>746,404</u>	<u>2,400,541</u>	<u>21,459,015</u>	<u>9,775,222</u>
<u>(361)</u>	<u>9,508</u>	<u>29,653</u>	<u>(43,642)</u>	<u>363,569</u>	<u>8,698,204</u>	<u>(4,049,642)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	108,409	225,921	495,460	4,539,756
-	-	-	-	-	(2,510,595)	(32,915)
-	-	-	108,409	225,921	(2,015,135)	4,506,841
(361)	9,508	29,653	64,767	589,490	6,683,069	457,199
361	55,626	4,096	169,167	470,201	14,808,807	2,624,340
<u>\$ -</u>	<u>\$ 65,134</u>	<u>\$ 33,749</u>	<u>\$ 233,934</u>	<u>\$ 1,059,691</u>	<u>\$ 21,491,876</u>	<u>\$ 3,081,539</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2006

	<u>Capital Project Funds</u>			
	<u>Public Safety</u>	<u>Park Improvement</u>	<u>Street Improvement</u>	<u>Streets Permanent Maintenance</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise fees	-	-	-	-
Intergovernmental revenue	-	-	62,270	-
Charges for services	-	-	146,068	-
Interest	99,507	773,499	723,979	-
Miscellaneous	10,374	23,300	570	24,564
Total revenues	<u>109,881</u>	<u>796,799</u>	<u>932,887</u>	<u>24,564</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	663,214	-	-
Economic and business development	-	-	-	-
Health	-	-	-	-
Police	-	-	-	-
Other public safety	-	-	-	-
Streets and traffic	-	-	313,835	-
Non-departmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	1,533,007	2,705,972	3,179,495	-
Total expenditures	<u>1,533,007</u>	<u>3,369,186</u>	<u>3,493,330</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,423,126)</u>	<u>(2,572,387)</u>	<u>(2,560,443)</u>	<u>24,564</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	12,811,933	3,741,645	-
Bond premium (discount)	-	292,320	31,282	-
Transfers in	-	30,000	-	160,838
Transfers out	(84,142)	(1,051,246)	(865,764)	-
Total other financing sources (uses)	<u>(84,142)</u>	<u>12,083,007</u>	<u>2,907,163</u>	<u>160,838</u>
Net change in fund balances	(1,507,268)	9,510,620	346,720	185,402
Fund balances - beginning of year	2,567,890	12,560,788	13,943,642	(185,402)
Fund balances - end of year	<u>\$ 1,060,622</u>	<u>\$ 22,071,408</u>	<u>\$ 14,290,362</u>	<u>\$ -</u>

Capital Project Funds

<u>General Capital Projects</u>	<u>General Facilities Improvement</u>	<u>TIF Capital Projects</u>	<u>Gateway Streets Project</u>	<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,656,935
-	-	-	-	-	3,798,049
-	-	-	-	-	3,410,921
-	-	-	-	-	5,339,391
-	-	-	-	62,270	10,639,396
-	-	-	340,562	486,630	1,307,162
32,446	80,415	497,061	316,444	2,523,351	2,953,198
-	234,873	-	3,357,363	3,651,044	5,501,042
<u>32,446</u>	<u>315,288</u>	<u>497,061</u>	<u>4,014,369</u>	<u>6,723,295</u>	<u>42,606,094</u>
-	-	-	-	-	5,932,820
-	-	-	-	663,214	1,409,701
-	-	-	-	-	8,973,916
-	-	-	-	-	908,623
-	-	-	-	-	913,251
-	-	-	-	-	360,056
-	-	-	213,910	527,745	527,745
18,133	245,192	-	-	263,325	2,376,525
-	534,938	-	-	534,938	6,324,040
-	10,443	-	-	10,443	3,996,563
3,895	1,727,781	4,521,301	13,278,670	26,950,121	28,460,783
<u>22,028</u>	<u>2,518,354</u>	<u>4,521,301</u>	<u>13,492,580</u>	<u>28,949,786</u>	<u>60,184,023</u>
<u>10,418</u>	<u>(2,203,066)</u>	<u>(4,024,240)</u>	<u>(9,478,211)</u>	<u>(22,226,491)</u>	<u>(17,577,929)</u>
-	1,889,189	6,307,749	2,775,597	27,526,113	27,526,113
-	51,178	170,885	75,195	620,860	620,860
50,000	66,000	9,988	-	316,826	5,352,042
(18,458)	(34,629)	(1,783,657)	(459,503)	(4,297,399)	(6,840,909)
<u>31,542</u>	<u>1,971,738</u>	<u>4,704,965</u>	<u>2,391,289</u>	<u>24,166,400</u>	<u>26,658,106</u>
41,960	(231,328)	680,725	(7,086,922)	1,939,909	9,080,177
839,497	1,727,884	9,453,429	9,483,459	50,391,187	67,824,334
<u>\$ 881,457</u>	<u>\$ 1,496,556</u>	<u>\$ 10,134,154</u>	<u>\$ 2,396,537</u>	<u>\$ 52,331,096</u>	<u>\$ 76,904,511</u>

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CITY OF LUBBOCK, TEXAS

Nonmajor Enterprise Funds

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

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

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

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

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2006

ASSETS	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Total Nonmajor Enterprise Funds</u>
Current assets:				
Cash and cash equivalents	\$ 595,223	\$ 2,737,646	\$ 9,466	\$ 3,342,335
Investments	517,528	2,380,298	78,070	2,975,896
Accounts receivable	382,625	1,708,699	826,219	2,917,543
Interest receivable	-	9,665	-	9,665
Due from others	-	-	1,647,449	1,647,449
Due from other funds	-	1,540,853	-	1,540,853
Inventories	-	-	663,001	663,001
Total currents assets	<u>1,495,376</u>	<u>8,377,161</u>	<u>3,224,205</u>	<u>13,096,742</u>
Noncurrent assets:				
Restricted cash and cash equivalents	3,647,951	379,135	-	4,027,086
Restricted investments	2,433,798	6,937,046	-	9,370,844
Restricted interest receivable	14,348	4,328	-	18,676
Total noncurrent assets	<u>6,096,097</u>	<u>7,320,509</u>	<u>-</u>	<u>13,416,606</u>
Capital assets:				
Land	3,679,064	1,607,932	318,539	5,605,535
Construction in progress	20,092,779	991,100	-	21,083,879
Buildings	36,221,796	1,596,858	4,310,381	42,129,035
Improvements other than buildings	76,702,784	20,599,958	1,273,687	98,576,429
Machinery and equipment	7,939,128	23,757,251	23,280,859	54,977,238
Less accumulated depreciation	<u>(66,188,237)</u>	<u>(32,663,078)</u>	<u>(18,186,334)</u>	<u>(117,037,649)</u>
Total capital assets	<u>78,447,314</u>	<u>15,890,021</u>	<u>10,997,132</u>	<u>105,334,467</u>
Total noncurrent and capital assets	<u>84,543,411</u>	<u>23,210,530</u>	<u>10,997,132</u>	<u>118,751,073</u>
Total assets	<u>\$ 86,038,787</u>	<u>\$ 31,587,691</u>	<u>\$ 14,221,337</u>	<u>\$ 131,847,815</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2006

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Total Nonmajor Enterprise Funds</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,479,102	\$ 354,737	\$ 85,628	\$ 1,919,467
Accrued liabilities	647,213	196,537	351,421	1,195,171
Accrued interest payable	67,346	146,129	-	213,475
Due to other funds	-	-	1,927,000	1,927,000
Customer deposits	-	7,072	-	7,072
Compensated absences	93,634	214,474	123,585	431,693
Leases payable	390	705,854	-	706,244
Bonds payable	417,285	508,338	-	925,623
	<u>2,704,970</u>	<u>2,133,141</u>	<u>2,487,634</u>	<u>7,325,745</u>
Total current liabilities				
Noncurrent liabilities:				
Compensated absences	120,577	276,188	82,390	479,155
Landfill closure and post closure care	-	3,299,131	-	3,299,131
Leases payable	1,247	2,465,838	-	2,467,085
Bonds payable	6,383,006	11,680,334	-	18,063,340
Rebatable arbitrage	12,378	-	-	12,378
	<u>6,517,208</u>	<u>17,721,491</u>	<u>82,390</u>	<u>24,321,089</u>
Total noncurrent liabilities				
Total liabilities	<u>9,222,178</u>	<u>19,854,632</u>	<u>2,570,024</u>	<u>31,646,834</u>
NET ASSETS				
Invested in capital assets, net of related debt	74,079,184	7,466,703	10,997,132	92,543,019
Restricted for passenger facility charges	3,630,625	-	-	3,630,625
Restricted for debt service	17,326	379,135	-	396,461
Unrestricted	<u>(910,526)</u>	<u>3,887,221</u>	<u>654,181</u>	<u>3,630,876</u>
Total net assets	<u>\$ 76,816,609</u>	<u>\$ 11,733,059</u>	<u>\$ 11,651,313</u>	<u>\$ 100,200,981</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For Fiscal Year Ended September 30, 2006

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES				
Charges for services (net)	\$ 5,424,016	\$ 13,948,861	\$ 3,268,441	\$ 22,641,318
Miscellaneous	-	-	112,610	112,610
Total operating revenues	<u>5,424,016</u>	<u>13,948,861</u>	<u>3,381,051</u>	<u>22,753,928</u>
OPERATING EXPENSES				
Personal services	2,120,910	4,554,463	5,106,859	11,782,232
Supplies	121,680	1,449,480	1,232,782	2,803,942
Maintenance	377,813	2,326,454	626,754	3,331,021
Collection expense	-	512,832	-	512,832
Other services and charges	1,991,660	1,888,246	1,031,483	4,911,389
Depreciation and amortization	<u>3,281,317</u>	<u>3,875,819</u>	<u>1,340,312</u>	<u>8,497,448</u>
Total operating expenses	<u>7,893,380</u>	<u>14,607,294</u>	<u>9,338,190</u>	<u>31,838,864</u>
Operating income (loss)	<u>(2,469,364)</u>	<u>(658,433)</u>	<u>(5,957,139)</u>	<u>(9,084,936)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	419,931	473,787	-	893,718
Passenger facility charges/Federal grants	965,605	-	7,732,277	8,697,882
Disposition of assets	9,418	18,372	(11,016)	16,774
Miscellaneous	853,909	204,423	(84,687)	973,645
Pass-through grant payments	-	-	(437,313)	(437,313)
Interest expense	<u>(91,804)</u>	<u>(340,723)</u>	<u>-</u>	<u>(432,527)</u>
Net nonoperating revenues (expenses)	<u>2,157,059</u>	<u>355,859</u>	<u>7,199,261</u>	<u>9,712,179</u>
Income (loss) before contributions and transfers	(312,305)	(302,574)	1,242,122	627,243
Capital contributions	11,040,385	21,633	-	11,062,018
Transfers in	-	-	849,200	849,200
Transfers out	<u>(1,228,995)</u>	<u>(1,871,084)</u>	<u>-</u>	<u>(3,100,079)</u>
Change in net assets	9,499,085	(2,152,025)	2,091,322	9,438,382
Total net assets - beginning	<u>67,317,524</u>	<u>13,885,084</u>	<u>9,559,991</u>	<u>90,762,599</u>
Total assets - ending	<u>\$ 76,816,609</u>	<u>\$ 11,733,059</u>	<u>\$ 11,651,313</u>	<u>\$ 100,200,981</u>

City Of Lubbock, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2006

Business-Type Activities - Enterprise Funds

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,364,070	\$ 13,590,520	\$ 2,731,501	\$ 21,686,091
Payments to suppliers	(1,377,954)	(5,742,278)	(2,977,701)	(10,097,933)
Payments to employees	(2,120,910)	(4,554,463)	(5,014,706)	(11,690,079)
Other receipts (payments)	829,100	156,252	-	985,352
Net cash provided (used) by operating activities	<u>2,694,306</u>	<u>3,450,031</u>	<u>(5,260,906)</u>	<u>883,431</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	-	-	849,200	849,200
Transfers out to other funds	(1,228,995)	(1,871,084)	-	(3,100,079)
Short-term interfund borrowings	-	-	1,071,633	1,071,633
Operating grants	-	-	7,294,964	7,294,964
Payments received/(made) on advances (to)/from other funds	-	(1,540,853)	-	(1,540,853)
Net cash provided (used) by noncapital and related financing activities	<u>(1,228,995)</u>	<u>(3,411,937)</u>	<u>9,215,797</u>	<u>4,574,865</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(18,051,309)	(3,136,479)	(3,953,879)	(25,141,667)
Sale of capital assets	(485,347)	(561,518)	-	(1,046,865)
Principal paid on general obligation bonds and other debt	519,487	4,181,550	-	4,701,037
Issuance of revenue, G.O. bonds, and capital leases	-	2,327,072	-	2,327,072
Bond issuance cost paid	(388)	-	-	(388)
Interest paid on bonds	(57,652)	(236,364)	-	(294,016)
Passenger facility charges/capital grants	965,605	-	-	965,605
Rebatable arbitrage	12,378	-	-	12,378
Contributed capital	11,040,385	21,633	-	11,062,018
Net cash provided (used) for capital and related financing activities	<u>(6,056,841)</u>	<u>2,595,894</u>	<u>(3,953,879)</u>	<u>(7,414,826)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	5,202,747	5,603,878	-	10,806,625
Purchase of investments	(3,724,857)	(11,759,383)	(78,070)	(15,562,310)
Interest earnings on cash and investments	454,649	540,410	-	995,059
Net cash provided by investing activities	<u>1,932,539</u>	<u>(5,615,095)</u>	<u>(78,070)</u>	<u>(3,760,626)</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,658,991)</u>	<u>(2,981,107)</u>	<u>(77,058)</u>	<u>(5,717,156)</u>
Cash and cash equivalents - beginning of year	<u>6,902,165</u>	<u>6,097,888</u>	<u>86,524</u>	<u>13,086,577</u>
Cash and cash equivalents - end of year	<u>4,243,174</u>	<u>3,116,781</u>	<u>9,466</u>	<u>7,369,421</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (2,469,364)	\$ (658,433)	\$ (5,957,139)	\$ (9,084,936)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation and amortization	3,281,317	3,875,819	1,340,312	8,497,448
Other income (expense)	829,100	156,252	(84,687)	900,665
Change in current assets and liabilities:				
Accounts receivable	(59,946)	(358,341)	(314,970)	(733,257)
Inventory	26,235	-	(80,791)	(54,556)
Due from other governments	-	-	(124,114)	(124,114)
Accounts payable	992,741	38,208	(13,090)	1,017,859
Other accrued expenses	131,578	28,403	(28,894)	131,087
Customer deposits	-	300	-	300
Compensated absences	(37,355)	367,823	2,467	332,935
Net cash provided (used) by operating activities	<u>\$ 2,694,306</u>	<u>\$ 3,450,031</u>	<u>\$ (5,260,906)</u>	<u>\$ 883,431</u>
Supplemental cash flow information:				
Noncash capital improvements and other changes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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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 officials 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.

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2006

	<u>Business-Type Activities</u>				
	<u>Fleet Maintenance</u>	<u>Central Warehouse</u>	<u>Management Information</u>	<u>Risk Management</u>	<u>Total Business- Type Activities</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 252,946	\$ 635,698	\$ -	\$ 888,644
Investments	-	219,928	552,720	-	772,648
Interest receivable	412	1,557	3,735	-	5,704
Due from others	-	-	-	-	-
Inventories	421,917	1,434,196	76,429	-	1,932,542
Total current assets	<u>422,329</u>	<u>1,908,627</u>	<u>1,268,582</u>	<u>-</u>	<u>3,599,538</u>
Noncurrent assets					
Restricted self-insurance investments	-	-	-	8,650,340	8,650,340
Restricted accounts receivable	-	-	-	-	-
Restricted interest receivable	-	-	-	20,824	20,824
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,671,164</u>	<u>8,671,164</u>
Capital assets:					
Land	-	-	-	-	-
Buildings	1,469,765	138,853	-	-	1,608,618
Improvements other than buildings	-	-	345,899	-	345,899
Machinery and equipment	528,178	131,463	917,244	17,227	1,594,112
Construction in progress	-	-	655,076	-	655,076
Less accumulated depreciation	<u>(1,120,086)</u>	<u>(200,312)</u>	<u>(870,722)</u>	<u>(10,528)</u>	<u>(2,201,648)</u>
Total capital assets	<u>877,857</u>	<u>70,004</u>	<u>1,047,497</u>	<u>6,699</u>	<u>2,002,057</u>
Total assets	<u>\$ 1,300,186</u>	<u>\$ 1,978,631</u>	<u>\$ 2,316,079</u>	<u>\$ 8,677,863</u>	<u>\$ 14,272,759</u>

Governmental Activities

<u>Print Shop and Office Store</u>	<u>Radio Shop</u>	<u>Custodial Services</u>	<u>Building Services</u>	<u>Environmental Compliance</u>	<u>Health Benefits</u>	<u>Investment Pool</u>
\$ 106,323	\$ 1,111,451	\$ -	\$ -	\$ -	\$ -	\$ 5,328
92,445	966,372	-	-	-	-	4,612
518	5,266	-	-	-	-	-
12,475	184,368	-	-	-	-	-
-	43,088	-	-	-	-	-
<u>211,761</u>	<u>2,310,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,940</u>
-	-	-	-	-	2,556,688	-
-	-	-	-	-	115,168	-
-	-	-	-	-	9,526	-
-	-	-	-	-	<u>2,681,382</u>	-
-	65,343	-	-	-	-	-
-	-	-	-	-	-	-
-	303,969	-	-	-	-	-
273,180	5,864,562	-	-	-	5,568	-
-	-	-	-	-	-	-
<u>(150,692)</u>	<u>(5,450,274)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,568)</u>	<u>-</u>
<u>122,488</u>	<u>783,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 334,249</u>	<u>\$ 3,094,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,681,382</u>	<u>\$ 9,940</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2006

	<u>Total Governmental Activities</u>	<u>Total Internal Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,223,102	\$ 2,111,746
Investments	1,063,429	1,836,077
Interest receivable	5,784	11,488
Due from others	196,843	196,843
Inventories	<u>43,088</u>	<u>1,975,630</u>
Total current assets	<u>2,532,246</u>	<u>6,131,784</u>
Noncurrent assets		
Restricted self-insurance investments	2,556,688	11,207,028
Restricted accounts receivable	115,168	115,168
Restricted interest receivable	<u>9,526</u>	<u>30,350</u>
Total noncurrent assets	<u>2,681,382</u>	<u>11,352,546</u>
Capital assets:		
Land	65,343	65,343
Buildings	-	1,608,618
Improvements other than buildings	303,969	649,868
Machinery and equipment	6,143,310	7,737,422
Construction in progress	-	655,076
Less accumulated depreciation	<u>(5,606,534)</u>	<u>(7,808,182)</u>
Total capital assets	<u>906,088</u>	<u>2,908,145</u>
Total noncurrent and capital assets	<u>\$ 6,119,716</u>	<u>\$ 20,392,475</u>

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"Serve with humility, lead with passion, commit to excellence."

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2006

	<u>Business-Type Activities</u>				
	<u>Fleet Maintenance</u>	<u>Central Warehouse</u>	<u>Management Information</u>	<u>Risk Management</u>	<u>Total Business- Type Activities</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 318,844	\$ 235,196	\$ 177,477	\$ 4,700	\$ 736,217
Accrued liabilities	27,360	4,959	64,950	5,479	102,748
Due to other funds	38,885	-	-	-	38,885
Compensated absences	64,940	9,632	122,352	4,115	201,039
Accrued insurance claims	-	-	-	2,444,632	2,444,632
Leases payable	-	13,637	154,627	-	168,264
Total current liabilities	<u>450,029</u>	<u>263,424</u>	<u>519,406</u>	<u>2,458,926</u>	<u>3,691,785</u>
Noncurrent liabilities:					
Compensated absences	83,626	12,403	157,559	5,298	258,886
Accrued insurance claims	-	-	-	2,816,344	2,816,344
Leases payable	-	57,107	327,803	-	384,910
Total noncurrent liabilities	<u>83,626</u>	<u>69,510</u>	<u>485,362</u>	<u>2,821,642</u>	<u>3,460,140</u>
Total liabilities	<u>533,655</u>	<u>332,934</u>	<u>1,004,768</u>	<u>5,280,568</u>	<u>7,151,925</u>
NET ASSETS					
Invested in capital assets, net of related debt	877,857	(740)	565,067	6,699	1,448,883
Unrestricted	<u>(111,326)</u>	<u>1,646,437</u>	<u>746,244</u>	<u>3,390,596</u>	<u>5,671,951</u>
Total net assets	<u>\$ 766,531</u>	<u>\$ 1,645,697</u>	<u>\$ 1,311,311</u>	<u>\$ 3,397,295</u>	<u>\$ 7,120,834</u>

Governmental Activities

<u>Print Shop and Office Store</u>	<u>Radio Shop</u>	<u>Custodial Services</u>	<u>Building Services</u>	<u>Environmental Compliance</u>	<u>Health Benefits</u>	<u>Investment Pool</u>
\$ 8,635	\$ 61,874	\$ -	\$ -	\$ -	\$ 110,780	\$ -
3,173	8,197	-	-	-	3,629	-
-	-	-	-	-	-	-
12,086	12,876	-	-	-	2,055	-
-	-	-	-	-	2,512,041	-
-	-	-	-	-	-	-
<u>23,894</u>	<u>82,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,628,505</u>	<u>-</u>
15,564	16,581	-	-	-	2,646	-
-	-	-	-	-	249,115	-
-	-	-	-	-	-	-
<u>15,564</u>	<u>16,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,761</u>	<u>-</u>
<u>39,458</u>	<u>99,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,880,266</u>	<u>-</u>
122,488	783,600	-	-	-	-	-
<u>172,303</u>	<u>2,211,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(198,884)</u>	<u>9,940</u>
<u>\$ 294,791</u>	<u>\$ 2,994,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (198,884)</u>	<u>\$ 9,940</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2006

	Total Governmental Activities	Total Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 181,289	\$ 917,506
Accrued liabilities	14,999	117,747
Due to other funds	-	38,885
Compensated absences	27,017	228,056
Accrued insurance claims	2,512,041	4,956,673
Leases payable	-	168,264
	<u>2,735,346</u>	<u>6,427,131</u>
Total current liabilities		
Noncurrent liabilities:		
Compensated absences	34,791	293,677
Accrued insurance claims	249,115	3,065,459
Leases payable	-	384,910
	<u>283,906</u>	<u>3,744,046</u>
Total noncurrent liabilities		
	<u>3,019,252</u>	<u>10,171,177</u>
Total liabilities		
NET ASSETS		
Invested in capital assets, net of related debt	906,088	2,354,971
Unrestricted	2,194,376	7,866,327
	<u>3,100,464</u>	<u>10,221,298</u>
Total net assets	<u>\$ 3,100,464</u>	<u>\$ 10,221,298</u>

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"Serve with humility, lead with passion, commit to excellence."

City of Lubbock, Texas
Combining Statement of Revenues, Expenses
And Changes in Fund Net Assets
Internal Service Funds
For The Year Ended September 30, 2006

	Business-Type Activities				Total Business-Type Activities
	Fleet Maintenance	Central Warehouse	Management Information	Risk Management	
OPERATING REVENUES					
Charges for services	\$ 7,737,579	\$ 3,636,762	\$ 5,296,965	\$ 4,488,551	\$ 21,159,857
Total operating revenues	<u>7,737,579</u>	<u>3,636,762</u>	<u>5,296,965</u>	<u>4,488,551</u>	<u>21,159,857</u>
OPERATING EXPENSES					
Personal services	1,079,320	146,422	2,275,721	190,796	3,692,259
Insurance	-	-	-	3,235,231	3,235,231
Supplies	36,016	6,448	22,870	4,602	69,936
Materials	6,279,366	3,367,962	-	-	9,647,328
Maintenance	184,827	8,398	1,525,751	9,937	1,728,913
Other services and charges	167,813	17,907	1,968,117	103,579	2,257,416
Depreciation and amortization	48,508	3,130	136,933	2,871	191,442
Total operating expenses	<u>7,795,850</u>	<u>3,550,267</u>	<u>5,929,392</u>	<u>3,547,016</u>	<u>20,822,525</u>
Operating income (loss)	<u>(58,271)</u>	<u>86,495</u>	<u>(632,427)</u>	<u>941,535</u>	<u>337,332</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	974	17,307	57,134	307,302	382,717
Federal grants	-	-	31,740	-	31,740
Disposition of assets	4,648	-	1,041	-	5,689
Miscellaneous	-	-	-	427,286	427,286
Interest expense	-	(863)	-	-	(863)
Net nonoperating revenues (expenses)	<u>5,622</u>	<u>16,444</u>	<u>89,915</u>	<u>734,588</u>	<u>846,569</u>
Income (loss) before contributions and transfers	(52,649)	102,939	(542,512)	1,676,123	1,183,901
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	32,915	32,915
Transfers out	-	-	-	-	-
Change in net assets	(52,649)	102,939	(542,512)	1,709,038	1,216,816
Net assets - beginning of year	<u>819,180</u>	<u>1,542,758</u>	<u>1,853,823</u>	<u>1,688,257</u>	<u>5,904,018</u>
Net assets - end of year	<u>\$ 766,531</u>	<u>\$ 1,645,697</u>	<u>\$ 1,311,311</u>	<u>\$ 3,397,295</u>	<u>\$ 7,120,834</u>

Governmental Activities

<u>Print Shop & Office Store</u>	<u>Radio Shop</u>	<u>Custodial Services</u>	<u>Building Services</u>	<u>Environmental Compliance</u>	<u>Health Benefits</u>	<u>Investment Pool</u>
\$ 346,182	\$ 1,126,956	\$ -	\$ -	\$ -	\$ 16,827,289	\$ -
<u>346,182</u>	<u>1,126,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,827,289</u>	<u>-</u>
116,408	247,070	-	-	-	143,532	-
-	-	-	-	-	19,060,956	-
1,587	10,178	-	-	-	9,498	3,677
93,689	166,819	-	-	-	-	-
53,786	389,766	-	-	-	7,692	-
27,899	82,430	-	-	-	38,317	163,212
31,426	99,220	-	-	-	-	-
<u>324,795</u>	<u>995,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,259,995</u>	<u>166,889</u>
<u>21,387</u>	<u>131,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,432,706)</u>	<u>(166,889)</u>
6,667	80,909	-	-	-	182,948	248,318
-	-	-	-	-	-	-
(6,055)	69,605	-	-	-	-	-
-	405	-	201	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>612</u>	<u>150,919</u>	<u>-</u>	<u>201</u>	<u>-</u>	<u>182,948</u>	<u>248,318</u>
21,999	282,392	-	201	-	(2,249,758)	81,429
-	-	-	67,893	52,004	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(79,773)</u>	<u>(317,005)</u>	<u>(317,516)</u>	<u>-</u>	<u>(78,176)</u>
21,999	282,392	(79,773)	(248,911)	(265,512)	(2,249,758)	3,253
<u>272,792</u>	<u>2,712,225</u>	<u>79,773</u>	<u>248,911</u>	<u>265,512</u>	<u>2,050,874</u>	<u>6,687</u>
<u>\$ 294,791</u>	<u>\$ 2,994,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (198,884)</u>	<u>\$ 9,940</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, 2006

	<u>Total Governmental Activities</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES		
Charges for services	\$ 18,300,427	\$ 39,460,284
Total operating revenues	<u>18,300,427</u>	<u>39,460,284</u>
OPERATING EXPENSES		
Personal services	507,010	4,199,269
Insurance	19,060,956	22,296,187
Supplies	24,940	94,876
Materials	260,508	9,907,836
Maintenance	451,244	2,180,157
Other services and charges	311,858	2,569,274
Depreciation and amortization	<u>130,646</u>	<u>322,088</u>
Total operating expenses	<u>20,747,162</u>	<u>41,569,687</u>
Operating income (loss)	<u>(2,446,735)</u>	<u>(2,109,403)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earnings	518,842	901,559
Federal grants	-	31,740
Disposition of assets	63,550	69,239
Miscellaneous	606	427,892
Interest expense	<u>-</u>	<u>(863)</u>
Net nonoperating revenues (expenses)	<u>582,998</u>	<u>1,429,567</u>
Income (loss) before contributions and transfers	(1,863,737)	(679,836)
Capital contributions	119,897	119,897
Transfers in	-	32,915
Transfers out	<u>(792,470)</u>	<u>(792,470)</u>
Change in net assets	(2,536,310)	(1,319,494)
Net assets - beginning of year	<u>5,636,774</u>	<u>11,540,792</u>
Net assets - end of year	<u>\$ 3,100,464</u>	<u>\$ 10,221,298</u>

City of Lubbock, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2006

	Business-Type Activities				Total Business-Type Activities
	Fleet Maintenance Fund	Central Warehouse	Management Information	Risk Management	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 7,737,579	\$ 3,636,762	\$ 5,292,030	\$ 4,492,248	\$ 21,158,619
Payments to suppliers	(6,808,679)	(3,665,344)	(3,614,037)	(4,584,976)	(18,673,036)
Payments to employees	(1,079,320)	(146,422)	(2,275,721)	(190,796)	(3,692,259)
Other receipts (payments)	-	-	31,740	-	31,740
Net cash provided (used) by operating activities	<u>(150,420)</u>	<u>(175,004)</u>	<u>(565,988)</u>	<u>(283,524)</u>	<u>(1,174,936)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in from other funds	-	-	-	32,915	32,915
Transfers out to other funds	-	-	-	-	-
Short-term interfund borrowings	38,885	-	-	-	38,885
Net cash provided (used) by noncapital and related financing activities	<u>38,885</u>	<u>-</u>	<u>-</u>	<u>32,915</u>	<u>71,800</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	-	(73,134)	(296,656)	-	(369,790)
Sale of capital assets	4,648	-	821	427,286	432,755
Receipts (payments) on leases	-	-	482,430	-	482,430
Issuance of revenue, and G.O. bonds	-	70,744	-	-	70,744
Net cash provided (used) for capital and related financing activities	<u>4,648</u>	<u>(2,390)</u>	<u>186,595</u>	<u>427,286</u>	<u>616,139</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	10,100	191,863	364,193	10,442,657	11,008,813
Purchase of investments	-	(277,570)	(697,586)	(10,917,560)	(11,892,716)
Interest earnings on cash and investments	644	15,117	55,896	298,226	369,883
Net cash provided by (used for) investing activities	<u>10,744</u>	<u>(70,590)</u>	<u>(277,497)</u>	<u>(176,677)</u>	<u>(514,020)</u>
Net increase (decrease) in cash and cash equivalents	(96,143)	(247,984)	(656,890)	-	(1,001,017)
Cash and cash equivalents at beginning of year	96,143	500,930	1,292,588	-	1,889,661
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 252,946</u>	<u>\$ 635,698</u>	<u>\$ -</u>	<u>\$ 888,644</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (58,271)	\$ 86,495	\$ (632,427)	\$ 941,535	\$ 337,332
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	48,508	3,130	136,933	2,871	191,442
Other income (expense)	-	-	31,740	-	31,740
Increase (decrease) in long-term assets/liabilities	(11,063)	(319)	36,914	4,088	29,620
Change in current assets and liabilities:					
Accounts receivable	-	-	(4,935)	3,697	(1,238)
Inventory	(4,763)	(406,296)	-	-	(411,059)
Accounts payable	(123,783)	141,205	(137,850)	4,700	(115,728)
Other accrued expenses	(1,048)	781	3,637	(1,240,415)	(1,237,045)
Net cash provided (used) by operating activities	<u>\$ (150,420)</u>	<u>\$ (175,004)</u>	<u>\$ (565,988)</u>	<u>\$ (283,524)</u>	<u>\$ (1,174,936)</u>
Supplemental cash flow information:					
Noncash capital contributions and other charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lubbock, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2006

	Governmental Activities				
	Print Shop & Office Store Fund	Radio Shop Fund	Custodial Services Fund	Building Services Fund	Environmental Compliance Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 346,182	\$ 1,131,021	\$ -	\$ 1,818	\$ -
Payments to suppliers	(223,488)	(640,912)	-	(185,494)	(6,952)
Payments to employees	(116,408)	(247,070)	-	-	-
Other receipts (payments)	18,637	405	-	-	-
Net cash provided (used) by operating activities	<u>24,923</u>	<u>243,444</u>	<u>-</u>	<u>(183,676)</u>	<u>(6,952)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in from other funds	-	-	-	-	-
Transfers out to other funds	-	-	(79,773)	(317,005)	(317,516)
Short-term interfund borrowings	10,308	(179,001)	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>10,308</u>	<u>(179,001)</u>	<u>(79,773)</u>	<u>(317,005)</u>	<u>(317,516)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	-	-	-	-	-
Sale of capital assets	(6,055)	69,605	-	-	-
Receipts (payments) on leases	-	-	-	201	-
Issuance of revenue, and G.O. bonds	-	-	-	-	-
Net cash provided (used) for capital and related financing activities	<u>(6,055)</u>	<u>69,605</u>	<u>-</u>	<u>201</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	66,734	463,261	16,778	105,612	68,419
Purchase of investments	(124,683)	(1,259,099)	-	-	-
Interest earnings on cash and investments	6,354	78,925	375	706	701
Net cash provided by (used for) investing activities	<u>(51,595)</u>	<u>(716,913)</u>	<u>17,153</u>	<u>106,318</u>	<u>69,120</u>
Net increase (decrease) in cash and cash equivalents	(22,419)	(582,865)	(62,620)	(394,162)	(255,348)
Cash and cash equivalents at beginning of year	128,742	1,694,296	62,620	394,162	255,348
Cash and cash equivalents at end of year	<u>\$ 106,323</u>	<u>\$ 1,111,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 21,387	\$ 131,473	\$ -	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	31,426	99,220	-	-	-
Other income (expense)	18,637	405	-	-	-
Increase (decrease) in long-term assets/liabilities	2,993	(19,151)	-	-	-
Change in current assets and liabilities:					
Accounts receivable	-	4,065	-	1,818	-
Inventory	-	30,440	-	-	-
Accounts payable	(49,922)	(4,976)	-	(169,141)	-
Other accrued expenses	402	1,968	-	(16,353)	(6,952)
Net cash provided (used) by operating activities	<u>\$ 24,923</u>	<u>\$ 243,444</u>	<u>\$ -</u>	<u>\$ (183,676)</u>	<u>\$ (6,952)</u>
Supplemental cash flow information:					
Noncash capital contributions and other charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,893</u>	<u>\$ 52,004</u>

Governmental Activities

Health Benefits Fund	Investment Pool Fund	Total Governmental Activities	Grand Total Internal Service Funds
\$ 16,815,487	\$ -	\$ 18,294,508	\$ 39,453,127
(18,717,250)	(170,202)	(19,944,298)	(38,617,334)
(143,532)		(507,010)	(4,199,269)
-	-	19,042	50,782
<u>(2,045,295)</u>	<u>(170,202)</u>	<u>(2,137,758)</u>	<u>(3,312,694)</u>
-	-	-	32,915
-	(78,176)	(792,470)	(792,470)
-	-	(168,693)	(129,808)
-	(78,176)	(961,163)	(889,363)
-	-	-	(369,790)
-	-	63,550	496,305
-	-	201	482,631
-	-	-	70,744
-	-	<u>63,751</u>	<u>679,890</u>
5,089,750	5,322	5,815,876	16,824,689
(3,226,786)	(7,821)	(4,618,389)	(16,511,105)
182,331	248,318	517,710	887,593
<u>2,045,295</u>	<u>245,819</u>	<u>1,715,197</u>	<u>1,201,177</u>
-	(2,559)	(1,319,973)	(2,320,990)
-	7,887	2,543,055	4,432,716
<u>\$ -</u>	<u>\$ 5,328</u>	<u>\$ 1,223,082</u>	<u>\$ 2,111,726</u>
\$ (2,432,706)	\$ (166,889)	\$ (2,446,735)	\$ (2,109,403)
-	-	130,646	322,088
-	-	19,042	50,782
477	-	(15,681)	13,939
(11,802)	-	(5,919)	(7,157)
-	-	30,440	(380,619)
398,788	(455)	174,294	58,566
(52)	(2,858)	(23,845)	(1,260,890)
<u>\$ (2,045,295)</u>	<u>\$ (170,202)</u>	<u>\$ (2,137,758)</u>	<u>\$ (3,312,694)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,897</u>	<u>\$ 119,897</u>

City of Lubbock, Texas
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2006

	<u>Balance</u> <u>10/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2006</u>
Agency Fund				
Cash and cash equivalents	\$ 1,099	\$ -	\$ 1,099	\$ -
Investments	73	-	73	-
Total assets	<u>\$ 1,172</u>	<u>\$ -</u>	<u>\$ 1,172</u>	<u>\$ -</u>
Accounts payable	\$ 1,172	\$ -	\$ 1,172	\$ -
Total liabilities	<u>\$ 1,172</u>	<u>\$ -</u>	<u>\$ 1,172</u>	<u>\$ -</u>

CITY OF LUBBOCK, TEXAS

Nonmajor Component Units

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

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

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"Serve with humility, lead with passion, commit to excellence."

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Component Units
September 30, 2006

	<u>Civic Lubbock, Inc.</u>	<u>Market Lubbock, Inc.</u>	<u>Lubbock Economic Development Alliance</u>	<u>Total Non-Major Component Units</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 935,543	\$ 949,013	\$ 4,066,109	\$ 5,950,665
Investments	-	225,144	-	225,144
Receivables, net	86,809	291,284	674,802	1,052,895
Inventories	63,646	19,112	-	82,758
Prepaid expenses	9,512	15,684	28,294	53,490
Restricted assets:				
Cash and cash equivalents	176,852	-	-	176,852
Incentives advances	-	7,000,000	-	7,000,000
Capital assets:				
Non-depreciable	366,332	-	1,037,967	1,404,299
Depreciable	<u>134,895</u>	<u>665,465</u>	<u>28,881</u>	<u>829,241</u>
Total assets	<u>1,773,589</u>	<u>9,165,702</u>	<u>5,836,053</u>	<u>16,775,344</u>
LIABILITIES				
Current liabilities:				
Accounts payable	754,714	86,822	176,682	1,018,218
Accrued expenses	-	22,455	139,853	162,308
Unearned revenue	121,246	7,011,800	-	7,133,046
Noncurrent liabilities due within one year				
Contracts and leases payable	110,152	780,396	522,137	1,412,685
Noncurrent liabilities due in more than one year:				
Contracts and leases payable	<u>11,524</u>	<u>482,001</u>	<u>748,446</u>	<u>1,241,971</u>
Total liabilities	<u>997,636</u>	<u>8,383,474</u>	<u>1,587,118</u>	<u>10,968,228</u>
NET ASSETS				
Invested in capital assets, net of related debt	432,083	665,465	1,066,848	2,164,396
Restricted for:				
Primary government agreement	100,000	-	-	100,000
Unrestricted	<u>243,870</u>	<u>116,763</u>	<u>3,182,087</u>	<u>3,542,720</u>
Total net assets	<u>\$ 775,953</u>	<u>\$ 782,228</u>	<u>\$ 4,248,935</u>	<u>\$ 5,807,116</u>

City of Lubbock, Texas
Combining Statement of Activities
Nonmajor Component Units
For the Year Ended September 30, 2006

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Civic Lubbock, Inc.				
General government	\$ 1,772,007	\$ 1,703,598	\$ 249,220	\$ -
Market Lubbock, Inc.				
General government	6,350,716	96,728	6,082,671	-
Lubbock Economic Development Alliance				
General government	2,638,367	-	6,435,160	-
Total nonmajor component units	<u>\$ 10,761,090</u>	<u>\$ 1,800,326</u>	<u>\$ 12,767,051</u>	<u>\$ -</u>

General revenues:

 Unrestricted investment earnings
 Total general revenues, special items and transfers
 Change in net assets
Net assets - beginning of year
Net assets - end of year

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

<u>Civic Lubbock, Inc.</u>	<u>Market Lubbock, Inc.</u>	<u>Lubbock Economic Development Alliance</u>	<u>Total</u>
\$ 180,811	\$ -	\$ -	\$ 180,811
-	(171,317)	-	(171,317)
-	-	3,796,793	3,796,793
<u>180,811</u>	<u>(171,317)</u>	<u>3,796,793</u>	<u>3,806,287</u>
14,735	-	-	14,735
<u>14,735</u>	<u>-</u>	<u>-</u>	<u>14,735</u>
195,546	(171,317)	3,796,793	3,821,022
580,407	953,545	452,142	1,986,094
<u>\$ 775,953</u>	<u>\$ 782,228</u>	<u>\$ 4,248,935</u>	<u>\$ 5,807,116</u>

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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 - Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 76,483	\$ 82,330	\$ 74,433	\$ 78,474	\$ 78,256
Restricted	10,148	8,770	20,339	4,391	25,580 ¹
Unrestricted	<u>26,090</u>	<u>19,529</u>	<u>9,569</u>	<u>18,819</u>	<u>6,305</u>
Total governmental activities net assets	<u>112,721</u>	<u>110,629</u>	<u>104,341</u>	<u>101,684</u>	<u>110,141</u>
Business-type activities					
Invested in capital assets, net of related debt	380,149	363,227	355,816	371,427	332,050
Restricted	18,916	26,277	45,417	43,389	74,062 ¹
Unrestricted	<u>71,730</u>	<u>45,345</u>	<u>41,190</u>	<u>32,928</u>	<u>37,987</u>
Total business-type activities net assets	<u>470,795</u>	<u>434,849</u>	<u>442,423</u>	<u>447,744</u>	<u>444,099</u>
Primary Government					
Invested in capital assets, net of related debt	456,632	445,557	430,249	449,901	410,306
Restricted	29,064	35,047	65,756	47,780	99,642
Unrestricted	<u>97,820</u>	<u>64,874</u>	<u>50,759</u>	<u>51,747</u>	<u>44,292</u>
Total Primary government net assets	<u>\$ 583,516</u>	<u>\$ 545,478</u>	<u>\$ 546,764</u>	<u>\$ 549,428</u>	<u>\$ 554,240</u>

¹ Adjusted for 2003 restatement of 2002 net asset numbers page 86 of 2003 CAFR.

CITY LUBBOCK, TX
Table B - Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
EXPENSES					
Governmental activities:					
Administrative services	\$ 9,910,392	\$ 8,219,840	\$ 7,945,540	\$ 7,158,245	\$ 7,293,208
Community services	6,112,193	6,145,415	6,776,483	6,334,504	8,642,903
Cultural and recreation	18,915,265	17,744,986	17,101,568	16,796,442	16,297,171
Economic and business development	10,283,007	9,739,417	4,610,380	4,535,348	4,399,424
Fire	26,711,389	23,516,586	22,074,369	20,450,558	19,431,533
Health	5,013,691	5,040,447	4,585,175	4,342,584	4,173,168
Police	42,063,023	38,451,808	36,542,720	33,986,064	31,862,250
Other public safety	5,239,386	4,976,882	4,210,884	3,601,598	3,458,940
Streets and traffic	11,849,496	12,466,517	10,570,274	16,370,747	9,912,806
Non-departmental	5,206,309	6,253,180	2,924,048	5,641,723	5,014,884
Interest on long-term debt	4,326,128	3,195,182	4,876,723	3,373,104	3,492,931
Total governmental activities	<u>145,630,279</u>	<u>135,750,260</u>	<u>122,218,164</u>	<u>122,590,917</u>	<u>113,979,218</u>
Business-type activities:					
Electric	213,026,628	192,902,041	110,591,149	105,216,078	89,803,676
Water	32,830,002	28,737,866	27,879,343	27,461,215	26,760,680
Wastewater	21,273,796	17,804,487	17,020,092	17,247,936	17,766,514
Solid waste	14,971,421	14,695,193	17,661,438	19,558,444	14,105,518
Stormwater	5,174,635	5,585,577	5,356,649	3,315,261	3,749,298
Transit	9,349,206	9,003,610	10,565,159	9,163,091	-
Airport	7,996,692	8,150,815	6,852,874	6,478,728	7,024,286
Golf	-	-	-	20,711	61,192
Total business-type activities	<u>304,622,380</u>	<u>276,879,589</u>	<u>195,926,704</u>	<u>188,461,464</u>	<u>159,271,164</u>
Total primary government expenses	<u>\$ 450,252,659</u>	<u>\$ 412,629,849</u>	<u>\$ 318,144,868</u>	<u>\$ 311,052,381</u>	<u>\$ 273,250,382</u>
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
Cultural and recreation	\$ 2,590,241	\$ 2,846,058	\$ 3,418,857	\$ 3,734,915	\$ 2,519,486
Other public safety	4,984,968	5,477,292	6,579,654	7,187,914	4,848,798
Other activities	2,056,682	2,259,804	2,714,613	2,965,566	2,000,501
Operating grants and contributions	10,203,463	13,295,582	9,643,439	12,137,101	7,006,815
Capital grants and contributions	844,930	-	-	-	-
Total governmental activities program revenues	<u>20,680,284</u>	<u>23,878,736</u>	<u>22,356,563</u>	<u>26,025,496</u>	<u>16,375,600</u>
Business-type activities:					
Charges for services:					
Electric	226,373,638	192,568,012	105,433,133	99,969,264	97,424,993
Water	37,330,953	33,306,786	31,907,893	32,770,781	32,727,207
Wastewater	21,087,364	19,829,430	18,889,095	17,894,203	18,492,113
Solid waste	13,948,861	12,420,499	11,641,316	14,948,379	16,375,461
Stormwater	6,348,461	6,239,436	6,019,490	5,988,651	5,997,284
Transit	3,268,441	3,144,015	2,893,507	2,710,599	-
Airport	5,424,016	5,394,314	4,626,270	4,254,013	4,601,675
Operating grants and contributions	8,351,605	8,156,015	6,738,797	5,218,995	-
Capital grants and contributions	17,624,811	5,205,541	9,269,306	7,909,581	-
Total business-type activities program revenues	<u>339,758,150</u>	<u>286,264,048</u>	<u>197,418,807</u>	<u>191,664,466</u>	<u>175,618,733</u>
Total primary government program revenues	<u>\$ 360,438,434</u>	<u>\$ 310,142,784</u>	<u>\$ 219,775,370</u>	<u>\$ 217,689,962</u>	<u>\$ 191,994,333</u>
NET (EXPENSES) AND PROGRAM REVENUES					
Governmental activities	\$(124,949,995)	\$(111,871,524)	\$(99,861,601)	\$(96,565,421)	\$(97,603,618)
Business-type activities	35,135,770	9,384,459	1,492,103	3,203,002	16,347,569
Total net (expenses) and program revenues	<u>\$ (89,814,225)</u>	<u>\$ (102,487,065)</u>	<u>\$ (98,369,498)</u>	<u>\$ (93,362,419)</u>	<u>\$ (81,256,049)</u>

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
GENERAL REVENUE, SPECIAL ITEMS, AND TRANSFERS					
Governmental activities:					
Property taxes	42,770,826	39,748,464	44,496,973	42,303,280	40,408,067
Sales taxes	45,576,582	41,803,092	30,554,632	29,092,032	28,902,648
Occupancy taxes	3,410,920	3,260,040	2,853,205	2,862,719	2,860,785
Other taxes	1,036,283	982,327	939,456	848,816	820,507
Franchise fees	13,348,364	11,153,641	9,654,447	6,612,822	6,998,085
Grants and contributions not restricted to specific programs	-	-	-	-	(25,027)
Investment earnings	4,393,782	1,633,312	1,151,620	1,244,022	2,027,513
Miscellaneous	6,898,288	4,109,474	3,123,572	2,589,886	4,200,103
Special items: gain or (loss) on sale of property	-	-	-	-	(687,016)
Transfers, net	9,607,211	15,468,765	9,745,250	2,553,927	15,667,795
Total governmental activities	<u>\$ 127,042,256</u>	<u>\$ 118,159,115</u>	<u>\$ 102,519,155</u>	<u>\$ 88,107,504</u>	<u>\$ 101,173,460</u>
Business-type activities:					
Grants and contributions not restricted to specific programs	-	-	-	258,736	3,881,473
Investment earnings	6,140,436	3,758,240	2,859,344	2,336,454	3,303,341
Miscellaneous	4,277,297	1,387,914	72,870	399,783	2,694,661
Special items: gain or (loss) on sale of property	-	-	-	-	34,176
Termination of interest rate swap	-	(6,637,093)	-	-	-
Transfers, net	(9,607,211)	(15,468,765)	(9,745,250)	(2,553,927)	(15,667,795)
Total business-type activities	<u>\$ 810,522</u>	<u>\$ (16,959,704)</u>	<u>\$ (6,813,036)</u>	<u>\$ 441,046</u>	<u>\$ (5,754,144)</u>
Total primary government	<u>\$ 127,852,778</u>	<u>\$ 101,199,411</u>	<u>\$ 95,706,119</u>	<u>\$ 88,548,550</u>	<u>\$ 95,419,316</u>
CHANGES IN NET ASSETS					
Governmental activities	\$ 2,092,261	\$ 6,287,591	\$ 2,657,554	\$ (8,457,917)	\$ 3,569,842
Business-type activities	35,946,292	(7,575,245)	(5,320,933)	3,644,048	10,593,425
Total primary government	<u>\$ 38,038,553</u>	<u>\$ (1,287,654)</u>	<u>\$ (2,663,379)</u>	<u>\$ (4,813,869)</u>	<u>\$ 14,163,267</u>

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Fund										
Reserved	\$ 168,964	\$ 107,828	\$ 566,556	\$ 1,037,277	\$ 1,255,041	\$ 1,878,500	\$ 1,861,081	\$ 2,100,068	\$ 2,062,015	\$ 2,037,306
Unreserved	19,755,747	17,268,592	12,127,969	8,380,069	17,357,316	14,837,542	14,759,571	15,147,957	16,928,284	16,435,597
Total general fund	<u>\$ 19,924,711</u>	<u>\$ 17,376,420</u>	<u>\$ 12,694,525</u>	<u>\$ 9,417,346</u>	<u>\$ 18,612,357</u>	<u>\$ 16,716,042</u>	<u>\$ 16,620,652</u>	<u>\$ 17,248,025</u>	<u>\$ 18,990,299</u>	<u>\$ 18,472,903</u>
All other governmental funds										
Reserved	\$ 56,894,363	\$ 59,161,246	\$ 33,383,928	\$ 38,684,611	\$ 42,039,178	\$ 30,526,145	\$ 31,401,230	\$ 30,660,739	\$ 39,732,285	\$ 41,207,240
Unreserved, reported in:										
Capital project funds	-	-	(76,784)	(62,358)	-	-	-	-	-	-
Special revenue funds	20,010,148	8,663,088	1,734,312	2,290,624	4,793,446	9,980,826	7,672,416	4,969,521	1,990,525	1,761,749
Total all other governmental funds	<u>\$ 76,904,511</u>	<u>\$ 67,824,334</u>	<u>\$ 35,041,456</u>	<u>\$ 40,912,877</u>	<u>\$ 46,832,624</u>	<u>\$ 40,506,971</u>	<u>\$ 39,073,646</u>	<u>\$ 35,630,260</u>	<u>\$ 41,722,810</u>	<u>\$ 42,968,989</u>

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

	2006	2005	2004	2003	2002
REVENUES					
Taxes	\$ 92,865,529	\$ 86,514,056	\$ 78,044,387	\$ 75,069,631	\$ 72,259,571
Franchise taxes	13,348,364	11,153,641	9,654,447	6,612,822	6,998,046
Fees and fines	3,981,978	4,015,402	3,675,857	3,672,509	3,069,362
Licenses and permits	2,250,635	1,953,666	1,982,281	1,875,118	1,475,451
Intergovernmental	11,048,393	13,295,581	9,643,439	12,137,101	7,074,786
Charges for services	6,088,205	4,614,082	5,316,877	5,541,745	4,756,001
Interest	3,874,940	1,154,339	739,349	810,443	1,329,884
Miscellaneous	6,966,257	4,774,596	3,055,475	4,200,523	4,397,491
Total revenues	<u>140,424,301</u>	<u>127,475,363</u>	<u>112,112,112</u>	<u>109,919,892</u>	<u>101,360,592</u>
EXPENDITURES					
Current:					
Administrative services	9,356,059	7,534,080	7,491,548	6,753,811	6,927,630
Community services	5,932,820	5,817,388	6,590,727	6,169,025	8,493,322
Cultural and recreation	15,396,277	13,966,159	14,429,876	14,416,392	14,145,784
Economic and business development	10,120,183	9,558,868	4,484,673	4,423,363	4,298,198
Fire	24,638,814	21,927,251	20,899,441	19,403,885	18,485,419
Health	4,647,413	4,567,766	4,278,037	4,068,973	3,925,844
Police	38,376,991	34,818,579	33,874,159	31,608,803	29,713,382
Other public safety	4,647,862	4,553,950	3,839,497	3,270,752	3,159,880
Streets and traffic	7,966,790	8,620,209	7,740,722	13,850,069	7,634,302
Non-departmental	4,258,780	5,665,487	2,523,093	5,284,536	4,692,014
Debt services:					
Principal	7,333,408	6,336,036	4,498,304	4,347,143	4,113,177
Interest and other charges	4,141,421	3,031,751	4,749,272	3,259,565	3,390,300
Capital outlay	35,645,649	21,715,538	16,666,136	17,696,468	13,306,971
Total expenditures	<u>172,462,467</u>	<u>148,113,062</u>	<u>132,065,485</u>	<u>134,552,785</u>	<u>122,286,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,038,166)</u>	<u>(20,637,699)</u>	<u>(19,953,373)</u>	<u>(24,632,893)</u>	<u>(20,925,631)</u>
OTHER FINANCING SOURCES					
Long-term debt issued	27,526,113	45,110,000	27,745,000	15,650,000	9,400,000
Refunded bonds issued	-	-	-	-	7,252,985
Due escrow agent	-	-	(22,620,000)	-	(7,117,270)
Retirement of refunded debt	-	(7,215,000)	-	-	-
Bond premium (discount)	620,860	725,586	1,179,722	-	-
Capital leases	5,119,980	3,534,016	1,535,075	2,023,414	-
Transfer in	18,677,088	22,688,009	37,559,808	40,603,098	43,709,066
Transfer out	(8,277,407)	(6,740,171)	(28,040,474)	(36,744,270)	(28,263,106)
Net other financing sources (uses)	<u>43,666,634</u>	<u>58,102,440</u>	<u>17,359,131</u>	<u>21,532,242</u>	<u>24,981,675</u>
Net change in fund balances	<u>\$ 11,628,468</u>	<u>\$ 37,464,741</u>	<u>\$ (2,594,242)</u>	<u>\$ (3,100,651)</u>	<u>\$ 4,056,044</u>
Debt service as a percentage of noncapital expenditures	<u>8.39%</u>	<u>7.41%</u>	<u>8.01%</u>	<u>6.51%</u>	<u>6.89%</u>

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⁾
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
2005	39,748,464	41,803,092	3,260,040	982,327	85,793,923
2006	42,770,826	45,576,582	3,410,920	1,036,283	92,794,611

Notes:

- (1) Includes General, Special Revenue, and Debt Service Funds.
- (2) Includes bingo tax and mixed beverage tax.
- (3) Excludes Franchise Fees

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

Fiscal Year Ending	<u>Real Property</u>		<u>Personal Property</u>		<u>Exemptions</u>	<u>Total</u>		Ratio of total assessed value to total estimated actual value	Total Direct Tax Rate
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	All Property	Assessed value	Estimated actual value		
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%	2.35%
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%	2.43%
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%	2.45%
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%	2.44%
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%	2.47%
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%	2.48%
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%	2.48%
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%	2.53%
2005	7,302,459,231	7,439,097,767	1,332,535,631	1,523,670,626	327,773,531	8,634,994,862	8,962,768,393	96.3%	2.44%
2006	7,918,495,863	8,258,879,156	1,428,118,088	1,446,021,583	358,286,788	9,346,613,951	9,704,900,739	96.3%	2.49%

Source: Lubbock Central Appraisal District

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

Name of Taxpayer	Type of Business	FYE 2006			FYE 1997		
		Taxable Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Macerich Lubbock LTD Partnership	Regional Shopping Mall	\$ 108,699,129	1	1.16%	\$ 80,729,983	1	1.45%
Southwestern Bell Telephone Co.	Telephone Utility	53,135,660	2	0.57%	76,313,567	3	1.37%
Southwestern Public Service	Electric Utility	50,161,650	3	0.54%	48,420,929	4	0.87%
McLane Food Services	Food Wholesale	36,011,717	4	0.38%			
X Fab Texas, Inc	Semiconductor Manufacturer	32,868,881	5	0.35%			
McCanton Woods LC		28,579,090	6	0.31%			
Energas	Natural Gas Utility	25,508,467	7	0.27%			
Lubbock Two Associates LLC		23,000,000	8	0.25%			
Lubbock Main Street Associates LLC		22,200,000	9	0.24%			
Lubbock Heart Hospital LP	Healthcare	19,814,135	10	0.21%			
Texas Instruments, Inc.	Electronics Manufacturer				80,471,430	2	1.45%
Methodist Hospital	Hospital/Medical Offices				35,087,086	5	0.63%
Wal-Mart Stores	Discount Retail Stores				31,620,399	6	0.57%
Plains Co-op Oil Mill, Inc.	Agricultural Processing				30,135,220	7	0.54%
Eagle-Picher Industries, Inc.	Heavy Equipment Mfg				29,661,742	8	0.53%
Fleming Companies, Inc.	Wholesale Groceries				25,564,286	9	0.46%
Paymaster - ADM	Agricultural Processing				24,909,559	10	0.45%
		<u>\$ 399,978,729</u>		<u>4.27%</u>	<u>\$ 462,914,201</u>		<u>8.32%</u>

2006 Source: Lubbock Central Appraisal District
1997 Source: City of Lubbock Business Development Department

CITY OF LUBBOCK, TEXAS
Table H - 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
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%
2005	39,777,866	38,797,152	97.5%	1,013,325	39,810,477	100.1%	2,450,447	6.2%
2006	41,968,431	41,000,877	97.7%	654,099	41,654,976	99.3%	2,435,596	5.8%

Source: Lubbock Central Appraisal District

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

Fiscal Year Ending	City Direct Rates				Overlapping Rates				
	General Fund (1)	Economic Development	Interest & Sinking Fund	Total City of Lubbock Direct	Lubbock Independent School District (LISD)	Lubbock County (County)	High Plains Underground Water District (High Plains)	Lubbock County Hospital District (Hospital)	Total
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
2005	0.33	0.03	0.10	0.46	1.66	0.26	0.01	0.11	2.50
2006	0.36	0.03	0.06	0.45	1.66	0.26	0.01	0.11	2.49

(1) The General Fund rate for 2005 & 2006 does not include rates for two new special districts: North Overton PID - .150 and North Pointe PID - .140.

Source: Lubbock Central Appraisal District

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

Governmental						
Fiscal year	General Obligation Bonds	Capital Leases	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita	
1997	\$ 57,313,036	\$ -	\$ 57,313,036	0.99%	\$ 293	
1998	51,566,101	-	51,566,101	0.85%	262	
1999	45,842,977	-	45,842,977	0.72%	233	
2000	48,380,346	-	48,380,346	0.74%	242	
2001	53,082,808	-	53,082,808	0.75%	264	
2002	58,505,346	-	58,505,346	0.80%	290	
2003	69,808,204	996,477	70,804,681	0.89%	346	
2004	70,221,217	1,360,957	71,582,174	0.85%	347	
2005	102,720,269	3,954,885	106,675,154	1.19%	510	
2006	124,457,280	7,530,559	131,987,839	1.36%	625	

Business-Type						
Fiscal year	General Obligation Bonds	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
1997	\$ 81,601,282	\$ 78,061,003	\$ 1,460,212	\$ 218,435,533	4.24%	\$ 1,118
1998	84,811,679	77,749,138	577,139	214,704,057	3.93%	1,092
1999	118,947,070	82,751,396	-	247,541,443	4.41%	1,256
2000	135,528,101	77,446,614	-	261,355,061	4.32%	1,310
2001	163,893,747	81,575,667	-	298,552,222	4.91%	1,485
2002	164,122,724	110,535,112	-	333,163,182	5.33%	1,649
2003	226,126,796	101,295,000	1,941,223	400,167,700	6.13%	1,955
2004	215,663,783	94,605,000	1,393,207	383,244,164	5.53%	1,858
2005	286,749,731	42,800,000	1,354,576	437,579,461	5.96%	2,092
2006	323,567,720	58,079,322	8,388,968	522,023,849	N/A	2,472

CITY OF LUBBOCK, TEXAS
Table K - Computation of Legal Debt Margin
September 30, 2006

	2006	2005	2004	2003	2002
Total Taxable Property Value	\$ 9,346,613,951	\$ 8,634,994,862	\$ 8,104,836,563	\$ 7,585,115,804	\$ 6,914,375,308
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	140,199,209	129,524,923	121,572,548	113,776,737	103,715,630
General Obligation bond & Certificate Obligation liability	(22,550,000)	(20,305,000)	(16,130,000)	(14,590,000)	(24,444,812)
Capital lease purchases	(3,401,402)	(2,668,648)	(2,685,282)	(3,563,217)	(2,388,853)
Margin of Indebtedness Available	\$ 114,247,807	\$ 106,551,275	\$ 102,757,266	\$ 95,623,520	\$ 76,881,965

	2001	2000	1999	1998	1997
Total Taxable Property Value	\$ 6,754,504,894	\$ 6,259,162,417	\$ 6,019,588,349	\$ 5,830,249,173	\$ 5,567,072,641
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	101,317,573	93,887,436	90,293,825	87,453,738	83,506,090
General Obligation bond & Certificate Obligation liability	(24,650,602)	(23,361,135)	(22,769,449)	(20,620,409)	(20,359,891)
Capital lease purchases	-	-	-	(592,762)	(934,856)
Margin of Indebtedness Available	\$ 76,666,971	\$ 70,526,301	\$ 67,524,376	\$ 66,240,567	\$ 62,211,343

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

CITY OF LUBBOCK, TEXAS
Table L - Revenue Bond Coverage - Electric and Water 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	
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
2005	179,759,626	164,070,550	15,689,076	2,965,000	1,311,703	4,276,703	3.67
2006	212,074,481	185,437,294	26,637,187	2,930,000	1,169,673	4,099,673	6.50

WATER BONDS:

Fiscal Year	Net Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2005	33,306,786	17,619,668	15,687,118	1,775,000	2,470,985	4,245,985	3.69
2006	37,330,953	20,720,395	16,610,558	364,583	492,267	856,850	19.39

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

(2) Direct Operating expenses exclude depreciation. For Water, it includes CRMWA debt payment in years 1997-1998 and 2005-2006.

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

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Income ⁽³⁾	Median Age ⁽¹⁾	Education Level in Years of Formal Schooling Completed ⁽¹⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽³⁾
1997	195,367	\$5,148,685	\$ 15,885	30.0	12.4	29,918	4.40%
1998	196,679	5,465,589	14,237	31.0	12.4	30,082	3.60%
1999	197,117	5,614,484	16,890	31.0	12.6	29,397	2.90%
2000 ⁽⁴⁾	199,564	6,055,439	17,511	29.7	12.4	29,150	2.60%
2001	201,097	6,075,894	17,312	29.7	12.4	29,020	2.60%
2002	202,000	6,247,601	17,658	30.0	12.4	28,898	2.70%
2003	204,737	6,524,160	18,011	30.3	12.4	28,879	3.40%
2004	206,290	6,927,223	18,371	30.4	12.4	28,355	3.70%
2005	209,120	7,346,000	18,775	30.6	12.4	28,297	4.10%
2006	211,187	N/A	19,747	30.9	12.4	28,209	4.20%

Sources:

- (1) City of Lubbock Planning Department estimates
- (2) www.bea.gov/bea/regional/reis/drill.cfm
- (3) City of Lubbock Business Development Department (Based on Fiscal Year Average)
- (4) Census

N/A - Not Available

CITY OF LUBBOCK, TEXAS

Table N - Principal Employers

2004 and 1998

Year	500+ Employees	250-499 Employees
2004	Texas Tech University Covenant Health System Lubbock Independent School District University Medical Center United Supermarkets (Corporate Headquarters) City of Lubbock TTU Health Sciences Center Cingular Convergys Corporation Lubbock County Lubbock State School Wal-Mart Supercenters (two locations) TDCJ - John T. Montford Unit Frenship Independent School District Tyco Fire Protection U.S. Postal Service SBC/Southwestern Bell G Boren Services, Inc. State National Bank of West Texas	Texas Highway Dept. of Transportation Gene Messer Ford Inc. Lubbock-Cooper Independent School District Lubbock Regional MHMR Center Operator Service Company Sonic Drive In Caprock Home Health Services, Inc. ChaseCom/Staffmark Wells Fargo Phone Bank Lubbock Christian University Plains Capital Bank NTS Communications, Inc. (Corporate Headquarters) American State Bank Dillards Department Stores Cox Cable of Lubbock Inc. McLane High Plains ARAMARK Sodexho School Services Lubbock Heart Hospital Interim Healthcare of West Texas Lee Lewis Construction, Inc. Frito Lay, Inc. Southwest regional Medical Complex Physician Network Services CSD Relay Industrial Molding Corporation Junior Senior Company, Inc.

Year	500+ Employees	250-499 Employees
1998	Texas Tech University Covenant Health System Lubbock Independent School District TTU Health Sciences Center University Medical Center City of Lubbock Convergys Corporation United Supermarkets (Corporate Headquarters) Lubbock County TDCJ - John T. Montford Unit Lubbock State School American State Bank Frenship Independent School District U.S. Postal Service	Town & Country Food Stores, Inc. Texas Highway Dept. of Transportation Caprock Home Health Services, Inc. SBC/Southwestern Bell Lubbock Regional MHMR Center Industrial Molding Corporation Atmos Energy Corp., Texas Division Wells Fargo Phone Bank ARAMARK McLane High Plains K-Mart Lubbock Avalanche Journal Sodexho School Services Dillards Department Stores Plains Capital Bank Operator Service Company Slaton Independent School District Tyco Fire Protection Highland Medical Center TNM&O Coaches Inc. (Corporate Headquarter) Lubbock-Cooper Independent School District Physician Network Services Texas Department of Human Services CSD Relay

Note: Year 2006 data not available. The City has data available in even years only.

CITY OF LUBBOCK, TEXAS

**Table O - Full-time Equivalents City Government Employees by Function
Last Five Fiscal Years**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Function					
Governmental activities:					
Administrative services	86	89	83	91	91
Community services	18	21	21	23	22
Cultural and recreation	157	159	178	180	186
Economic and business development	15	13	11	17	17
Fire	321	309	289	280	269
Health	76	74	73	75	75
Police	499	424	421	416	403
Other public safety	73	63	46	38	36
Streets and traffic	87	98	119	117	115
Non-departmental	7	5	6	6	9
Internal service	8	11	28	30	29
Total governmental activities	<u>1,347</u>	<u>1,266</u>	<u>1,275</u>	<u>1,273</u>	<u>1,252</u>
Business-type activities:					
Electric	221	191	189	252	260
Water	152	138	135	137	134
Sewer	78	71	75	73	72
Solid waste	106	91	89	90	93
Stormwater	18	18	18	18	17
Transit	116	117	99	105	100
Airport	49	50	52	51	48
Internal service	61	71	77	76	74
Total business-type activities	<u>801</u>	<u>747</u>	<u>734</u>	<u>802</u>	<u>798</u>
Total	<u><u>2,148</u></u>	<u><u>2,013</u></u>	<u><u>2,009</u></u>	<u><u>2,075</u></u>	<u><u>2,050</u></u>

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

	2006	2005	2004	2003	2002
Cultural and Recreation Services					
Civic Center number of events with greater than 500 attendees	120	123	128	330	359
Library Visits	601,947	721,847	704,784	736,695	647,489
Trees Planted	24	48	522	522	768
Softball Team Registrations	438	442	465	420	431
Community Center Attendance	123,487	109,029	122,311	N/A	N/A
Senior Center Attendance	68,420	70,849	79,546	N/A	N/A
Garden and Arts Attendance	58,981	51,114	53,074	41,576	43,100
Other Public Safety					
Construction Permits	3,717	5,151	3,583	3,663	6,049
Building Department Inspections	36,775	50,735	44,432	43,863	34,601
Police					
Police Reports Processed	90,144	82,346	89,493	89,000	86,178
Police Crime/Incident Reports	47,992	45,551	46,074	45,200	44,838
Police Calls	317,571	268,855	281,367	293,644	289,153
Fire					
Public Fire Safety Education Presentations	163	166	150	150	207
Fire/Arson Investigations Conducted	118	88	85	175	139
Inspection Activities Performed	1,860	1,521	1,845	800	967
LP&L					
Average daily consumption (kwh)	4,259,994	3,956,904	3,658,402	3,836,652	3,731,289
Water					
Average daily consumption (gal)	35,087,000	33,050,000	38,380,000	36,570,000	38,350,000
Airport					
Number of airline passengers enplaned (annual projection)	564,967	547,435	539,372	510,319	536,670
Daily average of airplane departures and landings	239	255	221	264	247
Number of major airlines	3	3	4	4	4
Number of scheduled daily flights	54	54	68	70	60

N/A Data not available

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

	2006	2005	2004	2003	2002
Streets and Traffic Engineering					
Miles of Streets Paved	1,030	1,004	975	965	947
Miles of Streets Unpaved	72	72	74	76	79
Fire					
Number of stations	15	15	14	14	14
Number of fire fighters and officers (civil service)	300	290	269	260	251
Police					
Number of stations	1	1	1	1	1
Number of authorized police officers	422	380	320	310	310
Culture and Recreation Services					
Number of parks and playgrounds	137	137	134	125	125
Number of recreation centers	9	9	9	9	9
Number of golf courses	2	2	2	2	2
Number of swimming pools	4	4	4	4	4
Number of auditoriums/coliseums	2	2	2	2	2
Number of amphitheaters	2	2	1	1	1
Number of civic centers	1	1	1	1	1
Number of libraries (excl. education)	4	4	4	4	4
LP&L					
Number of meters	68,709	66,227	63,076	62,325	65,135
Number of sub-stations	14	14	14	13	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	1,013	1,005	997	975	969
Miles of transmission lines	85	85	85	80	79
Water					
Number of meters	75,876	74,026	72,505	70,990	71,046
Miles of distribution lines	1,373	1,341	1,323	1,293	1,264
Number of fire hydrants	4,356	4,220	4,121	3,996	3,882
Number of water wells (active)	166	166	146	248	248
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)	11,268	9,915	14,007	14,007	12,438
Sewer					
Miles of sanitary sewer lines	960	941	924	901	877

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

Last Ten Fiscal Years					
Fiscal Year	Principal	Interest	Total Debt Service ⁽¹⁾	Total General Expenditures ⁽²⁾	Percentage of Debt Service to Total General Expenditures
1997	\$ 5,725,476	\$ 3,119,886	\$ 8,845,362	\$ 81,407,858	10.9%
1998	5,746,935	2,919,813	8,666,748	83,669,520	10.4%
1999	5,723,124	2,538,569	8,261,693	87,882,788	9.4%
2000	4,622,633	3,097,514	7,720,147	90,887,016	8.5%
2001	4,397,538	3,347,994	7,745,532	96,982,588	8.0%
2002	4,113,177	3,373,675	7,486,852	99,662,866	7.5%
2003	4,347,143	3,258,749	7,605,892	97,796,301	7.8%
2004	4,498,304	3,329,392	7,827,696	101,589,025	7.7%
2005	5,140,018	2,916,731	8,056,749	129,665,462	6.2%
2006	4,854,101	3,260,291	8,114,392	143,512,681	5.7%

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

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

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

	Funded Debt Outstanding at 09/30/2006	Percentage Applicable to City of Lubbock	Amount Applicable to City of Lubbock
City of Lubbock	\$ 450,985,000 ⁽¹⁾	100.00%	450,985,000
Subtotal Directs	450,985,000		450,985,000
Lubbock County	86,460,000	82.94%	71,709,924
Lubbock Independent School District	148,756,156	98.91%	147,134,714
Lubbock- Cooper Independent School District	46,509,554	15.30%	7,115,962
Frenship Independent School District	67,331,742	64.44%	43,388,575
Idalou Independent School District	540,000	1.10%	5,940
Subtotal Overlapping	349,597,452		269,355,115
Total	<u>\$ 800,582,452</u>		<u>720,340,115</u>

⁽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



"Serve with humility, lead with passion, commit to excellence."