

City of
Lubbock, Texas

Comprehensive
Annual
Financial
Report



for the Fiscal Year Ended September 30, 2008

Comprehensive Annual Financial Report
City of Lubbock, Texas
List of Elected and Appointed Officials
For the Fiscal Year Ended September 30, 2008

| | |
|-----------------------------|----------------------|
| Mayor | Tom Martin |
| Mayor Pro Tem – District 6 | Jim Gilbreath |
| Council Member – District 1 | Linda DeLeon |
| Council Member – District 2 | Floyd Price |
| Council Member – District 3 | Todd R. Klein |
| Council Member – District 4 | Paul R. Beane |
| Council Member – District 5 | John W. Leonard, III |
| Council Member – District 6 | Jim Gilbreath |

| | |
|----------------|------------------|
| City Manager | Lee Ann Dumbauld |
| City Attorney | Don Vandiver |
| City Secretary | Rebecca Garza |

| | |
|-------------------------|---------------------|
| Chief Financial Officer | Andy Burcham |
| Director of Accounting | Pamela Moon, CPA |
| Senior Accountant | Brack Bullock |
| Senior Accountant | Linda Cruz, CPA |
| Senior Accountant | Deborah Hansard |
| Senior Accountant | Dorothy Lewis, CPA |
| Senior Accountant | Veronica Valderaz |
| Lubbock Power and Light | Damian Pantoya, CPA |
| Grant Accountant | Rosa Alejandro |
| Grant Accountant | Rhonda Gentry |

**City of Lubbock, Texas
 Comprehensive Annual Financial Report
 Year Ended September 30, 2008**

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Office of the City Manager

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February 13, 2009

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Lubbock, Texas for the fiscal year ended September 30, 2008. The purpose of the CAFR is to provide accurate and meaningful information concerning the City's financial condition and performance. In addition, independent auditors have verified that the City has fairly presented its financial position, in all material respects.

The CAFR satisfies Section 103.001 of the Texas Local Government Code requiring annual audits of all municipalities. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the financial position and results of the City. We also believe all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed 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 accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

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

- examining evidence on a test basis that supports the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

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

The independent accountants' audit of the City's financial statements is part of a broader, federally mandated "Single Audit", which is designed to meet the special needs of federal granting agencies. These reports are available in the City's separately issued Single Audit Report. 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 and grant requirements.

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

THE CITY AND ITS ORGANIZATION

Description of the City

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1909, and first adopted its Home Rule Charter in 1917. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six council members. The Mayor is elected at-large for a two-year term ending in an even-numbered year. Each of the six members of the City Council is elected from a single-member district for a four-year term of office. The terms of three members of the City Council expire in each even-numbered year. The City Manager is the chief administrative officer for the City. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically as the City Council deems appropriate. The 2000 Census population for the City was 199,564; the estimated 2008 population is 214,847. The City covers approximately 119.9 square miles.

City Services

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

Public Safety: The Police Department serves and protects the public by conducting criminal investigations and enforcing laws governing public health, and order. The department is staffed with 377 sworn officers. The Fire Department serves to minimize loss of life and property from the effects of fires by quickly responding to emergencies. The department operates 15 fire stations and is staffed with 334 sworn firefighters. During 2008 the City improved its insurance standards rating, going from a Class 3 to a Class 2 on a measurement of 10 with Class 1 representing the best public protection.

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Electric Utility: Electric service in the City 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 73,619 meters with an average daily consumption of 4,485,835 kWh. LP&L has 14 substations, one substation under construction, more than 1,030 miles of distribution lines, and approximately 85 miles of transmission lines.

Water Utility: To assist with the strategic development of 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. In July of 2007, with the recommendation of the Lubbock Water Advisory Commission, the City Council approved the Strategic Water Supply Plan for Lubbock. The City has also worked closely with the Region O Planning Group in preparing the State Water Plan, which includes the City's water supply needs and alternatives.

The City has initiated five major water and wastewater studies over the past four years in order to help develop the Strategic Water Supply Plan. The Water Texas study was completed in 2004 and laid the foundation for additional work so the City could document both current and future water needs for annual supply and peak day demand. The City has also completed preliminary engineering and final design for improvements to the Southeast Water Reclamation Plant to improve the quality of the City's effluent discharge and prepare for possible future reuse.

The City obtains 10 billion gallons of its annual 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. The City secures the remaining 2 billion gallons of its annual water supply from groundwater in Bailey and Lamb counties. The City provides water service to over 77,000 meters through 1,400 miles of distribution lines. In addition to Lubbock, the City also services the communities of Shallowater, Ransom Canyon, Buffalo Springs Lake, Reese Redevelopment Authority, and Lubbock Cooper and Roosevelt school districts.

The daily capacity of the City water supply and treatment system is 81 million gallons per day with an average utilization of 33 million gallons per day. In the Bailey County Well Field, the City has 160 active water wells with 83,265 acres of water rights. CRMWA allocates more than 10 billion gallons of water to the City annually. Lake Alan Henry, built by the City in 1993, is in development as a future water source. In order for the City to utilize water from Lake Alan Henry, the construction of pump stations, a pipeline, and a new water treatment plant is required. Preliminary engineering for these improvements was completed in November of 2007 and final design is now underway. The projected construction completion date is 2012.

CRMWA has secured additional acres of groundwater rights in the Northern Texas Panhandle. The additional groundwater rights have increased the total from 42,000 to 265,999 acres with 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 utilizing existing infrastructure through the year 2097.

Wastewater Utility: Wastewater collection and treatment is provided within the city limits to residential, commercial, and industrial customers. As of January 1, 2008, the collection system consists of 996 miles of sanitary sewer lines. 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 completed Phase I and begun construction of Phase II of a four phase project to upgrade the Southeast Water Reclamation

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Plant. Phase I included upgrades and improvements to the influent lift station. Phase II construction has begun and includes upgrades to Plant 3 for filtration and ultraviolet disinfection and Plant 4 for biological nutrient removal, filtration and ultraviolet disinfection. Phase III will include design and construction improvements to solids and handling. Phase IV will include upgrades to Plant 3 for biological removal. The improvements will produce a high quality of effluent that will be discharged for potential reuse into the North Fork of the Double Mountain Fork of the Brazos River.

Storm Water Utility: The City's storm 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 separate municipal storm sewer system (MS4) is made up of approximately 3,000 lane miles of paved and unpaved streets, 555 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 are funded through storm water fees.

During FY 2007-08, a primary focus of the storm water utility was the completion of the South Lubbock Drainage Project – Phase I Main Trunk Line. This project was substantially completed approximately one year ahead of schedule and has connected six playa lakes. Construction for Phase 1A of the South Lubbock Project began in FY 2007-08. This project will add five additional playa lakes to the Project, and is scheduled for completion in 2010.

Other areas of activity within the Storm Water Utility during FY 2007-08 included the following:

- Received the new Texas Pollution Discharge Elimination System (TPDES) MS4 permit issued by the Texas Commission on Environmental Quality (TCEQ). Efforts are underway to generate a comprehensive Storm Water Ordinance in order to comply with the provisions set forth in the new MS4 permit.
- Completed and submitted information to the Federal Emergency Management Agency (FEMA) for the Flood Insurance Restudy of two of the playa lake systems. The study is currently awaiting review by FEMA for further action.
- Began a master plan of the northwest quadrant of the City as well as an update to the Master Drainage Plan for western and southern portions of the City.
- Continued evaluating options for flood risk reduction at Maxey Park Lake.
- Continued video inspection and cleaning of the downtown area storm sewer pipelines.
- Continued the design of drainage improvements at Mose Hood and Stumpy Hamilton Parks.

Solid Waste Utility: The City provides garbage collection and disposal services to 65,829 residential customers and 2,829 commercial customers. One of the City's two landfill sites is designated as the North Avenue P Landfill and includes a citizen's transfer station. The second site is the West Texas Regional Disposal Facility. The West Texas Regional Disposal Facility opened in 1999 and is one of the largest landfills in the State of Texas. With 1,260 acres, the expected useful life is more than 92 years.

Public Transportation: Citibus provides public transportation for the City and is professionally managed by McDonald Transit Associates, Inc. Citibus provides a Fixed Route Service, CitiAccess (paratransit system), evening service, and other special services. CitiAccess is a curb-to-curb service for disabled members of the community. The Citibus evening service is designed to meet the needs of CitiAccess and fixed route passengers who rely on public transit. A majority of evening service passengers work at night and use the service for transportation to and from their jobs. In addition, Citibus offers route service for

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Texas Tech University. Finally, Citibus is the contracted agent for passenger sales and freight shipping and receiving for Greyhound Lines, Inc. operating out of the Downtown Transfer Plaza.

Health and Social Services: The City has a housing and community development program implemented and administered through funding from the Federal Community Development Block Grant Program, HOME Investment Partnership Program, and Emergency Shelter Grant Program. Through these programs, the City has completed work on over 196 houses 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 its citizens. Through these programs, 71 homes or 141 individuals received assistance in weatherizing their home to make their home more energy efficient; 1,369 households received utility assistance; 54 individuals graduated from the Self-Sufficiency Program; and, 25,093 residents received referral assistance through the Information and Referral Hotline.

Culture-Recreation: Cultural and recreational services are provided by the City through four libraries, 80 parks, and 57 playgrounds. Other recreational facilities include 4 swimming pools, 58 tennis courts, 48 baseball and softball fields, a cultural arts center, five community centers, and five senior centers. To further enhance quality of life and to provide support to tourism, the City operates the Memorial Civic Center, City Bank Coliseum, City Bank Auditorium, the Buddy Holly Center, the Wells Fargo Amphitheatre, and the Silent Wings Museum.

The City is financially accountable for a legally separate civic services corporation and three economic development corporations, 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.

Highways and Streets: The City is responsible for the construction and maintenance of 1,058 centerline miles of paved streets.

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

The City streets portion of the Northwest Passage consists of the widening of Erskine Street from Frankford Avenue to Salem Road, and the construction of Slide Road from 4th Street to Erskine. The construction of a Slide Road overpass at Loop 289, is being funded by the City, and will be constructed by TxDOT as part of a larger Loop 289 improvement project.

Other major street improvement projects approved by the City Council for design include: Indiana Avenue from 103rd Street to FM 1585; Quaker Avenue from 98th Street to FM 1585; 114th Street from Quaker Avenue to Slide Road; Frankford Avenue from 98th Street to 114th Street; 98th Street from Frankford Avenue to Milwaukee Avenue; and Milwaukee Avenue from 94th Street to FM 1585. The construction of 98th Street from Slide Road to Frankford Avenue was completed during FY 2007-08.

Lubbock Preston Smith International Airport: A key component of Lubbock's transportation system is the Lubbock Preston Smith International Airport, located seven miles north of the City's central business district on 3,000 acres of land adjacent to Interstate 27. The Airport is operated as a department of the

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City, with the guidance of an advisory board, and includes a 220,000 square foot passenger terminal building. The Airport has two commercial service runways, 11,500 and 8,000 feet in length. The Airport's third general aviation runway is 2,869 feet in length. Air traffic control services include a 24-hour Federal Aviation Administration control tower and a full range of instrument approaches. The Airport is served by four major passenger airlines and two major cargo airlines having over 80 commercial flights per day.

Annual Budget Process

The annual operating budget serves as the foundation for the City's financial planning and control. All City departments submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing the proposed Operating Budget and Capital Program. The City Manager then presents the proposed Operating Budget and Capital Program to the City Council for review, as required by City Charter. The City Council is required to hold a public hearing on the proposed Operating Budget and Capital Program and to adopt it no later than September 30, the close of the City's fiscal year. The adopted Operating Budget and Capital Program appropriates funding at the departmental level in the General Fund, at the fund level in the other funds, and at the project level in the Capital Program.

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

ECONOMIC CONDITION AND OUTLOOK

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

Local Economy

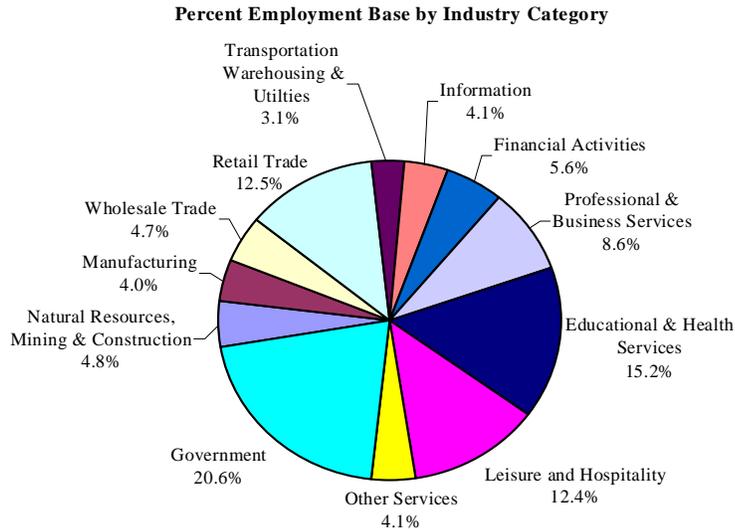
Lubbock has a stable economy with historically slow and steady growth, which has continued throughout FY 2007-08. Lubbock's agriculturally based economy has diversified over the past 20 years, which has minimized the effects of business cycles experienced by individual sectors.

The South Plains is one of the most productive agricultural areas in the United States. In 2008, 17.4 percent of the nation's cotton crop and 46.3 percent of the state's cotton crop were produced by farmers in the Southern High Plains District. Southern High Plains production was 2.36 million bales, down 44.7 percent from record highs in 2006 and 2007. The decrease in production was due to weather conditions (United States Department of Agriculture, National Agriculture Statistics Service, *Texas County Data – Crops*, retrieved from http://www.nass.usda.gov/QuickStats/PullData_US_CNTY.jsp).

The City has strong manufacturing, wholesale and retail trade, services, and government sectors. Manufacturing includes a diverse group of employers who support approximately 5,200 workers. A

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central location and access to transportation have contributed to Lubbock's development as a regional warehousing and distribution center. Lubbock serves as the major retail trade center 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, giving a snapshot of the industry base of the City.



(Texas Workforce Commission, *MSA Employment and Unemployment Data*, retrieved from <http://www.tracer2.com>.)

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 2008 is 46,032. This is a 1.1 percent increase over the enrollment for fall of 2007. The availability of graduates in the City is an added advantage to local industries as the universities and colleges continue to produce a ready source of qualified labor. (City of Lubbock Finance Department, *Secondary and Higher Education Enrollments 2000-2008. Fall 2008*)

The health care and social services sector is also a vital component of the Lubbock economy, with more than 19,435 employees and payroll of more than \$712 million (U.S. Census Bureau, *2006 County Business Patterns*, retrieved from <http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl> (2-year delay in publication)).

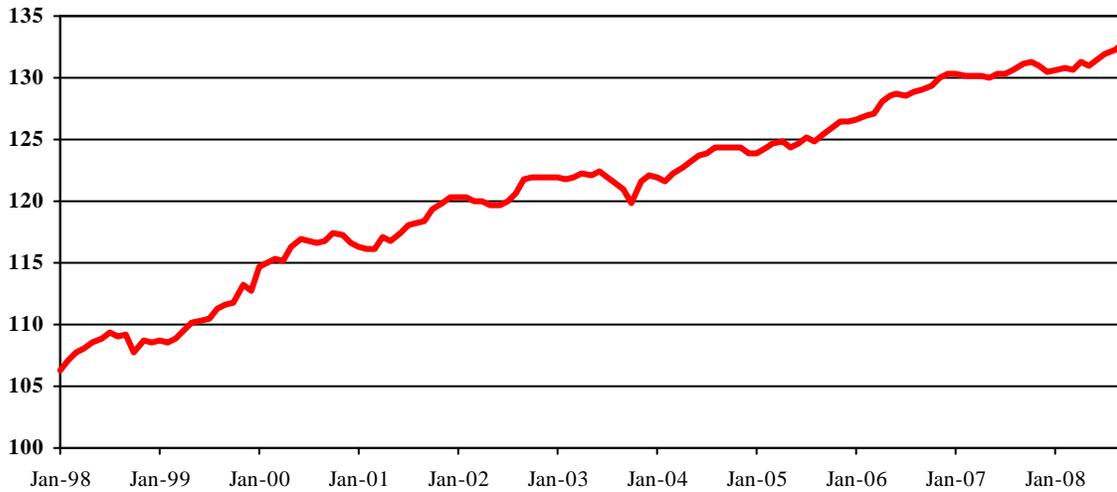
Lubbock Economic Index

The Lubbock Economic Index is designed to represent the general condition of the Lubbock economy by tracking local economic growth rates. The base year for the index was 1996, when the index was set to 100. The economic index for September 2008 is 132.8, which represents an increase of 1.2 percent from September 2007.

The Lubbock Economic Index rose to record levels in FY 2007-08, with September marking the fourth consecutive monthly increase in the Index. Local and regional spending by households and businesses remains the bright spot in the economy, along with continued strength in the construction sector and gains in home building.

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Lubbock Economic Index Eleven Year Trend by Month



(Ingham Economic Reporting, September 2008, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham.)

Building Permit Valuations

The construction sector continues to make a strong contribution to the economy with the value of all building permits issued through September 2008 up 14.9 percent over the same period in 2007. The \$412.3 million in building permits issued through the first nine months of 2008 are near the record setting levels that have been seen during the last few years

Total Building Permit Valuations (Calendar Year)



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The total number of new residential permits through September 2008 increased 12.9 percent over 2007 levels, and valuation amounts were \$207.1 million, or 27.9 percent, higher than 2007 valuations (City of Lubbock Building Inspection Department, September 2008, *Building Inspection Statistical Report*).

The average home sale price, through September 2008, has increased 10.3 percent over the September 2007 average home sale price (Texas A&M University Real Estate Center, *Lubbock Residential Housing Activity Report*, retrieved from <http://recenter.tamu.edu/data/datahs.html>).

Sales Tax Collections

Sales tax collections for September 2008 were 5.8 percent higher than the September 2007 level (FY 2008 and FY 2007 City of Lubbock Comprehensive Annual Financial Report, Statement of Activities).

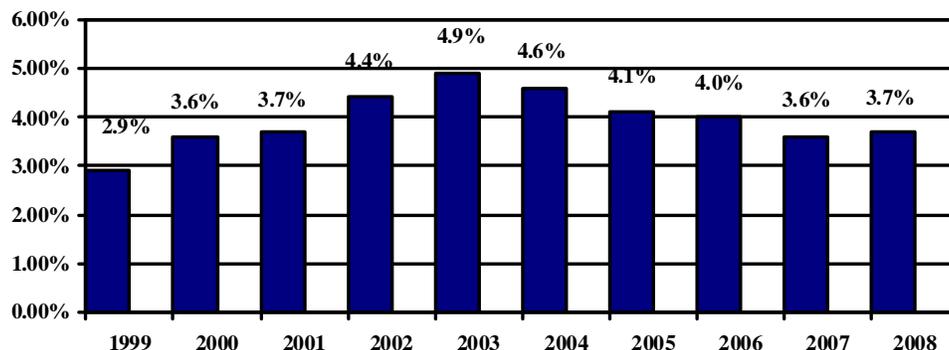
Tourism/Visitor Related Indicators

Lodging tax receipts increased from \$2.9 million in September 2007 to \$3.0 million in September 2008, a 3.9 percent increase. Airline boardings at Lubbock Preston Smith International Airport decreased 0.6 percent from FY 2006-07 to FY 2007-08 (Ingham Economic Reporting, September 2008, Lubbock Economic Index and Consumer Price Index. Amarillo, Texas: Karr Ingham).

Employment

The total non-agricultural employment estimate for September 2008 was 128,600. This is a 0.2 percent improvement over September 2007. There were 300 more people employed in September 2008 than in September 2007. The unemployment rate for the Lubbock Metropolitan Statistical Area in September 2008 was 4.0 percent, the 4th lowest in the State of Texas. Historically, Lubbock has had a low rate of unemployment that is one to two percent below the national rate and about one percent below the state rate (Texas Workforce Commission, LMCI Economic Profiles, retrieved from http://www.tracer2.com/admin/uploadedpublications/1724_lubbockmsa.pdf).

Unemployment Rates - Lubbock MSA



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

Economic Development

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, the Lubbock Economic Development Alliance (LEDA), an economic development sales tax corporation, assumed responsibility for economic development. LEDA program strategies include business retention, business recruitment, workforce development, foreign trade zone, and the bioscience initiative. LEDA is funded by a 1/8 cent economic development sales tax. Total allocated tax revenues for Market Lubbock, Inc. and LEDA for FY 2007-08 were \$7,381,355. During the last year, through their business retention, expansion, and attraction programs, LEDA assisted 12 companies in the creation of 589 new jobs with an annual payroll of \$17.9 million and capital investment of \$34.8 million.

The City's Business Development Department works closely with LEDA to provide assistance 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, two Tax Increment Financing Reinvestment Zones and all Public Improvement Districts.

Development Initiatives

Overton Park: Overton Park, a former blighted area called North Overton, is a 300-acre revitalization project adjacent to the downtown area of Lubbock. Overton Park has developed much faster than anticipated.

By the end of 2008, three student oriented apartment complexes were completed along with The Centre, an apartment complex built over upscale retail. Other projects completed were City Bank, Starbucks, Super Wal-Mart, a retail center adjacent to Wal-Mart, and the first phase of Main Street Condominiums. The second phase of the condominiums and nine single family houses were nearing completion.

There were several projects under construction at the end of 2008. An hotel/conference center project began construction in September 2007 with an estimated completion date of July 2009. The Suites, an apartment complex, is under construction and should be completed in late 2009. A retail center adjacent to the hotel/conference center began construction in early 2008 and should be completed in 2009. The Cottages, a large multi-family project, began construction in 2008 and is expected to be completed by August 2009. The Overton Park project, as a whole, is running three years ahead of schedule with much of the construction now expected to be complete by the end of 2010.

The City of Lubbock, Lubbock County, Lubbock Hospital District and High Plains Underground Water District have participated in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that has funded the replacement of the 80-year old infrastructure. According to the latest Project and Finance Plan for the North Overton Tax Increment Financing Reinvestment Zone (TIF), there are planned expenditures of approximately \$41.7 million for public infrastructure improvements, which will result in an increase of taxable value of approximately \$530 million over the TIF's 30-year life. The 2008 appraised value of the North Overton TIF was \$209.9 million, which is a \$183 million increase over the 2002 base year value.

North and East Lubbock Community Development Corporation: While Lubbock grew during the last 50 years, the areas of north and east Lubbock experienced an out-migration of people. From 1960 to 2000, the area's population decreased by 47 percent. In response to the deterioration of north and east Lubbock, the City created the North and East Lubbock Community Development Corporation

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 13, 2009

(NELCDC) in 2004 to oversee and promote development in the area. The City also committed to provide funding to the NELCDC for four years. King's Dominion, a new single-family housing project, consists of fifteen homes with a sixteenth presently under construction. The NELCDC has also placed twenty-three families into scattered site developments, and has an additional two homes under construction. At the end of 2008, the NELCDC has originated \$1,678,245 in mortgages for King's Dominion and an additional \$1,914,301 for scattered site developments.

Downtown Redevelopment: The City of Lubbock Central Business District (CBD) has developed over the years with traditional office, retail, and governmental agency uses. As for 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. On December 3, 2001, in an effort to reverse that trend and to stimulate further development downtown, the City established the CBD Tax Increment Finance Reinvestment Zone (TIF). Also in 2005, the City Council created the Downtown Redevelopment Commission (DRC) who retained a consultant to draft a Revitalization Action Plan for the downtown area. During the planning process, the DRC conducted one-on-one interviews with business and property owners in the downtown area and held three public meetings to receive input from citizens on their vision for downtown.

The new Revitalization Action Plan (Plan) for downtown Lubbock was completed in FY 2007-08. The Plan has been approved by the TIF Board of Directors and the City Council. The City issued an RFQ in FY 2007-08 for a Master Developer to implement the Plan. On December 4, 2008, the City Council contracted with McDougal Land Company, LT. to provide Consulting/Master Developer services to implement the Plan.

Other Residential/Commercial Development: Growth in commercial and residential construction occurred at a healthy rate throughout the past five years. Construction on several new residential and commercial developments has continued. The Cottages, a multi-family project in Overton Park, will have an expected \$50 million investment and should be completed by August 2009. Vintage Township, a residential/commercial development will have an expected \$350 million investment. Development along Milwaukee Avenue is expected to generate a total investment in commercial/residential development of approximately \$844 million in the next five to ten years.

FINANCIAL INFORMATION

Long-term financial planning

The City uses ten-year rate models for long-range planning in all enterprise funds as a basis for budget discussion and policy decision-making. 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 and long term capital needs. 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 Five-Year Forecast, provide anticipated trends given current policies.

Cash management policies and practices

Cash is invested in U.S. Agencies, money market mutual funds, and state investment pools. The maturities of the investments range from 1 day to 3 years, with an average maturity of approximately 11.25 months. The average yield on investments for FY 2008 was 4.21 percent for the City's operating funds and 3.21 percent for the City's bond funds. Investment income is enhanced with increases in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management

During 2007, the City continued its use of third party workers' compensation coverage on an initial dollar coverage basis. The City is primarily self-insured for various liability coverages with an attachment point of \$500,000 per occurrence and \$10,000,000 aggregate annual coverage.

During 2007, the City's Health Benefits Fund continued its self-insured status for medical and dental. The current stop loss coverage provides for \$175,000 individual attachment and a \$18,181,945 aggregate attachment point. The City also carried transplant insurance on an initial dollar basis. 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, through the Texas Municipal Retirement System, 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 ensure that the plan will be able to fully meet its obligations to retired employees. 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 of December 31, 2007, the City has funded 61.4 percent of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 30 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 Fire Pension Fund (LFPPF), which is administered by the Board of Trustees. The City contributes an amount that is determined by a formula and is 19.97 percent of firefighter's pay.

The City provides 34 percent to 73 percent of post retirement health and 8 percent to 38 percent of 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 for its comprehensive annual financial report for the fiscal year ended September 30, 2007. This is the fourth consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 13, 2009

and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both GAAP 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. We would particularly like to thank the Senior Accountants and Accountants for their countless hours of work on this financial report. We 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 the City Council and the Audit Committee for their interest and support in planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Lee Ann Dumbauld
City Manager

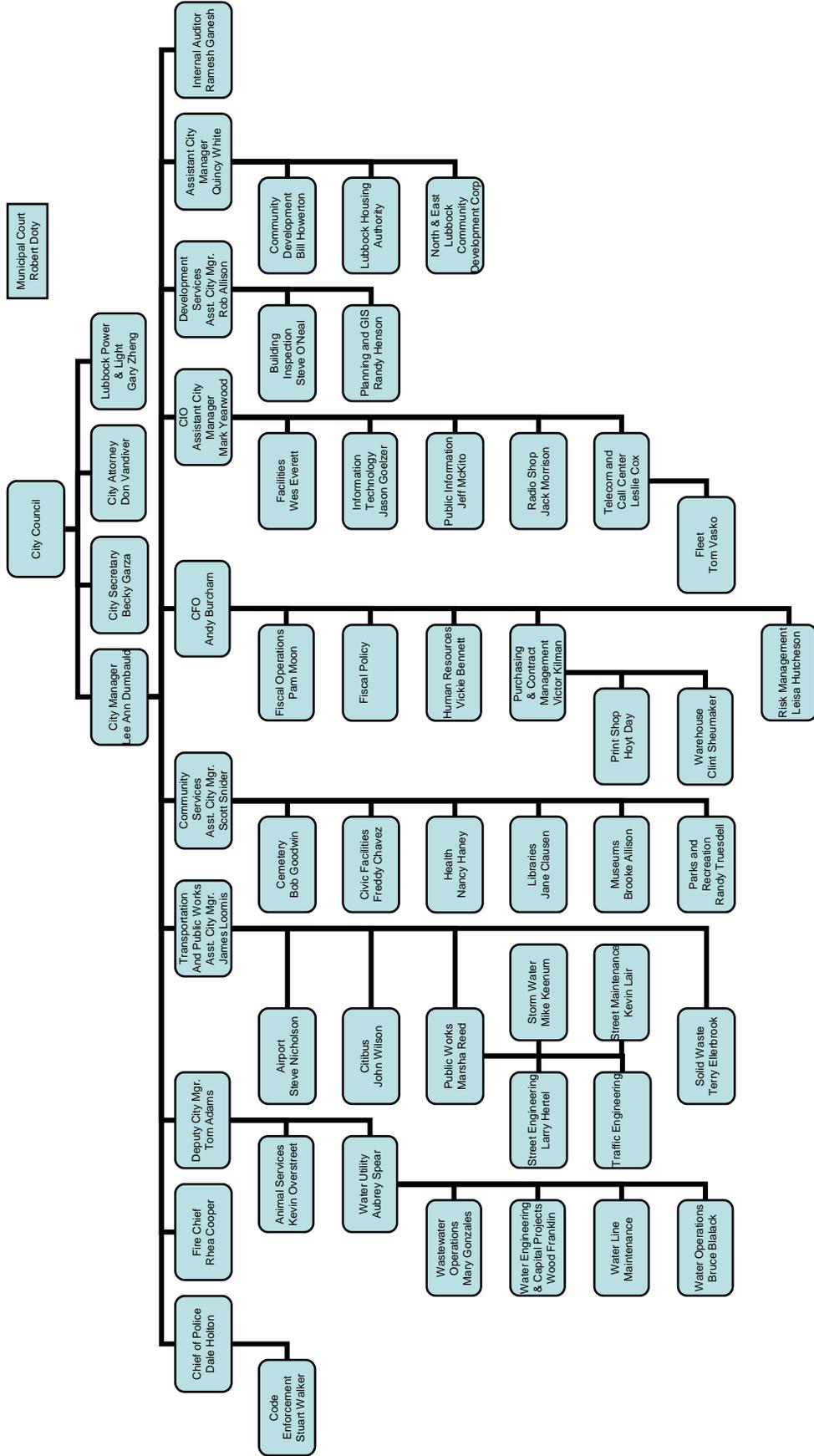


Andy Burcham
Chief Financial Officer



Pamela Moon, CPA
Director of Accounting

City of Lubbock - Organization Chart



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, 2007

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



Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2008

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, component units of the City, which statements reflect total assets and program revenues of \$30,119,969 and \$16,769,680, respectively, and represent 93.0% and 99.5% of the aggregate discretely presented component units' total assets and program revenues, respectively, at September 30, 2008, and for the year then ended. The financial statements of these entities were audited by other accountants whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other accountants.

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

In our opinion, based on our audit and the reports of the other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lubbock, Texas, as of September 30, 2008, 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.

The Honorable Mayor and
Members of the City Council
City of Lubbock, Texas
Page 2

As discussed in *Note 1.I.*, in 2008, the City changed its method of accounting for postemployment benefits other than pensions and its method of disclosures of pension information by implementing Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and Statement No. 50, *Pensions Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2009, 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, budgetary information and schedule of funding progress related to pension plans and other postemployment benefits as listed in the table of contents are not a required part of the basic financial statements but are 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, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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

February 13, 2009

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008

The Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Lubbock for the fiscal year ended September 30, 2008.

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

Financial Highlights

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

- The City's assets exceeded its liabilities at September 30, 2008, by \$666.5 million (net assets), of which \$136.4 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 \$26.5 million as a result of operations during the fiscal year.
- The ending unreserved fund balance for the General Fund was \$19.8 million, or 18.6% of total General Fund revenues; an increase of \$0.8 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$130.5 million, of which \$19.8 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net assets of \$517.3 million, of which \$96.3 million is available for spending at the City's discretion.
- During FY 2008, the City issued \$169.8 million in debt for capital projects.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The GWFS, shown on pages 35-37 of the CAFR, contain the *Statement of Net Assets* and the *Statement of Activities*, described below:

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

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each of the City's functions or programs. Direct expenses are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program. Program revenues also include grants and contributions restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008

related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

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

Component Units. The GWFS include the City (the "primary government"), and four legally separate entities (the "component units") for which the City is financially accountable. The component units consist of: Market Lubbock Economic Development Corporation, d/b/a Market Lubbock, Inc., Lubbock Economic Development Alliance, Civic Lubbock, Inc., and Vintage Township Public Facilities Corporation. The component units provide economic development services, arts and cultural activities, and public improvement financing for the City. Financial information for the component units is reported separately in the GWFS to differentiate them from the City's financial information. No component unit is considered a major component unit.

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

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

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

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008

governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Governmental Capital Projects Fund, both of which are considered to be major funds. The governmental FFS can be found on pages 38-41 of the CAFR. Data for the other 25 governmental funds are combined into a single, aggregated presentation.

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle service operations and fueling, central warehouse and printing services, information technology services, risk management, health benefits, and investment pool funds. The services provided by the internal service funds benefit both governmental and business-type activities, and accordingly, they have been included within governmental activities and business-type activities, as appropriate, in the GWFS. All internal service funds are combined into a single aggregated presentation in the proprietary FFS. Reconciliations are provided for the proprietary fund statement of net assets and the proprietary fund statement of revenues, expenses, and changes in fund net assets for comparison between enterprise funds and business-type activities. The proprietary FFS can be found on pages 42-53 of the CAFR.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 55-94 of the CAFR.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information (RSI) concerning the City's progress in funding its obligation to provide pension and post retirement benefits to its employees and retirees. The General Fund budgetary comparison demonstrating the legal level of budgetary control can also be found as part of RSI. RSI can be found on pages 95-99 of the CAFR.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008

Government-Wide Financial Analysis

As noted earlier, net assets serve as a useful indicator of the City's financial position. Assets exceeded liabilities by \$666.5 million (*net assets*) at the close of the fiscal year, compared to assets exceeding liabilities by \$640.0 million (*net assets*) at the end of the prior fiscal year. As a result of operations, total net assets increased by \$26.5 million during the period.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------------------------|----------------------------|------------|-----------------------------|------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 161,688 | \$ 141,205 | \$ 314,011 | \$ 220,133 | \$ 475,699 | \$ 361,338 |
| Capital assets | 237,203 | 213,679 | 787,522 | 738,066 | 1,024,725 | 951,745 |
| Total assets | 398,891 | 354,884 | 1,101,533 | 958,199 | 1,500,424 | 1,313,083 |
| Current liabilities | 41,496 | 38,303 | 66,249 | 56,939 | 107,745 | 95,242 |
| Noncurrent liabilities | 217,462 | 174,853 | 508,748 | 403,003 | 726,210 | 577,856 |
| Total liabilities | 258,958 | 213,156 | 574,997 | 459,942 | 833,955 | 673,098 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 96,275 | 102,925 | 400,552 | 384,516 | 496,827 | 487,441 |
| Restricted | 11,956 | 5,128 | 21,275 | 17,730 | 33,231 | 22,858 |
| Unrestricted | 31,701 | 33,676 | 104,709 | 96,011 | 136,410 | 129,687 |
| Total net assets | \$ 139,932 | \$ 141,729 | \$ 526,536 | \$ 498,257 | \$ 666,468 | \$ 639,986 |

Approximately 74.5% of the City's net assets reflect its investment in capital assets, e.g., land, buildings, infrastructure, machinery, and equipment, less any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net assets totaling 5.0% of total net assets, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants, passenger facility charges restricted for airport improvements, and grant programs restricted for specific purposes. The remaining balance of unrestricted net assets of \$136.4 million may be used to meet the City's ongoing obligations.

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008

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

| | Governmental Activities | | Business- type Activities | | Totals | |
|---------------------------------------|----------------------------|------------|---------------------------------|------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 12,677 | \$ 10,636 | \$ 260,494 | \$ 243,835 | \$ 273,171 | \$ 254,471 |
| Operating grants and contributions | 9,232 | 10,323 | 5,133 | 5,813 | 14,365 | 16,136 |
| Capital grants and contributions | 15,922 | 4,322 | 5,953 | 8,792 | 21,875 | 13,114 |
| General Revenues: | | | | | | |
| Property taxes | 50,330 | 47,007 | - | - | 50,330 | 47,007 |
| Sales taxes | 50,549 | 47,780 | - | - | 50,549 | 47,780 |
| Other taxes | 5,370 | 4,909 | - | - | 5,370 | 4,909 |
| Franchise fees | 12,978 | 12,378 | - | - | 12,978 | 12,378 |
| Investment earnings | 5,505 | 6,118 | 8,284 | 7,146 | 13,789 | 13,264 |
| Other | 4,811 | 3,669 | 3,807 | 6,004 | 8,618 | 9,673 |
| Total revenues | 167,374 | 147,142 | 283,671 | 271,590 | 451,045 | 418,732 |
| Expenses: | | | | | | |
| Administrative services/general govt. | 12,372 | 12,155 | - | - | 12,372 | 12,155 |
| Community services | 6,874 | 6,951 | - | - | 6,874 | 6,951 |
| Cultural and recreation | 16,660 | 19,671 | - | - | 16,660 | 19,671 |
| Economic and business development | 12,378 | 11,620 | - | - | 12,378 | 11,620 |
| Fire | 31,789 | 27,338 | - | - | 31,789 | 27,338 |
| Health | 6,142 | 5,899 | - | - | 6,142 | 5,899 |
| Police | 46,850 | 43,022 | - | - | 46,850 | 43,022 |
| Other public safety | 6,678 | 5,886 | - | - | 6,678 | 5,886 |
| Streets and traffic | 16,357 | 26,870 | - | - | 16,357 | 26,870 |
| Interest on long-term debt | 8,367 | 6,968 | - | - | 8,367 | 6,968 |
| Electric | - | - | 153,108 | 145,832 | 153,108 | 145,832 |
| Water | - | - | 38,424 | 32,125 | 38,424 | 32,125 |
| Wastewater | - | - | 19,001 | 18,048 | 19,001 | 18,048 |
| Solid Waste | - | - | 16,261 | 14,454 | 16,261 | 14,454 |
| Storm Water | - | - | 7,677 | 3,933 | 7,677 | 3,933 |
| Transit | - | - | 11,338 | 11,004 | 11,338 | 11,004 |
| Airport | - | - | 9,465 | 8,524 | 9,465 | 8,524 |
| Civic Centers | - | - | 4,099 | - | 4,099 | - |
| Cemetery | - | - | 722 | 619 | 722 | 619 |
| Total expenses | 164,467 | 166,380 | 260,095 | 234,539 | 424,562 | 400,919 |
| Change in net assets before transfers | 2,907 | (19,238) | 23,576 | 37,051 | 26,483 | 17,813 |
| Transfers | (4,703) | 10,572 | 4,703 | (10,572) | - | - |
| Change in net assets | (1,796) | (8,666) | 28,279 | 26,479 | 26,483 | 17,813 |
| Net assets - beginning of year | 141,729 | 150,395 | 498,257 | 471,778 | 639,986 | 622,173 |
| Net assets - end of year | \$ 139,933 | \$ 141,729 | \$ 526,536 | \$ 498,257 | \$ 666,469 | \$ 639,986 |

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008

Governmental activities. The City's governmental activities experienced a decrease in net assets of \$1.8 million, compared to a decrease of \$8.7 million during the prior fiscal year. Key elements of the operational decrease include:

- Revenues increased approximately \$20.3 million, from \$147.1 million to \$167.4 million.
 - Capital grants and contributions accounted for the largest increase, rising from \$4.3 million in FY 2007 to \$15.9 million in FY 2008. In FY 2008, private foundations and private developers granted money and donated property in the amount of \$7.5 million for a conference center. In FY 2008, private developers donated \$6.5 million of streets, alley ways, and parks; compared to \$3.6 million in the prior year with most of the developer increase due to donations for the Vintage Township development.
 - Property taxes increased from \$47.0 million in FY 2007 to \$50.3 million in FY 2008. The property tax rate was \$0.45505 per \$100 of assessed value in FY 2008, compared to \$0.46199 per \$100 of assessed value in FY 2007. While the tax rate decreased, taxable assessed values increased from \$10.4 billion in FY 2007 to \$11.3 billion in FY 2008.
 - Sales tax revenue totaled \$50.5 million, an increase of \$2.8 million from the prior year, reflecting Lubbock's growing economy.
 - Charges for services increased \$2.1 million to \$12.7 million, primarily due to revenue recognized from prepaid paving jobs at the completion of street projects.

- Total expenses decreased \$1.9 million from the prior year, from \$166.4 million to \$164.5 million.
 - Fire expenses totaled \$31.8 million, a \$4.5 million increase from the prior year. In FY 2008, the City Council authorized 21 new fire fighter positions, 2 new division chief positions, 2 new fire inspector positions, and a 5-year firefighter compensation plan to achieve salaries that rank in the top 10 of fire departments in the State. Vehicle costs and computer expenses also increased accordingly with the increase in personnel.
 - Police expenses totaled \$46.9 million, a \$3.8 million increase from the prior year with most of the increase occurring in salaries and benefits. Police has the largest number of employees in governmental activities and received the largest allocation of post retirement benefit expense due to the adoption of GASB Statement No. 45. In FY 2008, the City implemented a shift differential program and certification pay for police officers. In addition, higher fuel costs and increased vehicle maintenance expenses occurred.
 - Streets and traffic expenses totaled \$16.4 million, a decrease of \$10.5 million from the prior year, primarily due to a one-time \$12.5 million contribution in FY 2007 to the Texas Department of Transportation (TxDOT), which provided funding for the Marsha Sharp Freeway project. Exclusive of the TxDOT transaction, costs in streets increased for planned use of prepaid paving funds and additional depreciation on infrastructure added by donated and dedicated assets.
 - Cultural and recreation expense totaled \$16.7 million, a decrease of \$3.0 million from the prior year as a result of moving the Civic Centers from a governmental activity in FY 2007 to a business-type activity in FY 2008.
 - Interest expense totaled \$8.4 million, an increase of \$1.4 million from the prior year as a result of additional bonded indebtedness and capital leases.

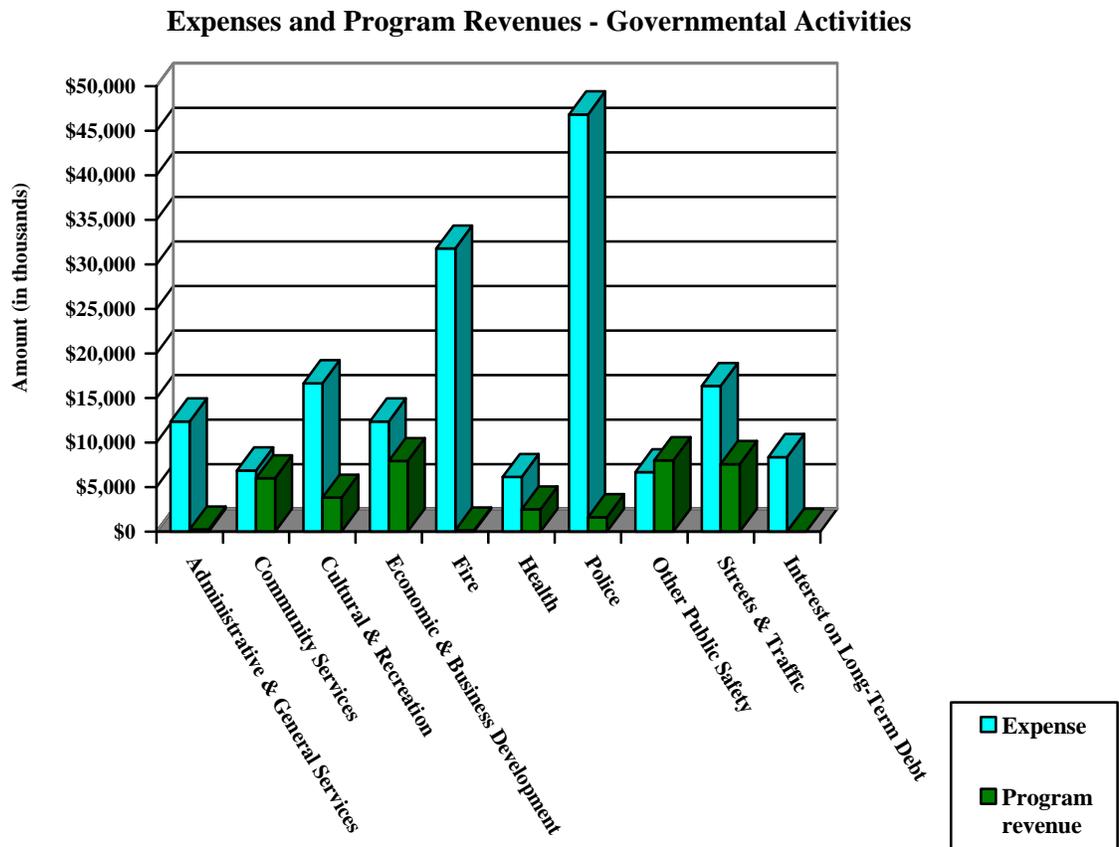
- Transfers to or from business-type activities during the fiscal year reduced governmental activities' net assets \$4.7 million. During the prior fiscal year, the transfers increased governmental activities' net assets by \$10.6 million.
 - \$13.8 million of one-time transfers from governmental activities to business-type activities consisting of capital assets, net of long-term liabilities, were made in FY 2008. Most of the

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008**

transfers were related to moving the Civic Center, Auditorium, and Coliseum from the governmental funds to the Civic Centers Enterprise Fund.

- Transfers from business-type activities included payments in lieu of taxes, franchise fees, and indirect costs of operations for centralized services such as payroll and purchasing to governmental activities. The most notable increase in payments was related to a contribution from LP&L totaling \$1.0 million for a payment in lieu of franchise fees.
- Transfers from governmental activities to business-type activities increased due to General Fund support of the newly created Civic Centers Enterprise Fund and increased contributions to Transit due to a decline in Federal funding.

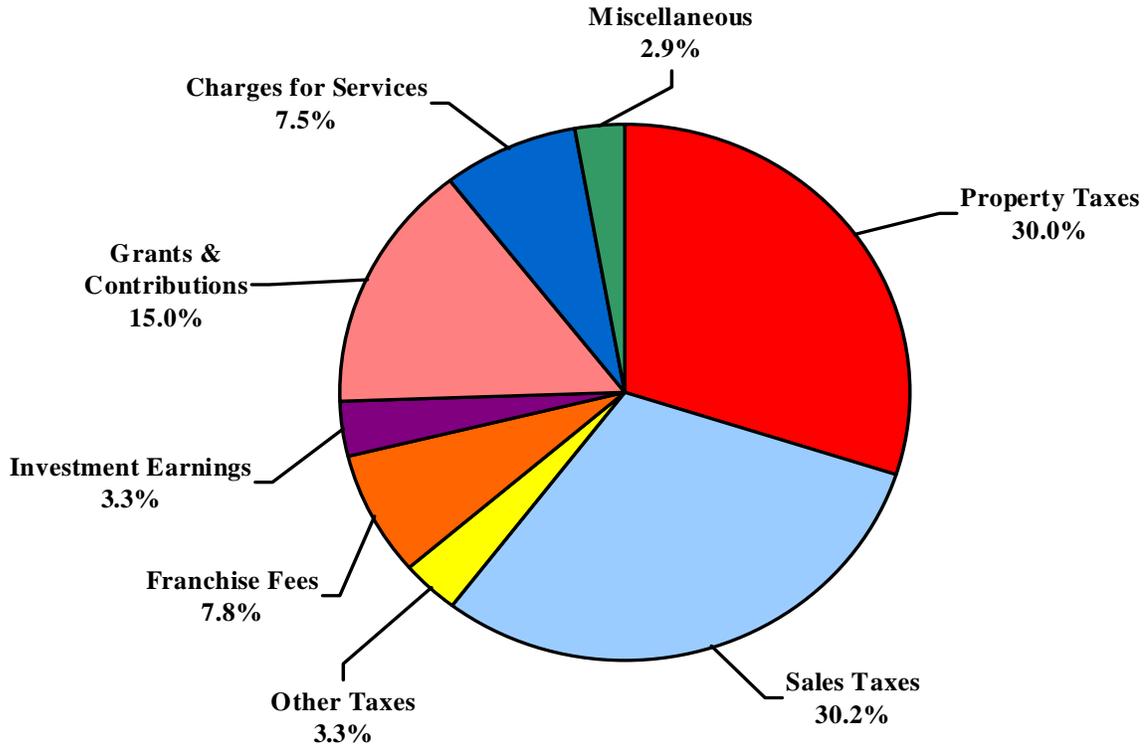
The following graph depicts the expenses and program revenues generated through the City's various governmental activities.



**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008**

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

Revenues by Source - Governmental Activities



Business-type activities. The City's business-type activities experienced an increase in net assets of \$28.3 million during FY 2008, compared to an increase of \$26.5 million during the prior fiscal year. Key elements of the increase from operations include:

- Revenues for business-type activities totaled \$283.7 million in FY 2008, an increase of \$12.1 million from the prior year.
 - Charges for services for business-type activities totaled \$260.5 million in FY 2008, an increase of \$16.7 million from the prior year.
 - Electric operations, which include LP&L and WTMPA, accounted for \$7.2 million of the increase in charges for services. Charges for services in the electric operations consist principally of the retail sale 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, which remained consistent between FY 2007 and FY 2008, plus a fuel cost adjustment rate for electric service, which increased in FY 2008. Offsetting the increase in charges for services was a \$14.5 million decline in revenues related to gas sales to a third party wholesaler. LP&L's gas supplier

City of Lubbock, Texas
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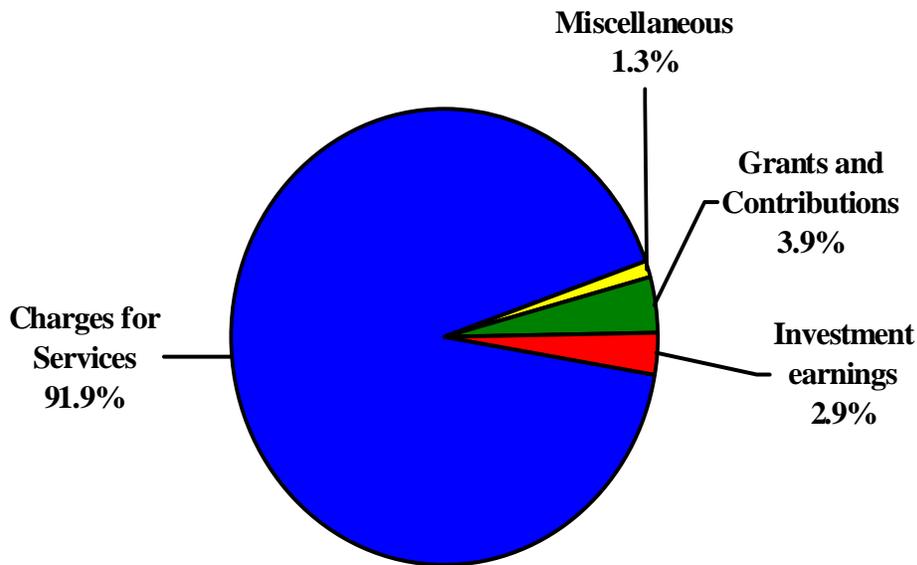
- exhausted its supply during the prior fiscal year, and as a result, sales to the third party wholesaler were eliminated.
- Water and Wastewater operations accounted for \$8.3 million of the increase in charges for services. Water rates increased 11% in March 2007 and again in March 2008 when the City, in an attempt to encourage water conservation, implemented a tiered water rate structure with higher rates charged for peak demand and excess usage. The rate increase was necessary to pay debt service on aging infrastructure and water supply projects. The City continues to implement mandatory water conservation efforts as part of its drought management plan due to low levels of water in area reservoirs. Water levels continues to fluctuate from year to year depending on the amount of annual rainfall, while the new water rate structure has moderated peak water use and revenue in summer months. Water revenue was \$42.5 million in FY 2008, an increase of \$7.1 million over the prior year. Wastewater revenue was \$21.1 million, an increase of \$1.2 million over the prior year. Wastewater had a mid-year rate increase and processed additional water as water usage increased.
 - Operating grants, capital grants, and contributions continued to be a significant revenue source for business-type activities during FY 2008, producing \$11.1 million in revenue. This is a \$3.5 million decrease from \$14.6 million during the prior year. The decrease is primarily due to fewer developer donated assets to the Water and Wastewater Funds.
- Expenses for business-type activities were \$260.1 million in FY 2008, an increase of \$25.6 million.
 - Collection expense decreased in the LP&L Fund by \$4.1 million, with an offsetting increase in Water, Wastewater, Solid Waste, and Storm Water due to a change in recording interfund activity for billing and other services provided to other utility funds by the LP&L. In FY 2008, operating expenses of LP&L were reduced by charges to other utility funds, and operating expenses of the other utility funds were increased. In FY 2007, the other utility funds transferred funds to the LP&L Fund to pay for services provided by the LP&L Fund.
 - Electric operating expenses were \$153.1 million, an increase of \$7.3 million from the prior year. Fuel purchases, after eliminating interfund activity between LP&L and WTMPA, decreased from \$123.3 million in FY 2007 to \$121.0 million in FY 2008. In FY 2007, surplus fuel for sale to a third party wholesaler totaled \$12.8 million; however, there were no purchases of surplus fuel in FY 2008 as supplies were exhausted. The average cost of fuel for use in the production of electrical power and for sale to government users increased in FY 2008.
 - Expenses in Water and Wastewater Funds were \$38.4 million and \$19.0 million, respectively. Water expenses increased by \$6.3 million and Wastewater expenses increased by \$1.0 million over the prior fiscal year. Three staff positions were added and additional supplies and contractors were needed in order to address frequent pipeline breaks. Interest expense in the funds increased by \$2.0 million as more debt has been incurred during the last few years to address future water supply needs and infrastructure and facility improvements.
 - Expenses in Storm Water were \$7.7 million, an increase of \$3.8 million from the prior year. In FY 2008, five staff members were added to comply with the MS4 permit and video inspections of storm sewers were performed. The Storm Water Fund continued to issue debt to pay for capital improvements to the storm water system, resulting in an increase of interest expense of \$1.0 million.
 - Civic Centers, with expenses of \$4.1 million, was recorded as a business-type activity beginning in FY 2008.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008**

- Transfers from governmental activities to business-type activities increased net assets by \$4.7 million during the fiscal year compared to a decrease of \$10.6 million in the prior year. The reasons for the changes were discussed under governmental activities.

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

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 year, the City's governmental funds reported combined ending fund balances of \$130.5 million, compared to \$110.2 million at the end of the prior fiscal year. The increase is primarily the result of debt issued for North Overton Tax Increment Finance Reinvestment Zone Capital Projects and Gateway Streets Capital Projects, which exceeded capital outlays by \$22.9 million. Unreserved fund balance, which is available for spending at the City's discretion, amounts to \$19.8 million, or 15.2% of the ending governmental fund balance. This is compared to \$19.0 million, or 17.2% of ending governmental fund balance, at the end of the prior fiscal year. There is \$21.7 million, or 16.7% of ending governmental fund balance, reported in unreserved fund balance designated in special revenue funds.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008**

This is compared to \$24.9 million, or 22.6% of ending governmental fund balance, at the end of the prior fiscal year. The reason for the reduction in unreserved fund balance was primarily due to a transfer of \$1.8 million from the Information Technology Fund and \$0.3 million from the Print Shop and Warehouse fund to the General Fund that represented funds in excess of policy levels. 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 \$19.8 million, compared to \$19.0 million in the previous fiscal year, representing an increase of approximately \$0.8 million. Total fund balance (reserved and unreserved) was \$20.0 million at the end of the fiscal year, compared to \$19.1 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 18.6% of total General Fund revenues compared to 18.5% of total General Fund revenue in the prior year. Total fund balance was 18.7% of total General Fund revenues in FY 2008 and FY 2007.

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

| | <u>2008</u> | <u>2007</u> |
|-----------------|------------------|------------------|
| LP&L | \$ 62,540 | \$ 51,020 |
| Water Fund | 2,764 | 9,663 |
| Wastewater Fund | 5,829 | 8,270 |
| WTMPA | 1,883 | 1,514 |
| Storm Water | 6,318 | 9,158 |
| | <u>\$ 79,334</u> | <u>\$ 79,625</u> |

The LP&L Fund increased unrestricted net assets by \$11.5 million, compared to an increase of \$18.9 million during the prior year. The increase is due to the results of operations and the decision of the City Council to reduce the charge for payments in lieu of franchise fees to increase cash reserves.

At the end of the fiscal year, the Water Fund unrestricted net assets decreased \$6.9 million, compared to a decrease of \$1.2 million from the prior year. The FY 2008 adopted budget included a \$6.4 million utilization of net assets in an effort to smooth rate increases over a five-year period. Net assets were utilized and acted as a rate stabilizer, while future rates were planned in a manner that ultimately leaves the fund with sufficient net assets in accordance with policy levels.

At the end of the fiscal year, the Wastewater Fund unrestricted net assets decreased \$2.4 million compared to a \$1.3 million decrease during the prior year. In FY 2008, the City budgeted \$1.5 million utilization of net assets to smooth rate increases over a five-year period. Net assets were utilized and acted as a rate stabilizer, while future rates were planned in a manner that ultimately leaves the fund with sufficient net assets in accordance with policy levels.

**City of Lubbock, Texas
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For the Year Ended September 30, 2008**

The WTMPA Fund had an increase in unrestricted net assets of \$0.4 million, compared to an increase in unrestricted net assets of \$0.2 million during the prior fiscal year.

The Storm Water Fund experienced a decrease in unrestricted net assets of \$2.8 million during the fiscal year, compared to a \$0.9 million decrease in the prior fiscal year. In FY 2008, the City budgeted \$1.5 million utilization of net assets. Unrestricted net assets are in excess of policy levels, and will continue to act as a rate stabilizer as debt service expenditures exceed revenues. A rate increase is planned for FY 2009-10 when the unrestricted net assets reach policy levels.

General Fund Budgetary Highlights

The final amended budget expenditures and transfers out increased by \$84,463 over the original budget. The main reason for the increase was related to encumbrances that had lapsed in the prior year that were appropriated in FY 2008.

Revenues and transfers in the General Fund were under budget by \$.2 million. The General Fund ended the fiscal year with expenditures and transfers out of \$.4 million more than budgeted. The City budgets on a basis other than Generally Accepted Accounting Principles (GAAP), with the main difference being that capital lease proceeds and related capital outlay are not budgeted.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2008, totaled \$1.0247 billion net of accumulated depreciation, a \$48.3 million increase over the prior fiscal year's balance of \$951.7 million net of accumulated depreciation. The investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

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

| | Governmental Activities | | Business- type Activities | | Totals | |
|--------------------------------------|----------------------------|------------|---------------------------------|------------|--------------|------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | \$ 9,034 | \$ 9,056 | \$ 33,112 | \$ 31,963 | \$ 42,146 | \$ 41,019 |
| Buildings | 23,141 | 32,029 | 68,150 | 62,459 | 91,291 | 94,488 |
| Improvements other than buildings | 120,298 | 111,293 | 477,402 | 476,269 | 597,700 | 587,562 |
| Machinery and equipment | 17,915 | 20,541 | 81,185 | 76,859 | 99,100 | 97,400 |
| Construction in progress | 66,816 | 40,760 | 127,673 | 90,516 | 194,489 | 131,276 |
| Total | \$ 237,204 | \$ 213,679 | \$ 787,522 | \$ 738,066 | \$ 1,024,726 | \$ 951,745 |

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

- The City spent \$12.4 million on a youth sports complex, and 2 new Little League complexes.
- The City spent \$9.0 million on projects that included street improvements, drainage, curbs, gutters, and other improvements.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008**

- The North Overton Tax Increment Finance reinvestment zone (TIF) spent \$7.9 million on the construction of a conference center.
- The City began construction on the Southeast Water Reclamation Plant. Phase II of the project includes the design and construction of improvements associated to upgrade Plant 4 for biological nutrient removal, filtration, and UV disinfection. Expenditures during the fiscal year totaled \$7.3 million.
- LP&L spent \$6.9 million during FY 2008 for projects such as transformers, overhead and underground electric lines, and substations.
- The South Central and South Lubbock Drainage projects spent \$6.9 million on the first and second phase of the drainage system.
- The Airport continued improvements on the parking lot and runway and started improvements to the terminal building. Expenditures during the fiscal year amounted to \$6.8 million.

At the end of the fiscal year, the City had construction commitments of \$215.3 million. Construction on the Southeast Water Reclamation Plant will continue as the City strives to make wastewater facility improvements. The Water Treatment Plant upgrade, Lake Alan Henry Reservoir construction, Canadian River Municipal Water Authority (CRMWA) projects, and new water lines throughout the City will take a large share of financial resources while the City implements plans for current and future water supplies.

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

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 thousands)**

| | Governmental Activities | | Business- type Activities | | Totals | |
|--------------------------|----------------------------|------------|---------------------------------|------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| General obligation bonds | \$ 199,054 | \$ 160,388 | \$ 457,126 | \$ 352,487 | \$ 656,180 | \$ 512,875 |
| Revenue bonds | - | - | 50,431 | 54,208 | 50,431 | 54,208 |
| Total | \$ 199,054 | \$ 160,388 | \$ 507,557 | \$ 406,695 | \$ 706,611 | \$ 567,083 |

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 \$0.07125, which is significantly below the maximum allowable tax rate.

As of September 30, 2008, the City's total outstanding debt has increased by \$139.5 million, or 24.6% over the prior fiscal year. The increase in outstanding debt is attributed to the issuance of \$169.8 million in debt, offset by the payment of scheduled debt service totaling \$30.3 million.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008

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

- \$11.8 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Taxable Series 2008 were issued to fund construction of a Hotel Conference Center.
- \$52.9 million of Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2008 were issued for improvements and extensions to the City's wastewater system.
- \$2.0 million of General Obligation Bonds, Series 2008 were issued for various public purposes including street improvements.
- \$80.5 million of Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2008 were issued to finance various public improvements including cultural and arts, fire, airport, park, solid waste, drainage, street, electrical, tax increment financing reinvestment zone, water, and wastewater.
- \$22.6 million of Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2008 were issued to finance design and engineering of the Lake Alan Henry Pipeline.

All bonds and certificates issued during the fiscal year were insured in an effort to provide a lower cost of interest expense. It is the City's policy to evaluate each bond issue to determine whether it is economically prudent to purchase bond insurance.

In April 2008, the City received from Standard & Poor's a rating upgrade from "AA" to "AA+". Concurrently, the ratings of "Aa3" and "AA" were confirmed by Moody's Investors Service and Fitch Ratings, Inc., respectively. All three rating agencies characterize the City's rating outlook as stable.

During FY 2008, there were no changes in the ratings for LP&L. The current ratings and corresponding outlooks for LP&L are as follows:

Standard & Poor's, BBB (positive outlook)
Fitch Ratings, BBB+ (stable outlook)
Moody's Investor's Service, A3 (stable outlook)

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

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

- In September 2008, the unemployment rate for the Lubbock area was 4.0%. This is a 0.2% improvement over September of the previous year, and compares favorably to the state's unemployment rate of 5.2% and the national rate of 6.0% for September 2008.
- Taxable retail sales figures reflected a 5.8% increase in FY 2008, compared to FY 2007.
- The number of building permits for new construction decreased from 1,709 during FY 2007 to 1,660 in FY 2008, a 2.9% decline. Building permit values for new construction increased from \$404.0 million in FY 2007 to \$431.9 million in FY 2008, or a 6.9% increase.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2008

- Total occupancy in local hotels and motels improved, and the local occupancy tax totaled nearly \$4.2 million, a 10.5% increase over the prior fiscal year.

The above factors were considered in preparing the City's budget for FY 2009.

- In FY 2009, the City continues to focus on public safety, transportation infrastructure, and the development of future water supplies. The FY 2009 budget focuses on maintaining core services and, at the same time, decreasing the tax rate by \$0.00865 per \$100 valuation.
- The City adopted a tax rate of \$0.44640 in FY 2009. General Fund revenue from property tax is lower than the prior fiscal year by \$498,956 due to a shift of \$0.01975 of the tax rate from General Fund operation and maintenance to debt service and the \$0.00865 reduction in the rate to offset increasing property valuations.
- Sales tax estimates for FY 2009 call for no growth due to the all-time high cost of fuel, natural gas, and corresponding utility rates. Though Lubbock's economy is solid, a conservative approach is financially prudent at this time. Total General Fund revenue projections are \$0.89 million over FY 2008 amounts.
- A resumption of payment in lieu of franchise fees for LP&L will result in a \$5.0 million dollar transfer to the City. The allocation of the payment will be \$3.7 million to the General Fund and \$1.3 million to the Gateway Fund.
- The City's fuel costs are expected to increase \$2.7 million in FY 2009. The increase totals \$1.1 million in the General Fund, \$0.9 million in the Solid Waste Fund, \$0.5 million in the Water and Wastewater Funds, and \$0.2 million in all other funds. Fuel estimates are based on the City's fuel price on June 2, 2008, of \$3.83 per gallon for unleaded and \$4.25 per gallon for diesel.
- In FY 2009, rate increases in Water, Wastewater, and Storm Water are planned. The increases are mainly related to increased debt service requirements, pay-as-you-go funding, and fuel and utility costs. There is no rate increase for Solid Waste, as fund net assets are utilized to offset the increase for FY 2009. The City will continue to implement the strategic water plan focusing on future water supply needs, additional infrastructure to transport water, and facilities maintenance.
- In September 2008, LP&L implemented a 2.0% surcharge to recover costs associated with our provider's new power plant. LP&L also anticipates a rate increase to occur in March 2009.

Requests for Information

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



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2008

City of Lubbock, Texas
Statement of Net Assets
September 30, 2008

| | Primary Government | | | Component Units |
|---------------------------------------------------|----------------------------|-----------------------------|----------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 375,546 | \$ 2,092,480 | \$ 2,468,026 | \$ 5,059,563 |
| Investments | 47,092,702 | 92,621,585 | 139,714,287 | 100,408 |
| Receivables (net of allowance for uncollectibles) | 11,573,206 | 31,880,880 | 43,454,086 | 1,762,016 |
| Internal balance | (99,681) | 99,681 | - | - |
| Due from other governments | 4,480,115 | - | 4,480,115 | - |
| Due from others | 2,509,088 | 1,351,244 | 3,860,332 | - |
| Inventories | 205,454 | 3,342,792 | 3,548,246 | 126,950 |
| Investment in property | 208,213 | - | 208,213 | - |
| Prepaid expenses | 882,298 | 60,261 | 942,559 | 106,308 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | - | 2,562,465 |
| Investments | 88,668,725 | 179,596,581 | 268,265,306 | - |
| Receivables | 178,571 | 154,648 | 333,219 | 5,000,000 |
| Mortgage receivables | 5,612,742 | - | 5,612,742 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Non-depreciable | 75,849,966 | 160,785,542 | 236,635,508 | 17,430,818 |
| Depreciable | 161,353,736 | 626,736,918 | 788,090,654 | 252,020 |
| Deferred charges | - | 2,811,110 | 2,811,110 | - |
| Total assets | <u>398,890,681</u> | <u>1,101,533,722</u> | <u>1,500,424,403</u> | <u>32,400,548</u> |
| LIABILITIES | | | | |
| Accounts payable | 10,088,992 | 20,394,740 | 30,483,732 | 1,148,361 |
| Accrued liabilities | 6,382,994 | 3,279,222 | 9,662,216 | 320,139 |
| Accrued interest payable | 1,432,711 | 3,950,697 | 5,383,408 | - |
| Customer deposits | - | 3,655,481 | 3,655,481 | - |
| Unearned revenue | 2,772,640 | 81,621 | 2,854,261 | 5,264,793 |
| Noncurrent liabilities due within one year: | | | | |
| Compensated absences | 6,806,236 | 2,838,245 | 9,644,481 | - |
| Accrued insurance claims | 1,599,299 | 1,420,757 | 3,020,056 | - |
| Contracts and leases payable | 2,934,588 | 4,164,910 | 7,099,498 | 2,539,123 |
| Bonds payable | 9,478,486 | 26,463,446 | 35,941,932 | - |
| Noncurrent liabilities due in more than one year: | | | | |
| Compensated absences | 11,117,607 | 2,769,439 | 13,887,046 | - |
| Post employment benefits | 2,813,759 | 1,541,761 | 4,355,520 | - |
| Accrued insurance claims | 156,407 | 1,424,922 | 1,581,329 | - |
| Rebatable arbitrage | 570,747 | 571,274 | 1,142,021 | - |
| Landfill closure and postclosure care | - | 3,770,566 | 3,770,566 | - |
| Contracts and leases payable | 9,287,918 | 14,417,486 | 23,705,404 | 6,724,275 |
| Bonds payable | 193,515,885 | 484,252,822 | 677,768,707 | 3,394,000 |
| Total liabilities | <u>258,958,269</u> | <u>574,997,389</u> | <u>833,955,658</u> | <u>19,390,691</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 96,274,734 | 400,552,048 | 496,826,782 | 8,696,339 |
| Restricted for: | | | | |
| Passenger facility charges | - | 2,318,723 | 2,318,723 | - |
| Debt service | 4,676,551 | 18,956,448 | 23,632,999 | - |
| Grant programs | 7,156,393 | - | 7,156,393 | - |
| Primary government agreement | - | - | - | 100,000 |
| Non-expendable perpetual care | 123,462 | - | 123,462 | - |
| Unrestricted | 31,701,272 | 104,709,114 | 136,410,386 | 4,213,518 |
| Total net assets | <u>139,932,412</u> | <u>526,536,333</u> | <u>666,468,745</u> | <u>13,009,857</u> |

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2008

| | Expenses | Program Revenues | | |
|------------------------------------------------|-----------------------|-----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| Administrative services and general government | \$ 12,372,316 | \$ 35,766 | \$ - | \$ 200,289 |
| Community services | 6,874,065 | - | 5,990,797 | - |
| Cultural and recreation | 16,660,378 | 1,589,515 | 692,460 | 1,534,716 |
| Economic and business development | 12,378,335 | 423,747 | - | 7,504,530 |
| Fire | 31,789,223 | 14,420 | - | 126,534 |
| Health | 6,141,386 | 805,601 | 1,667,263 | 24,360 |
| Police | 46,849,826 | 208,621 | 279,984 | 1,136,221 |
| Other public safety | 6,677,751 | 7,307,182 | 601,245 | 101,497 |
| Streets and traffic | 16,357,025 | 2,291,900 | - | 5,293,806 |
| Interest on long-term debt | 8,367,167 | - | - | - |
| Total governmental activities | 164,467,472 | 12,676,752 | 9,231,749 | 15,921,953 |
| Business-type activities: | | | | |
| Electric | 153,108,050 | 161,329,847 | - | - |
| Water | 38,424,263 | 42,527,445 | 198,400 | 1,073,098 |
| Wastewater | 19,000,488 | 21,095,745 | - | 1,030,539 |
| Solid Waste | 16,260,630 | 16,754,438 | - | - |
| Storm Water | 7,676,456 | 6,633,255 | - | - |
| Transit | 11,338,463 | 4,306,204 | 3,231,060 | - |
| Airport | 9,465,392 | 6,793,829 | 1,703,632 | 3,849,200 |
| Civic Centers | 4,098,873 | 717,494 | - | - |
| Cemetery | 722,393 | 335,884 | - | - |
| Total business-type activities | 260,095,008 | 260,494,141 | 5,133,092 | 5,952,837 |
| Total primary government | \$ 424,562,480 | \$ 273,170,893 | \$ 14,364,841 | \$ 21,874,790 |
| Component units: | | | | |
| Civic Lubbock, Inc. | \$ 2,491,456 | \$ 2,018,527 | \$ 512,975 | \$ 30,000 |
| Market Lubbock, Inc. | 5,837,232 | 59,746 | 6,817,752 | - |
| Lubbock Economic Development Alliance | 4,293,560 | - | 6,102,185 | 1,228,495 |
| Vintage Township Public Facilities Corporation | 1,302,311 | - | - | 78,993 |
| Total component units | \$ 13,924,559 | \$ 2,078,273 | \$ 13,432,912 | \$ 1,337,488 |
| General revenues: | | | | |
| Property taxes | | | | |
| Sales taxes | | | | |
| Occupancy taxes | | | | |
| Other taxes | | | | |
| Franchise taxes | | | | |
| Investment earnings | | | | |
| Miscellaneous | | | | |
| Transfers, net | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets - beginning | | | | |
| 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 |
| \$ (12,136,261) | \$ - | \$ (12,136,261) | \$ - |
| (883,268) | | (883,268) | |
| (12,843,687) | - | (12,843,687) | - |
| (4,450,058) | - | (4,450,058) | - |
| (31,648,269) | - | (31,648,269) | - |
| (3,644,162) | - | (3,644,162) | - |
| (45,225,000) | - | (45,225,000) | - |
| 1,332,173 | - | 1,332,173 | - |
| (8,771,319) | - | (8,771,319) | - |
| (8,367,167) | - | (8,367,167) | - |
| <u>(126,637,018)</u> | <u>-</u> | <u>(126,637,018)</u> | <u>-</u> |
| - | 8,221,797 | 8,221,797 | - |
| - | 5,374,680 | 5,374,680 | - |
| - | 3,125,796 | 3,125,796 | - |
| - | 493,808 | 493,808 | - |
| - | (1,043,201) | (1,043,201) | - |
| - | (3,801,199) | (3,801,199) | - |
| - | 2,881,269 | 2,881,269 | - |
| - | (3,381,379) | (3,381,379) | - |
| - | <u>(386,509)</u> | <u>(386,509)</u> | <u>-</u> |
| - | 11,485,062 | 11,485,062 | - |
| <u>(126,637,018)</u> | <u>11,485,062</u> | <u>(115,151,956)</u> | <u>-</u> |
| - | - | - | 70,046 |
| - | - | - | 1,040,266 |
| - | - | - | 3,037,120 |
| - | - | - | <u>(1,223,318)</u> |
| - | - | - | <u>2,924,114</u> |
| 50,330,322 | - | 50,330,322 | - |
| 50,548,865 | - | 50,548,865 | - |
| 4,190,376 | - | 4,190,376 | - |
| 1,180,332 | - | 1,180,332 | - |
| 12,977,686 | - | 12,977,686 | - |
| 5,505,386 | 8,284,058 | 13,789,444 | 28,213 |
| 4,810,900 | 3,806,864 | 8,617,764 | (1,396,145) |
| (4,703,317) | 4,703,317 | - | - |
| <u>124,840,550</u> | <u>16,794,239</u> | <u>141,634,789</u> | <u>(1,367,932)</u> |
| (1,796,468) | 28,279,301 | 26,482,833 | 1,556,182 |
| 141,728,880 | 498,257,032 | 639,985,912 | 11,453,675 |
| <u>\$ 139,932,412</u> | <u>\$ 526,536,333</u> | <u>\$ 666,468,745</u> | <u>\$ 13,009,857</u> |

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2008

| | <u>General Fund</u> | <u>Governmental Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------------------------|----------------------|------------------------------------------|--------------------------------------------|-----------------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 120,449 | \$ 68,267 | \$ 164,560 | \$ 353,276 |
| Investments | 14,747,933 | 8,358,699 | 21,259,261 | 44,365,893 |
| Taxes receivable (net) | 9,711,930 | - | 376,629 | 10,088,559 |
| Accounts receivable (net) | 1,109,105 | - | - | 1,109,105 |
| Interest receivable | 177,748 | 14,078 | 150,733 | 342,559 |
| Due from other funds | 3,266,168 | - | 152,000 | 3,418,168 |
| Due from other governments | - | - | 4,480,115 | 4,480,115 |
| Due from others | 882,879 | - | 1,528,818 | 2,411,697 |
| Investment in property | - | - | 208,213 | 208,213 |
| Inventory | 168,657 | - | - | 168,657 |
| Restricted investments | - | 18,200,686 | 60,975,583 | 79,176,269 |
| Mortgage receivables | - | - | 5,612,742 | 5,612,742 |
| | <u>\$ 30,184,869</u> | <u>\$ 26,641,730</u> | <u>\$ 94,908,654</u> | <u>\$ 151,735,253</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 3,522,540 | \$ 1,233,491 | \$ 4,172,472 | \$ 8,928,503 |
| Due to other funds | - | - | 2,073,164 | 2,073,164 |
| Accrued liabilities | 4,695,067 | 18,633 | 238,782 | 4,952,482 |
| Accrued interest payable | - | - | 191,702 | 191,702 |
| Deferred revenue | 2,004,987 | 455,724 | 2,595,236 | 5,055,947 |
| | <u>10,222,594</u> | <u>1,707,848</u> | <u>9,271,356</u> | <u>21,201,798</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Prepaid items/inventory | 168,657 | - | - | 168,657 |
| Debt service | - | - | 2,104,697 | 2,104,697 |
| Capital projects | - | 24,933,882 | 53,855,061 | 78,788,943 |
| Special revenue - Civic Center facilities | - | - | 650,080 | 650,080 |
| Special revenue - grants | - | - | 7,156,393 | 7,156,393 |
| Perpetual care | - | - | 123,462 | 123,462 |
| Unreserved, designated in special revenue funds | - | - | 21,740,729 | 21,740,729 |
| Unreserved, undesignated reported in: | | | | |
| General fund | 19,793,618 | - | - | 19,793,618 |
| Permanent fund | - | - | 6,876 | 6,876 |
| | <u>19,962,275</u> | <u>24,933,882</u> | <u>85,637,298</u> | <u>130,533,455</u> |
| | <u>\$ 30,184,869</u> | <u>\$ 26,641,730</u> | <u>\$ 94,908,654</u> | <u>\$ 151,735,253</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, 2008

Total fund balance - governmental funds \$ 130,533,455

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. 237,203,702

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 | 10,157,898 |
| Net book value of capital assets | (2,204,710) |
| Capital leases payable | 1,110,125 |
| Compensated absences | 403,091 |
| Post retirement benefits | 129,867 |
| Amounts due from business-type ISFs for amounts undercharged | (1,444,685) |

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 | (199,053,653) |
| Capital leases payable | (12,222,506) |
| Compensated absences | (17,923,843) |
| Post retirement benefits | (2,813,759) |
| Accrued interest on general obligation bonds | (1,237,703) |
| Arbitrage payable | (570,747) |
| Environmental remediation | (1,290,280) |

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. (3,940,718)

Actual City contributions to the firefighter's pension trust fund is greater than the actuarially determined required contribution. This will reduce future funding requirements and is not recognized as an asset at the fund level but is a prepaid expense in the Statement of Net Assets. 813,571

Revenue earned but unavailable in the funds is deferred. 2,283,307

Net assets of governmental activities \$ 139,932,412

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, 2008

| | <u>General Fund</u> | <u>Governmental Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------------------------|----------------------|------------------------------------------|--------------------------------------------|-----------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 85,345,082 | \$ - | \$ 20,971,596 | \$ 106,316,678 |
| Franchise taxes | 7,786,611 | - | 5,191,075 | 12,977,686 |
| Special assessments | - | - | 296,482 | 296,482 |
| Fees and fines | 3,279,911 | - | 521,391 | 3,801,302 |
| Licenses and permits | 2,663,139 | - | - | 2,663,139 |
| Intergovernmental | 530,389 | 215,561 | 16,733,463 | 17,479,413 |
| Charges for services | 3,339,148 | 2,290,160 | 466,131 | 6,095,439 |
| Interest | 1,052,842 | 1,259,842 | 2,375,665 | 4,688,349 |
| Miscellaneous | 2,574,448 | - | 2,393,465 | 4,967,913 |
| Total revenues | <u>106,571,570</u> | <u>3,765,563</u> | <u>48,949,268</u> | <u>159,286,401</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative services and general government | 11,047,039 | 63,697 | - | 11,110,736 |
| Community services | - | - | 6,586,711 | 6,586,711 |
| Cultural and recreation | 12,253,380 | 95,598 | 927,430 | 13,276,408 |
| Economic and business development | 1,215,978 | - | 10,663,287 | 11,879,265 |
| Health | 4,133,917 | - | 1,671,071 | 5,804,988 |
| Fire | 29,630,222 | 45,856 | 57,231 | 29,733,309 |
| Police | 42,831,016 | - | 1,034,256 | 43,865,272 |
| Other public safety | 4,703,249 | - | 1,401,664 | 6,104,913 |
| Streets and traffic | 8,168,462 | 324,850 | - | 8,493,312 |
| Intergovernmental | - | - | 123,852 | 123,852 |
| Debt service: | | | | |
| Principal | 2,069,461 | - | 7,939,868 | 10,009,329 |
| Interest and other charges | 327,144 | 151,047 | 7,854,089 | 8,332,280 |
| Capital outlay | <u>3,966,065</u> | <u>28,357,960</u> | <u>14,359,347</u> | <u>46,683,372</u> |
| Total expenditures | <u>120,345,933</u> | <u>29,039,008</u> | <u>52,618,806</u> | <u>202,003,747</u> |
| Deficiency of revenues under expenditures | <u>(13,774,363)</u> | <u>(25,273,445)</u> | <u>(3,669,538)</u> | <u>(42,717,346)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term debt issued | - | 10,690,376 | 35,914,775 | 46,605,151 |
| Bond premium | - | 625,760 | 1,218,259 | 1,844,019 |
| Capital leases | 3,011,141 | 345,878 | - | 3,357,019 |
| Transfers in | 17,729,361 | 1,019,009 | 7,394,572 | 26,142,942 |
| Transfers out | <u>(6,129,512)</u> | <u>(1,469,423)</u> | <u>(7,277,103)</u> | <u>(14,876,038)</u> |
| Net other financing sources (uses) | <u>14,610,990</u> | <u>11,211,600</u> | <u>37,250,503</u> | <u>63,073,093</u> |
| Net change in fund balances | 836,627 | (14,061,845) | 33,580,965 | 20,355,747 |
| Fund balances - beginning of year | <u>19,125,648</u> | <u>38,995,727</u> | <u>52,056,333</u> | <u>110,177,708</u> |
| Fund balances - end of year | <u>\$ 19,962,275</u> | <u>\$ 24,933,882</u> | <u>\$ 85,637,298</u> | <u>\$ 130,533,455</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, 2008

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Net change in fund balances - total governmental funds | \$ 20,355,747 |
| 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 \$46,683,372 exceeded depreciation of \$16,912,331 in the current period. | 29,771,041 |
| 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 \$46,605,151 exceeded repayments and debt defeasance of \$7,939,868. | (38,665,283) |
| 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 \$3,357,019 exceeded repayments of \$2,069,461. | (1,287,558) |
| Bond premiums are recognized as an other financing source in the governmental funds, but are considered deferred assets on the Statement of Net Assets. Premiums are amortized over the life of the bonds. This is the amount by which bond premium issued of \$1,844,019 exceeded amortization of \$219,225. | (1,624,794) |
| 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 | 105,305 |
| Compensated absences | (640,671) |
| Post retirement benefits | (2,683,892) |
| Environmental remediation | (497,611) |
| 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. | (246,393) |
| Actual City contributions to the firefighter's pension trust fund are greater than the actuarially determined Net Pension Obligation (NPO). This amount is recognized as an expenditure at the fund level but is accrued when overpaid and reduces expenses on the Statement of Activities. | (48,740) |
| 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. | 596,996 |
| 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. | (325,310) |
| The net effect of various miscellaneous transactions involving capital assets. This amount includes \$7,474,000 developer donated streets and parks, less \$13,775,023 equipment transfers out to business-type activities, less \$304,282 sales and trade-in. | (6,605,305) |
| Change in net assets of governmental activities | <u>\$ (1,796,468)</u> |

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2008

Enterprise Funds

| | <u>LP&L</u> | <u>Water</u> | <u>Wastewater</u> | <u>WTMPA</u> |
|-----------------------------------|-----------------------|----------------------|----------------------|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 491,892 | \$ 24,093 | \$ 60,467 | \$ 1,301,168 |
| Investments | 60,227,762 | 2,950,033 | 7,403,649 | 398,645 |
| Accounts receivable | 18,870,298 | 4,998,563 | 2,297,834 | 899,013 |
| Interest receivable | 378,414 | 54,542 | 165,330 | - |
| Due from others | - | 33,901 | 161,958 | - |
| Due from other funds | - | - | - | 9,009,713 |
| Prepaid expenses | - | - | - | - |
| Inventories | 223,661 | 226,079 | - | - |
| Total current assets | <u>80,192,027</u> | <u>8,287,211</u> | <u>10,089,238</u> | <u>11,608,539</u> |
| Noncurrent assets: | | | | |
| Restricted investments | 9,847,790 | 68,831,234 | 65,861,577 | - |
| Restricted interest receivable | - | - | 934 | - |
| Restricted accounts receivable | - | 3,309 | - | - |
| Deferred charges | 2,811,110 | - | - | - |
| | <u>12,658,900</u> | <u>68,834,543</u> | <u>65,862,511</u> | <u>-</u> |
| Capital assets: | | | | |
| Land | 756,714 | 12,724,350 | 12,578,774 | - |
| Construction in progress | 14,207,964 | 27,600,824 | 21,654,174 | - |
| Buildings | 8,054,811 | 22,240,589 | 24,018,814 | - |
| Improvements other than buildings | 199,561,578 | 291,969,454 | 127,470,376 | - |
| Machinery and equipment | 56,974,517 | 34,681,932 | 18,054,744 | - |
| Less accumulated depreciation | <u>(126,673,526)</u> | <u>(104,898,891)</u> | <u>(73,516,931)</u> | <u>-</u> |
| Total capital assets | <u>152,882,058</u> | <u>284,318,258</u> | <u>130,259,951</u> | <u>-</u> |
| Total noncurrent assets | <u>165,540,958</u> | <u>353,152,801</u> | <u>196,122,462</u> | <u>-</u> |
| Total assets | <u>\$ 245,732,985</u> | <u>\$361,440,012</u> | <u>\$206,211,700</u> | <u>\$ 11,608,539</u> |

See accompanying Notes to Basic Financial Statements

Enterprise Funds

| <u>Storm Water</u> | <u>Nonmajor Enterprise Funds</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
|-----------------------|------------------------------------------|-----------------------------------|-----------------------------------|
| \$ 56,878 | \$ 152,745 | \$ 2,087,243 | \$ 27,507 |
| 6,964,191 | 14,036,081 | 91,980,361 | 3,368,033 |
| 825,365 | 3,280,713 | 31,171,786 | - |
| 65,631 | 39,636 | 703,553 | 38,524 |
| - | 1,153,009 | 1,348,868 | 99,767 |
| - | 511,996 | 9,521,709 | - |
| - | 60,261 | 60,261 | 68,727 |
| - | 735,614 | 1,185,354 | 2,194,235 |
| <u>7,912,065</u> | <u>19,970,055</u> | <u>138,059,135</u> | <u>5,796,793</u> |
| 15,278,471 | 12,018,048 | 171,837,120 | 17,251,917 |
| - | 70,787 | 71,721 | 99,817 |
| - | - | 3,309 | 158,372 |
| - | - | 2,811,110 | - |
| <u>15,278,471</u> | <u>12,088,835</u> | <u>174,723,260</u> | <u>17,510,106</u> |
| 283,337 | 6,768,963 | 33,112,138 | 65,343 |
| 50,127,279 | 14,083,163 | 127,673,404 | 180,942 |
| 64,580 | 64,773,414 | 119,152,208 | 1,637,054 |
| 47,834,412 | 125,785,894 | 792,621,714 | 649,868 |
| 4,126,314 | 65,317,750 | 179,155,257 | 9,309,071 |
| <u>(11,614,025)</u> | <u>(148,322,501)</u> | <u>(465,025,874)</u> | <u>(8,803,955)</u> |
| <u>90,821,897</u> | <u>128,406,683</u> | <u>786,688,847</u> | <u>3,038,323</u> |
| <u>106,100,368</u> | <u>140,495,518</u> | <u>961,412,107</u> | <u>20,548,429</u> |
| <u>\$ 114,012,433</u> | <u>\$ 160,465,573</u> | <u>\$ 1,099,471,242</u> | <u>\$ 26,345,222</u> |

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2008

| | Enterprise Funds | | | |
|-------------------------------------------------|-------------------------|-----------------------|----------------------|---------------------|
| | LP&L | Water | Wastewater | WTMPA |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 1,946,626 | \$ 2,402,156 | \$ 2,760,545 | \$ 9,725,988 |
| Accrued liabilities | 1,761,681 | 361,733 | 200,251 | - |
| Accrued interest payable | 1,217,841 | 1,193,544 | 654,239 | - |
| Due to other funds | 9,009,713 | - | - | - |
| Customer deposits | 3,499,752 | 80,340 | - | - |
| Deferred revenue | - | - | - | - |
| Compensated absences | 1,183,514 | 494,183 | 241,390 | - |
| Accrued insurance claims | - | - | - | - |
| Leases payable | 1,067,930 | 675,290 | 473,734 | - |
| Bonds payable | 5,121,977 | 10,350,270 | 6,620,942 | - |
| Total current liabilities | <u>24,809,034</u> | <u>15,557,516</u> | <u>10,951,101</u> | <u>9,725,988</u> |
| Noncurrent liabilities: | | | | |
| Accrued insurance claims | - | - | - | - |
| Rebatable arbitrage | 72,702 | 163,965 | 184,351 | - |
| Landfill closure and post closure care | - | - | - | - |
| Compensated absences | 1,264,172 | 527,861 | 257,841 | - |
| Post employment benefits | 506,873 | 302,778 | 130,082 | - |
| Leases payable | 2,975,882 | 2,583,912 | 1,114,259 | - |
| Bonds payable | 74,699,158 | 189,849,751 | 106,454,669 | - |
| Total noncurrent liabilities | <u>79,518,787</u> | <u>193,428,267</u> | <u>108,141,202</u> | <u>-</u> |
| Total liabilities | <u>104,327,821</u> | <u>208,985,783</u> | <u>119,092,303</u> | <u>9,725,988</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 72,858,231 | 143,586,818 | 76,784,510 | - |
| Restricted for: | | | | |
| Passenger facility charges | - | - | - | - |
| Debt service | 6,006,670 | 6,103,451 | 4,506,302 | - |
| Unrestricted | <u>62,540,263</u> | <u>2,763,960</u> | <u>5,828,585</u> | <u>1,882,551</u> |
| Total net assets | <u>\$ 141,405,164</u> | <u>\$ 152,454,229</u> | <u>\$ 87,119,397</u> | <u>\$ 1,882,551</u> |

Enterprise Funds

| <u>Storm Water</u> | <u>Nonmajor Enterprise Funds</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
|----------------------|------------------------------------------|-----------------------------------|-----------------------------------|
| \$ 619,990 | \$ 2,346,355 | \$ 19,801,660 | \$ 1,753,569 |
| 69,444 | 834,208 | 3,227,317 | 192,137 |
| 574,084 | 310,775 | 3,950,483 | 3,520 |
| - | 1,857,000 | 10,866,713 | - |
| - | 75,389 | 3,655,481 | - |
| - | 81,621 | 81,621 | - |
| 89,428 | 773,453 | 2,781,968 | 209,323 |
| - | - | - | 3,020,056 |
| 76,176 | 1,857,189 | 4,150,319 | 461,361 |
| <u>2,177,520</u> | <u>2,192,737</u> | <u>26,463,446</u> | <u>-</u> |
| <u>3,606,642</u> | <u>10,328,727</u> | <u>74,979,008</u> | <u>5,639,966</u> |
| - | - | - | 1,581,329 |
| 64,050 | 86,206 | 571,274 | - |
| - | 3,770,566 | 3,770,566 | - |
| 95,522 | 563,389 | 2,708,785 | 310,699 |
| 82,021 | 437,986 | 1,459,740 | 211,888 |
| 566,829 | 7,148,115 | 14,388,997 | 691,844 |
| <u>85,216,981</u> | <u>28,032,263</u> | <u>484,252,822</u> | <u>-</u> |
| <u>86,025,403</u> | <u>40,038,525</u> | <u>507,152,184</u> | <u>2,795,760</u> |
| <u>89,632,045</u> | <u>50,367,252</u> | <u>582,131,192</u> | <u>8,435,726</u> |
| - | - | - | - |
| 16,321,372 | 90,210,584 | 399,761,515 | 1,885,118 |
| - | 2,318,723 | 2,318,723 | - |
| 1,741,490 | 598,535 | 18,956,448 | - |
| <u>6,317,526</u> | <u>16,970,479</u> | <u>96,303,364</u> | <u>16,024,378</u> |
| <u>\$ 24,380,388</u> | <u>\$ 110,098,321</u> | <u>\$ 517,340,050</u> | <u>\$ 17,909,496</u> |



Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2008

City of Lubbock, Texas
Reconciliation of the Statement of Net Assets - Proprietary Funds
To the Statement of Net Assets
September 30, 2008

Total net assets - proprietary funds \$ 517,340,050

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 7,751,598

Amounts due to governmental ISFs for amounts overcharged 1,444,685

Net assets of business-type activities \$ 526,536,333

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, 2008

| | Enterprise Funds | | | |
|--------------------------------------------------|-------------------------|-----------------------|---------------------|---------------------|
| | LP&L | Water | Wastewater | WTMPA |
| OPERATING REVENUES | | | | |
| Charges for services (net) | \$ 153,071,017 | \$ 42,527,445 | \$21,095,745 | \$ 121,111,798 |
| Miscellaneous | - | - | - | - |
| Total operating revenues | <u>153,071,017</u> | <u>42,527,445</u> | <u>21,095,745</u> | <u>121,111,798</u> |
| OPERATING EXPENSES | | | | |
| Personal services | 12,305,453 | 7,793,454 | 4,120,422 | - |
| Insurance | - | - | - | - |
| Supplies | 1,196,956 | 1,674,784 | 1,028,572 | - |
| Materials | - | - | - | - |
| Maintenance | 1,841,172 | 2,309,434 | 1,290,050 | - |
| Purchase of fuel and power | 112,852,968 | - | - | 121,005,410 |
| Collection expense | - | 1,742,590 | 1,074,669 | - |
| Other services and charges | 3,819,293 | 10,023,600 | 4,191,443 | 563,666 |
| Depreciation and amortization | 9,732,413 | 8,387,182 | 5,432,048 | - |
| Total operating expenses | <u>141,748,255</u> | <u>31,931,044</u> | <u>17,137,204</u> | <u>121,569,076</u> |
| Operating income (loss) | <u>11,322,762</u> | <u>10,596,401</u> | <u>3,958,541</u> | <u>(457,278)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest earnings | 2,765,622 | 1,648,913 | 1,837,589 | 12,628 |
| Passenger facility charges/Federal grants | - | 198,400 | - | - |
| Disposition of assets | 284,272 | (61,505) | 9,393 | - |
| Miscellaneous | 2,316,917 | 338,045 | 107,762 | 200,000 |
| Interest expense | <u>(3,352,470)</u> | <u>(6,683,456)</u> | <u>(2,022,380)</u> | <u>-</u> |
| Net nonoperating revenues (expenses) | <u>2,014,341</u> | <u>(4,559,603)</u> | <u>(67,636)</u> | <u>212,628</u> |
| Income (loss) before contributions and transfers | 13,337,103 | 6,036,798 | 3,890,905 | (244,650) |
| Capital contributions | 175,075 | 1,713,804 | 1,672,990 | - |
| Transfers in | 2,186,447 | 409,574 | 30,344 | 613,612 |
| Transfers out | <u>(2,409,997)</u> | <u>(6,386,649)</u> | <u>(3,094,350)</u> | <u>-</u> |
| Change in net assets | 13,288,628 | 1,773,527 | 2,499,889 | 368,962 |
| Total net assets - beginning of year | <u>128,116,536</u> | <u>150,680,702</u> | <u>84,619,508</u> | <u>1,513,589</u> |
| Total net assets - ending | <u>\$ 141,405,164</u> | <u>\$ 152,454,229</u> | <u>\$87,119,397</u> | <u>\$ 1,882,551</u> |

See accompanying Notes to Basic Financial Statements.

Enterprise Funds

| <u>Storm Water</u> | <u>Nonmajor Enterprise Funds</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
|----------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| \$ 6,633,255 | \$ 28,907,849 | \$ 373,347,109 | \$ 47,945,658 |
| - | 125,486 | 125,486 | - |
| <u>6,633,255</u> | <u>29,033,335</u> | <u>373,472,595</u> | <u>47,945,658</u> |
| 1,594,511 | 15,606,457 | 41,420,297 | 4,797,207 |
| - | - | - | 23,776,560 |
| 130,597 | 4,153,794 | 8,184,703 | 109,978 |
| - | - | - | 11,430,974 |
| 254,116 | 3,906,332 | 9,601,104 | 2,110,429 |
| - | - | 233,858,378 | - |
| 629,302 | 694,832 | 4,141,393 | - |
| 1,729,228 | 6,221,917 | 26,549,147 | 2,518,552 |
| 1,274,719 | 10,780,827 | 35,607,189 | 323,558 |
| <u>5,612,473</u> | <u>41,364,159</u> | <u>359,362,211</u> | <u>45,067,258</u> |
| <u>1,020,782</u> | <u>(12,330,824)</u> | <u>14,110,384</u> | <u>2,878,400</u> |
| 950,337 | 712,799 | 7,927,888 | 1,173,207 |
| - | 4,934,692 | 5,133,092 | - |
| 1,566 | 15,537 | 249,263 | (40,770) |
| - | 775,173 | 3,737,897 | 133,580 |
| <u>(2,107,878)</u> | <u>(885,538)</u> | <u>(15,051,722)</u> | <u>(36,167)</u> |
| <u>(1,155,975)</u> | <u>5,552,663</u> | <u>1,996,418</u> | <u>1,229,850</u> |
| (135,193) | (6,778,161) | 16,106,802 | 4,108,250 |
| - | 16,165,991 | 19,727,860 | 200,289 |
| - | 4,519,160 | 7,759,137 | 320,880 |
| <u>(1,066,358)</u> | <u>(3,876,215)</u> | <u>(16,833,569)</u> | <u>(2,513,352)</u> |
| <u>(1,201,551)</u> | <u>10,030,775</u> | <u>26,760,230</u> | <u>2,116,067</u> |
| <u>25,581,939</u> | <u>100,067,546</u> | <u>490,579,820</u> | <u>15,793,429</u> |
| <u>\$ 24,380,388</u> | <u>\$ 110,098,321</u> | <u>\$ 517,340,050</u> | <u>\$ 17,909,496</u> |



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2008

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, 2008

Net change in fund net assets - total enterprise funds \$ 26,760,230

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.

1,519,071

Change in net assets of business-type activities

\$ 28,279,301

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008

| | Enterprise Funds | | | |
|-------------------------------------------------------------------------------------------------------|-------------------------|----------------------|----------------------|---------------------|
| | <u>LP&L</u> | <u>Water</u> | <u>Wastewater</u> | <u>WTMPA</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 150,857,330 | \$ 42,426,063 | \$ 21,147,248 | \$ 120,812,497 |
| Payments to suppliers | (117,607,449) | (14,685,716) | (5,836,312) | (121,459,026) |
| Payments to employees | (12,570,948) | (8,155,187) | (4,320,673) | - |
| Other receipts | 2,601,189 | 536,445 | 107,762 | 200,000 |
| Net cash provided (used) by operating activities | <u>23,280,122</u> | <u>20,121,605</u> | <u>11,098,025</u> | <u>(446,529)</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Transfers in from other funds | 2,186,447 | 409,574 | 30,344 | 613,612 |
| Transfers out to other funds | (2,409,997) | (6,386,649) | (3,094,350) | - |
| Short-term interfund borrowings | - | - | (43,662) | - |
| Payments received on advances from other funds | - | - | - | - |
| Net cash provided (used) by noncapital and related financing activities | <u>(223,550)</u> | <u>(5,977,075)</u> | <u>(3,107,668)</u> | <u>613,612</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | (16,023,497) | (12,924,246) | (14,005,819) | - |
| Sale of capital assets | 540,244 | 2,873 | 9,393 | - |
| Principal paid on capital leases | (789,245) | (391,881) | (364,072) | - |
| Principal paid on bonds and other debt | (5,855,576) | (8,673,559) | (4,814,663) | - |
| Bond issuance cost paid | (125,866) | (364,615) | (761,278) | - |
| Interest paid on revenue bonds | (899,060) | (2,928,491) | (187,546) | - |
| Interest paid on bonds and other debt | (2,523,574) | (4,875,957) | (1,725,452) | - |
| Issuance of revenue and G.O. bonds | 7,041,314 | 43,534,276 | 59,949,300 | - |
| Issuance of capital leases | 1,239,763 | 1,868,123 | 586,738 | - |
| Passenger facility charges/capital grants | - | - | - | - |
| Rebatable arbitrage | 509 | 2,419 | 869 | - |
| Net cash provided (used) for capital and related financing activities | <u>(17,394,988)</u> | <u>15,248,942</u> | <u>38,687,470</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from sales and maturities of investments | 52,768,247 | 35,479,002 | 19,541,109 | - |
| Purchase of investments | (61,380,798) | (66,626,779) | (68,004,177) | (12,682) |
| Interest earnings on cash and investments | 2,765,622 | 1,652,960 | 1,731,838 | 12,682 |
| Net cash provided (used) for investing activities | <u>(5,846,929)</u> | <u>(29,494,817)</u> | <u>(46,731,230)</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (185,345) | (101,345) | (53,403) | 167,083 |
| Cash and cash equivalents - beginning of year | 677,237 | 125,438 | 113,870 | 1,134,085 |
| Cash and cash equivalents - end of year | <u>\$ 491,892</u> | <u>\$ 24,093</u> | <u>\$ 60,467</u> | <u>\$ 1,301,168</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 11,322,762 | \$ 10,596,401 | \$ 3,958,541 | \$ (457,278) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 9,732,413 | 8,387,182 | 5,432,048 | - |
| Other income (expense) | 2,601,189 | 536,445 | 107,762 | 200,000 |
| Change in current assets and liabilities: | | | | |
| Accounts receivable | (2,213,687) | (101,382) | 51,503 | (180,057) |
| Inventory | 5,802 | (4,649) | - | - |
| Due from other governments | - | (187) | - | - |
| Accounts payable | 869,426 | 330,877 | 1,398,846 | 110,051 |
| Due to/from other funds | 119,245 | - | - | (119,245) |
| Other accrued expenses | 74,823 | 82,258 | 24,552 | - |
| Customer deposits | 296,268 | 18,025 | - | - |
| Change in compensated absences and retirement benefits | 471,881 | 276,635 | 124,773 | - |
| Net cash provided (used) by operating activities | <u>\$ 23,280,122</u> | <u>\$ 20,121,605</u> | <u>\$ 11,098,025</u> | <u>\$ (446,529)</u> |
| Supplemental cash flow information: | | | | |
| Noncash capital contributions and other charges | \$ 175,075 | \$ 1,713,804 | \$ 1,672,990 | \$ - |

See accompanying Notes to Basic Financial Statements.

| Enterprise Funds | | | |
|-------------------------|------------------------------------------|----------------------|---------------------------------------|
| Storm Water | Nonmajor Enterprise Funds | Totals | Internal Service Funds |
| \$ 6,567,486 | \$ 29,072,631 | \$ 370,883,255 | \$ 47,914,017 |
| (3,024,665) | (8,973,720) | (271,586,888) | (41,212,271) |
| (1,663,955) | (15,994,690) | (42,705,453) | (4,585,319) |
| - | 905,910 | 4,351,306 | 133,580 |
| <u>1,878,866</u> | <u>5,010,131</u> | <u>60,942,220</u> | <u>2,250,007</u> |
| - | 4,519,160 | 7,759,137 | 320,880 |
| (1,066,358) | (3,876,215) | (16,833,569) | (2,513,352) |
| - | (2,659,996) | (2,703,658) | 24,357 |
| - | 1,100,000 | 1,100,000 | - |
| <u>(1,066,358)</u> | <u>(917,051)</u> | <u>(10,678,090)</u> | <u>(2,168,115)</u> |
| (9,390,965) | (14,652,034) | (66,996,561) | (488,984) |
| 1,566 | 1,374,442 | 1,928,518 | 23,698 |
| (38,175) | (1,161,526) | (2,744,899) | (422,409) |
| (1,952,507) | (1,157,563) | (22,453,868) | - |
| (98,928) | (147,515) | (1,498,202) | - |
| (1,958,798) | - | (5,973,895) | - |
| - | (820,474) | (9,945,457) | (34,708) |
| 7,434,060 | 11,085,260 | 129,044,210 | 426,360 |
| 417,060 | 4,161,619 | 8,273,303 | - |
| - | 4,934,692 | 4,934,692 | - |
| 1,738 | 724 | 6,259 | - |
| <u>(5,584,949)</u> | <u>3,617,625</u> | <u>34,574,100</u> | <u>(496,043)</u> |
| 24,395,925 | 15,777,259 | 147,961,542 | 12,971,953 |
| (20,645,455) | (24,183,226) | (240,853,117) | (13,778,695) |
| 938,913 | 700,199 | 7,802,214 | 1,168,728 |
| <u>4,689,383</u> | <u>(7,705,768)</u> | <u>(85,089,361)</u> | <u>361,986</u> |
| (83,058) | 4,937 | (251,131) | (52,165) |
| 139,936 | 147,808 | 2,338,374 | 79,672 |
| <u>\$ 56,878</u> | <u>\$ 152,745</u> | <u>\$ 2,087,243</u> | <u>\$ 27,507</u> |
| \$ 1,020,782 | \$ (12,330,824) | \$ 14,110,384 | \$ 2,878,400 |
| 1,274,719 | 10,780,827 | 35,607,189 | 323,558 |
| - | 775,173 | 4,220,569 | 133,580 |
| (65,769) | 39,296 | (2,470,096) | (31,152) |
| - | (89,814) | (88,661) | (171,614) |
| - | 2,820,448 | 2,820,261 | - |
| (533,492) | 965,590 | 3,141,298 | (720,721) |
| - | 1,147,080 | 1,147,080 | (488) |
| 24,876 | 152,893 | 359,402 | (378,409) |
| - | 68,017 | 382,310 | - |
| 157,750 | 741,706 | 1,772,745 | 216,853 |
| <u>\$ 1,878,866</u> | <u>\$ 5,010,131</u> | <u>\$ 60,942,220</u> | <u>\$ 2,250,007</u> |
| \$ - | \$ 16,165,991 | \$ 19,727,860 | \$ - |



Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2008

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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 119.9 square miles and serves a population approximating 215,000. 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, airport and other infrastructure; and sanitation services. The City also provides utilities for electricity, water, wastewater, and storm water 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 includes 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, 2008

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 primary government financial reporting entity using the blended method because, although it is legally separate, the URA is an arm of the City. The URA is governed by State law and was formed to help eliminate slum and blight within the City. The URA board oversees acquisition and disposition of real property and also designates and approves Urban Renewal Plans. The URA Board is composed of nine members appointed 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 participating city. One member is elected as the president who presides over monthly meetings. Directors serve without compensation. WTMPA has no employees and instead contracts for services to meet its general operating needs. WTMPA may engage in the business of generation, transmission, sale, and exchange of electric energy to the four participating public entities: Lubbock, Tulia, Brownfield, and Floydada. WTMPA may also participate in power pooling and power exchange agreements with other entities. WTMPA provides electricity to its four member cities with the City having a 92.7% 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 92.7% of the electricity brokered, WTMPA provides services almost exclusively to the City and is therefore presented as a blended enterprise fund. Separate audited financial statements may be obtained through the City.

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 reviews and accepts the annual budget. Separate audited financial statements for Civic Lubbock may be obtained from Civic Lubbock, Inc. at 1501 6th Street, Lubbock, Texas.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

The Vintage Township Public Facilities Corporation is a legally separate entity that was formed on January 12, 2007 by the City Council to assist the City in financing, refinancing, providing or otherwise assisting in the acquisition, construction and maintenance of certain public facilities benefiting the Vintage Township Public Improvement District. The three-member board is appointed by the City Council. City Council reviews and accepts the annual budget. Separate audited financial statements are not available.

RELATED ORGANIZATIONS

The City Council is responsible for appointing the board members of other organizations and the City's accountability for these organizations does not extend beyond 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** is a legally separate entity. The Mayor appoints the five-member board.

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

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

The **North and East Lubbock Community Development Corporation (CDC)** was incorporated in February 2004 to effectuate change in North and East Lubbock. The North and East Lubbock CDC is a local entity that drives social change and promotes autonomy and empowerment by increasing the supply of quality and affordable housing, generating economic activity, and coordinating the efficient delivery of social services.

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

The **Lubbock Fire Pension Fund (LFPPF)** operates under provisions of the Texas Local Fire Fighters' Retirement Act for purposes of providing retirement benefits for the City's firefighters. The Mayor's designee, the Chief Financial Officer, three firefighters elected by active firefighters and two at-large members elected by the LFPPF Board, govern its affairs. The Pension Fund is funded by contributions from the firefighters and City matching contributions. As provided by enabling legislation, the City's

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

responsibility to the LPPF is limited to matching bi-weekly contributions made by the members. Title to assets is vested in the LPPF and not the City. The Texas State Pension Review Board is mandated to oversee all Texas public retirement systems in regard to their actuarial soundness and compliance with state law and the City cannot significantly influence its operations. Separate audited financial statements may be obtained from the LPPF or from the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Government-Wide Financial Statements (GWFS) (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its blended component 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. 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Fund Financial Statements (FFS) for governmental and proprietary funds are also part of the BFS. The focus of the FFS is on major funds, as defined by GASB Statement No. 34. GASB Statement No. 34 sets forth minimum criteria for 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Because the enterprise funds are combined into a single business-type activities column on the GWFS, certain interfund activities between these funds are eliminated in the consolidation for the GWFS, but are included in the fund columns in the proprietary FFS. The effect of interfund activity has been eliminated from the GWFS. For instance, 92.7% of the operations of WTMPA representing transactions between WTMPA and Lubbock Power & Light (LP&L) have been eliminated for the GWFS presentation and for the electric business-type activities (BTA). Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental FFS are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is necessary (1) to demonstrate legal and covenant compliance, (2) to demonstrate the sources and uses of liquid resources, and (3) to demonstrate how the City's actual revenues and expenditures conform to the annual budget. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available, generally, if they are collected within 45 days of the end of the current fiscal period. The City considers the grant availability period to be one year for revenue recognition. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when the liability has matured. Because the governmental FFS are presented on a different basis of accounting than the GWFS,

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fund Accounting

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

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

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

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

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

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

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

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

The **WTMPA Fund** accounts for the activities of power generation and power brokering to member cities. Member cities include Lubbock with 92.7% ownership, and Tulia, Brownfield, and Floydada comprising the remaining 7.3% ownership.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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).

The **Permanent Fund** is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the City and its citizens. The Cemetery Permanent Care Fund accounts for interest earned on principal funds and authorized disbursements for cemetery maintenance and improvements.

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 (Transit Fund), Solid Waste, Cemetery, and Civic Centers.

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, Print Shop and Warehouse Fund, Information Technology Fund, Risk Management, Health Benefits, and Investment Pool).

D. BUDGETARY ACCOUNTING

The City Manager submits a proposed operating budget and capital program to the City Council annually for the upcoming fiscal year. Public hearings are conducted to obtain citizen 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY ACCOUNTING (Continued)

a basis other than GAAP for the General Fund, with the main difference being that capital lease proceeds and related capital outlay are not budgeted. Budgetary control is maintained at the department level in the following expenditure categories: personnel services, supplies, other charges, and capital outlay. Management may make administrative transfers and increases or decreases between accounts below the department level without Council approval. However, any transfer of funds between departments, the legal level of control, shall be presented to Council for approval by ordinance before such funds can be transferred between departments or expended. All annual operating appropriations lapse at the end of the fiscal year. Capital 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 and Certificates of Obligation Debt Service) which, with cash and investments in the fund, is sufficient to pay all debt service due during the fiscal year.

E. ENCUMBRANCES

At the end of the fiscal year, encumbrances for goods and services that have not been received are canceled. At the beginning of the next fiscal year, management reviews all open encumbrances. On October 1, 2008, 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. These investments present an insignificant risk of change in value due to changes in interest rates.

Investments - Investments include securities in the Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, U S Treasury Notes, and Farm Credit Notes. 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. Restricted investments also include funds that have been restricted by bond covenants for debt service requirements and for passenger facility charges.

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

At the GWFS level, property tax revenue is recognized upon levy. In governmental funds, the City records property taxes receivable upon levy and defers tax revenue until the taxes are collected or available. For each fiscal year, the City recognizes revenue in the amount of taxes collected during the year plus an estimate of

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

taxes to be collected in the subsequent 45 days. The City allocates property tax revenue between the General, certain Special Revenue, and Debt Service Funds based on tax rates adopted for the year of levy. The Lubbock Central Appraisal District assesses property values, bills, collects, and remits the property taxes to the City. The City adjusts the allowance for uncollectible taxes and deferred tax revenue at fiscal year end based upon historical collection experience. To write off property taxes receivable, the City eliminates the receivable and reduces the allowance for uncollectible accounts.

Enterprise Funds Receivables - Within the LP&L, Water, Wastewater, Storm Water, and WTMPA Enterprise Funds, services rendered but not billed as of the close of the fiscal year are accrued 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 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 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 FASB Statement No. 34 Capitalization of Interest Cost and FASB Statement No. 62 Capitalization of Interest Costs. The City capitalized interest of approximately \$4,190,000 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, 2008

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Restricted Net Assets - Certain enterprise fund and governmental activities assets are restricted for debt and federal requirements; 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 indenture requirements and passenger facility charges.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements 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 City-wide six-month rolling average monthly balance in pooled cash and investments. Bond Funds and other separate nonpooled cash are distributed to the fund where the cash and investment is recorded.

Sales Tax Revenue for the City results from an allocation of 1.5% 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 Friday following the second Wednesday of the 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 1/4 days per month with a maximum accrual status of 200 days. After 15 years of continuous full time service for non-civil service personnel, vested sick leave is paid on retirement or termination at the current hourly rate for up to 90 days. Upon retirement or termination, Police Civil Service Personnel are paid for up to 90 days accrued sick leave after one year of employment. Firefighter Civil Service Personnel are paid for up to 90 days of accrued sick leave upon retirement or

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. REVENUES, EXPENSES AND EXPENDITURES (Continued)

termination. The Texas Civil Service laws dictate certain benefits and personnel policies above and beyond those policies of the City.

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

Post Employment Benefits for retirees of the City include the option to purchase health and life insurance benefits at a subsidized premium. 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 \$2.3 million for FY 2008. These contributions are included in the amount of insurance expense reflected in the financial activity reported in the Health Benefits Internal Service Fund.

H. NEW PRONCEMENTS

The City will implement the following new financial accounting and reporting standards issued by the GASB.

- Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The requirements of this statement are effective for FY 2009, but the effect of implementing the statement is unknown.
- Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." The requirements of this statement are effective for FY 2010, but the effect of implementing the statement is unknown.

I. CHANGE IN ACCOUNTING PRINCIPLES

Effective October 1, 2007, the City implemented the following new financial accounting and reporting standards issued by GASB:

- Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. Statement No. 45 establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans, improves the relevance and usefulness of financial reporting, and supersedes portions of statements No. 12 and 27. The financial impact of the implementation on the City during the year is discussed in Note III. F.
- Statement No. 50, Pension Disclosures. Statement No. 50 amends the note disclosure and required supplementary information standards of Statements No. 25 and 27. The pension footnote disclosure is discussed in Note III. E.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. RESTRICTED NET ASSETS

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. GENERAL FUND BUDGET COMPARISON

The General Fund FY 2008 amended budgeted expenditures and transfers out were \$122,506,503 and actual expenditures and transfers out were \$122,874,160, a difference of \$367,657.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

On September 30, 2008, the bank balance of the City's deposits was \$3,018,670. All of the bank balances are covered by federal depository insurance or are fully collateralized. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas Public Funds Investment Act.

State law requires 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.

At September 30, 2008, bank balances were exposed to custodial credit risk as follows:

| | |
|---------------------------------------------------------------------------------------------------------------------------|---------------------|
| Insured | \$ 750,000 |
| Uninsured and uncollateralized | - |
| Uninsured and collateral held by pledging financial institution | 2,268,670 |
| Uninsured and collateral held by pledging financial institution's trust department or agent in other than the City's name | - |
| | <u>\$ 3,018,670</u> |

Investments

At September 30, 2008, the City had the following investments and maturities:

| Type | September 30, 2008 | | |
|----------------------------------------|----------------------|----------------------|---------------------|
| | Fair Value | Maturities in Years | |
| | | Less Than 1 | 1-5 |
| Money Markets | \$ 21,520,865 | \$ 21,520,865 | \$ - |
| Federal Home Loan Banks | 72,100,888 | 37,685,274 | 34,415,614 |
| Federal Home Loan Mortgage Corporation | 22,026,380 | 9,011,960 | 13,014,420 |
| Federal National Mortgage Association | 9,240,630 | 5,035,630 | 4,205,000 |
| Farm Credit Note | 15,012,510 | 6,987,510 | 8,025,000 |
| U S Treasury Note | 150,797 | 150,797 | - |
| State Investment Pools * | <u>267,927,523</u> | <u>267,927,523</u> | <u>-</u> |
| | <u>\$407,979,593</u> | <u>\$348,319,559</u> | <u>\$59,660,034</u> |

*State Investment Pools are considered investments for financial reporting.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

A. DEPOSITS AND INVESTMENTS (Continued)

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

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's policy allows investment in direct obligations of and other obligations guaranteed as to principal of the U.S. Treasury and U.S. agencies and instrumentalities with the exception of mortgage backed securities. It allows 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, 2008, 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 Aaa by Moody's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102% of the market value. FFCB, 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 and Investment 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. As of September 30, 2008, the City's investments constituted the following percentages of total investments:

| <u>Investment</u> | <u>Percentage</u> |
|------------------------|-------------------|
| State Investment Pools | 65.67 |
| FHLB | 17.67 |
| FHLMC | 5.40 |
| Money Markets | 5.28 |
| FFCB | 3.68 |
| FNMA | 2.26 |
| U.S. Treasury | 0.04 |

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

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, 2008 the City had \$12,938,877 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 | \$ 1,409 | \$ 152 | \$ - | \$ 512 | \$ 2,073 |
| Proprietary Funds: | | | | | |
| LP&L | - | - | 9,009 | - | 9,009 |
| Nonmajor Enterprise | 1,857 | - | - | - | 1,857 |
| Totals | \$ 3,266 | \$ 152 | \$ 9,009 | \$ 512 | \$ 12,939 |

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

B. INTERFUND TRANSACTIONS (Continued)

| Interfund Transfers In: (Thousands) | Funds | | | Proprietary Funds | | | | | | Totals |
|----------------------------------------|----------|------------------|------------------|-------------------|----------|-----------------|-----------------|------------------------|---------------------|-----------|
| | General | Govt. Capital | Nonmajor Govt | Electric | Water | Waste- water | Storm- water | Nonmajor Enterprise | Internal Service | |
| Governmental Funds: | | | | | | | | | | |
| General Fund | \$ - | \$ - | \$ 315 | \$ 1,796 | \$ 5,987 | \$ 2,894 | \$ 1,066 | \$ 3,624 | \$ 2,047 | \$ 17,729 |
| Govt. Capital Projects | 759 | 25 | - | - | - | - | - | 125 | 110 | 1,019 |
| Nonmajor Governmental | 221 | 1,444 | 5,729 | - | - | - | - | - | - | 7,394 |
| Proprietary Funds: | | | | | | | | | | |
| LP&L | 1,013 | - | 574 | - | 400 | 200 | - | - | - | 2,187 |
| Water | - | - | 282 | - | - | - | - | 128 | - | 410 |
| Wastewater | - | - | 30 | - | - | - | - | - | - | 30 |
| WTMPA | - | - | - | 614 | - | - | - | - | - | 614 |
| Nonmajor Enterprise | 4,137 | - | 347 | - | - | - | - | - | 35 | 4,519 |
| Internal Service | - | - | - | - | - | - | - | - | 321 | 321 |
| Totals | \$ 6,130 | \$ 1,469 | \$ 7,277 | \$ 2,410 | \$ 6,387 | \$ 3,094 | \$ 1,066 | \$ 3,877 | \$ 2,513 | \$ 34,223 |

Net transfers on the GWFS amounted to \$4,703,317 from governmental activities to business-type activities. In FY 2008 the Civic Centers Enterprise Fund was created and \$12,299,692 in capital assets net of long-term liability was contributed from governmental funds to the Civic Center Enterprise Fund. This was netted against transfers of indirect cost allocations and PILOT transfers from business-type activities to governmental activities.

C. DEFERRED CHARGES

The total deferred charge of \$2,811,110 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

Primary Government:
Governmental Activities

| | Beginning Balance | Increases | Decreases | Ending Balances |
|---------------------------------------------|------------------------------|----------------------|----------------------|----------------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 9,056,284 | \$ 1,216,338 | \$ 1,238,454 | \$ 9,034,168 |
| Construction in Progress | 40,759,945 | 42,767,016 | 16,711,163 | 66,815,798 |
| Total Capital Assets Not Depreciated | <u>49,816,229</u> | <u>43,983,354</u> | <u>17,949,617</u> | <u>75,849,966</u> |
| Capital Assets Depreciated: | | | | |
| Buildings | 65,604,748 | 148,293 | 21,352,638 | 44,400,403 |
| Improvements Other than Buildings | 231,108,317 | 19,979,475 | 4,264,979 | 246,822,813 |
| Machinery and Equipment | 68,762,656 | 7,807,656 | 12,382,438 | 64,187,874 |
| Total Capital Assets Depreciated | <u>365,475,721</u> | <u>27,935,424</u> | <u>38,000,055</u> | <u>355,411,090</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 33,575,928 | 1,784,067 | 14,100,591 | 21,259,404 |
| Improvements Other than Buildings | 119,815,172 | 9,505,742 | 2,795,500 | 126,525,414 |
| Machinery and Equipment | 48,221,912 | 6,667,058 | 8,616,434 | 46,272,536 |
| Total Accumulated Depreciation | <u>201,613,012</u> | <u>17,956,867</u> | <u>25,512,525</u> | <u>194,057,354</u> |
| Total Capital Assets Depreciated, Net | <u>163,862,709</u> | <u>9,978,557</u> | <u>12,487,530</u> | <u>161,353,736</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 213,678,938</u> | <u>\$ 53,961,911</u> | <u>\$ 30,437,147</u> | <u>\$ 237,203,702</u> |

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

Governmental activities:

| | |
|-------------------------------------------------------------------|----------------------|
| Administrative Services and General Government | \$ 524,279 |
| Community Services | 138,044 |
| Cultural and Recreation Services | 3,245,553 |
| Economic and Business Development | 481,235 |
| Fire | 1,359,866 |
| Health | 313,159 |
| Other Public Safety | 532,832 |
| Police | 2,545,551 |
| Streets and Traffic | 7,771,812 |
| Internal Service Funds | 265,779 |
| Total depreciation expense - governmental activities | <u>17,178,110</u> |
| Transfer in to accumulated depreciation - governmental activities | 778,757 |
| Increase in accumulated depreciation - governmental activities | <u>\$ 17,956,867</u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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 | \$ 31,962,807 | \$ 1,238,453 | \$ 89,122 | \$ 33,112,138 |
| Construction in Progress | 90,515,665 | 61,225,550 | 24,067,811 | 127,673,404 |
| Total Capital Assets Not Depreciated | <u>122,478,472</u> | <u>62,464,003</u> | <u>24,156,933</u> | <u>160,785,542</u> |
| Capital Assets Depreciated: | | | | |
| Buildings | 98,005,752 | 22,755,074 | - | 120,760,826 |
| Improvements Other than Buildings | 769,665,416 | 25,525,413 | 2,569,115 | 792,621,714 |
| Machinery and Equipment | 166,693,910 | 19,712,468 | 6,447,317 | 179,959,061 |
| Total Capital Assets Depreciated | <u>1,034,365,078</u> | <u>67,992,955</u> | <u>9,016,432</u> | <u>1,093,341,601</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 35,546,976 | 17,063,888 | - | 52,610,864 |
| Improvements Other than Buildings | 293,396,223 | 22,518,048 | 694,486 | 315,219,785 |
| Machinery and Equipment | 89,834,350 | 15,183,983 | 6,244,299 | 98,774,034 |
| Total Accumulated Depreciation | <u>418,777,549</u> | <u>54,765,919</u> | <u>6,938,785</u> | <u>466,604,683</u> |
| Total Capital Assets Depreciated, Net | <u>615,587,529</u> | <u>13,227,036</u> | <u>2,077,647</u> | <u>626,736,918</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 738,066,001</u> | <u>\$ 75,691,039</u> | <u>\$ 26,234,580</u> | <u>\$ 787,522,460</u> |

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

| | |
|--------------------------------------------------------------------|----------------------|
| Business-Type Activities: | |
| LP&L | \$ 9,599,079 |
| Water | 8,387,182 |
| Wastewater | 5,432,048 |
| Stormwater | 1,274,719 |
| Solid Waste | 4,233,675 |
| Airport | 4,205,461 |
| Transit | 1,509,962 |
| Civic Centers | 813,674 |
| Cemetery | 18,055 |
| Internal Service | 57,779 |
| Total depreciation expense - business-type activities | <u>35,531,634</u> |
| Transfer in to accumulated depreciation - business-type activities | 19,234,285 |
| Increase in accumulated depreciation - business-type activities | <u>\$ 54,765,919</u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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. Water Projects include the acquisition of the right-of-way necessary for the construction of a pipeline to transport water from the Lake Alan Henry reservoir to the City. Another project related to bringing Lake Alan Henry online are costs associated with the final design of an intake pump station, a 65 mile transmission line, transmission pump stations, and a 24 million gallon per day water treatment plant.

Wastewater projects include the design and construction for plant improvements to the Southeast Water Reclamation Plant. These improvements will produce stream quality effluent to be discharged into the North Fork of the Double Mountain Fork of the Brazos River for potential reuse.

Construction of Fire Station #17 has begun. This new fire station will maintain the current service level of our fire protection services throughout the city. Work continued on a Gateway Street Project that will construct a T-2 thoroughfare street on Erskine Street from Frankford to Salem. The completed project will provide for three lanes of traffic in each direction plus a continuous left turn lane.

| Projects | Commitments | Spent-to-Date | Commitments |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| Governmental Capital Projects | \$ 92,714,556 | \$ 56,632,482 | \$ 36,082,074 |
| TIF Capital Projects | 38,520,171 | 17,106,456 | 21,413,715 |
| Gateway Street Projects | 26,795,200 | 3,443,571 | 23,351,629 |
| LP&L | 21,497,813 | 17,341,462 | 4,156,351 |
| Water | 89,249,756 | 40,635,808 | 48,613,948 |
| Wastewater | 87,688,073 | 30,488,082 | 57,199,991 |
| Solid Waste | 3,503,900 | 818,893 | 2,685,007 |
| Airport | 23,157,941 | 13,097,475 | 10,060,466 |
| Stormwater | 56,729,500 | 45,744,166 | 10,985,334 |
| Internal Service Fund | 1,600,000 | 835,799 | 764,201 |
| Total | <u>\$ 441,456,910</u> | <u>\$ 226,144,194</u> | <u>\$ 215,312,716</u> |

E. RETIREMENT PLANS

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

Summary of significant data for each retirement plan follows:

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Plan Description

The City provides pension benefits for all of its full-time employees (with the exception of firefighters) through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide TMRS, an agent multiple-employer public employee retirement system.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

E. RETIREMENT PLANS (Continued)

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 City Council, 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 employees is 7% and the City matching ratio is currently 2-to-1, both as adopted by the City Council. Under the State law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service 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 is 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 30-year amortization period. The projected 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, 2007 valuation is effective for rates beginning January 2009).

Actuarial Assumptions

The actuarial assumptions for the December 31, 2007 valuations are as follows:

| | |
|--------------------------------|---------------------------|
| Actuarial cost method: | Projected unit credit |
| Amortization method: | Level percent of payroll |
| Remaining amortization period: | 30 years- closed period |
| Asset valuation method: | Amortized cost |
| Investment rate of return: | 7% |
| Projected salary increases: | Varies by age and service |
| Includes inflation at: | 3% |
| Cost of Living adjustments: | 2.1% (3% CPI) |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

E. RETIREMENT PLANS (Continued)

Payroll Growth 3%
 Withdrawal rates for Male/Female Mid/Mid

| Fiscal Year Ending | Annual Pension Cost | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------|-------------------------------------|------------------------------|
| 9/30/06 | \$ 10,904,031 | 100 | \$0 |
| 9/30/07 | 10,903,717 | 100 | 0 |
| 9/30/08 | 11,369,691 | 100 | 0 |

As of December 31, 2007, the most recent actuarial valuation date, the plan was 61.4% funded. The actuarial accrued liability for benefits was \$326.0 million, and the actuarial value of assets was \$200.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$126.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$70.9 million, and the ratio of the UAAL to the covered payroll was 177.5%.

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

The City of Lubbock is one of 827 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, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

LUBBOCK FIRE PENSION FUND (LFPF)

Plan Description

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

The LFPF provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. Employees may retire at age 50 with 20 years of service. A reduced early service retirement benefit is provided for employees who terminate employment with 20 or more years of service. The LFPF Plan, effective December 1, 2005, 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

E. RETIREMENT PLANS (Continued)

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. LFPF 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.

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

Annual Pension Cost

For the fiscal year ended September 30, 2008, the City Annual Pension Cost (APC) for the LFPF was equal to \$3,889,208 as described in item 4 in the table below. Based on the results of the December 31, 2006 actuarial valuation of the Plan effective December 1, 2005, the most recent biennial actuarial valuation, the Board's actuary found that the fund had an adequate financing arrangement based on the current level of the firefighter contribution rates and on the assumed average of City contribution rates. The funding policy of the Fund requires firefighters to contribute 12.43% of pay. The City contributes based on a formula which causes the City's contribution rate to fluctuate from year to year. The December 31, 2006 actuarial valuation assumes that the City's contributions will average 19.75% of payroll in the future.

The Annual Required Contribution (ARC) by the City for the fiscal year ending September 30, 2008 were based on the results of the actuarial valuations as of December 31, 2004 and as of December 31, 2006 using the entry age actuarial cost method and were determined in compliance with the GASB Statement No. 27 parameters. The actuarial methods and assumptions used for these two valuations as follows:

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

E. RETIREMENT PLANS (Continued)

| | | |
|----------------------------|---------------------------------|---------------------------------|
| Valuation Date | 12/31/2004 | 12/31/2006 |
| Actuarial cost method | Entry age | Entry age |
| Amortization method | Level percent of payroll, open | Level percent of payroll, open |
| Amortization period of ARC | 21 years | 30 years |
| Asset valuation method | 5-year adjusted market value | 5-year adjusted market value |
| Actuarial assumptions: | | |
| Investment return | 8% | 8% |
| Projected salary increases | 4% plus promotion and longevity | 4% plus promotion and longevity |
| Inflation | 4% | 4% |
| Cost-of-living increase | 0% | 0% |
| Payroll increases | 4% | 4% |
| ARC as percent of payroll | Budget rates | 20.42% |

The following shows the development of the Net Pension Obligation (NPO) as of September 30, 2008

| | |
|----------------------------------------|---------------------|
| 1. Annual Required Contributions (ARC) | \$ 3,908,048 |
| 2. Interest on NPO | (68,985) |
| 3. Adjustment to ARC | 50,145 |
| 4. Annual Pension Cost (APC) | <u>3,889,208</u> |
| 5. Actual City contributions made | <u>(3,840,468)</u> |
| 6. Increase (Decrease) in NPO/(asset) | 48,740 |
| 7. NPO/(asset) at October 1, 2007 | <u>(862,311)</u> |
| 8. NPO/(asset) at September 30, 2008 | <u>\$ (813,571)</u> |

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

Trend Information

| <u>Fiscal Year</u> <u>Ended</u> | <u>Annual Pension</u> <u>Cost (APC)</u> | <u>Percentage of APC</u> <u>Contributed</u> | <u>Net Pension</u> <u>Obligation</u> <u>(Asset)</u> |
|------------------------------------|--------------------------------------------|------------------------------------------------|-----------------------------------------------------------|
| 9/30/06 | \$ 3,208,595 | 100.0% | \$(920,722) |
| 9/30/07 | 3,530,944 | 98.4 | (862,311) |
| 9/30/08 | 3,889,208 | 98.8 | (813,571) |

As of December 31, 2006, the most recent actuarial valuation date, the plan was 84% funded. The actuarial accrued liability for benefits was \$164.4 million, and the actuarial value of assets was \$138.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.3 million, and the ratio of the UAAL to the covered payroll was 152.1%.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

F. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Funding Policy: The contribution requirements of plan members are established by the City and may be amended as needed. Retiree medical/dental coverage levels for retirees is the same as coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan. Employees who retire with 15 or more years of service or Civil Service employees that retire who have a balance in excess of 90 days sick leave are eligible to continue receiving medical coverage in full 30 day periods for the term of their sick leave balance. The City contributes 33.89% to 58.83% of the monthly premium for the retiree only health premium and 7.88% for the retiree only dental premium. Plan members may purchase retiree health/dental care coverage for eligible spouses and dependents at their own expense and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. The plan has 499 active participants who pay monthly premiums between \$272/\$22 (medical/dental) for single coverage and (\$320/\$27) medical/dental for family coverage.

Annual OPEB Cost and Net OPEB Obligation: The City's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

| | |
|----------------------------------------------------|---------------------|
| Annual required contribution | \$ 6,636,899 |
| Interest on net OPEB obligation | <u>-</u> |
| Annual OPEB Cost | 6,636,899 |
| Total annual employer contribution (pay-as-you-go) | <u>(2,281,379)</u> |
| Increase in net OPEB obligation | 4,355,520 |
| Net OPEB obligation – beginning of year | <u>-</u> |
| Net OPEB obligation – end of year | <u>\$ 4,355,520</u> |

The components of the ARC calculation reflecting a 30 year amortization period is as follows:

| | |
|---------------------------------------|---------------------|
| Normal Cost | \$ 3,221,541 |
| Amortization of transition obligation | 3,415,358 |
| Interest cost | <u>-</u> |
| ARC | <u>\$ 6,636,899</u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

F. OTHER POST EMPLOYMENT BENEFITS (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------------|-----------------------------|-----------------------------------------------------------|--------------------------------|
| 09/30/2008 | \$6,636,899 | 34.4% | \$4,355,520 |

Funded Status and Funding Progress: As of October 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$81,918,738, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$81,918,738. The covered payroll (annual payroll of active employees covered by the plan) was \$88,185,412, and the ratio of the UAAL to the covered payroll was 92.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, since this is the first year of implementation there is no trend information to report.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return based on a long term rate of investment, a 3% annual salary increase projection, and an annual healthcare cost trend rate of 10% for 2007 and then reduced by decrements to an ultimate rate of 4.5% after fifteen years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2008, was twenty-nine years.

G. DEFERRED COMPENSATION

The City offers its employees five 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

G. DEFERRED COMPENSATION (Continued)

The City does not provide administrative services or have any fiduciary responsibilities for these plans; therefore, they are not presented in the BFS.

H. 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, 2008, 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 fiscal year 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 fiscal year 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, 2008, \$1,363,690 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. The BRA revenue bonds were refunded in 1995 and 2005, legally defeasing the BRA debt. The new debt is in the City's name and is no longer BRA debt. The Lake Alan Henry dam and facilities assets 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, 2008

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

I. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

| <u>Interest</u> <u>Rate%</u> | <u>Dated</u> | <u>Maturity</u> <u>Date</u> | <u>Amount</u> <u>Issued</u> | <u>Outstanding</u> <u>09-30-08</u> |
|---------------------------------|--------------|--------------------------------|--------------------------------|---------------------------------------|
| 5.39 | 10-01-93 | 02-15-14 | \$ 2,550,000 | \$ 780,000 |
| 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 |
| 4.71 | 01-01-98 | 02-15-18 | 10,260,000 | 1,545,000 |
| 4.36 | 01-15-99 | 02-15-14 | 20,835,000 | 12,900,000 |
| 4.58 | 01-15-99 | 02-15-19 | 15,355,000 | 770,000 |
| 4.77 | 04-01-99 | 02-15-19 | 6,100,000 | 305,000 |
| 4.71 | 04-01-99 | 02-15-19 | 12,300,000 | 6,820,000 |
| 5.37 | 09-15-99 | 02-15-20 | 24,800,000 | 1,085,000 |
| 5.54 | 03-15-00 | 02-15-20 | 7,000,000 | 310,000 |
| 4.90 | 02-01-01 | 02-15-21 | 9,100,000 | 815,000 |
| 4.81 | 02-01-01 | 02-15-21 | 2,770,000 | 280,000 |
| 5.25 | 06-01-01 | 02-15-31 | 35,000,000 | 2,335,000 |
| 4.68 | 02-15-02 | 02-15-22 | 9,400,000 | 3,700,000 |
| 4.71 | 02-15-02 | 02-15-22 | 6,450,000 | 2,535,000 |
| 4.70 | 02-15-02 | 02-15-22 | 1,545,000 | 1,270,000 |
| 4.62 | 07-01-02 | 02-15-22 | 2,605,000 | 2,045,000 |
| 3.18 | 07-01-02 | 02-15-10 | 10,810,000 | 1,855,000 |
| 4.42 | 07-15-03 | 02-15-23 | 11,855,000 | 3,655,000 |
| 4.47 | 07-15-03 | 02-15-24 | 9,765,000 | 8,425,000 |
| 4.48 | 07-15-03 | 02-15-24 | 680,000 | 585,000 |
| 4.47 | 07-15-03 | 02-15-24 | 3,590,000 | 3,095,000 |
| 4.87 | 07-15-03 | 02-15-34 | 40,135,000 | 6,060,000 |
| 4.47 | 07-15-03 | 02-15-24 | 3,795,000 | 3,275,000 |
| 4.60 | 08-15-03 | 04-15-23 | 8,900,000 | 7,130,000 |
| 4.60 | 08-15-03 | 04-15-23 | 13,270,000 | 4,810,000 |
| 4.37 | 06-30-04 | 08-01-12 | 1,000,000 | 500,000 |
| 4.09 | 09-15-04 | 02-15-24 | 2,025,000 | 1,590,000 |
| 4.08 | 09-28-04 | 02-15-24 | 3,100,000 | 2,370,000 |
| 3.58 | 09-28-04 | 02-15-20 | 22,620,000 | 18,385,000 |
| 3.89 | 02-15-05 | 04-15-25 | 23,055,000 | 18,040,000 |
| 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 | 41,700,000 |
| 4.82 | 07-01-05 | 02-15-21 | 43,080,000 | 37,215,000 |
| 4.27 | 07-15-05 | 02-15-25 | 7,265,000 | 6,510,000 |
| 4.58 | 04-15-06 | 02-15-26 | 76,950,000 | 73,435,000 |
| 4.58 | 04-15-06 | 02-15-26 | 2,740,000 | 2,645,000 |
| 4.84 | 05-15-06 | 02-15-31 | 18,830,000 | 18,770,000 |
| 4.42 | 01-01-07 | 02-15-34 | 54,020,000 | 51,485,000 |
| 4.42 | 01-01-07 | 02-15-34 | 25,255,000 | 24,625,000 |
| 4.88 | 08-15-07 | 08-15-27 | 1,155,000 | 1,125,000 |
| 4.88 | 08-15-07 | 08-15-27 | 60,820,000 | 58,825,000 |
| 6.45 | 12-15-07 | 08-15-27 | 11,805,000 | 11,805,000 |
| 4.22 | 01-15-08 | 08-15-27 | 52,900,000 | 52,900,000 |
| 4.80 | 04-15-08 | 08-15-27 | 2,035,000 | 2,035,000 |
| 4.42 | 04-15-08 | 08-15-27 | 80,485,000 | 80,485,000 |
| 2.45 | 06-01-08 | 08-15-27 | 22,615,000 | 22,615,000 |
| Total | | | <u>\$ 902,750,000</u> | <u>\$ 656,180,000 (A)</u> |

(A) Excludes (\$7,841,525) net deferred losses on advance refundings, net bond premiums and discounts, and bond issuance costs -- (\$3,900,807) business-type and (\$3,940,718) governmental. Additionally, this amount includes \$457,126,347 of bonds used to finance enterprise fund activities.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

I. LONG-TERM DEBT (Continued)

At September 30, 2008, 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 09-30-08</u> |
|-------------------------|-------------------|----------------------------|----------------------|-------------------------------------|
| 4.25 to 6.25 | 1-01-98 | 4-15-18 | \$ 9,170,000 | \$ 4,600,000 |
| 3.10 to 5.00 | 1-15-99 | 4-15-19 | 14,975,000 | 5,900,000 |
| 4.00 to 5.25 | 7-01-01 | 4-15-21 | 9,200,000 | 5,980,000 |
| Total | | | <u>\$ 33,345,000</u> | <u>\$ 16,480,000 *</u> |

* Balance outstanding excludes \$376,493 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 09-30-08</u> |
|-------------------------|-------------------|----------------------------|----------------------|-------------------------------------|
| 3.983 | 09-30-05 | 09-30-25 | \$ 17,960,000 | \$ 16,299,167 |
| 4.25 to 5.0 | 04-30-06 | 02-15-27 | 18,573,906 | 17,651,677 |
| | | | <u>\$ 36,533,906</u> | <u>\$ 33,950,844 *</u> |

*Balance outstanding excludes \$365,241 discount and deferred losses on bonds sold or refunded.

The annual requirements to amortize all outstanding debt of the City as of September 30, 2008 are as follows:

| Fiscal Year | Governmental Activities | | Business-Type Activities | | | |
|--------------------|---------------------------------|----------------------|---------------------------------|-----------------------|----------------------|----------------------|
| | General Obligation Bonds | | General Obligation Bonds | | Revenue Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 9,478,486 | \$ 9,832,982 | \$ 23,446,514 | \$ 21,319,399 | \$ 3,016,932 | \$ 2,448,196 |
| 2010 | 9,876,223 | 8,853,219 | 24,318,777 | 19,572,553 | 3,062,637 | 2,315,474 |
| 2011 | 10,249,465 | 8,407,095 | 25,010,535 | 18,526,832 | 3,110,359 | 2,181,036 |
| 2012 | 10,327,340 | 7,940,486 | 24,882,660 | 17,439,327 | 2,828,634 | 2,040,891 |
| 2013 | 10,593,204 | 7,463,337 | 25,666,796 | 16,326,550 | 2,896,718 | 1,911,990 |
| 2014-2018 | 53,884,423 | 29,805,852 | 124,025,575 | 64,730,247 | 15,694,414 | 7,414,609 |
| 2019-2023 | 53,170,710 | 16,938,528 | 107,634,292 | 36,593,050 | 13,265,992 | 3,616,585 |
| 2024-2028 | 36,673,802 | 4,856,312 | 82,846,198 | 13,397,027 | 6,555,158 | 651,232 |
| 2029-2033 | 4,800,000 | 315,620 | 16,895,000 | 2,229,607 | - | - |
| 2034-2038 | - | - | 2,400,000 | 54,000 | - | - |
| Totals | <u>\$ 199,053,653</u> | <u>\$ 94,413,430</u> | <u>\$ 457,126,347</u> | <u>\$ 210,188,592</u> | <u>\$ 50,430,844</u> | <u>\$ 22,580,013</u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

I. LONG-TERM DEBT (Continued)

Capital leases were used to acquire equipment and vehicles. The interest rate on the leases ranged from 1.5% to 3.8%. The annual requirements on capital leases of the City as of September 30, 2008, including interest payments of \$3,052,943 are as follows:

| Fiscal Year | Governmental Capital Lease Minimum Payment | Business-Type Capital Lease Minimum Payment | Total Capital Lease Minimum Payment |
|------------------------|---------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------|
| 2009 | \$ 3,316,870 | \$ 4,715,877 | \$ 8,032,747 |
| 2010 | 3,090,580 | 4,697,081 | 7,787,661 |
| 2011 | 2,031,415 | 3,963,893 | 5,995,308 |
| 2012 | 1,429,893 | 2,773,922 | 4,203,815 |
| 2013 | 910,279 | 1,689,579 | 2,599,858 |
| 2014-2018 | 2,768,721 | 2,469,736 | 5,238,457 |
| Less: | | | |
| Interest | (1,325,252) | (1,727,692) | (3,052,944) |
| Total | \$ 12,222,506 | \$ 18,582,396 | \$ 30,804,902 |

The carrying values on the leased assets of the City as of September 30, 2008 are as follows:

| | Gross Value | Accumulated Depreciation | Net Book Value |
|----------------------------|----------------------|-------------------------------------|---------------------------|
| Governmental Activities | \$ 16,813,621 | \$ 3,144,099 | \$ 13,669,522 |
| Business-type Activities | 27,085,294 | 2,713,112 | 24,372,182 |
| Total Leased Assets | \$ 43,898,915 | \$ 5,857,211 | \$ 38,041,704 |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

I. LONG-TERM DEBT (Continued)

Long-term obligations (net of discounts and premiums) for governmental and business-type activities for the year ended September 30, 2008 are as follows:

| | Debt Payable | | | | |
|---------------------------------------|-----------------------|-----------------------|----------------------|--------------------------|----------------------|
| | 09/30/07 | Additions | Deletions | Debt Payable 09/30/08 | Due in one year |
| Governmental activities: | | | | | |
| Tax-Supported - | | | | | |
| Obligation Bonds | \$ 160,388,370 | \$ 46,605,151 | \$ 7,939,868 | \$ 199,053,653 | \$ 9,478,486 |
| Bond Discounts/Premiums | 2,315,924 | 1,844,019 | 219,225 | 3,940,718 | - |
| Capital Leases | 10,916,970 | 3,783,379 | 2,477,843 | 12,222,506 | 2,934,588 |
| Compensated Absences | 17,228,753 | 8,002,065 | 7,306,975 | 17,923,843 | 6,806,236 |
| Post Retirement Benefits | - | 2,813,759 | - | 2,813,759 | - |
| Insurance Claim Payable | 2,469,382 | 19,333,090 | 20,046,766 | 1,755,706 | 1,599,299 |
| Arbitrage Payable | 676,052 | - | 105,305 | 570,747 | - |
| Total Governmental activities | \$ 193,995,451 | \$ 82,381,463 | \$ 38,095,982 | \$ 238,280,932 | \$ 20,818,609 |
| Business-type activities: | | | | | |
| Self-Supported - | | | | | |
| Obligation Bonds | 352,486,630 | 123,234,849 | 18,595,132 | 457,126,347 | 23,446,514 |
| Revenue Bonds | 54,208,174 | | 3,777,330 | 50,430,844 | 3,016,932 |
| Bond Discounts/Premiums | 314,988 | 4,182,809 | 1,338,720 | 3,159,077 | - |
| Capital Leases | 13,049,379 | 8,273,303 | 2,740,286 | 18,582,396 | 4,164,910 |
| Closure/Post Closure | 3,531,611 | 238,955 | | 3,770,566 | - |
| Compensated Absences | 5,357,820 | 2,977,390 | 2,727,526 | 5,607,684 | 2,838,245 |
| Post Retirement Benefits | - | 1,541,761 | - | 1,541,761 | - |
| Insurance Claim Payable | 3,258,788 | 4,443,470 | 4,856,579 | 2,845,679 | 1,420,757 |
| Arbitrage Payable | 565,015 | 6,613 | 354 | 571,274 | - |
| Total Business-type activities | \$ 432,772,405 | \$ 144,899,150 | \$ 34,035,927 | \$ 543,635,628 | \$ 34,887,358 |

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 | \$ 238,280,933 |
| Long-term debt - Business-type Activities | 543,635,628 |
| Interest | 327,182,035 |
| Total amount of debt | \$ 1,109,098,596 |
| Less: Bond discounts/premiums | (7,099,795) |
| Less: Capital leases | (30,804,902) |
| Less: Closure/post closure | (3,770,566) |
| Less: Compensated absences | (23,531,528) |
| Less: Post retirement benefits | (4,355,520) |
| Less: Insurance claims payable | (4,601,385) |
| Less: Arbitrage payable | (1,142,021) |
| Total other debt | (75,305,717) |
| Total future bonded debt requirements | <u>\$ 1,033,792,879</u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

I. LONG-TERM DEBT (Continued)

New Bond Issuances

In January 2008, the City issued \$11,805,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Taxable Series 2008. The Certificates were issued at a discount of \$185,703. After paying issuance costs of \$219,297, the net proceeds were \$11,400,000. Proceeds from the sale of these certificates will be used for the purpose of paying contractual obligations to be incurred for construction of a Civic/Conference Center. The proceeds of the debt are recorded in a Capital Projects Fund.

In February 2008, the City issued \$52,900,000 Tax and Wastewater System Surplus Revenue Certificate of Obligation, Series 2008. The Certificates were issued at a premium of \$2,851,567. After paying issuance costs of \$686,897, the net proceeds were \$55,064,670. Proceeds from the sale of these certificates will be used for the purpose of paying contractual obligations to be incurred for Wastewater System extension and improvements. The proceeds of the debt are recorded in the Wastewater Fund.

In May 2008, the City issued \$2,035,000 General Obligation Bonds, Series 2008 and \$80,485,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2008. The General Obligation Bonds were issued at a premium of \$110,554. After paying issuance costs of \$36,832, the net proceeds were \$2,108,722. Proceeds from the sale of these bonds will be used for street improvements and costs associated with the issuance of the bonds. The Certificates of Obligation were issued at a premium of \$4,714,285. After paying issuance costs of \$1,082,542, the net proceeds were \$84,116,742. Proceeds from the sale of these certificates will be used for the purpose of paying contractual obligations to be incurred for i) various public improvements including fire, parks, municipal building, solid waste, drainage, street, electrical, water and wastewater improvements and ii) professional services rendered in connection therewith and costs associated with the issuance of the Certificates. The proceeds of the debt are recorded in various Capital Projects Funds.

In June 2008, the City issued \$22,615,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2008A. After paying issuance costs of \$76,733, the net proceeds were \$22,538,267. Proceeds from the sale of these certificates will be used for the purpose of paying contractual obligations to be incurred for construction of Lake Alan Henry Pipeline. The proceeds of the debt are recorded in the Water Fund and are held in escrow by the Texas Water Development Board.

Proceeds from debt issuances are primarily capital related and are included in net assets invested in capital assets, net of related debt.

Advanced Refundings

The City issued advance refundings to retire a portion of the City's outstanding debt to lower the debt service requirements. The net proceeds from the issuance of the Refunding Bonds were deposited with the Escrow Agent 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 will be used to purchase direct obligations of the United States of America. Under the escrow agreements, between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunded Bonds.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

J. CONDUIT DEBT

The City issued Housing Finance Corporation Bonds, Health Facilities Development Corporation Bonds, and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of public facilities. The bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. 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, 2008 there were seven series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$260,695,343. The bonds were issued between 1993 and 2008. Also as of September 30, 2008, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$8,455,000. The bonds were issued in 1999.

K. SPECIAL ASSESSMENT DEBT

The Vintage Township PFC, a discretely presented component unit of the City, issued special assessment debt for acquisition and construction of certain public facilities benefiting Vintage Township. The PFC issued \$3,472,000 in special assessment debt and had \$3,394,000 outstanding special assessment debt as of September 30, 2008. The City collects assessments and forwards the collections to the bondholders. The City is not obligated in any manner for special assessment debt and is not liable for repayment of the debt. As the PFC completes construction of certain public facilities, the assets are donated to the City. As of September 30, 2008, \$1,200,000 in completed construction costs was contributed to the City. The PFC has a deficit in net assets invested in capital assets, net of related debt which is a result of the debt held in the PFC name while the assets are donated to the City and held in the City name.

L. 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 City's responsibility.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

L. RISK MANAGEMENT (Continued)

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 the Internal Service Funds.

M. 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 City purchases excess coverage of \$175,000 per covered individual annually and an aggregate cap of \$19,188,006. The insurance vendor based on medical trend, claims history, and utilization determines the aggregate deductible. The actuarially determined calculation of the claim liability is \$1.45 million at September 30, 2008 for all health coverages including medical, prescription drugs and dental.

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

Full-time employees may elect to purchase medical and dental insurance for eligible dependents at a reduced rate. Employees may also elect, at their cost, to participate in several voluntary insurance programs such as a cancer income policy, voluntary life and personal accident insurance.

N. ACCRUED INSURANCE CLAIMS

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

N. ACCRUED INSURANCE CLAIMS (Continued)

| | <u>FY 2008</u> | <u>FY 2007</u> |
|--------------------------------------------------------------------------|---------------------|---------------------|
| Workers' compensation and liability reserves at beginning of fiscal year | \$ 3,258,788 | \$ 5,260,976 |
| Claims expenses | 4,443,470 | 2,907,050 |
| Claims payments | <u>(4,856,579)</u> | <u>(4,909,238)</u> |
| Workers' compensation and liability reserves at end of fiscal year | <u>2,845,679</u> | <u>3,258,788</u> |
| | | |
| Medical and dental claims liability at beginning of fiscal year | 2,469,382 | 2,761,156 |
| Claims expenses | 19,333,090 | 17,307,683 |
| Claims payments | <u>(20,046,766)</u> | <u>(17,599,457)</u> |
| Medical and dental claims liability at end of fiscal year | <u>1,755,706</u> | <u>2,469,382</u> |
| | | |
| Total self-insurance liability at end of fiscal year | <u>4,601,385</u> | <u>5,728,170</u> |
| | | |
| Total assets to pay claims at end of fiscal year | <u>17,510,106</u> | <u>14,293,590</u> |
| | | |
| Accrued insurance claims payable - current | 3,020,056 | 4,344,914 |
| Accrued insurance claims payable - noncurrent | <u>1,581,329</u> | <u>1,383,256</u> |
| Total accrued insurance claims | <u>\$ 4,601,385</u> | <u>\$ 5,728,170</u> |

O. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

The \$3,770,566 included in landfill closure and postclosure care liability at September 30, 2008, 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 93.3 percent of the estimated capacity of Landfill 69 has been used, with \$780,572 remaining to be recognized over the remaining closure period, an estimated two years. Approximately 3.6 percent of the estimated capacity of Landfill 2252 has been used to date, with \$25,055,779 remaining to be recognized over the remaining closure period, estimated at over 80 years. Postclosure care costs are based on prior estimates and have been adjusted for inflation. Actual costs may differ due to inflation, deflation, changes in technology, or other regulatory changes.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

P. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

| | Accounts Receivable Summary | | | | Balance at 09/30/08 |
|----------------------------|-----------------------------|--------------------|-------------------|-------------------|------------------------|
| | Court Fines | Property Damage | Paving | Misc. | |
| Governmental Funds: | | | | | |
| General Fund | \$ 3,229,541 | \$ 268,333 | \$ 283,795 | \$ 126,405 | \$ 3,908,074 |
| Total | <u>\$ 3,229,541</u> | <u>\$ 268,333</u> | <u>\$ 283,795</u> | <u>\$ 126,405</u> | <u>\$ 3,908,074</u> |

| | Accounts Receivable Summary | | | Balance at 09/30/08 |
|---------------------------|-----------------------------|----------------|-------------------|------------------------|
| | General Consumer | Credit Card | Misc. | |
| Proprietary Funds: | | | | |
| LP&L | \$ 21,226,784 | \$ - | \$ 367,212 | \$ 21,593,996 |
| Water | 6,081,279 | - | - | 6,081,279 |
| Wastewater | 2,759,263 | - | - | 2,759,263 |
| WTMPA | 899,013 | - | - | 899,013 |
| Stormwater | 1,031,468 | - | - | 1,031,468 |
| Nonmajor | 3,918,170 | 546 | - | 3,918,716 |
| Total | <u>\$ 35,915,977</u> | <u>\$ 546</u> | <u>\$ 367,212</u> | <u>\$ 36,283,735</u> |

Allowance for Doubtful Accounts Summary

| | Balance at 09/30/08 |
|----------------------------|------------------------|
| Governmental Funds: | |
| General Fund | \$ 2,798,969 |
| Proprietary Funds: | |
| LP&L | 2,723,698 |
| Water | 1,082,716 |
| Wastewater | 461,429 |
| Storm Water | 206,103 |
| Nonmajor | 638,003 |
| Total | <u>\$ 7,910,918</u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

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

P. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS (Continued)

| | <u>Accounts Payable Summary</u> | | | <u>Balance at 09/30/08</u> |
|----------------------------|---------------------------------|----------------------|----------------------|--------------------------------|
| | <u>Vouchers</u> | <u>Accounts</u> | <u>Miscellaneous</u> | |
| Governmental Funds: | | | | |
| General Fund | \$ 833,893 | \$ 1,952,776 | \$ 735,871 | \$ 3,522,540 |
| Govt. Capital Projects | 120,890 | 1,112,601 | - | 1,233,491 |
| Nonmajor | 463,522 | 3,707,404 | 1,546 | 4,172,472 |
| Proprietary Funds: | | | | |
| LP&L | 1,619,115 | 211,428 | 116,083 | 1,946,626 |
| Water | 687,152 | 1,533,108 | 181,896 | 2,402,156 |
| Wastewater | 413,535 | 2,246,435 | 100,575 | 2,760,545 |
| WTMPA | - | 9,725,988 | - | 9,725,988 |
| Stormwater | 132,188 | 487,802 | - | 619,990 |
| Nonmajor | 384,802 | 1,951,474 | 10,079 | 2,346,355 |
| Internal Service | 865,053 | 888,516 | - | 1,753,569 |
| Total | <u>\$ 5,520,150</u> | <u>\$ 23,817,532</u> | <u>\$ 1,146,050</u> | <u>\$ 30,483,732</u> |

Q. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

| | <u>Net Receivables</u> | | | | <u>Balance at 09/30/08</u> |
|-------------------------------------|--------------------------------|--------------------------------|-----------------------------|-----------------------------------------|--------------------------------|
| | <u>Accounts Receivable</u> | <u>Interest Receivable</u> | <u>Taxes Receivable</u> | <u>Internal Service Receivables</u> | |
| Governmental Activities | \$ 1,109,105 | \$ 342,559 | \$ 10,088,559 | \$ 32,983 | \$ 11,573,206 |
| Business-type Activities | 31,171,786 | 703,553 | - | 5,541 | 31,880,880 |
| Total | <u>\$ 32,280,891</u> | <u>\$ 1,046,112</u> | <u>\$ 10,088,559</u> | <u>\$ 38,524</u> | <u>\$ 43,454,086</u> |

| | <u>Accounts Payable</u> | | |
|-------------------------------------|-----------------------------|--------------------------------------|--------------------------------|
| | <u>Accounts Payable</u> | <u>Internal Service Payables</u> | <u>Balance at 09/30/08</u> |
| Governmental Activities | \$ 8,928,503 | \$ 1,160,489 | \$ 10,088,992 |
| Business-type Activities | 19,801,660 | 593,080 | 20,394,740 |
| Total | <u>\$ 28,730,163</u> | <u>\$ 1,753,569</u> | <u>\$ 30,483,732</u> |

R. FUND CLOSURES

In fiscal year 2008, City Council terminated the automated traffic signal enforcement program. As a result, the Red Light Camera fund was closed.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE IV. CONTINGENT LIABILITIES

A. FEDERAL GRANTS

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

B. LITIGATION

The City is involved in various legal proceedings related to alleged personal and property damages, breach of contract and civil rights cases, some of which involve claims against the City that exceed \$500,000. State law limits municipal liability for personal injury to \$250,000/\$500,000 and property damage to \$100,000 per claim. The following represents the significant litigation against the City at this time.

Depending on the date of the occurrence, the City's insurance coverage, if available, contains either a \$250,000 or a \$500,000 self-insured retention depending on the date of the occurrence. As of September 30, 2008, the City has \$1,048,856 reserved on general liability claims.

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

The Plaintiff is a contractor who bid to perform a contract for the City of Lubbock. Oscar Renda asserts that they were not awarded the contract because they had filed a suit against another public entity. 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. The City's request was denied. The City filed a motion for summary judgment and it was granted in April 2008. The case is on appeal to the Fifth Circuit of Appeals.

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 the officer was operating his vehicle in a negligent manner. 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 appealed this decision to the Court of Appeals and the Court of Appellate reversed the trial court ruling as to the City of Lubbock but affirmed the ruling as to Officer Riddle. The case is set for trial on June 1, 2009.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE IV. CONTINGENT LIABILITIES (Continued)

C. LITIGATION (Continued)

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. The case is in federal court and has not been set for trial. Plaintiff does not appear to have suffered lasting physical injuries as a result of the tasing. Two of the individual officers have been dismissed.

Ackers v. City of Lubbock, et al

Plaintiff sued the City, its Police Chief and two police officers for violation of his First Amendment rights. Plaintiff alleges that his First Amendment rights were violated when the film from his camera was confiscated by police while he was photographing a children's basketball game. The City filed a Plea to the Jurisdiction which was granted by the trial court. Plaintiff appealed the case to the appellate court and the appellate court remanded the case to the trial court reasoning that a Plea to the Jurisdiction was not the proper procedural mechanism. The case is set for trial in August 2009.

Estate of Tommy Zohor v. City of Lubbock and Atmos Energy

A lawsuit was filed in October 2008 by the Estate of Tommy Zohor. Zohor died as a result of an accident with an Atmos Energy truck. A City patrol car was responding to a call with his lights on. As the patrol car came up behind the Atmos Energy truck the officer "bumped" his siren and the Atmos Energy truck made a left turn to move out of the patrol car's path. The motorcyclist, Tommy Zohor, was proceeding in the opposite direction and collided with the Atmos truck.

Templeton Mortgage v. City of Lubbock, Garza County, Kent County and the Texas Attorney General's Office

Plaintiff seeks a declaration as to certain rights regarding the restrictive easements at Lake Alan Henry as well as other areas such as the use of water. The City will file a motion for summary judgment by February 2009. This is not a damages case, but the court has the authority to grant attorneys' fees to the prevailing party. The trial is set for spring 2009.

Templeton Mortgage Corporation & Mark Brown v. City of Lubbock

This case involves some of the same facts and arguments as the Templeton Mortgage v. City of Lubbock, Garza County, Kent County and the Texas Attorney General's Office. In addition, the Plaintiff is seeking \$100,000 in damages to his property because of the rising and falling of the water at Lake Alan Henry. The City is waiting for the outcome of the Templeton Mortgage v. City of Lubbock, Garza County, Kent County and the Texas Attorney General's Office case.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE IV. CONTINGENT LIABILITIES (Continued)

B. LITIGATION (Continued)

In Re: ICON Benefit Administrators, L.P., American Administrative Group, Inc., Health Smart Preferred Care, L.P. and The Parker Group, Inc. v. City of Lubbock

In the fall of 2006, the City requested an audit of the claims administration performed by the above-named entities on behalf of the City of Lubbock. American Administration Group, Inc (AAG) and ICON refused to give the City the necessary documents to perform the audit. The City filed a pre-arbitration discovery petition in March 2007 in an attempt to obtain the documents necessary to perform this audit.

Prior to a hearing scheduled in February 2008, the court referred matters to arbitration. The arbitration is scheduled for October 26, 2009.

ICON and the other Parker companies are claiming that the City breached its contract with them by hiring an insurance broker in 2006 and by providing confidential information from ICON/AAG to third parties. The City is also being sued for disparagement, harassment, performing an inappropriate audit, seeking confidential information, and other allegations which the City believes are not actionable.

The City claims that ICON/AAG and HealthSmart breached the contract with the City by not providing the City with the same discounts and prices as provided by Blue Cross as agreed to in the contract and for applying the discounts and administering the contract improperly.

ICON and AAG v. Joella Mullin, Stanley Self, Andrea Davenport, Lee Ann Dumbauld, Scott Snider, Leisa Hutcheson, David Miller, and unknown others

ICON and AAG sued the defendants for various torts including civil conspiracy, misappropriation by preparing an unlawful proposal to the City of Lubbock, wrongful interference with contract, interference with prospective contractual relations, business disparagement, defamation and violations of the Local Government Code. Dumbauld, Snider and Hutcheson are employees of the City of Lubbock and David Miller is the former Mayor of Lubbock. Discovery has begun.

Robert Smith v. City of Lubbock

Robert Smith is an employee of the City of Lubbock who was involved in an auto accident with another vehicle. Mr. Smith suffered injuries in this accident and filed a claim against the other driver. The other driver had only minimum limits of insurance as required by the State of Texas and the insurance company tendered the policy limits to Mr. Smith. However, Smith claims this money was insufficient to cover his damages. Smith sued the City of Lubbock under the City's UIM coverage claiming that the City owes him for his damages under that insurance. He asserts he is entitled to over \$600,000.

Jerry R. Avery, Erika Cleveland, Joy Elliott, Donna McMillian, and Diana Melcher v. City of Lubbock (Lubbock Power & Light)

Plaintiff's filed suit in December 2008 against the City of Lubbock/Lubbock Power & Light alleging damage to personal property from an electrical surge (electric appliances, computers, etc.) and related expenses (spoiled food, hotel expenses, etc.). The estimate of damages received by LP & L from the Plaintiffs is approximately \$39,300 but could reach \$60,000. The lawsuit is in its initial stages and the City (LP&L) has answered the Plaintiffs' petition.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE IV. CONTINGENT LIABILITIES (Continued)

B. LITIGATION (Continued)

Weatherbee d/b/a Sudsy Springs Car Wash v. G. Greenstreet, Inc. and City of Lubbock

Plaintiff filed suit against the City of Lubbock, along with the contractor who constructed the building, for the destruction of a building. The plaintiff's building was damaged after a wind storm. It was damaged to the extent that the City believed that it constituted a hazard to the public and after giving notice to the plaintiff, tore it down. Plaintiff does not seem to dispute that the building was damaged and that some work needed to be performed to alleviate any hazards. However, plaintiff contends that the City should not have torn the entire building down in order to alleviate any danger. The City's damages should be limited to \$250,000

Diaz v. City of Lubbock

Diaz is a City police officer who was suspended without pay in May 2007 after an indictment was entered against her. This indictment was dismissed in late 2008. Diaz, pursuant to civil service law, has petitioned the Civil Service Commission for back pay. The back pay is approximately \$100,000.

Lamont Veatch

Lamont Veatch tripped and fell over a rope at the Coliseum resulting in a broken shoulder. Mr. Veatch died during surgery to repair his shoulder. The roping was a barricade set up by ABC Rodeo.

Sexton Enterprises

Sexton Enterprises allege that the City of Lubbock Council wrongfully awarded a contract that Sexton bid for to another company.

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 LP&L Plant 1, represents a liability equally shared by both the City and LP&L.

As of September 30, 2008 the City identified three locations that pose a probable liability. The City recorded the liabilities for the three locations in the enterprise funds as follows:

- LP&L Plant 1 \$173,909 – this represents LP&L's portion of the liability only
- LP&L Cooke Plant \$467,869
- WesTex Aircraft \$100,000

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

- LP&L Plant 1 \$173,909 – this represents the City's portion only
- CFR Training Facility \$124,706
- Fire Training Academy \$854,918
- South Fueling Facility \$136,748

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2008

NOTE IV. CONTINGENT LIABILITIES (Continued)

C. SITE REMEDIATION (Continued)

The City has identified elevated levels of nitrates in the ground water beneath the Lubbock Land Application Site (LLAS), which is attributed to the historical land application of treated wastewater effluent and also impacted by the activities of individuals and other entities. As a result, the Texas Commission on Environmental Quality has issued an Agreed Order that requires the City to remedy the situation. The Order calls for, among other requirements, pumping an annual average of 1,580 gallons per minute from 16 groundwater wells on the LLAS in order to eliminate a mound of groundwater under the LLAS. The groundwater, that is high in nitrates, is discharged into a surface water lake system where it is remediated naturally. An effluent land application management plan and groundwater monitoring program was also established as a result of the Order. Phase 1 of the project to construct additions and improvements to the City's wastewater reclamation plant that will treat the sewage to higher quality in the future and address the nitrate issue is complete. Phase II began in the spring of 2008 and will be complete by 2011.

During FY 08, the City held discussions with TCEQ to consider terminating the Agreed Order and to incorporate the remaining requirements for remediation into the main wastewater treatment permit. Because the groundwater mound under the LLAS has been eliminated in accordance with the requirements of the Order, there is an opportunity to terminate the Agreed Order and to continue addressing any residual concerns as part of the permit. The City is encouraged by the initial discussions and believes TCEQ will approve this in the near future.

The City expects that the remediation of nitrates will continue for some time after the new plant is built, but the length of time and total expense are not estimable. Since the remediation is probable, but not estimable and it is likely that we will terminate the Agreed Order, the City has not accrued this remediation. The remediation and monitoring costs for the next fiscal year are included in the FY 2009 budget. The City plans to implement GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, in FY 2009. This authoritative guidance requires that remediation liabilities be measured and recorded as the sum of probability, weighted amounts in a range of possible estimated amounts. Consequently, the City plans to secure an engineering firm to determine the amount of the potential exposure, exploring various methods of addressing the remediation.

The potential exposure for one remaining location is not readily determinable as of September 30, 2008. In the opinion of management, the ultimate liability for this location will not have a materially adverse effect on the City's financial position.

City of Lubbock, Texas
Schedule of Funding Progress
For the Year Ended September 30, 2008

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

| Actuarial Valuation Date | Plan | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio as a Percentage (a/b) | Covered Payroll (c) | UAAL as a Percentage of covered Payroll ((b-a)/c) |
|--------------------------|------|-------------------------------|---------------------------------------|---------------------------|------------------------------------|---------------------|---------------------------------------------------|
| 12/31/05 | TMRS | \$195,046,632 | \$261,430,108 | \$66,383,476 | 74.6 | \$65,424,918 | 101.5 |
| 12/31/06 | TMRS | 199,865,768 | 271,368,756 | 71,502,988 | 73.7 | 68,755,777 | 104.0 |
| 12/31/07 | TMRS | 200,185,558 | 326,014,062 | 125,828,504 | 61.4 | 70,894,738 | 177.5 |
| 12/31/02 | LFPF | 111,261,775 | 127,850,414 | 16,588,639 | 87.0 | 13,521,366 | 122.7 |
| 12/31/04 | LFPF | 130,174,984 | 143,991,975 | 13,816,991 | 90.4 | 14,711,366 | 93.9 |
| 12/31/06 | LFPF | 138,098,239 | 164,396,183 | 26,297,944 | 84.0 | 17,290,674 | 152.1 |
| 10/01/07 | OPEB | - | 81,918,738 | 81,918,378 | - | 88,185,412 | 92.9 |

*Health/Dental Care Insurance Plan

The actuarial information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, mortality and the time value of money to the accumulated plan benefits.

The TMRS board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Prior to 2007, TMRS used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. The City has adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the City's amortization period was changed from a 25-year "open" to a 30-year "closed" period. These changes resulted in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$78,725,302 and the funded ratio would have been 71.8%.

The Lubbock Fire Pension Fund had similar changes in actuarial assumptions and method changes in the December 31, 2006 valuation compared to the December 31, 2004 valuation that resulted in a significant increase to the Actuarial Accrued Liability (AAL) and consequently the Unfunded Actuarial Accrued Liability (UAAL).

City of Lubbock, Texas
Schedule of Funding Progress (Continued)
For the Year Ended September 30, 2008

Following is a summary of actuarial assumption, method changes and change in amortization period that were made compared to those in the December 31, 2004 valuation:

1. The assumed pay increases due to promotions and longevity were revised.
2. The assumed mortality rates were somewhat lower and were changed to more recent published mortality table and adjusted for expected mortality improvements to 2006.
3. The assumed percent of retirees electing partial lump sum (PLSO) was reduced.
4. The percent of firefighters assumed to be single at the time of commencement of benefits was reduced from 25% to 15%.
5. The assumed city contribution rate was changed.

In the actuary's opinion, these changes reasonably related to the experience of the Fund and to reasonable expectations and they represent a reasonable estimate of anticipated experience of the Fund over the long-term future.

The amortization period was changed from 19 years to 35 years for the following reasons:

1. The average annual rate of investment return was less than the assumed rate of return.
2. The aggregate payroll increased.
3. There were fewer-than-expected retirements.
4. The assumed city contribution rate increase.
5. The changes in actuarial assumptions discussed previously.

A more detailed discussion can be found in the Lubbock Fire Pension Fund Actuarial Valuation as of December 31, 2006.

City of Lubbock, Texas
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-----------------------------------|------------------------|---------------------|-------------------------------------------|---------------------------------------------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Property Tax | \$ 36,839,702 | \$ 36,839,702 | \$ 36,889,229 | 49,527 |
| Delinquent Taxes | 1,064,742 | 1,064,742 | 939,061 | (125,681) |
| Sales Tax | 45,587,965 | 45,587,965 | 46,336,460 | 748,495 |
| Cox Cable | 1,280,764 | 1,280,764 | 1,009,488 | (271,276) |
| Xcel Energy | 1,987,042 | 1,987,042 | 2,121,333 | 134,291 |
| South Plains Electric Cooperative | 537,651 | 537,651 | 557,611 | 19,960 |
| Atmos | 2,217,328 | 2,217,328 | 2,214,526 | (2,802) |
| Mixed Beverage Tax | 818,696 | 818,696 | 904,917 | 86,221 |
| Bingo Tax | 245,629 | 245,629 | 275,415 | 29,786 |
| Telecom Right of Way | 1,962,810 | 1,962,810 | 1,883,655 | (79,155) |
| Licenses and Permits | 2,541,584 | 2,541,584 | 2,662,140 | 120,556 |
| Intergovernmental | 376,029 | 376,029 | 386,899 | 10,870 |
| Charges for Services | | | | |
| Development Services | 165,861 | 165,861 | 118,765 | (47,096) |
| General Government | 1,466,656 | 1,466,656 | 1,257,396 | (209,260) |
| Public Safety | 111,488 | 111,488 | 112,712 | 1,224 |
| Health | 932,502 | 932,502 | 780,488 | (152,014) |
| Cultural/Recreational | 1,316,633 | 1,316,633 | 1,011,217 | (305,416) |
| Fines and Forfeitures | 3,814,544 | 3,814,544 | 3,279,911 | (534,633) |
| Interest Earnings | 1,230,405 | 1,230,405 | 1,052,842 | (177,563) |
| Rental | 4,328 | 4,328 | 138,750 | 134,422 |
| Recoveries of Expenditures | 571,387 | 571,387 | 907,445 | 336,058 |
| Other | 1,425,000 | 1,425,000 | 1,731,313 | 306,313 |
| Transfers from Electric Fund | 1,776,385 | 1,776,385 | 1,796,385 | 20,000 |
| Transfers from Water Fund | 5,986,649 | 5,986,649 | 5,986,649 | - |
| Transfers from Sewer Fund | 2,894,350 | 2,894,350 | 2,894,350 | - |
| Transfers from Solid Waste | 2,520,187 | 2,520,187 | 2,506,007 | (14,180) |
| Transfers from Airport Fund | 1,117,560 | 1,117,560 | 1,117,560 | - |
| Transfers from Stormwater | 1,039,057 | 1,039,057 | 1,066,358 | 27,301 |
| Other Transfers | 589,106 | 2,636,578 | 2,362,052 | (274,526) |
| Total Revenue | <u>122,422,040</u> | <u>124,469,512</u> | <u>124,300,934</u> | <u>(168,578)</u> |
| EXPENDITURES | | | | |
| <u>Administrative Services</u> | | | | |
| City Attorney | \$ 1,971,036 | \$ 1,971,036 | \$ 2,064,927 | (93,891) |
| City Council | 604,721 | 604,721 | 460,494 | 144,227 |
| City Manager | 748,997 | 748,997 | 708,847 | 40,150 |
| City Secretary | 438,183 | 438,183 | 445,936 | (7,753) |
| Facilities Management | 2,657,526 | 2,657,526 | 2,615,662 | 41,864 |
| Finance | 2,331,376 | 2,331,376 | 2,302,335 | 29,041 |
| Human Resources | 614,473 | 614,473 | 609,507 | 4,966 |
| Internal Audit | 291,008 | 291,008 | 246,705 | 44,303 |
| Non-departmental | 3,990,598 | 3,990,598 | 3,730,232 | 260,366 |
| Special Events | 274,977 | 274,977 | 168,176 | 106,801 |
| Total Administrative Services | <u>13,922,895</u> | <u>13,922,895</u> | <u>13,352,821</u> | <u>570,074</u> |

City of Lubbock, Texas
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-----------------------------------------|------------------------------|------------------------------|-------------------------------------------|---------------------------------------------------------------------|
| EXPENDITURES (Continued) | | | | |
| <u>Community Services</u> | | | | |
| Building Inspection | \$ 1,641,154 | \$ 1,650,217 | \$ 1,590,163 | \$ 60,054 |
| Business Development | 277,470 | 331,970 | 247,222 | 84,748 |
| Planning | 971,306 | 971,306 | 968,757 | 2,549 |
| Total Community Services | <u>2,889,930</u> | <u>2,953,493</u> | <u>2,806,142</u> | <u>147,351</u> |
| <u>Cultural and Recreation Services</u> | | | | |
| Buddy Holly Center | 478,789 | 478,789 | 422,740 | 56,049 |
| Library | 3,099,261 | 3,099,261 | 3,071,411 | 27,850 |
| Parks | 8,928,677 | 8,928,677 | 8,923,985 | 4,692 |
| Silent Wings Museum | 308,427 | 310,927 | 249,512 | 61,415 |
| Total Cultural and Recreation Services | <u>12,815,154</u> | <u>12,817,654</u> | <u>12,667,648</u> | <u>150,006</u> |
| <u>Public Works</u> | | | | |
| Engineering | 1,138,427 | 1,138,427 | 1,077,027 | 61,400 |
| Environmental Compliance | 220,169 | 220,169 | 268,313 | (48,144) |
| Street Lighting | 2,845,715 | 1,832,985 | 2,168,168 | (335,183) |
| Streets | 2,753,494 | 2,753,494 | 2,311,957 | 441,537 |
| Traffic | 2,493,955 | 2,493,955 | 2,611,311 | (117,356) |
| Total Public Works | <u>9,451,760</u> | <u>8,439,030</u> | <u>8,436,776</u> | <u>2,254</u> |
| <u>Public Safety Health Services</u> | | | | |
| Fire | 28,907,749 | 28,924,649 | 29,646,710 | (722,061) |
| Health | 4,476,597 | 4,476,597 | 4,133,917 | 342,680 |
| Municipal Court | 1,668,263 | 1,668,263 | 1,539,817 | 128,446 |
| Police | 45,729,207 | 45,730,707 | 44,147,218 | 1,583,489 |
| Total Public Safety & Health Services | <u>80,781,816</u> | <u>80,800,216</u> | <u>79,467,662</u> | <u>1,332,554</u> |
| Transfers | 5,060,485 | 6,073,215 | 6,129,512 | (56,297) |
| Payroll Accrual/Other | (2,500,000) | (2,500,000) | 13,599 | (2,513,599) |
| Total Expenditures | <u><u>\$ 122,422,040</u></u> | <u><u>\$ 122,506,503</u></u> | <u><u>\$ 122,874,160</u></u> | <u><u>(367,657)</u></u> |

City of Lubbock, Texas
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2008

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

Revenues and Other Financing Sources

Actual amounts (budgetary basis) "Total Revenue" from the Budget Comparison Schedule \$124,300,934

Adjustments:

Proceeds from the issuance of capital leases are classified as other financing sources for GAAP reporting, but are not included in total revenue on the budget basis 3,011,138

Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds \$127,312,072

Expenditures and Other Financing Uses

Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule \$122,874,160

Adjustments:

Capital outlay that has or will be purchased from capital lease proceeds are classified as expenditures for GAAP reporting, but are not included in total expenditures on the budget basis 3,601,285

Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds \$126,475,445



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2008

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 vehicles and payments to wrecker services.

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

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

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

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

Red Light Camera – Accounted for revenues from photographic enforcement system fees collected and all the related operating costs. This fund was closed in FY 2008.

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 (TIF) 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 dedicated assessments, which are used in the payment of professional services and special security charges.

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

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 the 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.

Permanent Fund

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

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.

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

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

**City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008**

| | <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 | \$ 3,224 | \$ 3,835 | \$ 3,861 | \$ 76 |
| Investments | 394,765 | 469,532 | 472,722 | 9,333 |
| Taxes receivable (net) | - | - | - | 111,550 |
| Accounts receivable (net) | - | - | - | - |
| Interest receivable | 1,505 | 3,579 | 3,949 | - |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from others | - | - | - | - |
| Investment in property | - | - | - | - |
| Restricted investments | - | - | - | - |
| Mortgage receivables | - | - | - | - |
| Total assets | <u>\$ 399,494</u> | <u>\$ 476,946</u> | <u>\$ 480,532</u> | <u>\$ 120,959</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 203,643 | \$ 3,050 | \$ 202,110 | \$ 17,146 |
| Due to other funds | - | - | - | - |
| Accrued interest payable | - | - | - | - |
| Accrued liabilities | - | 9,247 | - | - |
| Deferred revenue | - | - | - | 103,813 |
| Total liabilities | <u>203,643</u> | <u>12,297</u> | <u>202,110</u> | <u>120,959</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Special revenue - Civic Center facilities | - | - | - | - |
| Special revenue - grants | - | - | - | - |
| Perpetual care | - | - | - | - |
| Unreserved, designated in: | | | | |
| Special revenue funds | 195,851 | 464,649 | 278,422 | - |
| Unreserved, undesignated in: | | | | |
| Permanent fund | - | - | - | - |
| Total fund balances | <u>195,851</u> | <u>464,649</u> | <u>278,422</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 399,494</u> | <u>\$ 476,946</u> | <u>\$ 480,532</u> | <u>\$ 120,959</u> |

Special Revenue Funds

| <u>Donations</u> | <u>Hotel/Motel Tax</u> | <u>Lake Alan Henry</u> | <u>Red Light Camera</u> | <u>Lubbock Economic Development Alliance</u> | <u>North Overton TIF</u> | <u>Central Business District TIF</u> |
|-------------------|----------------------------|----------------------------|-----------------------------|----------------------------------------------------------|------------------------------|----------------------------------------------|
| \$ 3,364 | \$ 13,610 | \$ 4,807 | \$ - | \$ 136 | \$ - | \$ 7,182 |
| 411,905 | 1,666,395 | 588,609 | - | 16,655 | - | 879,323 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 1,987 | 8,353 | 3,221 | - | - | 2,815 | 4,005 |
| - | - | - | - | - | - | - |
| - | - | - | - | 727,598 | - | - |
| - | 967,253 | - | - | 14,393 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 935,781 | - |
| - | - | - | - | - | - | - |
| <u>\$ 417,256</u> | <u>\$ 2,655,611</u> | <u>\$ 596,637</u> | <u>\$ -</u> | <u>\$ 758,782</u> | <u>\$ 938,596</u> | <u>\$ 890,510</u> |
| \$ 5,400 | \$ 359,842 | \$ 8,524 | \$ - | \$ 758,782 | \$ - | \$ - |
| - | - | - | - | - | 511,996 | - |
| - | - | - | - | - | - | - |
| 2,174 | - | 4,608 | - | - | 828 | 299 |
| - | - | - | - | - | - | - |
| <u>7,574</u> | <u>359,842</u> | <u>13,132</u> | <u>-</u> | <u>758,782</u> | <u>512,824</u> | <u>299</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 650,080 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 409,682 | 1,645,689 | 583,505 | - | - | 425,772 | 890,211 |
| - | - | - | - | - | - | - |
| <u>409,682</u> | <u>2,295,769</u> | <u>583,505</u> | <u>-</u> | <u>-</u> | <u>425,772</u> | <u>890,211</u> |
| <u>\$ 417,256</u> | <u>\$ 2,655,611</u> | <u>\$ 596,637</u> | <u>\$ -</u> | <u>\$ 758,782</u> | <u>\$ 938,596</u> | <u>\$ 890,510</u> |

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

| | <u>Special Revenue Funds</u> | | | | |
|-------------------------------------------|------------------------------|----------------------------|------------------------|----------------------------------|-------------------------------------------|
| | <u>North Overton PID</u> | <u>North Point PID</u> | <u>Gateway Streets</u> | <u>Community Development</u> | <u>Urban Renewal Agency (URA)</u> |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 492 | \$ 674 | \$ 116,978 | \$ 5,243 | \$ - |
| Investments | 60,188 | 82,533 | 14,322,908 | 1,752,432 | - |
| Taxes receivable (net) | - | - | - | - | - |
| Accounts receivable (net) | - | - | - | - | - |
| Interest receivable | 963 | 546 | 91,225 | 1,070 | - |
| Due from other funds | - | - | 152,000 | - | - |
| Due from other governments | - | - | - | 1,494,195 | - |
| Due from others | - | - | 547,172 | - | - |
| Investment in property | - | - | - | - | 208,213 |
| Restricted investments | - | - | 1,508,870 | - | - |
| Mortgage receivables | - | - | - | - | 5,612,742 |
| Total assets | <u>\$ 61,643</u> | <u>\$ 83,753</u> | <u>\$ 16,739,153</u> | <u>\$ 3,252,940</u> | <u>\$ 5,820,955</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 17,486 | \$ - | \$ 20,000 | \$ 126,376 | \$ - |
| Due to other funds | - | - | - | - | - |
| Accrued interest payable | - | - | - | - | - |
| Accrued liabilities | 115 | - | - | 45,646 | - |
| Deferred revenue | - | - | - | 2,244,729 | - |
| Total liabilities | <u>17,601</u> | <u>-</u> | <u>20,000</u> | <u>2,416,751</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Debt service | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Special revenue - Civic Center facilities | - | - | - | - | - |
| Special revenue - grants | - | - | - | 836,189 | 5,820,955 |
| Perpetual care | - | - | - | - | - |
| Unreserved, designated in: | | | | | |
| Special revenue funds | 44,042 | 83,753 | 16,719,153 | - | - |
| Unreserved, undesignated in: | | | | | |
| Permanent fund | - | - | - | - | - |
| Total fund balances | <u>44,042</u> | <u>83,753</u> | <u>16,719,153</u> | <u>836,189</u> | <u>5,820,955</u> |
| Total liabilities and fund balances | <u>\$ 61,643</u> | <u>\$ 83,753</u> | <u>\$ 16,739,153</u> | <u>\$ 3,252,940</u> | <u>\$ 5,820,955</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> |
|---------------------------|-------------------|-------------------|-------------------|---------------------|------------------------------------|--------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 20 | \$ 163,502 | \$ - |
| - | - | - | - | 2,401 | 21,129,701 | - |
| - | - | - | - | - | 111,550 | 265,079 |
| - | - | - | - | - | - | - |
| - | - | - | 492 | - | 123,710 | 27,023 |
| - | - | - | - | - | 152,000 | - |
| 233,422 | 347,082 | 128,310 | 758,231 | 791,277 | 4,480,115 | - |
| - | - | - | - | - | 1,528,818 | - |
| - | - | - | - | - | 208,213 | - |
| - | - | - | - | - | 2,444,651 | 2,231,900 |
| - | - | - | - | - | 5,612,742 | - |
| <u>\$ 233,422</u> | <u>\$ 347,082</u> | <u>\$ 128,310</u> | <u>\$ 758,723</u> | <u>\$ 793,698</u> | <u>\$ 35,955,002</u> | <u>\$ 2,524,002</u> |
| \$ 84,768 | \$ 37,805 | \$ 7,943 | \$ - | \$ 51,400 | \$ 1,904,275 | \$ - |
| 136,047 | 169,996 | 96,957 | 611,149 | 395,019 | 1,921,164 | - |
| - | - | - | - | - | - | 172,611 |
| 10,041 | 38,024 | 14,199 | 9,543 | 99,095 | 233,819 | - |
| - | - | - | - | - | 2,348,542 | 246,694 |
| <u>230,856</u> | <u>245,825</u> | <u>119,099</u> | <u>620,692</u> | <u>545,514</u> | <u>6,407,800</u> | <u>419,305</u> |
| - | - | - | - | - | - | 2,104,697 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 650,080 | - |
| 2,566 | 101,257 | 9,211 | 138,031 | 248,184 | 7,156,393 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 21,740,729 | - |
| - | - | - | - | - | - | - |
| <u>2,566</u> | <u>101,257</u> | <u>9,211</u> | <u>138,031</u> | <u>248,184</u> | <u>29,547,202</u> | <u>2,104,697</u> |
| <u>\$ 233,422</u> | <u>\$ 347,082</u> | <u>\$ 128,310</u> | <u>\$ 758,723</u> | <u>\$ 793,698</u> | <u>\$ 35,955,002</u> | <u>\$ 2,524,002</u> |

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

| | <u>Permanent Fund</u> | <u>Capital Projects Funds</u> | | |
|-------------------------------------------|---------------------------------------------|---------------------------------|------------------------------------|-----------------------------------------|
| | <u>Cemetery Perpetual Care Fund</u> | <u>TIF Capital Projects</u> | <u>Gateway Streets Project</u> | <u>Total Capital Projects Funds</u> |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,056 | \$ - | \$ 2 | \$ 2 |
| Investments | 129,282 | - | 278 | 278 |
| Taxes receivable (net) | - | - | - | - |
| Accounts receivable (net) | - | - | - | - |
| Interest receivable | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from others | - | - | - | - |
| Investment in property | - | - | - | - |
| Restricted investments | - | 18,262,200 | 38,036,832 | 56,299,032 |
| Mortgage receivables | - | - | - | - |
| Total assets | <u>\$ 130,338</u> | <u>\$ 18,262,200</u> | <u>\$ 38,037,112</u> | <u>\$ 56,299,312</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 530,472 | \$ 1,737,725 | \$ 2,268,197 |
| Due to other funds | - | - | 152,000 | 152,000 |
| Accrued interest payable | - | 17,205 | 1,886 | 19,091 |
| Accrued liabilities | - | 4,473 | 490 | 4,963 |
| Deferred revenue | - | - | - | - |
| Total liabilities | <u>-</u> | <u>552,150</u> | <u>1,892,101</u> | <u>2,444,251</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Debt service | - | - | - | - |
| Capital projects | - | 17,710,050 | 36,145,011 | 53,855,061 |
| Special revenue - Civic Center facilities | - | - | - | - |
| Special revenue - grants | - | - | - | - |
| Perpetual care | 123,462 | - | - | - |
| Unreserved, designated in: | | | | |
| Special revenue funds | - | - | - | - |
| Unreserved, undesignated in: | | | | |
| Permanent fund | <u>6,876</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>130,338</u> | <u>17,710,050</u> | <u>36,145,011</u> | <u>53,855,061</u> |
| Total liabilities and fund balances | <u>\$ 130,338</u> | <u>\$ 18,262,200</u> | <u>\$ 38,037,112</u> | <u>\$ 56,299,312</u> |

**Total Nonmajor
Governmental
Funds**

\$ 164,560
21,259,261
376,629
-
150,733
152,000
4,480,115
1,528,818
208,213
60,975,583
5,612,742

\$ 94,908,654

\$ 4,172,472
2,073,164
191,702
238,782
2,595,236

9,271,356

2,104,697
53,855,061
650,080
7,156,393
123,462

21,740,729

6,876

85,637,298

\$ 94,908,654

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2008

| | <u>Special Revenue Funds</u> | | | |
|--------------------------------------------------------------|-----------------------------------|----------------------------|------------------------------------|-----------------------------------------------|
| | <u>Criminal Investigation</u> | <u>Municipal Court</u> | <u>Abandoned Motor Vehicle</u> | <u>Economic Development Incentive</u> |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 3,165,817 |
| Sales taxes | - | - | - | - |
| Occupancy taxes | - | - | - | - |
| Franchise taxes | - | - | - | - |
| Special assessments | - | - | - | - |
| Fees and fines | - | 274,768 | - | - |
| Intergovernmental revenue | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | 9,934 | 24,183 | 26,271 | 3,133 |
| Miscellaneous | 44,035 | - | 444,738 | - |
| Total revenues | <u>53,969</u> | <u>298,951</u> | <u>471,009</u> | <u>3,168,950</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community services | - | - | - | - |
| Cultural and recreation | - | - | - | - |
| Economic and business development | - | - | - | 3,187,956 |
| Fire | - | - | - | - |
| Health | - | - | - | - |
| Police | 79,428 | - | 411,013 | - |
| Other public safety | - | 371,149 | - | - |
| Intergovernmental | - | - | - | - |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Capital outlay | - | - | 176,668 | - |
| Total expenditures | <u>79,428</u> | <u>371,149</u> | <u>587,681</u> | <u>3,187,956</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(25,459)</u> | <u>(72,198)</u> | <u>(116,672)</u> | <u>(19,006)</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 | (25,459) | (72,198) | (116,672) | (91,006) |
| Fund balances - beginning of year | 221,310 | 536,847 | 395,094 | 91,006 |
| Fund balances - end of year | <u>\$ 195,851</u> | <u>\$ 464,649</u> | <u>\$ 278,422</u> | <u>\$ -</u> |

Special Revenue Funds

| <u>Donations</u> | <u>Hotel/Motel Tax</u> | <u>Lake Alan Henry</u> | <u>Red Light Camera</u> | <u>Lubbock Economic Development Alliance</u> | <u>North Overton TIF</u> | <u>Central Business District TIF</u> |
|-------------------|------------------------|------------------------|-------------------------|----------------------------------------------|--------------------------|--------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,455,110 | \$ 424,866 |
| - | - | - | - | 4,212,405 | - | - |
| - | 4,190,376 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 246,623 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 466,131 | - | - | - | - |
| 13,245 | 60,411 | 22,930 | - | - | 24,869 | 27,574 |
| 290,465 | - | - | - | - | - | - |
| <u>303,710</u> | <u>4,250,787</u> | <u>489,061</u> | <u>246,623</u> | <u>4,212,405</u> | <u>1,479,979</u> | <u>452,440</u> |
| 56,570 | - | - | - | - | - | - |
| 68,450 | - | 282,864 | - | - | - | - |
| - | 2,939,629 | - | - | 4,216,459 | 32,150 | 30,356 |
| 57,231 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 1,000 | - | - | - | - | - | - |
| 24,693 | - | - | 242,087 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>207,944</u> | <u>2,939,629</u> | <u>282,864</u> | <u>242,087</u> | <u>4,216,459</u> | <u>32,150</u> | <u>30,356</u> |
| <u>95,766</u> | <u>1,311,158</u> | <u>206,197</u> | <u>4,536</u> | <u>(4,054)</u> | <u>1,447,829</u> | <u>422,084</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 9,584 | 240,000 | - | - | - | - | - |
| - | (686,532) | (127,602) | - | - | (1,759,071) | - |
| <u>9,584</u> | <u>(446,532)</u> | <u>(127,602)</u> | <u>-</u> | <u>-</u> | <u>(1,759,071)</u> | <u>-</u> |
| 105,350 | 864,626 | 78,595 | 4,536 | (4,054) | (311,242) | 422,084 |
| 304,332 | 1,431,143 | 504,910 | (4,536) | 4,054 | 737,014 | 468,127 |
| <u>\$ 409,682</u> | <u>\$ 2,295,769</u> | <u>\$ 583,505</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 425,772</u> | <u>\$ 890,211</u> |

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2008

| | Special Revenue Funds | | | | |
|--------------------------------------------------------------|------------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------------|
| | North Overton PID | North Point PID | Gateway Streets | Community Development | Urban Renewal Agency |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - | - |
| Occupancy taxes | - | - | - | - | - |
| Franchise taxes | - | - | 5,191,075 | - | - |
| Special assessments | 230,667 | 65,815 | - | - | - |
| Fees and fines | - | - | - | - | - |
| Intergovernmental revenue | - | - | - | 4,393,135 | - |
| Charges for services | - | - | - | - | - |
| Interest | 4,287 | 3,120 | 620,044 | 25,239 | - |
| Miscellaneous | - | - | - | 442,284 | - |
| Total revenues | <u>234,954</u> | <u>68,935</u> | <u>5,811,119</u> | <u>4,860,658</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Community services | - | - | - | 4,739,567 | 182,653 |
| Cultural and recreation | - | - | - | - | - |
| Economic and business development | 217,449 | 19,288 | 20,000 | - | - |
| Fire | - | - | - | - | - |
| Health | - | - | - | - | - |
| Police | - | - | - | - | - |
| Other public safety | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - |
| Debt Service: | | | | | |
| Principal | - | - | - | - | - |
| Interest and other charges | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Total expenditures | <u>217,449</u> | <u>19,288</u> | <u>20,000</u> | <u>4,739,567</u> | <u>182,653</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>17,505</u> | <u>49,647</u> | <u>5,791,119</u> | <u>121,091</u> | <u>(182,653)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term debt issued | - | - | - | - | - |
| Bond premium (discount) | - | - | - | - | - |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | (2,300,742) | (153,300) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(2,300,742)</u> | <u>(153,300)</u> | <u>-</u> |
| Net change in fund balances | 17,505 | 49,647 | 3,490,377 | (32,209) | (182,653) |
| Fund balances - beginning of year | 26,537 | 34,106 | 13,228,776 | 868,398 | 6,003,608 |
| Fund balances - end of year | <u>\$ 44,042</u> | <u>\$ 83,753</u> | <u>\$ 16,719,153</u> | <u>\$ 836,189</u> | <u>\$ 5,820,955</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> |
|---------------------------|-------------------|-----------------|-------------------|---------------------|------------------------------------|--------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,045,793 | \$ 7,523,022 |
| - | - | - | - | - | 4,212,405 | - |
| - | - | - | - | - | 4,190,376 | - |
| - | - | - | - | - | 5,191,075 | - |
| - | - | - | - | - | 296,482 | - |
| - | - | - | - | - | 521,391 | - |
| 1,162,353 | 1,147,449 | 576,116 | 1,323,463 | 1,630,947 | 10,233,463 | - |
| - | - | - | - | - | 466,131 | - |
| - | - | - | 13,824 | - | 879,064 | 172,598 |
| - | 125,579 | - | - | 3,262 | 1,350,363 | - |
| <u>1,162,353</u> | <u>1,273,028</u> | <u>576,116</u> | <u>1,337,287</u> | <u>1,634,209</u> | <u>32,386,543</u> | <u>7,695,620</u> |
| 1,159,787 | - | - | - | 448,134 | 6,586,711 | - |
| - | - | 576,116 | - | - | 927,430 | - |
| - | - | - | - | - | 10,663,287 | - |
| - | - | - | - | - | 57,231 | - |
| - | 1,104,066 | - | - | 567,005 | 1,671,071 | - |
| - | - | - | 542,815 | - | 1,034,256 | - |
| - | - | - | - | 763,735 | 1,401,664 | - |
| - | - | - | 123,852 | - | 123,852 | - |
| - | - | - | - | - | - | 7,939,868 |
| - | - | - | - | - | - | 7,298,723 |
| - | 143,255 | - | 840,147 | 149,588 | 1,309,658 | - |
| <u>1,159,787</u> | <u>1,247,321</u> | <u>576,116</u> | <u>1,506,814</u> | <u>1,928,462</u> | <u>23,775,160</u> | <u>15,238,591</u> |
| <u>2,566</u> | <u>25,707</u> | <u>-</u> | <u>(169,527)</u> | <u>(294,253)</u> | <u>8,611,383</u> | <u>(7,542,971)</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 85,730 | 242,174 | 577,488 | 6,817,084 |
| - | - | - | - | (116,380) | (5,215,627) | - |
| - | - | - | 85,730 | 125,794 | (4,638,139) | 6,817,084 |
| 2,566 | 25,707 | - | (83,797) | (168,459) | 3,973,244 | (725,887) |
| - | 75,550 | 9,211 | 221,828 | 416,643 | 25,573,958 | 2,830,584 |
| <u>\$ 2,566</u> | <u>\$ 101,257</u> | <u>\$ 9,211</u> | <u>\$ 138,031</u> | <u>\$ 248,184</u> | <u>\$ 29,547,202</u> | <u>\$ 2,104,697</u> |

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2008

| | Permanent Fund | Capital Projects Funds | | |
|--------------------------------------------------------------|------------------------------------|-------------------------|----------------------------|---------------------------------|
| | Cemetery Perpetual Care Fund | TIF Capital Projects | Gateway Streets Project | Total Capital Projects Funds |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - |
| Occupancy taxes | - | - | - | - |
| Franchise taxes | - | - | - | - |
| Special assessments | - | - | - | - |
| Fees and fines | - | - | - | - |
| Intergovernmental revenue | - | 6,500,000 | - | 6,500,000 |
| Charges for services | - | - | - | - |
| Interest | 2,276 | 638,956 | 682,771 | 1,321,727 |
| Miscellaneous | 12,773 | - | 1,030,329 | 1,030,329 |
| Total revenues | 15,049 | 7,138,956 | 1,713,100 | 8,852,056 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community services | - | - | - | - |
| Cultural and recreation | - | - | - | - |
| Economic and business development | - | - | - | - |
| Fire | - | - | - | - |
| Health | - | - | - | - |
| Police | - | - | - | - |
| Other public safety | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest and other charges | - | 234,066 | 321,300 | 555,366 |
| Capital outlay | - | 10,818,757 | 2,230,932 | 13,049,689 |
| Total expenditures | - | 11,052,823 | 2,552,232 | 13,605,055 |
| Excess (deficiency) of revenues over (under) expenditures | 15,049 | (3,913,867) | (839,132) | (4,752,999) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term debt issued | - | 13,748,759 | 22,166,016 | 35,914,775 |
| Bond premium (discount) | - | (71,850) | 1,290,109 | 1,218,259 |
| Transfers in | - | - | - | - |
| Transfers out | - | (1,292,128) | (769,348) | (2,061,476) |
| Total other financing sources (uses) | - | 12,384,781 | 22,686,777 | 35,071,558 |
| Net change in fund balances | 15,049 | 8,470,914 | 21,847,645 | 30,318,559 |
| Fund balances - beginning of year | 115,289 | 9,239,136 | 14,297,366 | 23,536,502 |
| Fund balances - end of year | \$ 130,338 | \$ 17,710,050 | \$ 36,145,011 | \$ 53,855,061 |

**Total Nonmajor
Governmental
Funds**

\$ 12,568,815
4,212,405
4,190,376
5,191,075
296,482
521,391
16,733,463
466,131
2,375,665
2,393,465
48,949,268

6,586,711
927,430
10,663,287
57,231
1,671,071
1,034,256
1,401,664
123,852

7,939,868
7,854,089
14,359,347
52,618,806

(3,669,538)

35,914,775
1,218,259
7,394,572
(7,277,103)

37,250,503

33,580,965
52,056,333

\$ 85,637,298



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2008

CITY OF LUBBOCK, TEXAS

Nonmajor Enterprise Funds

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

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

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

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

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

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

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2008

| | <u>Airport</u> | <u>Solid Waste</u> | <u>Transit</u> | <u>Cemetery</u> |
|-----------------------------------|----------------------|----------------------|----------------------|---------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 28,254 | \$ 83,418 | \$ 38,110 | \$ 30 |
| Investments | 3,459,434 | 10,213,760 | - | 3,725 |
| Accounts receivable | 307,943 | 2,156,606 | 666,985 | 49,913 |
| Interest receivable | - | 39,636 | - | - |
| Due from others | 288,837 | - | 864,172 | - |
| Due from other funds | - | 511,996 | - | - |
| Prepaid expenses | - | - | 60,261 | - |
| Inventories | - | - | 735,614 | - |
| | <u>4,084,468</u> | <u>13,005,416</u> | <u>2,365,142</u> | <u>53,668</u> |
| Total currents assets | | | | |
| Noncurrent assets: | | | | |
| Restricted investments | 8,776,772 | 3,119,045 | - | 122,231 |
| Restricted interest receivable | 56,576 | 14,195 | - | 16 |
| | <u>8,833,348</u> | <u>3,133,240</u> | <u>-</u> | <u>122,247</u> |
| Capital assets: | | | | |
| Land | 3,589,941 | 1,607,932 | 318,539 | 14,097 |
| Construction in progress | 13,110,467 | 589,113 | 6,402 | 377,181 |
| Buildings | 36,887,489 | 1,596,858 | 4,416,277 | 555,588 |
| Improvements other than buildings | 95,608,831 | 26,271,526 | 1,273,687 | 22,251 |
| Machinery and equipment | 9,906,148 | 27,427,105 | 22,407,821 | 330,059 |
| Less accumulated depreciation | <u>(72,759,939)</u> | <u>(36,211,036)</u> | <u>(20,192,036)</u> | <u>(346,098)</u> |
| | <u>86,342,937</u> | <u>21,281,498</u> | <u>8,230,690</u> | <u>953,078</u> |
| Total capital assets | | | | |
| | <u>95,176,285</u> | <u>24,414,738</u> | <u>8,230,690</u> | <u>1,075,325</u> |
| Total noncurrent assets | | | | |
| Total assets | <u>\$ 99,260,753</u> | <u>\$ 37,420,154</u> | <u>\$ 10,595,832</u> | <u>\$ 1,128,993</u> |

| <u>Civic Centers</u> | <u>Total Nonmajor Enterprise Funds</u> |
|----------------------|----------------------------------------------------|
| \$ 2,933 | \$ 152,745 |
| 359,162 | 14,036,081 |
| 99,266 | 3,280,713 |
| - | 39,636 |
| - | 1,153,009 |
| - | 511,996 |
| - | 60,261 |
| - | 735,614 |
| <u>461,361</u> | <u>19,970,055</u> |
| - | 12,018,048 |
| - | 70,787 |
| <u>-</u> | <u>12,088,835</u> |
| 1,238,454 | 6,768,963 |
| - | 14,083,163 |
| 21,317,202 | 64,773,414 |
| 2,609,599 | 125,785,894 |
| 5,246,617 | 65,317,750 |
| <u>(18,813,392)</u> | <u>(148,322,501)</u> |
| <u>11,598,480</u> | <u>128,406,683</u> |
| <u>11,598,480</u> | <u>140,495,518</u> |
| <u>\$ 12,059,841</u> | <u>\$ 160,465,573</u> |

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2008

| | <u>Airport</u> | <u>Solid Waste</u> | <u>Transit</u> | <u>Cemetery</u> |
|-------------------------------------------------|--------------------------|-------------------------|-------------------------|----------------------|
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 2,018,475 | \$ 107,490 | \$ 138,565 | \$ 11,122 |
| Accrued liabilities | 207,606 | 299,676 | 249,727 | 17,209 |
| Accrued interest payable | 188,339 | 118,244 | - | 4,056 |
| Due to other funds | - | - | 1,612,000 | 245,000 |
| Customer deposits | - | 7,772 | - | - |
| Deferred revenue | - | - | - | 81,621 |
| Compensated absences | 120,740 | 268,743 | 246,008 | 26,388 |
| Leases payable | 11,682 | 1,845,507 | - | - |
| Bonds payable | <u>1,607,446</u> | <u>562,343</u> | <u>-</u> | <u>22,948</u> |
| Total current liabilities | <u>4,154,288</u> | <u>3,209,775</u> | <u>2,246,300</u> | <u>408,344</u> |
| Noncurrent liabilities: | | | | |
| Rebatable arbitrage | 46,461 | 35,848 | - | 3,897 |
| Landfill closure and post closure care | - | 3,770,566 | - | - |
| Compensated absences | 128,968 | 287,057 | - | 28,187 |
| Post employment benefits | 103,169 | 222,037 | - | 23,923 |
| Leases payable | 48,171 | 7,099,944 | - | - |
| Bonds payable | <u>14,280,023</u> | <u>13,111,767</u> | <u>-</u> | <u>640,473</u> |
| Total noncurrent liabilities | <u>14,606,792</u> | <u>24,527,219</u> | <u>-</u> | <u>696,480</u> |
| Total liabilities | <u>18,761,080</u> | <u>27,736,994</u> | <u>2,246,300</u> | <u>1,104,824</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 76,835,196 | 1,380,905 | - | 396,003 |
| Restricted for passenger facility charges | 2,318,723 | - | - | - |
| Restricted for debt service | 182,573 | 400,077 | - | 15,885 |
| Unrestricted | <u>1,163,181</u> | <u>7,902,178</u> | <u>8,349,532</u> | <u>(387,719)</u> |
| Total net assets | <u>\$ 80,499,673</u> | <u>\$ 9,683,160</u> | <u>\$ 8,349,532</u> | <u>\$ 24,169</u> |

| <u>Civic Centers</u> | <u>Total Nonmajor Enterprise Funds</u> |
|----------------------|----------------------------------------------------|
| \$ 70,703 | \$ 2,346,355 |
| 59,990 | 834,208 |
| 136 | 310,775 |
| - | 1,857,000 |
| 67,617 | 75,389 |
| - | 81,621 |
| 111,574 | 773,453 |
| - | 1,857,189 |
| - | 2,192,737 |
| <u>310,020</u> | <u>10,328,727</u> |
| - | 86,206 |
| - | 3,770,566 |
| 119,177 | 563,389 |
| 88,857 | 437,986 |
| - | 7,148,115 |
| - | 28,032,263 |
| <u>208,034</u> | <u>40,038,525</u> |
| <u>518,054</u> | <u>50,367,252</u> |
| 11,598,480 | 90,210,584 |
| - | 2,318,723 |
| - | 598,535 |
| <u>(56,693)</u> | <u>16,970,479</u> |
| <u>\$ 11,541,787</u> | <u>\$ 110,098,321</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, 2008

| | <u>Airport</u> | <u>Solid Waste</u> | <u>Transit</u> | <u>Cemetery</u> |
|--------------------------------------------------|----------------------|---------------------|---------------------|------------------|
| OPERATING REVENUES | | | | |
| Charges for services (net) | \$ 6,793,829 | \$ 16,754,438 | \$ 4,306,204 | \$ 335,884 |
| Miscellaneous | - | - | 125,486 | - |
| Total operating revenues | <u>6,793,829</u> | <u>16,754,438</u> | <u>4,431,690</u> | <u>335,884</u> |
| OPERATING EXPENSES | | | | |
| Personal services | 2,222,912 | 5,369,676 | 5,867,543 | 406,038 |
| Supplies | 129,452 | 2,016,340 | 1,878,493 | 58,808 |
| Maintenance | 387,059 | 2,306,086 | 793,804 | 47,504 |
| Collection expense | - | 694,832 | - | - |
| Other services and charges | 1,891,191 | 1,733,035 | 1,297,179 | 185,313 |
| Depreciation and amortization | <u>4,205,461</u> | <u>4,233,675</u> | <u>1,509,962</u> | <u>18,055</u> |
| Total operating expenses | <u>8,836,075</u> | <u>16,353,644</u> | <u>11,346,981</u> | <u>715,718</u> |
| Operating income (loss) | <u>(2,042,246)</u> | <u>400,794</u> | <u>(6,915,291)</u> | <u>(379,834)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest earnings | 246,995 | 459,979 | - | 5,446 |
| Passenger facility charges/Federal grants | 1,703,632 | - | 3,231,060 | - |
| Disposition of assets | (377,644) | 384,663 | 8,518 | - |
| Miscellaneous | 703,657 | 202,253 | (130,737) | - |
| Interest expense | <u>(334,534)</u> | <u>(532,402)</u> | <u>-</u> | <u>(18,602)</u> |
| Net nonoperating revenues (expenses) | <u>1,942,106</u> | <u>514,493</u> | <u>3,108,841</u> | <u>(13,156)</u> |
| Income (loss) before contributions and transfers | (100,140) | 915,287 | (3,806,450) | (392,990) |
| Capital contributions | 3,849,200 | 8,555 | - | 8,544 |
| Transfers in | - | 35,000 | 1,583,800 | 264,397 |
| Transfers out | <u>(1,117,560)</u> | <u>(2,758,655)</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 2,631,500 | (1,799,813) | (2,222,650) | (120,049) |
| Total net assets - beginning | <u>77,868,173</u> | <u>11,482,973</u> | <u>10,572,182</u> | <u>144,218</u> |
| Total net assets - ending | <u>\$ 80,499,673</u> | <u>\$ 9,683,160</u> | <u>\$ 8,349,532</u> | <u>\$ 24,169</u> |

| <u>Civic Centers</u> | <u>Total Nonmajor Enterprise Funds</u> |
|----------------------|--------------------------------------------|
| \$ 717,494 | \$ 28,907,849 |
| - | 125,486 |
| <u>717,494</u> | <u>29,033,335</u> |
| 1,740,288 | 15,606,457 |
| 70,701 | 4,153,794 |
| 371,879 | 3,906,332 |
| - | 694,832 |
| 1,115,199 | 6,221,917 |
| <u>813,674</u> | <u>10,780,827</u> |
| <u>4,111,741</u> | <u>41,364,159</u> |
| <u>(3,394,247)</u> | <u>(12,330,824)</u> |
| 379 | 712,799 |
| - | 4,934,692 |
| - | 15,537 |
| - | 775,173 |
| - | (885,538) |
| <u>379</u> | <u>5,552,663</u> |
| (3,393,868) | (6,778,161) |
| 12,299,692 | 16,165,991 |
| 2,635,963 | 4,519,160 |
| - | (3,876,215) |
| <u>11,541,787</u> | <u>10,030,775</u> |
| - | <u>100,067,546</u> |
| <u>\$ 11,541,787</u> | <u>\$ 110,098,321</u> |

City Of Lubbock, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2008

| | <u>Airport</u> | <u>Solid Waste</u> | <u>Transit</u> | <u>Cemetery</u> |
|-------------------------------------------------------------------------------------------------------|---------------------|---------------------|-----------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 6,813,004 | \$ 16,623,195 | \$ 4,679,768 | \$ 338,436 |
| Payments to suppliers | (361,660) | (6,058,370) | (1,340,643) | (6,058) |
| Payments to employees | (2,318,126) | (5,585,417) | (5,867,543) | (423,247) |
| Other receipts | 703,657 | 202,253 | - | - |
| Net cash provided (used) by operating activities | <u>4,836,875</u> | <u>5,181,661</u> | <u>(2,528,418)</u> | <u>(90,869)</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Transfers in from other funds | - | 35,000 | 1,583,800 | 264,397 |
| Transfers out to other funds | (1,117,560) | (2,758,655) | - | - |
| Short-term interfund borrowings | - | (511,996) | (2,148,000) | - |
| Payments received on advances from other funds | - | 1,100,000 | - | - |
| Net cash provided (used) by noncapital and related financing activities | <u>(1,117,560)</u> | <u>(2,135,651)</u> | <u>(564,200)</u> | <u>264,397</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | (7,378,038) | (6,923,649) | (116,332) | (234,015) |
| Sale of capital assets | 866,526 | 384,663 | 8,518 | - |
| Principal paid on capital leases | (403) | (1,161,123) | - | - |
| Principal paid on bonds and other debt | (488,387) | (647,257) | - | (21,919) |
| Issuance of revenue and G.O. bonds | 9,738,879 | 1,346,381 | - | - |
| Issuance of capital leases | 59,008 | 4,102,611 | - | - |
| Bond issuance cost paid | (129,600) | (17,915) | - | - |
| Interest paid on bonds and other debt | (262,471) | (543,432) | - | (14,707) |
| Passenger facility charges/capital grants | 1,703,632 | - | 3,231,060 | - |
| Rebatable arbitrage | (355) | 973 | - | 106 |
| Net cash provided (used) for capital and related financing activities | <u>4,108,791</u> | <u>(3,458,748)</u> | <u>3,123,246</u> | <u>(270,535)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from sales and maturities of investments | 3,275,895 | 12,318,901 | - | 208,254 |
| Purchase of investments | (11,357,545) | (12,375,399) | - | (116,911) |
| Interest earnings on cash and investments | 260,094 | 434,033 | - | 5,693 |
| Net cash provided (used) by investing activities | <u>(7,821,556)</u> | <u>377,535</u> | <u>-</u> | <u>97,036</u> |
| Net increase (decrease) in cash and cash equivalents | 6,550 | (35,203) | 30,628 | 29 |
| Cash and cash equivalents - beginning of year | 21,704 | 118,621 | 7,482 | 1 |
| Cash and cash equivalents - end of year | <u>28,254</u> | <u>83,418</u> | <u>38,110</u> | <u>30</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (2,042,246) | \$ 400,794 | \$ (6,915,291) | \$ (379,834) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 4,205,461 | 4,233,675 | 1,509,962 | 18,055 |
| Other income (expense) | 703,657 | 202,253 | (130,737) | - |
| Change in current assets and liabilities: | | | | |
| Accounts receivable | 19,175 | (131,243) | 248,078 | 2,552 |
| Inventory | - | - | (89,814) | - |
| Due from other governments | - | - | 2,820,448 | - |
| Accounts payable | 899,524 | (45,892) | 39,898 | 1,357 |
| Other accrued expenses | 19,570 | 40,206 | 34,939 | (1,812) |
| Due to/from other funds | 907,696 | - | - | 239,384 |
| Customer deposits | - | 400 | - | - |
| Change in compensated absences and retirement benefits | 124,038 | 481,468 | 14,360 | 29,429 |
| Net cash provided (used) by operating activities | <u>\$ 4,836,875</u> | <u>\$ 5,181,661</u> | <u>\$ (2,528,418)</u> | <u>\$ (90,869)</u> |
| Supplemental cash flow information: | | | | |
| Noncash capital contributions and other charges | \$ 3,849,200 | \$ 8,555 | \$ - | \$ 8,544 |

| <u>Civic Centers</u> | <u>Total Nonmajor Enterprise Funds</u> |
|-----------------------|------------------------------------------------|
| \$ 618,228 | \$ 29,072,631 |
| (1,206,989) | (8,973,720) |
| (1,800,357) | (15,994,690) |
| - | 905,910 |
| <u>(2,389,118)</u> | <u>5,010,131</u> |
| 2,635,963 | 4,519,160 |
| - | (3,876,215) |
| - | (2,659,996) |
| - | 1,100,000 |
| <u>2,635,963</u> | <u>(917,051)</u> |
| - | (14,652,034) |
| 114,735 | 1,374,442 |
| - | (1,161,526) |
| - | (1,157,563) |
| - | 11,085,260 |
| - | 4,161,619 |
| - | (147,515) |
| 136 | (820,474) |
| - | 4,934,692 |
| - | 724 |
| <u>114,871</u> | <u>3,617,625</u> |
| (25,791) | 15,777,259 |
| (333,371) | (24,183,226) |
| 379 | 700,199 |
| <u>(358,783)</u> | <u>(7,705,768)</u> |
| 2,933 | 4,937 |
| - | 147,808 |
| <u>2,933</u> | <u>152,745</u> |
| \$ (3,394,247) | \$ (12,330,824) |
| 813,674 | 10,780,827 |
| - | 775,173 |
| (99,266) | 39,296 |
| - | (89,814) |
| - | 2,820,448 |
| 70,703 | 965,590 |
| 59,990 | 152,893 |
| - | 1,147,080 |
| 67,617 | 68,017 |
| 92,411 | 741,706 |
| <u>\$ (2,389,118)</u> | <u>\$ 5,010,131</u> |
| \$ 12,299,692 | \$ 16,165,991 |



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2008

CITY OF LUBBOCK, TEXAS

Internal Service Funds

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

Fleet Maintenance Fund - Accounts for vehicle service operations.

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

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

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

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

Investment Pool Fund - Accounts for the 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, 2008

| | <u>Business-type Activities</u> | | | |
|---------------------------------------|---------------------------------|-------------------------------------|----------------------------|--------------------------------------------|
| | <u>Fleet Maintenance</u> | <u>Print Shop and Warehouse</u> | <u>Risk Management</u> | <u>Total Business- type Activities</u> |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,347 | \$ 890 | \$ - | \$ 5,237 |
| Investments | 532,190 | 109,034 | - | 641,224 |
| Interest receivable | 2,082 | 3,459 | - | 5,541 |
| Due from others | - | 2,376 | - | 2,376 |
| Prepaid expenses | - | - | - | - |
| Inventories | 404,104 | 1,753,334 | - | 2,157,438 |
| Total current assets | <u>942,723</u> | <u>1,869,093</u> | <u>-</u> | <u>2,811,816</u> |
| Noncurrent assets | | | | |
| Restricted self-insurance investments | - | - | 7,759,461 | 7,759,461 |
| Restricted accounts receivable | - | - | 34,497 | 34,497 |
| Restricted interest receivable | - | - | 45,121 | 45,121 |
| | <u>-</u> | <u>-</u> | <u>7,839,079</u> | <u>7,839,079</u> |
| Capital assets: | | | | |
| Land | - | - | - | - |
| Construction in Progress | - | - | - | - |
| Buildings | 1,469,765 | 138,853 | - | 1,608,618 |
| Improvements other than buildings | - | - | - | - |
| Machinery and equipment | 625,335 | 161,242 | 17,227 | 803,804 |
| Less accumulated depreciation | <u>(1,305,962)</u> | <u>(256,577)</u> | <u>(16,270)</u> | <u>(1,578,809)</u> |
| Total capital assets | <u>789,138</u> | <u>43,518</u> | <u>957</u> | <u>833,613</u> |
| Total noncurrent assets | <u>789,138</u> | <u>43,518</u> | <u>7,840,036</u> | <u>8,672,692</u> |
| Total assets | <u>\$ 1,731,861</u> | <u>\$ 1,912,611</u> | <u>\$ 7,840,036</u> | <u>\$ 11,484,508</u> |

Governmental Activities

| <u>Information Technology</u> | <u>Health Benefits</u> | <u>Investment Pool</u> | <u>Total Governmental Activities</u> | <u>Total Internal Service Funds</u> |
|-------------------------------|------------------------|------------------------|--------------------------------------|-------------------------------------|
| \$ 22,189 | \$ - | \$ 81 | \$ 22,270 | \$ 27,507 |
| 2,716,890 | - | 9,919 | 2,726,809 | 3,368,033 |
| 32,983 | - | - | 32,983 | 38,524 |
| 97,391 | - | - | 97,391 | 99,767 |
| 68,727 | - | - | 68,727 | 68,727 |
| 36,797 | - | - | 36,797 | 2,194,235 |
| <u>2,974,977</u> | <u>-</u> | <u>10,000</u> | <u>2,984,977</u> | <u>5,796,793</u> |
| - | 9,492,456 | - | 9,492,456 | 17,251,917 |
| - | 123,875 | - | 123,875 | 158,372 |
| - | 54,696 | - | 54,696 | 99,817 |
| - | <u>9,671,027</u> | - | <u>9,671,027</u> | <u>17,510,106</u> |
| 65,343 | - | - | 65,343 | 65,343 |
| 180,942 | - | - | 180,942 | 180,942 |
| 28,436 | - | - | 28,436 | 1,637,054 |
| 649,868 | - | - | 649,868 | 649,868 |
| 8,499,699 | 5,568 | - | 8,505,267 | 9,309,071 |
| <u>(7,219,578)</u> | <u>(5,568)</u> | - | <u>(7,225,146)</u> | <u>(8,803,955)</u> |
| <u>2,204,710</u> | <u>-</u> | - | <u>2,204,710</u> | <u>3,038,323</u> |
| <u>2,204,710</u> | <u>9,671,027</u> | - | <u>11,875,737</u> | <u>20,548,429</u> |
| <u>\$ 5,179,687</u> | <u>\$ 9,671,027</u> | <u>\$ 10,000</u> | <u>\$ 14,860,714</u> | <u>\$ 26,345,222</u> |

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2008

| | <u>Business-type Activities</u> | | | |
|-------------------------------------------------|---------------------------------|-------------------------------------|----------------------------|--------------------------------------------|
| | <u>Fleet Maintenance</u> | <u>Print Shop and Warehouse</u> | <u>Risk Management</u> | <u>Total Business- type Activities</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 392,051 | \$ 172,522 | \$ 28,507 | \$ 593,080 |
| Accrued liabilities | 29,227 | 12,115 | 10,563 | 51,905 |
| Accrued interest payable | - | 214 | - | 214 |
| Compensated absences | 37,904 | 13,136 | 5,237 | 56,277 |
| Accrued insurance claims | - | - | 1,420,757 | 1,420,757 |
| Leases payable | - | 14,591 | - | 14,591 |
| | <u>459,182</u> | <u>212,578</u> | <u>1,465,064</u> | <u>2,136,824</u> |
| Total current liabilities | | | | |
| Noncurrent liabilities: | | | | |
| Accrued insurance claims | - | - | 1,424,922 | 1,424,922 |
| Compensated absences | 40,488 | 14,572 | 5,594 | 60,654 |
| Post employment benefits | 51,263 | 17,088 | 13,670 | 82,021 |
| Leases payable | - | 28,489 | - | 28,489 |
| | <u>91,751</u> | <u>60,149</u> | <u>1,444,186</u> | <u>1,596,086</u> |
| Total noncurrent liabilities | | | | |
| | <u>550,933</u> | <u>272,727</u> | <u>2,909,250</u> | <u>3,732,910</u> |
| Total liabilities | | | | |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 789,138 | 438 | 957 | 790,533 |
| Unrestricted | 391,790 | 1,639,446 | 4,929,829 | 6,961,065 |
| | <u>1,180,928</u> | <u>1,639,884</u> | <u>4,930,786</u> | <u>7,751,598</u> |
| Total net assets | | | | |

Governmental Activities

| <u>Information Technology</u> | <u>Health Benefits</u> | <u>Investment Pool</u> | <u>Total Governmental Activities</u> | <u>Total Internal Service Funds</u> |
|-----------------------------------|------------------------|----------------------------|----------------------------------------------|-----------------------------------------|
| \$ 227,709 | \$ 925,261 | \$ 7,519 | \$ 1,160,489 | \$ 1,753,569 |
| 133,244 | 6,988 | - | 140,232 | 192,137 |
| 3,306 | - | - | 3,306 | 3,520 |
| 150,807 | 2,239 | - | 153,046 | 209,323 |
| - | 1,599,299 | - | 1,599,299 | 3,020,056 |
| 446,770 | - | - | 446,770 | 461,361 |
| <u>961,836</u> | <u>2,533,787</u> | <u>7,519</u> | <u>3,503,142</u> | <u>5,639,966</u> |
| - | 156,407 | - | 156,407 | 1,581,329 |
| 246,388 | 3,657 | - | 250,045 | 310,699 |
| 116,197 | 13,670 | - | 129,867 | 211,888 |
| 663,355 | - | - | 663,355 | 691,844 |
| <u>1,025,940</u> | <u>173,734</u> | <u>-</u> | <u>1,199,674</u> | <u>2,795,760</u> |
| <u>1,987,776</u> | <u>2,707,521</u> | <u>7,519</u> | <u>4,702,816</u> | <u>8,435,726</u> |
| 1,094,585 | - | - | 1,094,585 | 1,885,118 |
| <u>2,097,326</u> | <u>6,963,506</u> | <u>2,481</u> | <u>9,063,313</u> | <u>16,024,378</u> |
| <u>\$ 3,191,911</u> | <u>\$ 6,963,506</u> | <u>\$ 2,481</u> | <u>\$ 10,157,898</u> | <u>\$ 17,909,496</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, 2008

| | Business-type Activities | | | |
|--------------------------------------------------|---------------------------------|-------------------------------------|----------------------------|--------------------------------------------|
| | Fleet Maintenance | Print Shop and Warehouse | Risk Management | Total Business- type Activities |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 9,260,378 | \$ 3,928,909 | \$ 5,354,716 | \$ 18,544,003 |
| Total operating revenues | <u>9,260,378</u> | <u>3,928,909</u> | <u>5,354,716</u> | <u>18,544,003</u> |
| OPERATING EXPENSES | | | | |
| Personal services | 903,954 | 294,804 | 225,959 | 1,424,717 |
| Insurance | - | - | 4,443,470 | 4,443,470 |
| Supplies | 33,458 | 8,151 | 4,948 | 46,557 |
| Materials | 7,852,123 | 3,437,497 | - | 11,289,620 |
| Maintenance | 41,582 | 8,195 | 3,684 | 53,461 |
| Other services and charges | 257,261 | 193,572 | 195,156 | 645,989 |
| Depreciation and amortization | 42,719 | 12,189 | 2,871 | 57,779 |
| Total operating expenses | <u>9,131,097</u> | <u>3,954,408</u> | <u>4,876,088</u> | <u>17,961,593</u> |
| Operating income (loss) | <u>129,281</u> | <u>(25,499)</u> | <u>478,628</u> | <u>582,410</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest earnings | 13,503 | 22,790 | 319,877 | 356,170 |
| Disposition of assets | (64,468) | - | - | (64,468) |
| Miscellaneous | 1,723 | - | 8,286 | 10,009 |
| Interest expense | - | (2,060) | - | (2,060) |
| Net nonoperating revenues (expenses) | <u>(49,242)</u> | <u>20,730</u> | <u>328,163</u> | <u>299,651</u> |
| Income (loss) before contributions and transfers | 80,039 | (4,769) | 806,791 | 882,061 |
| Capital Contributions | - | - | - | - |
| Operating Transfers In | 320,880 | - | - | 320,880 |
| Operating Transfers Out | <u>(35,000)</u> | <u>(283,154)</u> | <u>-</u> | <u>(318,154)</u> |
| Change in net assets | 365,919 | (287,923) | 806,791 | 884,787 |
| Total net assets - beginning of year | <u>815,009</u> | <u>1,927,807</u> | <u>4,123,995</u> | <u>6,866,811</u> |
| Total net assets - end of year | <u>\$ 1,180,928</u> | <u>\$ 1,639,884</u> | <u>\$ 4,930,786</u> | <u>\$ 7,751,598</u> |

Governmental Activities

| Information Technology | Health Benefits | Investment Pool | Total Governmental Activities | Total Internal Service Funds |
|-----------------------------------|----------------------------|----------------------------|----------------------------------------------|-----------------------------------------|
| <u>\$ 7,151,478</u> | <u>\$22,250,177</u> | <u>\$ -</u> | <u>\$ 29,401,655</u> | <u>\$ 47,945,658</u> |
| <u>7,151,478</u> | <u>22,250,177</u> | <u>-</u> | <u>29,401,655</u> | <u>47,945,658</u> |
| 3,166,511 | 168,687 | 37,292 | 3,372,490 | 4,797,207 |
| - | 19,333,090 | - | 19,333,090 | 23,776,560 |
| 56,501 | 5,909 | 1,011 | 63,421 | 109,978 |
| 141,354 | - | - | 141,354 | 11,430,974 |
| 2,056,968 | - | - | 2,056,968 | 2,110,429 |
| 1,564,661 | 107,684 | 200,218 | 1,872,563 | 2,518,552 |
| 265,779 | - | - | 265,779 | 323,558 |
| <u>7,251,774</u> | <u>19,615,370</u> | <u>238,521</u> | <u>27,105,665</u> | <u>45,067,258</u> |
| <u>(100,296)</u> | <u>2,634,807</u> | <u>(238,521)</u> | <u>2,295,990</u> | <u>2,878,400</u> |
| 219,338 | 368,197 | 229,502 | 817,037 | 1,173,207 |
| 23,698 | - | - | 23,698 | (40,770) |
| 399 | 123,172 | - | 123,571 | 133,580 |
| <u>(34,107)</u> | <u>-</u> | <u>-</u> | <u>(34,107)</u> | <u>(36,167)</u> |
| <u>209,328</u> | <u>491,369</u> | <u>229,502</u> | <u>930,199</u> | <u>1,229,850</u> |
| 109,032 | 3,126,176 | (9,019) | 3,226,189 | 4,108,250 |
| 200,289 | - | - | 200,289 | 200,289 |
| - | - | - | - | 320,880 |
| <u>(2,195,198)</u> | <u>-</u> | <u>-</u> | <u>(2,195,198)</u> | <u>(2,513,352)</u> |
| <u>(1,885,877)</u> | <u>3,126,176</u> | <u>(9,019)</u> | <u>1,231,280</u> | <u>2,116,067</u> |
| <u>5,077,788</u> | <u>3,837,330</u> | <u>11,500</u> | <u>8,926,618</u> | <u>15,793,429</u> |
| <u>\$ 3,191,911</u> | <u>\$ 6,963,506</u> | <u>\$ 2,481</u> | <u>\$ 10,157,898</u> | <u>\$ 17,909,496</u> |

City of Lubbock, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2008

| | Business-type Activities | | | Total Business-type Activities |
|-------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------|--------------------|--------------------------------------|
| | Fleet Maintenance | Print Shop and Warehouse | Risk Management | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 9,260,377 | \$ 3,928,909 | \$ 5,354,716 | \$ 18,544,002 |
| Payments to suppliers | (8,387,484) | (3,911,339) | (5,115,324) | (17,414,147) |
| Payments to employees | (852,691) | (277,716) | (212,289) | (1,342,696) |
| Other receipts | 1,723 | - | 8,286 | 10,009 |
| Net cash provided (used) by operating activities | <u>21,925</u> | <u>(260,146)</u> | <u>35,389</u> | <u>(202,832)</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Transfers in from other funds | 320,880 | - | - | 320,880 |
| Transfers out to other funds | (35,000) | (283,154) | - | (318,154) |
| Short-term interfund borrowings | - | 2,523 | - | 2,523 |
| Net cash provided (used) by noncapital and related financing activities | <u>285,880</u> | <u>(280,631)</u> | <u>-</u> | <u>5,249</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | (64,468) | - | - | (64,468) |
| Sale of capital assets | - | - | - | - |
| Principal paid on capital leases | - | (14,027) | - | (14,027) |
| Issuance of capital leases | - | - | - | - |
| Interest paid on debt | - | (2,130) | - | (2,130) |
| Net cash provided (used) for capital and related financing activities | <u>(64,468)</u> | <u>(16,157)</u> | <u>-</u> | <u>(80,625)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from sales and maturities of investments | 101,075 | 598,820 | 4,803,250 | 5,503,145 |
| Purchase of investments | (354,603) | (72,650) | (5,170,196) | (5,597,449) |
| Interest earnings on cash and investments | 10,674 | 22,845 | 331,557 | 365,076 |
| Net cash provided by (used for) investing activities | <u>(242,854)</u> | <u>549,015</u> | <u>(35,389)</u> | <u>270,772</u> |
| Net increase (decrease) in cash and cash equivalents | 483 | (7,919) | - | (7,436) |
| Cash and cash equivalents at beginning of year | 3,864 | 8,809 | - | 12,673 |
| Cash and cash equivalents at end of year | <u>\$ 4,347</u> | <u>\$ 890</u> | <u>\$ -</u> | <u>\$ 5,237</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 129,281 | (25,499) | \$ 478,628 | 582,410 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 42,719 | 12,189 | 2,871 | 57,779 |
| Other income (expense) | 1,723 | - | 8,286 | 10,009 |
| Change in current assets and liabilities: | | | | |
| Accounts receivable | - | - | - | - |
| Inventory | (60,943) | (164,277) | - | (225,220) |
| Accounts payable | (80,745) | (75,972) | (61,774) | (218,491) |
| Due from others | - | - | - | - |
| Other accrued expenses | (6,113) | 1,317 | (409,099) | (413,895) |
| Change in compensated absences | (55,260) | (24,992) | 2,807 | (77,445) |
| Change in post retirement benefits | 51,263 | 17,088 | 13,670 | 82,021 |
| Net cash provided (used) by operating activities | <u>\$ 21,925</u> | <u>\$ (260,146)</u> | <u>\$ 35,389</u> | <u>\$ (202,832)</u> |

| Governmental Activities | | | | |
|---------------------------|---------------------|---------------------|-------------------------------------|------------------------------------|
| Information Technology | Health Benefits | Investment Pool | Total Governmental Activities | Total Internal Service Funds |
| \$ 7,150,990 | \$ 22,219,025 | \$ - | \$ 29,370,015 | \$ 47,914,017 |
| (3,818,982) | (19,725,279) | (253,863) | (23,798,124) | (41,212,271) |
| (3,050,314) | (155,017) | (37,292) | (3,242,623) | (4,585,319) |
| 399 | 123,172 | - | 123,571 | 133,580 |
| <u>282,093</u> | <u>2,461,901</u> | <u>(291,155)</u> | <u>2,452,839</u> | <u>2,250,007</u> |
| - | - | - | - | 320,880 |
| (2,195,198) | - | - | (2,195,198) | (2,513,352) |
| 21,834 | - | - | 21,834 | 24,357 |
| <u>(2,173,364)</u> | <u>-</u> | <u>-</u> | <u>(2,173,364)</u> | <u>(2,168,115)</u> |
| (424,516) | - | - | (424,516) | (488,984) |
| 23,698 | - | - | 23,698 | 23,698 |
| (408,382) | - | - | (408,382) | (422,409) |
| 426,360 | - | - | 426,360 | 426,360 |
| <u>(32,578)</u> | <u>-</u> | <u>-</u> | <u>(32,578)</u> | <u>(34,708)</u> |
| <u>(415,418)</u> | <u>-</u> | <u>-</u> | <u>(415,418)</u> | <u>(496,043)</u> |
| 3,893,434 | 3,508,011 | 67,363 | 7,468,808 | 12,971,953 |
| (1,849,732) | (6,324,905) | (6,609) | (8,181,246) | (13,778,695) |
| 219,157 | 354,993 | 229,502 | 803,652 | 1,168,728 |
| <u>2,262,859</u> | <u>(2,461,901)</u> | <u>290,256</u> | <u>91,214</u> | <u>361,986</u> |
| (43,830) | - | (899) | (44,729) | (52,165) |
| 66,019 | - | 980 | 66,999 | 79,672 |
| <u>\$ 22,189</u> | <u>\$ -</u> | <u>\$ 81</u> | <u>\$ 22,270</u> | <u>\$ 27,507</u> |
| (100,296) | 2,634,807 | (238,521) | 2,295,990 | 2,878,400 |
| 265,779 | - | - | 265,779 | 323,558 |
| 399 | 123,172 | - | 123,571 | 133,580 |
| - | (31,152) | - | (31,152) | (31,152) |
| 53,606 | - | - | 53,606 | (171,614) |
| (171,043) | (280,144) | (51,043) | (502,230) | (720,721) |
| (488) | - | - | (488) | (488) |
| 35,811 | 1,266 | (1,591) | 35,486 | (378,409) |
| 82,128 | 282 | - | 82,410 | 4,965 |
| 116,197 | 13,670 | - | 129,867 | 211,888 |
| <u>\$ 282,093</u> | <u>\$ 2,461,901</u> | <u>\$ (291,155)</u> | <u>\$ 2,452,839</u> | <u>\$ 2,250,007</u> |



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2008

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.

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

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

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

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



Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2008

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Component Units
September 30, 2008

| | <u>Civic Lubbock, Inc.</u> | <u>Market Lubbock, Inc.</u> | <u>Lubbock Economic Development Alliance</u> | <u>Vintage Township Public Facilities Corporation</u> | <u>Total Nonmajor Component Units</u> |
|---------------------------------------------------|--------------------------------|---------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 366,743 | \$ 1,072,622 | \$ 3,620,198 | \$ - | \$ 5,059,563 |
| Investments | - | 100,408 | - | | 100,408 |
| Receivables, net | 129,250 | 856,612 | 776,154 | | 1,762,016 |
| Inventories | 75,812 | 51,138 | - | | 126,950 |
| Prepaid expenses | 6,376 | 85,802 | 14,130 | | 106,308 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 281,886 | - | - | 2,280,579 | 2,562,465 |
| Incentives advances | - | 5,000,000 | - | | 5,000,000 |
| Capital assets: | | | | | |
| Non-depreciable | 413,132 | 792,777 | 16,224,909 | | 17,430,818 |
| Depreciable | 15,683 | 106,298 | 130,039 | | 252,020 |
| Total assets | <u>1,288,882</u> | <u>8,065,657</u> | <u>20,765,430</u> | <u>2,280,579</u> | <u>32,400,548</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 201,205 | 84,868 | 861,930 | 358 | 1,148,361 |
| Accrued expenses | - | 185,950 | 38,238 | 95,951 | 320,139 |
| Unearned revenue | 264,793 | 5,000,000 | - | | 5,264,793 |
| Noncurrent liabilities due within one year: | | | | | |
| Contracts and leases payable | - | 316,042 | 2,223,081 | | 2,539,123 |
| Noncurrent liabilities due in more than one year: | | | | | |
| Contracts and leases payable | - | 14,667 | 6,709,608 | - | 6,724,275 |
| Bonds payable | - | - | - | 3,394,000 | 3,394,000 |
| Total liabilities | <u>465,998</u> | <u>5,601,527</u> | <u>9,832,857</u> | <u>3,490,309</u> | <u>19,390,691</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 428,815 | 153,921 | 9,227,024 | 2,280,579 | 12,090,339 |
| Restricted for: | | | | | |
| Primary government agreement | 100,000 | - | - | - | 100,000 |
| Unrestricted | 294,069 | 2,310,209 | 1,705,549 | (3,490,309) | 819,518 |
| Total net assets | <u>\$ 822,884</u> | <u>\$ 2,464,130</u> | <u>\$ 10,932,573</u> | <u>\$ (1,209,730)</u> | <u>\$ 13,009,857</u> |

City of Lubbock, Texas
Combining Statement of Activities
Nonmajor Component Units
For the Year Ended September 30, 2008

| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
|-------------------------------------------------------|----------------------|---------------------------------|---------------------------------------------------|-------------------------------------------------|
| Civic Lubbock, Inc. | | | | |
| Cultural and recreation | \$ 2,491,456 | \$ 2,018,527 | \$ 512,975 | \$ 30,000 |
| Market Lubbock, Inc. | | | | |
| Economic and business development | 5,837,232 | 59,746 | 6,817,752 | - |
| Lubbock Economic Development Alliance | | | | |
| Economic and business development | 4,293,560 | - | 6,102,185 | 1,228,495 |
| Vintage Township Public Facilities Corporation | | | | |
| Economic and business development | 1,302,311 | - | - | 78,993 |
| Total nonmajor component units | <u>\$ 13,924,559</u> | <u>\$ 2,078,273</u> | <u>\$ 13,432,912</u> | <u>\$ 1,337,488</u> |

General revenues:

 Investment earnings
 Miscellaneous
 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>Vintage Township Public Facilities Corporation</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|----------------------|
| \$ 70,046 | \$ - | \$ - | \$ - | \$ 70,046 |
| - | 1,040,266 | - | | 1,040,266 |
| - | - | 3,037,120 | | 3,037,120 |
| | | | (1,223,318) | (1,223,318) |
| <u>70,046</u> | <u>1,040,266</u> | <u>3,037,120</u> | <u>(1,223,318)</u> | <u>2,924,114</u> |
| 14,625 | - | - | 13,588 | 28,213 |
| - | (4,642) | (1,391,503) | - | (1,396,145) |
| <u>14,625</u> | <u>(4,642)</u> | <u>(1,391,503)</u> | <u>13,588</u> | <u>(1,367,932)</u> |
| 84,671 | 1,035,624 | 1,645,617 | (1,209,730) | 1,556,182 |
| 738,213 | 1,428,506 | 9,286,956 | - | 11,453,675 |
| <u>\$ 822,884</u> | <u>\$ 2,464,130</u> | <u>\$ 10,932,573</u> | <u>\$ (1,209,730)</u> | <u>\$ 13,009,857</u> |



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2008

City of Lubbock, Texas
Statistical Section
(Unaudited – for Analytical Purposes Only)
September 30, 2008

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

TABLE **CONTENTS**

Financial Trends

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

Entity-wide information:

- A Net assets by component, last seven fiscal years
 - B Changes in net assets, last seven fiscal years
- Governmental funds information:
- C Fund balances, last ten fiscal years
 - D Changes in fund balances, last seven fiscal years

Revenue Capacity

These tables contain information to help the reader assess the City’s most significant source, the property tax.

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

Debt Capacity

These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

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

Demographic and Economic Information

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

- P Demographic statistics, last ten fiscal years
- Q Principal employers, 2007 and 2000

Operating Information

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

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

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in fiscal year 2001-02; tables presenting entity-wide information include information beginning in that year.

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

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------------------------------------|------------|------------|------------|------------|------------|------------|-----------------------|
| Governmental activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ 96,275 | \$ 102,925 | \$ 76,483 | \$ 82,330 | \$ 74,433 | \$ 78,474 | \$ 78,256 |
| Restricted | 11,956 | 5,128 | 10,148 | 8,770 | 20,339 | 4,391 | 25,580 ⁽¹⁾ |
| Unrestricted | 31,701 | 33,676 | 26,090 | 19,529 | 9,569 | 18,819 | 6,305 |
| Total governmental activities net assets | 139,932 | 141,729 | 112,721 | 110,629 | 104,341 | 101,684 | 110,141 |
| Business-type activities | | | | | | | |
| Invested in capital assets, net of related debt | 400,552 | 384,516 | 380,149 | 363,227 | 355,816 | 371,427 | 332,050 |
| Restricted | 21,275 | 17,730 | 18,916 | 26,277 | 45,417 | 43,389 | 74,062 ⁽¹⁾ |
| Unrestricted | 104,709 | 96,011 | 71,730 | 45,345 | 41,190 | 32,928 | 37,987 |
| Total business-type activities net assets | 526,536 | 498,257 | 470,795 | 434,849 | 442,423 | 447,744 | 444,099 |
| Primary Government | | | | | | | |
| Invested in capital assets, net of related debt | 496,827 | 487,441 | 456,632 | 445,557 | 430,249 | 343,467 | 410,306 |
| Restricted | 33,231 | 22,858 | 29,064 | 35,047 | 65,756 | 154,214 | 99,642 |
| Unrestricted | 136,410 | 129,687 | 97,820 | 64,874 | 50,759 | 51,747 | 44,292 |
| Total Primary government net assets | \$ 666,468 | \$ 639,986 | \$ 583,516 | \$ 545,478 | \$ 546,764 | \$ 549,428 | \$ 554,240 |

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

NOTE: The City began to report accrual basis information when it implemented GASB Statement 34 in FY 2002. This table will ultimately contain information for ten fiscal years.

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

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| EXPENSES | | | | | | | |
| Governmental activities: | | | | | | | |
| Administrative services and general government | \$ 12,372,316 | \$ 12,154,972 | \$ 15,116,701 | \$ 14,473,020 | \$ 10,869,588 | \$ 12,799,968 | \$ 12,308,092 |
| Community services | 6,874,065 | 6,951,069 | 6,112,193 | 6,145,415 | 6,776,483 | 6,334,504 | 8,642,903 |
| Cultural and recreation | 16,660,378 | 19,671,474 | 18,915,265 | 17,744,986 | 17,101,568 | 16,796,442 | 16,297,171 |
| Economic and business development | 12,378,335 | 11,619,989 | 10,283,007 | 9,739,417 | 4,610,380 | 4,535,348 | 4,399,424 |
| Fire | 31,789,223 | 27,337,834 | 26,711,389 | 23,516,586 | 22,074,369 | 20,450,558 | 19,431,533 |
| Health | 6,141,386 | 5,898,588 | 5,013,691 | 5,040,447 | 4,585,175 | 4,342,584 | 4,173,168 |
| Police | 46,849,826 | 43,022,202 | 42,063,023 | 38,451,808 | 36,542,720 | 33,986,064 | 31,862,250 |
| Other public safety | 6,677,751 | 5,886,199 | 5,239,386 | 4,976,882 | 4,210,884 | 3,601,598 | 3,458,940 |
| Streets and traffic | 16,357,025 | 14,370,197 | 11,849,496 | 12,466,517 | 10,570,274 | 16,370,747 | 9,912,806 |
| Intergovernmental | - | 12,500,000 | - | - | - | - | - |
| Interest on long-term debt | 8,367,167 | 6,968,480 | 4,326,128 | 3,195,182 | 4,876,723 | 3,373,104 | 3,492,931 |
| Total governmental activities | 164,467,472 | 166,381,004 | 145,630,279 | 135,750,260 | 122,218,164 | 122,590,917 | 113,979,218 |
| Business-type activities: | | | | | | | |
| Electric | 153,108,050 | 145,831,415 | 213,026,628 | 192,902,041 | 110,591,149 | 105,216,078 | 89,803,676 |
| Water | 38,424,263 | 32,124,957 | 32,830,002 | 28,737,866 | 27,879,343 | 27,461,215 | 26,760,680 |
| Wastewater | 19,000,488 | 18,047,434 | 21,273,796 | 17,804,487 | 17,020,092 | 17,247,936 | 17,766,514 |
| Solid Waste | 16,260,630 | 14,454,403 | 14,971,421 | 14,695,193 | 17,661,438 | 19,558,444 | 14,105,518 |
| Stormwater | 7,676,456 | 3,933,340 | 5,174,635 | 5,585,577 | 5,356,649 | 3,315,261 | 3,749,298 |
| Transit | 11,338,463 | 11,004,429 | 9,349,206 | 9,003,610 | 10,565,159 | 9,163,091 | - |
| Airport | 9,465,392 | 8,524,086 | 7,996,692 | 8,150,815 | 6,852,874 | 6,478,728 | 7,024,286 |
| Civic Centers | 4,098,873 | 619,389 | - | - | - | - | - |
| Cemetery | 722,393 | - | - | - | - | 20,711 | 61,192 |
| Total business-type activities | 260,095,008 | 234,539,453 | 304,622,380 | 276,879,589 | 195,926,704 | 188,461,464 | 159,271,164 |
| Total primary government expenses | \$ 424,562,480 | \$ 400,920,457 | \$ 450,252,659 | \$ 412,629,849 | \$ 318,144,868 | \$ 311,052,381 | \$ 273,250,382 |
| PROGRAM REVENUES | | | | | | | |
| Governmental activities: | | | | | | | |
| Charges for services: | | | | | | | |
| Cultural and recreation | \$ 1,589,515 | \$ 2,294,764 | \$ 2,590,241 | \$ 2,846,058 | \$ 3,418,857 | \$ 3,734,915 | \$ 2,519,486 |
| Other public safety | 7,307,182 | 7,051,120 | 4,984,968 | 5,477,292 | 6,579,654 | 7,187,914 | 4,848,798 |
| Other activities | 3,780,055 | 1,290,410 | 2,056,682 | 2,259,804 | 2,714,613 | 2,965,566 | 2,000,501 |
| Operating grants and contributions | 9,231,749 | 10,323,209 | 10,203,463 | 13,295,582 | 9,643,439 | 12,137,101 | 7,006,815 |
| Capital grants and contributions | 15,921,953 | 4,322,182 | 844,930 | - | - | - | - |
| Total governmental activities program revenues | 37,830,454 | 25,281,685 | 20,680,284 | 23,878,736 | 22,356,563 | 26,025,496 | 16,375,600 |
| Business-type activities: | | | | | | | |
| Charges for services: | | | | | | | |
| Electric | 161,329,847 | 154,103,767 | 226,373,638 | 192,568,012 | 105,433,133 | 99,969,264 | 97,424,993 |
| Water | 42,527,445 | 35,454,426 | 37,330,953 | 33,306,786 | 31,907,893 | 32,770,781 | 32,727,207 |
| Wastewater | 21,095,745 | 19,841,503 | 21,087,364 | 19,829,430 | 18,889,095 | 17,894,203 | 18,492,113 |
| Solid Waste | 16,754,438 | 16,885,042 | 13,948,861 | 12,420,499 | 11,641,316 | 14,948,379 | 16,375,461 |
| Stormwater | 6,633,255 | 6,519,658 | 6,348,461 | 6,239,436 | 6,019,490 | 5,988,651 | 5,997,284 |
| Transit | 4,306,204 | 4,466,404 | 3,268,441 | 3,144,015 | 2,893,507 | 2,710,599 | - |
| Airport | 6,793,829 | 6,276,416 | 5,424,016 | 5,394,314 | 4,626,270 | 4,254,013 | 4,601,675 |
| Civic Centers | 717,494 | 287,622 | - | - | - | - | - |
| Cemetery | 335,884 | - | - | - | - | - | - |
| Operating grants and contributions | 5,133,092 | 5,812,969 | 8,351,605 | 8,156,015 | 6,738,797 | 5,218,995 | - |
| Capital grants and contributions | 5,952,837 | 8,792,317 | 17,624,811 | 5,205,541 | 9,269,306 | 7,909,581 | - |
| Total business-type activities program revenues | 271,580,070 | 258,440,124 | 339,758,150 | 286,264,048 | 197,418,807 | 191,664,466 | 175,618,733 |
| Total primary government program revenues | \$ 309,410,524 | \$ 283,721,809 | \$ 360,438,434 | \$ 310,142,784 | \$ 219,775,370 | \$ 217,689,962 | \$ 191,994,333 |

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

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--------------------------------------------------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| NET (EXPENSES) AND PROGRAM REVENUES | | | | | | | |
| Governmental activities | \$ (126,637,018) | \$ (141,099,319) | \$ (124,949,995) | \$ (111,871,524) | \$ (99,861,601) | \$ (96,565,421) | \$ (97,603,618) |
| Business-type activities | 11,485,062 | 23,900,671 | 35,135,770 | 9,384,459 | 1,492,103 | 3,203,002 | 16,347,569 |
| Total net (expenses) and program revenues | \$ (115,151,956) | \$ (117,198,648) | \$ (89,814,225) | \$ (102,487,065) | \$ (98,369,498) | \$ (93,362,419) | \$ (81,256,049) |
| GENERAL REVENUE, SPECIAL ITEMS, AND TRANSFERS | | | | | | | |
| Governmental activities: | | | | | | | |
| Property taxes | 50,330,322 | 47,007,067 | 42,770,826 | 39,748,464 | 44,496,973 | 42,303,280 | 40,408,067 |
| Sales taxes | 50,548,865 | 47,780,448 | 45,576,582 | 41,803,092 | 30,554,632 | 29,092,032 | 28,902,648 |
| Occupancy taxes | 4,190,376 | 3,828,854 | 3,410,920 | 3,260,040 | 2,853,205 | 2,862,719 | 2,860,785 |
| Other taxes | 1,180,332 | 1,080,098 | 1,036,283 | 982,327 | 939,456 | 848,816 | 820,507 |
| Franchise taxes | 12,977,686 | 12,378,389 | 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 | 5,505,386 | 6,117,680 | 4,393,782 | 1,633,312 | 1,151,620 | 1,244,022 | 2,027,513 |
| Miscellaneous | 4,810,900 | 3,668,589 | 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 | (4,703,317) | 10,571,943 | 9,607,211 | 15,468,765 | 9,745,250 | 2,553,927 | 15,667,795 |
| Total governmental activities | \$ 124,840,550 | \$ 132,433,068 | \$ 127,042,256 | \$ 118,159,115 | \$ 102,519,155 | \$ 88,107,504 | \$ 101,173,460 |
| Business-type activities: | | | | | | | |
| Grants and contributions not restricted to specific programs | - | - | - | - | - | - | - |
| Investment earnings | 8,284,058 | 7,145,670 | 6,140,436 | 3,758,240 | 2,859,344 | 2,336,454 | 3,303,341 |
| Miscellaneous | 3,806,864 | 6,004,379 | 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 | 4,703,317 | (10,571,943) | (9,607,211) | (15,468,765) | (9,745,250) | (2,553,927) | (15,667,795) |
| Total business-type activities | \$ 16,794,239 | \$ 2,578,106 | \$ 810,522 | \$ (16,959,704) | \$ (6,813,036) | \$ 441,046 | \$ (5,754,144) |
| Total primary government | \$ 141,634,789 | \$ 135,011,174 | \$ 127,852,778 | \$ 101,199,411 | \$ 95,706,119 | \$ 88,548,550 | \$ 95,419,316 |
| CHANGES IN NET ASSETS | | | | | | | |
| Governmental activities | \$ (1,796,468) | \$ (8,666,251) | \$ 2,092,261 | \$ 6,287,591 | \$ 2,657,554 | \$ (8,457,917) | \$ 3,569,842 |
| Business-type activities | 28,279,301 | 26,478,777 | 35,946,292 | (7,575,245) | (5,320,933) | 3,644,048 | 10,593,425 |
| Total primary government | \$ 26,482,833 | \$ 17,812,526 | \$ 38,038,553 | \$ (1,287,654) | \$ (2,663,379) | \$ (4,813,869) | \$ 14,163,267 |

NOTE: The City began to report accrual basis information when it implemented GASB Statement 34 in FY 2002. This table will ultimately contain information for ten years.

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

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|-------------------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 168,657 | \$ 171,580 | \$ 168,964 | \$ 107,828 | \$ 566,556 | \$ 1,037,277 | \$ 1,255,041 | \$ 1,878,500 | \$ 1,861,081 | \$ 2,100,068 |
| Unreserved | 19,793,618 | 18,954,068 | 19,755,747 | 17,268,592 | 12,127,969 | 8,380,069 | 17,357,316 | 14,837,542 | 14,759,571 | 15,147,957 |
| Total general fund | \$ 19,962,275 | \$ 19,125,648 | \$ 19,924,711 | \$ 17,376,420 | \$ 12,694,525 | \$ 9,417,346 | \$ 18,612,357 | \$ 16,716,042 | \$ 16,620,652 | \$ 17,248,025 |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 88,823,575 | \$ 66,196,650 | \$ 56,894,363 | \$ 59,161,246 | \$ 33,383,928 | \$ 38,684,611 | \$ 42,039,178 | \$ 30,526,145 | \$ 31,401,230 | \$ 30,660,739 |
| Unreserved, reported in: | | | | | | | | | | |
| Capital project funds | - | - | - | - | (76,784) | (62,358) | - | - | - | - |
| Permanent fund | 6,876 | 4,684 | - | - | - | - | - | - | - | - |
| Special revenue funds | 21,740,729 | 24,850,726 | 20,010,148 | 8,663,088 | 1,734,312 | 2,290,624 | 4,793,446 | 9,980,826 | 7,672,416 | 4,969,521 |
| Total all other governmental funds | \$ 110,571,180 | \$ 91,052,060 | \$ 76,904,511 | \$ 67,824,334 | \$ 35,041,456 | \$ 40,912,877 | \$ 46,832,624 | \$ 40,506,971 | \$ 39,073,646 | \$ 35,630,260 |

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

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| REVENUES | | | | | | | |
| Taxes | \$ 106,316,678 | \$ 99,676,357 | \$ 92,865,529 | \$ 86,514,056 | \$ 78,044,387 | \$ 75,069,631 | \$ 72,259,571 |
| Franchise taxes | 12,977,686 | 12,378,389 | 13,348,364 | 11,153,641 | 9,654,447 | 6,612,822 | 6,998,046 |
| Special assessments | 296,482 | - | - | - | - | - | - |
| Fees and fines | 3,801,302 | 3,712,179 | 3,981,978 | 4,015,402 | 3,675,857 | 3,672,509 | 3,069,362 |
| Licenses and permits | 2,663,139 | 2,531,032 | 2,250,635 | 1,953,666 | 1,982,281 | 1,875,118 | 1,475,451 |
| Intergovernmental | 17,479,413 | 10,993,027 | 11,048,393 | 13,295,581 | 9,643,439 | 12,137,101 | 7,074,786 |
| Charges for services | 6,095,439 | 4,896,438 | 6,088,205 | 4,614,082 | 5,316,877 | 5,541,745 | 4,756,001 |
| Interest | 4,688,349 | 5,367,651 | 3,874,940 | 1,154,339 | 739,349 | 810,443 | 1,329,884 |
| Miscellaneous | 4,967,913 | 4,083,255 | 6,966,257 | 4,774,596 | 3,055,475 | 4,200,523 | 4,397,491 |
| Total revenues | 159,286,401 | 143,638,328 | 140,424,301 | 127,475,363 | 112,112,112 | 109,919,892 | 101,360,592 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Administrative services and general government | 11,110,736 | 11,560,733 | 9,356,059 | 7,534,080 | 7,491,548 | 6,753,811 | 6,927,630 |
| Community services | 6,586,711 | 6,820,895 | 5,932,820 | 5,817,388 | 6,590,727 | 6,169,025 | 8,493,322 |
| Cultural and recreation | 13,276,408 | 16,250,714 | 15,396,277 | 13,966,159 | 14,429,876 | 14,416,392 | 14,145,784 |
| Economic and business development | 11,879,265 | 11,353,894 | 10,120,183 | 9,558,868 | 4,484,673 | 4,423,363 | 4,298,198 |
| Fire | 5,804,988 | 26,831,503 | 24,638,814 | 21,927,251 | 20,899,441 | 19,403,885 | 18,485,419 |
| Health | 29,733,309 | 5,760,386 | 4,647,413 | 4,567,766 | 4,278,037 | 4,068,973 | 3,925,844 |
| Police | 43,865,272 | 41,148,206 | 38,376,991 | 34,818,579 | 33,874,159 | 31,608,803 | 29,713,382 |
| Other public safety | 6,104,913 | 5,497,661 | 4,647,862 | 4,553,950 | 3,839,497 | 3,270,752 | 3,159,880 |
| Streets and traffic | 8,493,312 | 7,874,791 | 7,966,790 | 8,620,209 | 7,740,722 | 13,850,069 | 7,634,302 |
| Intergovernmental | 123,852 | 12,500,000 | 4,258,780 | 5,665,487 | 2,523,093 | 5,284,536 | 4,692,014 |
| Debt services: | | | | | | | |
| Principal | 10,009,329 | 7,953,207 | 7,333,408 | 6,336,036 | 4,498,304 | 4,347,143 | 4,113,177 |
| Interest and other charges | 8,332,280 | 6,411,639 | 4,141,421 | 3,031,751 | 4,749,272 | 3,259,565 | 3,390,300 |
| Capital outlay | 46,683,372 | 27,654,063 | 35,645,649 | 21,715,538 | 16,666,136 | 17,696,468 | 13,306,971 |
| Total expenditures | 202,003,747 | 187,617,692 | 172,462,467 | 148,113,062 | 132,065,485 | 134,552,785 | 122,286,223 |
| Deficiency of revenues under expenditures | (42,717,346) | (43,979,364) | (32,038,166) | (20,637,699) | (19,953,373) | (24,632,893) | (20,925,631) |

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

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|--------------|
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Long-term debt issued | 46,605,151 | 54,199,285 | 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 | - | (11,562,672) | - | (7,215,000) | - | - | - |
| Bond premium (discount) | 1,844,019 | 398,032 | 620,860 | 725,586 | 1,179,722 | - | - |
| Capital leases | 3,357,019 | 3,721,262 | 5,119,980 | 3,534,016 | 1,535,075 | 2,023,414 | - |
| Transfers in | 26,142,942 | 22,720,904 | 18,677,088 | 22,688,009 | 37,559,808 | 40,603,098 | 43,709,066 |
| Transfers out | (14,876,038) | (12,148,961) | (8,277,407) | (6,740,171) | (28,040,474) | (36,744,270) | (28,263,106) |
| Net other financing sources (uses) | 63,073,093 | 57,327,850 | 43,666,634 | 58,102,440 | 17,359,131 | 21,532,242 | 24,981,675 |
| Net change in fund balances | \$ 20,355,747 | \$ 13,348,486 | \$ 11,628,468 | \$ 37,464,741 | \$ (2,594,242) | \$ (3,100,651) | \$ 4,056,044 |
| Debt service as a percentage of noncapital expenditures | 11.81% | 8.98% | 8.39% | 7.41% | 8.01% | 6.51% | 6.89% |

NOTE: The City has had numerous reorganizations in the past several years. Information for years prior to FY 2002 is not readily available. This table will ultimately contain information for ten fiscal years. Prior years have been restated to reflect the current organization.

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

| Fiscal Year | Property Tax Revenues ⁽¹⁾ | Sales Tax Revenues | Hotel and Motel Tax Revenues | | Other Tax Revenues ⁽²⁾ | Total Tax Revenues ⁽³⁾ |
|-------------|--------------------------------------|--------------------|------------------------------|--------------------|-----------------------------------|-----------------------------------|
| | | | Sales Tax Revenues | Motel Tax Revenues | | |
| 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 | |
| 2007 | 47,007,067 | 47,780,448 | 3,828,854 | 1,080,098 | 99,696,467 | |
| 2008 | 50,330,322 | 50,548,865 | 4,190,376 | 1,180,332 | 106,249,895 | |

Notes:

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

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

| Fiscal Year Ending | Real Property | | Personal Property | | Exemptions | | Total | | Ratio of total assessed value to total estimated actual value | Total Direct Tax Rate |
|--------------------|------------------|------------------------|-------------------|------------------------|----------------|------------------|------------------------|-------|---------------------------------------------------------------|-----------------------|
| | Assessed value | Estimated actual value | Assessed value | Estimated actual value | All Property | Assessed value | Estimated actual value | | | |
| 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% | 3.32% | |
| 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% | 2.46% | |
| 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% | |
| 2007 | 8,576,644,664 | 8,902,986,625 | 1,426,080,973 | 1,468,737,133 | 368,998,121 | 10,002,725,637 | 10,371,723,758 | 96.4% | 2.43% | |
| 2008 | 9,386,423,964 | 9,701,182,183 | 1,510,786,599 | 1,569,131,516 | 373,103,136 | 10,897,210,563 | 11,270,313,699 | 96.7% | 2.13% | |

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 2008 | | | | FYE 1999 | | | |
|--|----------------------------------------|-------------------------------|----------------------------|------|---------------------------------------|----------------------------|----------|---------------------------------------|--------------|--------------|
| | | | 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 | \$ 120,319,460 | 1 | 1.10% | \$ 102,480,853 | 1 | 1.66% | | |
| | Wal-Mart Stores | Discount Retail Store | 69,696,472 | 2 | 0.64% | 26,681,285 | 6 | 0.43% | | |
| | Southwestern Bell Telephone Co. | Telephone Utility | 65,675,631 | 3 | 0.60% | 70,739,297 | 2 | 1.15% | | |
| | United Supermarkets | Food Wholesale | 49,479,682 | 4 | 0.45% | 24,451,322 | 8 | 0.40% | | |
| | Plains Co-op Oil Mill, Inc. | Agricultural Processing | 48,047,230 | 5 | 0.44% | 29,313,310 | 5 | 0.47% | | |
| | Southwestern Public Service | Electric Utility | 42,711,124 | 6 | 0.39% | 53,750,183 | 3 | 0.87% | | |
| | Lubbock Property LLC | Apartments | 33,319,729 | 7 | 0.31% | | | | | |
| | Atmos Energy | Natural Gas Utility | 33,181,879 | 8 | 0.30% | | | | | |
| | Tyco Fire Products LP | Fire Suppression Manufacturer | 31,136,879 | 9 | 0.29% | | | | | |
| | Fountains Club Lubbock Acquisitions LP | Apartments | 28,036,483 | 10 | 0.26% | | | | | |
| | Texas Instruments, Inc. | Electronics Manufacturer | | | | 26,503,730 | 7 | 0.43% | | |
| | Methodist Hospital | Hospital/Medical Offices | | | | 30,554,937 | 4 | 0.49% | | |
| | Eagle-Picher Industries, Inc. | Heavy Equipment Mfg | | | | 17,278,488 | 10 | 0.28% | | |
| | Southern Cotton Oil Co. | Agricultural Processing | | | | 18,660,928 | 9 | 0.30% | | |
| | | | <u>\$ 521,604,569</u> | | | <u>\$ 400,414,333</u> | | | <u>4.79%</u> | <u>6.48%</u> |

Source: Lubbock Central Appraisal District

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 |
|---------------------------|-----------------------|--------------------------------|----------------------------------|-----------------------------------|------------------------------|-----------------------------------------------------|-------------------------------------|------------------------------------------------|
| 1999 | \$ 34,988,031 | \$ 34,174,361 | 97.7% | \$ 547,498 | \$ 34,721,859 | 99.2% | \$ 3,593,572 | 10.3% |
| 2000 | 35,831,812 | 34,880,119 | 97.3% | 552,775 | 35,432,894 | 98.9% | 3,444,388 | 9.6% |
| 2001 | 37,841,145 | 36,925,573 | 97.6% | 646,658 | 37,572,231 | 99.3% | 3,258,444 | 8.6% |
| 2002 | 39,391,179 | 38,446,405 | 97.6% | 711,130 | 39,157,535 | 99.4% | 3,363,860 | 8.5% |
| 2003 | 42,275,272 | 41,112,173 | 97.2% | 648,481 | 41,760,654 | 98.8% | 3,414,231 | 8.1% |
| 2004 | 43,236,263 | 42,358,381 | 98.0% | 705,629 | 43,064,010 | 99.6% | 3,811,614 | 8.8% |
| 2005 | 39,777,866 | 38,797,152 | 97.5% | 1,013,325 | 39,810,477 | 100.1% | 3,350,747 | 8.4% |
| 2006 | 41,968,431 | 41,000,877 | 97.7% | 654,099 | 41,654,976 | 99.3% | 3,210,086 | 7.6% |
| 2007 | 46,068,744 | 45,092,834 | 97.9% | 525,669 | 45,618,503 | 99.0% | 3,208,586 | 7.0% |
| 2008 | 49,195,247 | 48,411,785 | 98.4% | 597,121 | 49,008,906 | 99.6% | 3,077,662 | 6.3% |

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 | | | | | Total |
|--------------------|-------------------|----------------------|-------------------------|------------------------------|--------------------------------------------|-------------------------|------------------------------------------------------|---------------------------------------------|---------|--|-------|
| | 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) | | | |
| 1999 | \$ 0.42 | \$ 0.03 | \$ 0.13 | \$ 0.58 | \$ 1.56 | \$ 0.17 | \$ 0.01 | \$ 1.00 | \$ 3.32 | | |
| 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 | 1.59 | 0.19 | 0.01 | 0.10 | 2.46 | | |
| 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 | 1.60 | 0.26 | 0.01 | 0.11 | 2.44 | | |
| 2006 | 0.36 | 0.03 | 0.06 | 0.45 | 1.66 | 0.26 | 0.01 | 0.11 | 2.49 | | |
| 2007 | 0.36 | 0.03 | 0.07 | 0.46 | 1.56 | 0.29 | 0.01 | 0.11 | 2.43 | | |
| 2008 | 0.35 | 0.03 | 0.07 | 0.45 | 1.24 | 0.31 | 0.01 | 0.12 | 2.13 | | |

(1) The General Fund rate for 2005, 2006, 2007 & 2008 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

| Fiscal Year | Governmental | | | | Per Capita |
|-------------|--------------------------|----------------|---------------|----------------------------------------------------------|------------|
| | General Obligation Bonds | Capital Leases | Total | Percentage of Estimated Actual Taxable Value of Property | |
| 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 |
| 2007 | 160,388,370 | 10,916,970 | 171,305,340 | 1.65% | 807 |
| 2008 | 199,053,653 | 12,222,506 | 211,276,159 | 1.87% | 983 |

| Fiscal Year | Business-type | | | | Per Capita |
|-------------|--------------------------|---------------|----------------|---------------------------------|------------|
| | General Obligation Bonds | Revenue Bonds | Capital Leases | Total Primary Government Income | |
| 1999 | \$ 118,947,070 | \$ 82,751,396 | \$ - | \$ 247,541,443 | \$ 1,256 |
| 2000 | 135,528,101 | 77,446,614 | - | 261,355,061 | 1,310 |
| 2001 | 163,893,747 | 81,575,667 | - | 298,552,222 | 1,485 |
| 2002 | 164,122,724 | 110,535,112 | - | 333,163,182 | 1,649 |
| 2003 | 226,126,796 | 101,295,000 | 1,941,223 | 400,167,700 | 1,955 |
| 2004 | 215,663,783 | 94,605,000 | 1,393,207 | 383,244,164 | 1,858 |
| 2005 | 286,749,731 | 42,800,000 | 1,354,576 | 437,579,461 | 2,092 |
| 2006 | 323,567,720 | 58,079,322 | 8,388,968 | 522,023,849 | 2,472 |
| 2007 | 352,486,630 | 54,208,174 | 13,049,379 | 419,744,183 | 1,977 |
| 2008 | 457,126,347 | 50,430,844 | 18,582,396 | 526,139,587 | 2,449 |

**Table K - Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt per Capita
Last Ten Fiscal Years**

| Fiscal year | Popu- lation* (in thousands) | Assessed Value | Gross Bonded Debt⁽¹⁾ | Debt Service Monies Available | Debt Payable from Other Government Revenues⁽²⁾ | Debt Payable from Enterprise Revenues | Net Bonded Debt⁽³⁾ | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|--------------------|-------------------------------------|-----------------------|----------------------------------------|--------------------------------------|------------------------------------------------------------------|----------------------------------------------|--------------------------------------|---------------------------------------------------|-----------------------------------|
| 1999 | 197,117 | \$ 6,019,588 | \$ 158,117,749 | \$ 1,151,270 | - | \$ 112,274,771 | \$ 44,691,708 | 0.74% | \$ 226.73 |
| 2000 | 199,445 | 6,259,162 | 176,847,762 | 1,260,450 | - | 128,467,416 | 47,119,896 | 0.75% | 236.26 |
| 2001 | 201,097 | 6,754,505 | 210,408,321 | 1,415,094 | - | 157,325,512 | 51,667,715 | 0.76% | 256.93 |
| 2002 | 202,000 | 6,914,375 | 217,269,682 | 1,697,046 | - | 158,764,335 | 56,808,301 | 0.82% | 281.23 |
| 2003 | 204,737 | 7,585,116 | 295,935,000 | 1,993,891 | - | 226,126,796 | 67,814,313 | 0.89% | 331.23 |
| 2004 | 206,290 | 8,104,837 | 285,885,000 | 2,641,020 | - | 215,663,783 | 67,580,197 | 0.83% | 327.60 |
| 2005 | 209,120 | 8,634,995 | 389,470,000 | 2,624,340 | 15,745,000 | 286,749,731 | 100,095,929 | 1.16% | 478.65 |
| 2006 | 211,187 | 9,346,614 | 448,025,000 | 3,081,539 | 17,895,597 | 323,567,720 | 103,480,144 | 1.11% | 489.99 |
| 2007 | 212,365 | 10,002,726 | 512,875,000 | 2,830,584 | 42,474,527 | 352,486,630 | 115,083,259 | 1.15% | 541.91 |
| 2008 | 214,847 | 10,897,211 | 656,180,000 | 2,104,697 | 61,321,732 | 457,126,347 | 135,627,224 | 1.24% | 631.27 |

*Source: City of Lubbock Business Development estimates.

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

(3) Includes TIF debt.

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

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Taxable Property Value | \$ 10,897,210,563 | \$ 10,002,725,637 | \$ 9,346,613,951 | \$ 8,634,994,862 | \$ 8,104,836,563 |
| Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)* | 163,458,158 | 150,040,885 | 140,199,209 | 129,524,923 | 121,572,548 |
| General Obligation bond & Certificate Obligation liability | (26,535,000) | (2,516,000) | (23,395,000) | (20,305,000) | (16,130,000) |
| Capital lease purchases | (5,218,128) | (3,187,580) | (3,401,402) | (2,668,648) | (2,685,282) |
| Margin of Indebtedness Available | \$ 131,705,030 | \$ 144,337,305 | \$ 113,402,807 | \$ 106,551,275 | \$ 102,757,266 |

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|--------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Taxable Property Value | \$ 7,585,115,804 | \$ 6,914,375,308 | \$ 6,754,504,894 | \$ 6,259,162,417 | \$ 6,019,588,349 |
| Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)* | 113,776,737 | 103,715,630 | 101,317,573 | 93,887,436 | 90,293,825 |
| General Obligation bond & Certificate Obligation liability | (14,590,000) | (24,444,812) | (24,650,602) | (23,361,135) | (22,769,449) |
| Capital lease purchases | (3,563,217) | (2,388,853) | - | - | - |
| Margin of Indebtedness Available | \$ 95,623,520 | \$ 76,881,965 | \$ 76,666,971 | \$ 70,526,301 | \$ 67,524,376 |

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

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

ELECTRIC BONDS:

| Fiscal Year | Net Revenue ⁽¹⁾ | Direct Operating Expenses ⁽²⁾ | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|-------------|----------------------------|------------------------------------------|----------------------------------------|---------------------------|--------------|--------------|----------|
| | | | | Principal | Interest | Total | |
| 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 |
| 2007 | 145,953,649 | 125,901,533 | 20,052,116 | 2,900,000 | 1,034,538 | 3,934,538 | 5.10 |
| 2008 | 153,071,017 | 132,015,842 | 21,055,175 | 2,530,000 | 899,060 | 3,429,060 | 6.14 |

WATER BONDS:

| Fiscal Year | Net Revenue ⁽¹⁾ | Direct Operating Expenses ⁽²⁾ | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|-------------|----------------------------|------------------------------------------|----------------------------------------|---------------------------|--------------|--------------|----------|
| | | | | Principal | Interest | Total | |
| 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 |
| 2007 | 35,454,426 | 18,781,580 | 16,672,846 | 971,148 | 1,987,170 | 2,958,318 | 5.64 |
| 2008 | 42,527,445 | 23,543,862 | 18,983,583 | 1,247,331 | 1,713,933 | 2,961,264 | 6.41 |

(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, 2005-2006, 2006-2007 and 2007-2008.

CITY OF LUBBOCK, TEXAS
Table N - 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 |
|--------------------|------------------|-----------------|-----------------------------------------|-------------------------------------------------|-----------------------------------------------------------------|
| 1999 | \$ 5,723,124 | \$ 2,538,569 | \$ 8,261,693 | \$ 86,915,518 | 9.5% |
| 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 | 96,982,590 | 8.0% |
| 2002 | 4,113,177 | 3,390,300 | 7,503,477 | 108,544,982 | 6.9% |
| 2003 | 4,347,143 | 3,259,565 | 7,606,708 | 107,896,955 | 7.0% |
| 2004 | 4,498,304 | 3,329,392 | 7,827,696 | 114,800,174 | 6.8% |
| 2005 | 5,140,018 | 2,916,731 | 8,056,749 | 129,665,462 | 6.2% |
| 2006 | 4,729,101 | 3,223,604 | 7,952,705 | 143,512,681 | 5.5% |
| 2007 | 5,339,612 | 3,952,131 | 9,291,743 | 152,363,561 | 6.1% |
| 2008 | 5,724,714 | 4,249,342 | 9,974,056 | 159,359,684 | 6.3% |

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

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

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

| | Funded Debt Outstanding at 09/30/2008 | Percentage Applicable to City of Lubbock | Amount Applicable to City of Lubbock |
|------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------|
| City of Lubbock | <u>\$ 656,180,000</u> ⁽¹⁾ | 100.00% | <u>\$ 656,180,000</u> |
| Subtotal Directs | 656,180,000 | | 656,180,000 |
| Lubbock County | 81,930,000 | 83.13% | 68,108,409 |
| Lubbock Independent School District | 129,609,317 | 98.70% | 127,924,396 |
| Lubbock- Cooper Independent School District | 46,008,396 | 57.09% | 26,266,193 |
| Frenship Independent School District | 159,190,170 | 66.53% | 105,909,220 |
| Idalou Independent School District | - | 3.92% | - |
| Roosevelt Independent School District | <u>12,011,226</u> | 2.98% | <u>357,935</u> |
| Subtotal Overlapping | 428,749,109 | | 328,566,153 |
| Total | <u><u>\$ 1,084,929,109</u></u> | | <u><u>\$ 984,746,153</u></u> |

⁽¹⁾ General Purpose funded debt payable from ad valorem taxes (self-supporting electric, waterworks system, sewer system, solid waste disposal system, storm drainage system and HUD 108 general obligation debt excluded).

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

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

| Fiscal Year | Population ⁽¹⁾ | Personal Income ⁽²⁾ (in thousands) | Per Capita Income ⁽³⁾ | Median Age ⁽¹⁾ | Education Level in Years of Formal Schooling Completed ⁽¹⁾ | School Enrollment ⁽³⁾ | Unemployment Rate ⁽³⁾ |
|---------------------|----------------------------------|---------------------------------------------------------|-----------------------------------------|----------------------------------|------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| 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 | 7,722,409 | 19,747 | 30.9 | 12.4 | 28,209 | 4.20% |
| 2007 | 212,365 | 8,086,039 | 19,747 | 30.4 | * | 28,639 | 3.50% |
| 2008 | 214,847 | N/A | 20,310 | 30.8 | ** | 28,976 | N/A |

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 Calendar Year Average)
- (4) Census

N/A - Not Available

*Source: Sites on Texas, 2007 estimate

**Source: Decision Data Resources 2008 estimate

CITY OF LUBBOCK, TEXAS
Table Q - Principal Employers
2007 and 2000

| <u>Employer</u> | <u>2007</u> | | | <u>2000</u> | | |
|-------------------------------------|------------------|-------------|----------------------------------------------------|------------------|-------------|----------------------------------------------------|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Texas Tech University | 9,740 | 1 | 6.85% | 8,535 | 1 | 6.76% |
| Covenant Health System | 4,870 | 2 | 3.43% | 5,900 | 2 | 4.68% |
| Lubbock Independent School District | 3,566 | 3 | 2.51% | 3,442 | 3 | 2.73% |
| University Medical Center | 2,828 | 4 | 1.99% | 1,979 | 6 | 1.57% |
| United Supermarkets (Corporate) | 2,570 | 5 | 1.81% | 1,345 | 9 | 4.53% |
| AT & T Communications | 2,370 | 6 | 1.67% | 897 | 10 | 0.71% |
| City of Lubbock | 2,289 | 7 | 1.61% | 2,164 | 5 | 1.71% |
| TTU Health Sciences Center | 2,257 | 8 | 1.59% | 2,259 | 4 | 1.79% |
| Convergys Corporation | 1,000 | 9 | 0.70% | 1,500 | 8 | 1.19% |
| Lubbock County | 922 | 10 | 0.65% | | | |
| Caprock Home Health Services, Inc. | | | | 1,650 | 7 | 1.31% |
| Total | <u>32,412</u> | | <u>22.81%</u> | <u>29,671</u> | | <u>23.51%</u> |

Source: Survey performed by City of Lubbock economic analyst based on Lubbock MSA. Year 2008 and Year 1999 were not surveyed.

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

| Function | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Governmental activities: | | | | | | | |
| Administrative services and general government | 86 | 84 | 86 | 89 | 83 | 91 | 91 |
| Community services | 18 | 18 | 18 | 21 | 21 | 23 | 22 |
| Cultural and recreation | 131 | 158 | 157 | 159 | 178 | 180 | 186 |
| Economic and business development | 15 | 15 | 15 | 13 | 11 | 17 | 17 |
| Fire | 355 | 330 | 321 | 309 | 289 | 280 | 269 |
| Health | 81 | 79 | 76 | 74 | 73 | 75 | 75 |
| Police | 538 | 538 | 499 | 424 | 421 | 416 | 403 |
| Other public safety | 78 | 78 | 73 | 63 | 46 | 38 | 36 |
| Streets and traffic | 91 | 86 | 87 | 98 | 119 | 117 | 115 |
| Intergovernmental | - | - | 7 | 5 | 6 | 6 | 9 |
| Internal service | 43 | 8 | 8 | 11 | 28 | 30 | 29 |
| Total governmental activities | 1,436 | 1,394 | 1,347 | 1,266 | 1,275 | 1,273 | 1,252 |
| Business-type activities: | | | | | | | |
| Electric | 237 | 233 | 221 | 191 | 189 | 252 | 260 |
| Water | 154 | 150 | 152 | 138 | 135 | 137 | 134 |
| Sewer | 77 | 78 | 78 | 71 | 75 | 73 | 72 |
| Solid waste | 105 | 106 | 106 | 91 | 89 | 90 | 93 |
| Stormwater | 35 | 24 | 18 | 18 | 18 | 18 | 17 |
| Transit | 129 | 119 | 116 | 117 | 99 | 105 | 100 |
| Airport | 48 | 49 | 49 | 50 | 52 | 51 | 48 |
| Cemetery | 7 | 7 | - | - | - | - | - |
| Civic Centers | 31 | - | - | - | - | - | - |
| Internal service | 27 | 61 | 61 | 71 | 77 | 76 | 74 |
| Total business-type activities | 850 | 827 | 801 | 747 | 734 | 802 | 798 |
| Total | 2,286 | 2,221 | 2,148 | 2,013 | 2,009 | 2,075 | 2,050 |

NOTE: Information for years prior to FY 2002 is not readily available. This table will ultimately contain information for ten fiscal years.

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

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Cultural and Recreation Services | | | | | | | |
| Civic Center number of events with greater than 500 attendees | 129 | 105 | 120 | 123 | 128 | 330 | 359 |
| Library Visits | 547,595 | 554,864 | 601,947 | 721,847 | 704,784 | 736,695 | 647,489 |
| Trees Planted | 116 | 152 | 24 | 48 | 522 | 522 | 768 |
| Softball Team Registrations | 344 | 401 | 438 | 442 | 465 | 420 | 431 |
| Community Center Attendance | 113,969 | 119,781 | 123,487 | 109,029 | 122,311 | N/A | N/A |
| Senior Center Attendance | 83,319 | 70,419 | 68,420 | 70,849 | 79,546 | N/A | N/A |
| Garden and Arts Attendance | 35,894 | 47,024 | 58,981 | 51,114 | 53,074 | 41,576 | 43,100 |
| Other Public Safety | | | | | | | |
| Construction Permits | 2,648 | 2,764 | 3,717 | 5,151 | 3,583 | 3,663 | 6,049 |
| Building Department Inspections | 29,381 | 34,647 | 36,775 | 50,735 | 44,432 | 43,863 | 34,601 |
| Police | | | | | | | |
| Police Reports Processed | 84,980 | 92,788 | 90,144 | 82,346 | 89,493 | 89,000 | 86,178 |
| Police Crime/Incident Reports | 45,539 | 47,994 | 47,992 | 45,551 | 46,074 | 45,200 | 44,838 |
| Police Calls | 235,697 | 244,671 | 317,571 | 268,855 | 281,367 | 293,644 | 289,153 |
| Fire | | | | | | | |
| Public Fire Safety Education Presentation | 192 | 176 | 163 | 166 | 150 | 150 | 207 |
| Fire/Arson Investigations Conducted | 169 | 116 | 118 | 88 | 85 | 175 | 139 |
| Inspection Activities Performed | 2,170 | 2,074 | 1,860 | 1,521 | 1,845 | 800 | 967 |
| LP&L | | | | | | | |
| Average daily consumption (kwh) | 4,475,348 | 4,162,753 | 4,259,994 | 3,956,904 | 3,658,402 | 3,836,652 | 3,731,289 |
| Water | | | | | | | |
| Average daily consumption (gal) | 31,220,000 | 37,280,000 | 35,087,000 | 33,050,000 | 38,380,000 | 36,570,000 | 38,350,000 |
| Airport | | | | | | | |
| Number of airline passengers enplaned (annual projection) | 581,655 | 582,836 | 564,967 | 547,435 | 539,372 | 510,319 | 536,670 |
| Daily average of airplane departures and landings | 223 | 266 | 239 | 255 | 221 | 264 | 247 |
| Number of major airlines | 3 | 3 | 3 | 3 | 4 | 4 | 4 |
| Number of scheduled daily flights | 33 | 54 | 54 | 54 | 68 | 70 | 60 |

NOTE: Information for years prior to FY 2002 is not readily available. This table will ultimately contain information for ten fiscal years.

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

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-----------------------------------------------------------------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Streets and Traffic Engineering | | | | | | | |
| Miles of Streets Paved | 1,058 | 1,030 | 1,030 | 1,004 | 975 | 965 | 947 |
| Miles of Streets Unpaved | 60 | 72 | 72 | 72 | 74 | 76 | 79 |
| Fire | | | | | | | |
| Number of stations | 15 | 15 | 15 | 15 | 14 | 14 | 14 |
| Number of fire fighters and officers (civil service) | 355 | 335 | 300 | 290 | 269 | 260 | 251 |
| Police | | | | | | | |
| Number of stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of authorized police officers | 422 | 422 | 422 | 380 | 320 | 310 | 310 |
| Culture and Recreation Services | | | | | | | |
| Number of parks and playgrounds | 138 | 137 | 137 | 137 | 134 | 125 | 125 |
| Number of recreation centers | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Number of golf courses | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of swimming pools | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Number of auditoriums/coliseums | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of amphitheaters | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| Number of civic centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of libraries (excl. education) | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| LP&L | | | | | | | |
| Number of meters | 72,949 | 71,489 | 68,709 | 66,227 | 63,076 | 62,325 | 65,135 |
| Number of sub-stations | 14 | 14 | 14 | 14 | 14 | 13 | 12 |
| Number of steam turbines | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Number of diesel engines | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of gas turbine engines | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Miles of distribution lines | 1,042 | 1,023 | 1,013 | 1,005 | 997 | 975 | 969 |
| Miles of transmission lines | 85 | 85 | 85 | 85 | 85 | 80 | 79 |
| Water | | | | | | | |
| Number of meters | 77,608 | 77,147 | 75,876 | 74,026 | 72,505 | 70,990 | 71,046 |
| Miles of distribution lines | 1,427 | 1,408 | 1,373 | 1,341 | 1,323 | 1,293 | 1,264 |
| Number of fire hydrants | 4,636 | 4,536 | 4,356 | 4,220 | 4,121 | 3,996 | 3,882 |
| Number of water wells (active) | 150 | 150 | 166 | 166 | 146 | 248 | 248 |
| Acres of water rights | 99,152 | 99,152 | 99,152 | 99,152 | 99,152 | 99,152 | 99,152 |
| Number of gallons allocated annually by Canadian River Municipal Water Authority (in millions of gallons) | 10,300 | 10,868 | 11,268 | 9,915 | 14,007 | 14,007 | 12,438 |
| Sewer | | | | | | | |
| Miles of sanitary sewer lines | 996 | 986 | 960 | 941 | 924 | 901 | 877 |

NOTE: Information for years prior to FY 2002 is not readily available. This table will ultimately contain information for ten fiscal years.



Comprehensive Annual Financial Report

for the Fiscal Year Ended September 30, 2008

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

| Federal Grantor/ Pass-Through Grantor | Federal CFDA Number | Grant/ Contract Number | Federal Expenditures |
|---------------------------------------------------------------------|---------------------------|------------------------------|-------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through Texas Department of Health and Human Services | | | |
| Summer Food Service Program 2006 | 10.559 | TX1521004VU/75J5001 | \$ 12,084 |
| Total U.S. Department of Agriculture | | | <u>12,084</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Direct Programs | | | |
| Community Development Block Grant 07-08 | 14.218 | B-07-MC-48-0022 | 2,096,690 |
| Community Development Block Grant 06-07 | 14.218 | B-06-MC-48-0022 | 352,588 |
| Community Development Block Grant 05-06 | 14.218 | B-05-MC-48-0022 | 134,177 |
| Community Development Block Grant 04-05 | 14.218 | B-04-MC-48-0022 | 61,812 |
| Community Development Block Grant 03-04 | 14.218 | B-03-MC-48-0022 | 885 |
| | | | <u>2,646,152</u> |
| Emergency Shelter Grant 07-08 | 14.231 | S-07-MC-48-0007 | 97,079 |
| Emergency Shelter Grant 06-07 | 14.231 | S-06-MC-48-0007 | 778 |
| | | | <u>97,857</u> |
| HOME Program 07-08 | 14.239 | M-07-MC-48-0205 | 364,405 |
| HOME Program 06-07 | 14.239 | M-06-MC-48-0205 | 663,989 |
| HOME Program 05-06 | 14.239 | M-05-MC-48-0205 | 451,334 |
| HOME Program 04-05 | 14.239 | M-04-MC-48-0205 | 84,119 |
| HOME Program 03-04 | 14.239 | M-03-MC-48-0205 | 162,749 |
| HOME Program 02-03 | 14.239 | M-02-MC-48-0205 | 90,281 |
| HOME Program 00-01 | 14.239 | M-00-MC-48-0205 | 3,570 |
| | | | <u>1,820,447</u> |
| Section 108 Loan Guarantee Program | 14.248 | B-01-MC-48-0022 | 57,005 |
| Total U.S. Department of Housing and Urban Development | | | <u>4,621,461</u> |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Direct Programs | | | |
| Federal Equitable Sharing – Justice | N/A | N/A | 172,297 |
| Passed through Office of Justice Program | | | |
| Byrne Memorial (JAG 07) | 16.738 | 2007-DJ-BX-1318 | 250,904 |
| Byrne Memorial (JAG 06) | 16.738 | 2006-DJ-BX-0111 | 90,514 |
| Byrne Memorial (JAG 05) | 16.738 | 2005-DJ-BX-1279 | 61,136 |
| | | | <u>402,554</u> |

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2008

| Federal Grantor/ Pass-Through Grantor | Federal CFDA Number | Grant/ Contract Number | Federal Expenditures |
|------------------------------------------------------------------------------------------------------|---------------------------|------------------------------|-------------------------|
| Passed through Office of Community Oriented Policing Services | | | |
| COPS Technology Grant 2005 | 16.710 | 2005CKWX0127 | \$ 739,982 |
| Total U.S. Department of Justice | | | <u>1,314,833</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Federal Aviation Administration | | | |
| Rehabilitate General Aviation Apron Phase II | 20.106 | 3-48-0138-29-06 | 86,652 |
| Rehabilitate General Aviation Apron Phase II – Construction | 20.106 | 3-48-0138-030-2007 | 1,527,132 |
| Terminal Building Improvements | 20.106 | 3-48-0138-030-2007 | 3,861,216 |
| Runway 8/26 Improvements – Design Only | 20.106 | 3-48-0138-031-2008 | 903,732 |
| | | | <u>6,378,732</u> |
| Federal Transit Administration | | | |
| Capital, Operating and Planning 07-08 | 20.507 | TX-90-X791 | 2,006,647 |
| Capital, Operating and Planning 05-06 | 20.507 | TX-90-X710 | 338,138 |
| | | | <u>2,344,785</u> |
| Parking Lot Renovations Bus Wash | 20.509 | TX-04-0020 | 6,402 |
| Job Access – Reverse Commute | 20.516 | TX-37-X056-01 | 190,231 |
| New Freedom Mobility Management | 20.517 | TX-57-X005-01 | 59,735 |
| Passed through Texas Department of Transportation Under the Unified Planning Work Program | | | |
| Lubbock Metropolitan Planning Organization 07-08 | 20.505 | 51-74-108-0105-06-810 | 102,929 |
| Federal Highway Administration | | | |
| Passed through Texas Department of Transportation Under the Unified Planning Work Program | | | |
| Lubbock Metropolitan Planning Organization 07-08 | 20.505 | 50-72-2071-10-505-806 | 332,430 |
| Passed through Texas Department of Transportation | | | |
| Click It or Ticket | 20.600 | 588EGF6322 | 15,282 |
| STEP Comprehensive 07-08 | 20.600 | 588EGF6077 | 87,040 |
| TX DOT Safety Perf Plan "Teaching Kids to be Street Smart" | 20.600 | 588EGF6237 | 24,979 |
| Safe Routes to School | 20.601 | 588XXF6110 | 2,707 |
| | | | <u>130,008</u> |
| Total U.S. Department of Transportation | | | <u>9,545,252</u> |

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2008

| Federal Grantor/ Pass-Through Grantor | Federal CFDA Number | Grant/ Contract Number | Federal Expenditures |
|-------------------------------------------------------------------------|---------------------------|------------------------------|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Passed through Texas State Library and Archives Commission | | | |
| Interlibrary Loan Center 08-09 | 45.310 | 771-09022 | \$ 12,784 |
| Interlibrary Loan Center 07-08 | 45.310 | 771-08007 | 103,529 |
| Library Systems Operation 08-09 | 45.310 | 470-09001 | 17,505 |
| Library Systems Operation 07-08 | 45.310 | 470-08009 | 323,161 |
| Library Technical Assistance 08-09 | 45.310 | 476-09008 | 7,702 |
| Library Technical Assistance 07-08 | 45.310 | 476-08019 | <u>73,547</u> |
| Total U.S. Department of Education | | | <u>538,228</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | |
| Direct Programs | | | |
| Canyon Lakes Water Reuse Project | 66.202 | N/A | <u>619</u> |
| Total U.S. Environmental Protection Agency | | | <u>619</u> |
| U.S. DEPARTMENT OF ENERGY | | | |
| Passed through Texas Department of Housing and Community | | | |
| DOE/Oil Overcharge Weatherization Assistance Program 2008 | 81.042 | 568048 | 39,928 |
| DOE/Oil Overcharge Weatherization Assistance Program 2007 | 81.042 | 567048 | <u>52,189</u> |
| Total U.S. Department of Energy | | | <u>92,117</u> |
| U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES | | | |
| Passed through Texas Department of Aging and Disability Services | | | |
| Special Program for the Aging Title III B 07-08 | 93.044 | A100 | 11,414 |
| Special Program for the Aging Title III C 07-08 | 93.045 | A100 | <u>201,862</u> |
| | | | <u>213,276</u> |
| Passed through Texas Department of State Health Services | | | |
| Immunization/Locals 08-09 | 93.268 | 2009-028859-001 | 33,935 |
| Immunization/Locals 07-08 | 93.268 | 2008-023576-001 | <u>305,239</u> |
| | | | <u>339,174</u> |
| CDC and Prevention Invest and Tech Assist Lab 08-09 | 93.283 | 2008-028186 | 36,455 |
| CDC and Prevention Invest and Tech Assist Lab 07-08 | 93.283 | 2008-022963 | 238,057 |
| CDC and Prevention Invest and Tech Assist (PHP) 08-09 | 93.283 | 2008-027967 | 39,445 |
| CDC and Prevention Invest and Tech Assist (PHP) 07-08 | 93.283 | 2008-022931-001 | <u>451,217</u> |
| | | | <u>765,174</u> |
| RLSS/LPHS 08-09 | 93.991 | 2009-028369 | 4,092 |
| RLSS/LPHS 07-08 | 93.991 | 2008-024521 | <u>21,221</u> |
| | | | <u>25,313</u> |

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2008

| Federal Grantor/ Pass-Through Grantor | Federal CFDA Number | Grant/ Contract Number | Federal Expenditures |
|-------------------------------------------------------------------|---------------------------|------------------------------|-------------------------|
| Passed through Texas Department of Housing and Community | | | |
| Comprehensive Energy Assistance Program (CEAP) 2008 | 93.568 | 58080000150 | \$ 464,965 |
| Comprehensive Energy Assistance Program (CEAP) 2007 | 93.568 | 587048 | 121,634 |
| LIHEAP Weatherization Assistance Program 2008 | 93.568 | 818048 | 60,977 |
| LIHEAP Weatherization Assistance Program 2007 | 93.568 | 817048 | 92,470 |
| | | | <u>740,046</u> |
| Community Services Block Grant 2008 | 93.569 | 61080000200 | 191,811 |
| Community Services Block Grant 2007 | 93.569 | 616048-617 | 107,926 |
| | | | <u>299,737</u> |
| Total U.S. Department of Health & Human Services | | | <u>2,382,720</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed through Governor's Division of Emergency Management | | | |
| FEMA Public Assistance Grant – Dolly | 97.036 | TX-TXS-008037 | 31,795 |
| FEMA Public Assistance Grant – Gustav | 97.036 | FEMA-3290-EM-TX | 68,551 |
| FEMA Public Assistance Grant – Gustav Mutual Aid | 97.036 | TX-TXS-008040 | 13,353 |
| FEMA Public Assistance Grant – Ike | 97.036 | FEMA-3294-EM-TX | 77,188 |
| FEMA Public Assistance Grant – Ike Mutual Aid | 97.036 | TX-TXS-009000 | 64,866 |
| MMRS 2007 | 97.071 | 2007-GE-T7-0024 | 34,715 |
| MMRS 2006 | 97.071 | 2006-GE-T6-0068 | 131,244 |
| MMRS 2005 | 97.071 | 2005-GE-T5-4025 | 15,399 |
| Metropolitan Medical Response System (MMRS) | N/A | 233-01-0049 | 196,889 |
| Law Enforcement Terrorism Prevention Program (LETPP) 07 | 97.074 | 2007-GE-T7-0024 | 7,901 |
| Law Enforcement Terrorism Prevention Program (LETPP) 06 | 97.074 | 2006-GE-T6-0068 | 21,443 |
| State Homeland Security 2006 | 97.073 | 2006-GE-T6-0068 | 70,234 |
| State Homeland Security 2005 | 97.073 | 2005-GE-T5-4025 | 1,920 |
| Emergency Management Performance Grant 08-09 | 97.042 | 2008-GE-T7-0024 | 6,629 |
| Emergency Management Performance Grant 07-08 | 97.042 | 2007-GE-T7-0024 | 131,891 |
| Assistance to Firefighters – Equipment | 97.044 | EMW-2007-FO-09243 | 91,499 |
| Total U.S. Department of Homeland Security | | | <u>965,517</u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | <u>\$ 19,472,831</u> |

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2008

Notes to Schedule

(1) General

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

(2) Basis of Accounting

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

(3) Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs, including the summary of auditors’ results, begins on page 177.

(4) Relationship to Federal and State Financial Reports

Grant expenditure reports as of September 30, 2008, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

(5) Sub-recipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to sub-recipients totaling approximately \$1,516,608.

| Program | CFDA Number | Subrecipient | Amount Provided |
|--------------------------|--------------------|---------------------|------------------------|
| CDBG | 14.218 | Various | \$ 366,082 |
| ESG | 14.231 | Various | 92,980 |
| Home | 14.239 | Various | 306,169 |
| Lubbock County | 16.738 | Various | 123,852 |
| CEAP | 93.568 | Various | 399,534 |
| CSBG | 93.569 | Various | 212,484 |
| Lubbock County | 97.042 | Various | 15,507 |
| Total Federal Assistance | | | <u>\$ 1,516,608</u> |

(6) Outstanding Loans

The City has provided loans through its various housing programs. The outstanding balance of loans at September 30, 2008 was \$5,612,742.

City of Lubbock, Texas

Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended September 30, 2008

(7) *Outstanding Debt Balance*

The Schedule of Expenditures of Federal Awards includes \$153,300 of HUD Section 108 debt service. Of this debt service, \$101,164 is recorded in the Community Development Block Grant 04-05 & 07-08 and \$52,137 is recorded in the Section 108 Loan Guarantee Program Grant. As of September 30, 2008, the HUD Section 108 Fund had an outstanding debt balance of \$500,000.

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

The Honorable Mayor and City Council
City of Lubbock, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (the City) as of and for the year ended September 30, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated February 13, 2009, which contained an explanatory paragraph regarding changes in accounting principles and included references to the reports of other accountants. We did not audit the financial statements of Market Lubbock Economic Development Corporation, Lubbock Economic Development Alliance and Civic Lubbock, Inc., which comprise the aggregate discretely presented component units. Those financial statements were audited by other accountants whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for Market Lubbock Economic Development Corporation, Lubbock Economic Development Alliance and Civic Lubbock, Inc., are based on the reports of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the aggregate discretely presented component units and the West Texas Municipal Power Agency Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the City's management in a separate letter dated February 13, 2009.

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

BKD, LP

February 13, 2009

**Independent Accountants' Report on Compliance and Internal Control Over
Compliance with Requirements Applicable to Major Federal Awards Programs and
Schedule of Expenditures of Federal Awards**

The Honorable Mayor and City Council
City of Lubbock, Texas

Compliance

We have audited the compliance of City of Lubbock, Texas (the City) with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008, and have issued our report thereon dated February 13, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lubbock, Texas based on our audit.

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

In our opinion, the City of Lubbock, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lubbock, Texas as of and for the year ended September 30, 2008, and have issued our report thereon dated February 13, 2009, which contained an explanatory paragraph regarding changes in accounting principles and included references to the reports of other accountants. We did not audit the financial statements of Market Lubbock Economic Development Corporation, Lubbock Economic Development Alliance and Civic Lubbock, Inc., which comprise the aggregate discretely presented component units. Those financial statements were audited by other accountants whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for Market Lubbock Economic Development Corporation, Lubbock Economic Development Alliance and Civic Lubbock, Inc., are based on the reports of other accountants. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

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

BKD, LLP

February 13, 2009

City of Lubbock, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

Summary of Auditor's Results

The opinion(s) expressed in the independent accountants' report was (were):

Unqualified Qualified Adverse Disclaimed

1. The independent accountants' report on internal control over financial reporting described:

Significant deficiency(ies) noted considered material weakness(es)? Yes No

Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

2. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

Significant deficiency(ies) noted considered material weakness(es)? Yes No

Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion(s) expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was (were):

Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2008

7. The City's major programs were:

| Cluster/Program | CFDA Number |
|---------------------------------------------------------|--------------------|
| Public Safety Partnership and Community Policing Grants | 16.710 |
| Airport Improvement Program | 20.106 |
| Low-Income Home Energy Assistance | 93.568 |

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$584,185.

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

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2008

Findings Required to be Reported by *Government Auditing Standards*

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

No matters are reportable.

Findings Required to be Reported by *OMB Circular A-133*

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

No matters are reportable.

City of Lubbock, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2008

Findings Required to be Reported by *OMB* Circular A-133

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

No matters are reportable.

City of Lubbock, Texas
Schedule of Expenditures of State Awards
Year Ended September 30, 2008

| Program Title | Federal CFDA Number | Grant/ Contract Number | State Expenditures |
|----------------------------------------------------------------|------------------------------------|---------------------------------------|-------------------------------|
| Texas State Library and Archives Commission | | | |
| Lone Star Library 07-08 | N/A | 442-08304 | \$ 37,888 |
| Total Texas State Library and Archives Commission | | | <u>37,888</u> |
| Texas Department of State Health Services | | | |
| Milk & Dairy Products Division 06-07 | N/A | 7560005906A2007-01 | 1,483 |
| Milk & Dairy Products Division 05-06 | N/A | 7560005906A2006-01 | 31,051 |
| RLSS/LPHS 08-09 | 93.991 | 2009-028369 | 13,759 |
| RLSS/LPHS 07-08 | 93.991 | 2008-024521 | 71,366 |
| Total Department of State Health Services | | | <u>117,659</u> |
| Texas Forest Service | | | |
| San Angelo Shelter | N/A | N/A | 23,226 |
| Hurricane Dolly | N/A | TX-TXS-008037 | 10,599 |
| Hurricane Edouard | N/A | N/A | 4,160 |
| Hurricane Gustav | N/A | FEMA-3290-EM-TX | 22,851 |
| Hurricane Gustav Mutual Aide | N/A | TX-TXS-008040 | 4,451 |
| Hurricane Ike | N/A | FEMA-3294-EM-TX | 25,729 |
| Hurricane Ike Mutual Aide | N/A | TX-TXS-009000 | 21,622 |
| Total Texas Forest Service | | | <u>112,638</u> |
| Texas Department of Housing and Community Affairs | | | |
| SPS Low-Income Program – State Program 2008 | N/A | 408048 | 23,151 |
| SPS Low-Income Program – State Program 2007 | N/A | 407048 | 4,737 |
| Total Texas Department of Housing and Community Affairs | | | <u>27,888</u> |
| Texas Department of Transportation | | | |
| 5310 Funds – Preventative Maintenance 08 | N/A | 51805F7185-ED0803(05) | 49,935 |
| 5307 Funds – FY 08 State Operating | N/A | 517XXF7054-URB0801(05) | 655,201 |
| Labor Day Impaired Driving Mobilization | N/A | N/A | 3,928 |
| Total Texas Department of Transportation | | | <u>709,064</u> |
| Texas Commission on Environmental Quality | | | |
| Solid Waste Equipment 07-08 | N/A | 582-8-86700 | 24,360 |
| Total Texas Commission on Environmental Quality | | | <u>24,360</u> |
| Total State Financial Assistance | | | <u>\$ 1,029,497</u> |

City of Lubbock, Texas
Schedule of Expenditures of State Awards (Continued)
Year Ended September 30, 2008

Notes to Schedule

(1) General

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

(2) Basis of Accounting

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

(3) Relationship to State Financial Reports

Grant expenditure reports as of September 30, 2008, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

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

The Honorable Mayor and City Council
City of Lubbock, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas, (the City) as of and for the year ended September 30, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated February 13, 2009, which contained an explanatory paragraph regarding a change in accounting principles and included references to the reports of other accountants. We did not audit the financial statements of Market Lubbock Economic Development Corporation, Lubbock Economic Development Alliance and Civic Lubbock, Inc., which comprise the aggregate discretely presented component units. Those financial statements were audited by other accountants whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for Market Lubbock Economic Development Corporation, Lubbock Economic Development Alliance and Civic Lubbock, Inc., are based on the reports of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Uniform Grants Management Standards*, issued by the Governor's Office of Budget and Management of the State of Texas. The financial statements of the aggregate discretely presented component units and the West Texas Municipal Power Agency Fund, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the City's management in a separate letter dated February 13, 2009.

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

BKD, LLP

February 13, 2009

**Independent Accountants' Report on Compliance and Internal Control Over
Compliance in Accordance with the State of Texas *Uniform Grants Management Standards*
and on Schedule of Expenditures of State Awards Programs**

The Honorable Mayor and City Council
City of Lubbock, Texas

Compliance

We have audited the compliance of City of Lubbock, Texas (the City) with the types of compliance requirements described in the State of Texas *Uniform Grants Management Standards* that are applicable to each of its major state programs for the year ended September 30, 2008, and have issued our report thereon dated February 13, 2009, which contained an explanatory paragraph regarding a change in accounting principles. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lubbock, Texas, based on our audit.

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

In our opinion, the City of Lubbock, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended September 30, 2008.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas as of and for the year ended September 30, 2008, and have issued our report thereon dated February 13, 2009, which included references to the reports of other accountants. We did not audit the financial statements of Market Lubbock Economic Development Corporation, Lubbock Economic Development Alliance and Civic Lubbock, Inc., which comprise the aggregate discretely presented component units. Those financial statements were audited by other accountants whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for Market Lubbock Economic Development Corporation, Lubbock Economic Development Alliance and Civic Lubbock, Inc. are based on the reports of other accountants. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *Uniform Grants Management Standards* 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.

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

BKD, LLP

February 13, 2009

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2008

7. The City's major program was:

| Cluster/Program | State Agency | Grant Number |
|------------------------------------|------------------------------------|----------------------------|
| 5307 Funds—FY08 State Operating | Texas Department of Transportation | 517XXF7054- URB0801(05) |

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

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

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2008

Findings Required to be Reported by *Government Auditing Standards*

| Reference Number | Summary of Finding | Questioned Costs |
|-----------------------------|---------------------------|-----------------------------|
| No matters are reportable | | |

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

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

City of Lubbock, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2008

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

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

No matters are reportable.



City of Lubbock, TX
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