

Comprehensive Annual Financial Report



City of Lubbock, Texas

For the Fiscal Year Ended
September 30, 2009



Comprehensive Annual Financial Report
List of Elected and Appointed Officials
For the Fiscal Year Ended September 30, 2009

City Council

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

Appointed Officials

Lee Ann Dumbauld	City Manager
Sam Medina	City Attorney
Rebecca Garza	City Secretary

Finance Staff

Andy Burcham	Chief Financial Officer
Pamela Moon, CPA	Director of Accounting
Brack Bullock	Senior Accountant
Linda Cruz, CPA	Senior Accountant
Deborah Hansard	Senior Accountant
Dorothy Lewis, CPA	Senior Accountant
Veronica Valderaz	Senior Accountant
Jerry Stanfield	Senior Accountant
Rhonda Gentry	Senior Accountant
Damian Pantoya, CPA	Lubbock Power & Light

**City of Lubbock, Texas
 Comprehensive Annual Financial Report
 Year Ended September 30, 2009**

TABLE OF CONTENTS

	Page
List of Elected and Appointed Officials	i
Table of Contentsii
 INTRODUCTORY SECTION	
Letter of Transmittal	1
Organizational Chart	14
Certificate of Achievement in Financial Reporting	15
 FINANCIAL SECTION	
Independent Accountants' Report on Financial Statements and Supplementary Information	17
Management's Discussion and Analysis	19
Basic Financial Statements:	
<u>Government-wide Financial Statements:</u>	
Statement of Net Assets	35
Statement of Activities	36
<u>Fund Financial Statements:</u>	
<u>Governmental Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	38
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	39
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	41
<u>Proprietary Fund Financial Statements</u>	
Statement of Net Assets – Proprietary Funds	42
Reconciliation of the Statement of Net Assets - Proprietary Funds to the Statement of Net Assets	47
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	48
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds to the Statement of Activities.....	51
Statement of Cash Flows - Proprietary Funds	52
 <u>Notes to Basic Financial Statements</u>	 55
 Required Supplementary Information:	
Schedule of Funding Progress	95
General Fund Budget Comparison Schedule	97

Combining Fund Statements and Schedules:

Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds 104
Combining Statement of Revenues, Expenditures and Changes in Fund
Balances – Nonmajor Governmental Funds 110

Nonmajor Enterprise Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds..... 116
Combining Statement of Revenues, Expenses and Changes in Fund Net
Assets – Nonmajor Enterprise Funds..... 120
Combining Statement of Cash Flows – Nonmajor Enterprise Funds 122

Internal Service Funds

Combining Statement of Net Assets – Internal Service Funds..... 126
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets – Internal Service Funds 130
Combining Statement of Cash Flows – Internal Service Funds 132

Nonmajor Component Units

Combining Statement of Net Assets – Nonmajor Component Units 137
Combining Statement of Activities – Nonmajor Component Units 138

Discretely Presented Component Unit

Statement of Net Assets – Vintage Township Public Facilities Corp. 140
Statement of Revenues, Expenses and Changes in Fund
Net Assets – Vintage Township Public Facilities Corp..... 141

STATISTICAL SECTION (unaudited)

Table A: *Net Assets by Component*..... 144
Table B: *Changes in Net Assets* 145
Table C: *Fund Balance of Governmental Funds*... 147
Table D: *Changes in Fund Balances of Governmental Funds*... 149
Table E: *Tax Revenues by Source* 150
Table F: *Assessed and Estimated Actual Value of Taxable Property* 151
Table G: *Principal Taxpayers*..... 152
Table H: *Property Tax Levies and Collections*..... 153
Table I: *Property Tax Rates – Direct and Overlapping Governments* 154
Table J: *Ratio of Outstanding Debt by Type* 155
Table K: *Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt per Capita*..... 156
Table L: *Computation of Legal Debt Margin*..... 157
Table M: *Revenue Bond Coverage – LP&L and Water Bonds* 158
Table N: *Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Governmental
Expenditures* 159
Table O: *Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds*..... 160
Table P: *Demographic Statistics*..... 161
Table Q: *Principal Employers* 162
Table R: *Full-time Equivalents City Government Employees by Function*... 163
Table S: *Operating Indicators by Function/Program* 164
Table T: *Capital Assets Statistics by Function/Program* 165

COMPLIANCE REPORTS

Schedule of Expenditures of Federal Awards.....167

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*.....171

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.....173

Schedule of Findings and Questioned Costs.....175

Summary Schedule of Prior Audit Findings.....178

Schedule of Expenditures of State Awards.....179

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*.....181

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.....183

Schedule of Findings and Questioned Costs185

Summary Schedule of Prior Audit Findings.....188



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

February 17, 2010

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, 2009. The purpose of the CAFR is to provide accurate and meaningful information concerning the City's financial condition and performance. In addition, independent auditors have verified that the City has fairly presented its financial position, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

The CAFR satisfies Section 103.001 of the Texas Local Government Code requiring annual audits of all municipalities. Responsibility for both the accuracy of the 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: 1) to protect the City's assets from loss, theft, or misuse and 2) to compile sufficient, reliable information for the preparation of the City's financial statements, in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

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

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

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 17, 2010

The independent auditor has concluded that the City's financial statements are in conformity with GAAP, are fairly presented, and there is a reasonable basis for providing an unqualified opinion. The independent 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 City's financial processes and controls:

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

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

CITY OVERVIEW

Description of the City

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

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically as the City Council deems appropriate. The 2000 Census population for the City was 199,564; the estimated 2009 population is 218,327. The City covers approximately 123.4 square miles. The organization chart of the City is shown following the transmittal letter.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationship with the City. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included. Blended component units include the Urban Renewal Agency (URA) and West Texas Municipal Power Agency (WTMPA). Discretely presented component units include Civic Lubbock, Inc., Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc., Lubbock Economic Development Alliance, and the Vintage Township Public Facilities Corporation. Additional information on the component units can be found in the footnotes.

City Services

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

Public Safety: The Police Department serves and protects the public by conducting criminal investigations and enforcing laws governing public health and order. As of September 30, 2009, the department is staffed with 375 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 completed the construction of one new fire station and staffed it with 15 new positions during FY 2009. As of September 30, 2009, the fire department operates 16 fire stations and is staffed with 335 sworn firefighters. During 2008, the City improved its Insurance Standards Office (ISO) rating from a Class 3 to a Class 2 on a measurement of 10 with Class 1 representing the best public protection. With this higher rating, the citizens of Lubbock should see reduced insurance premiums in the future. Furthermore, the ISO survey identified areas that needed better fire department coverage due to annexation of property on the southwest side of the City. In November 2009, a bond election was approved by the citizens for the construction of three new fire stations. The new fire stations will be built over the next several years.

Electric Utility: Lubbock Power and Light (LP&L) is managed by the Electric Utility Board (EUB). Lubbock voters elected to amend the City Charter to provide for an Electric Utility Board on November 2, 2004. The City Council retains authority for approval of the annual budget, annual transfers, rates for electric service, condemnations, and approval of debt financing.

LP&L is associated with the West Texas Municipal Power Agency (WTMPA). In 1983, the cities of Lubbock, Brownfield, Floydada, and Tulia, created WTMPA as a joint power agency. WTMPA is a municipal power agency that was created to enhance the negotiating strength of the individual cities in obtaining favorable firm electric power contracts and in coordinating joint planning for additional generation. On August 1, 2008, WTMPA entered into a development agreement with Republic Power Partners, LP. The two parties will seek to promote and develop renewable and traditional energy resources in the high plains area of Texas. The agreement with Republic Power Partners required WTMPA to form a local government corporation that would own and operate any project developed pursuant to the Agreement. WTMPA incorporated High Plains Diversified Energy Corporation, a public nonprofit corporation and local government corporation organized under the Texas Transportation Corporation Act, on September 25, 2008. The purpose of High Plains Diversified Energy Corporation is to issue bonds, notes, and other forms of debt to acquire, maintain, lease, and sell property to promote and develop public generation and transmission systems within the WTMPA service area and the state of Texas in order to generate and transport electric energy for the benefit of the member cities of WTMPA.

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 municipally-owned electric company and has 74,930 meters with an average daily consumption of 4,516,097 kWh. LP&L has 15 substations, more than 1,030 miles of distribution lines, and approximately 87 miles of transmission lines. On November 12, 2009 LP&L and Xcel Energy reached a mutually beneficial agreement that will allow LP&L to purchase Xcel Energy's electric distribution system within the city and to serve all of Xcel Energy's Lubbock retail electric customers, pending approval by regulatory agencies.

Water Utility: To assist with the strategic development of additional water supplies, the City Council established the Lubbock Water Advisory Commission (LWAC) in July 2003, with the primary objective of developing a 100-year water supply plan. In July of 2007, with the recommendation of the LWAC, the City Council approved the Strategic Water Supply Plan for Lubbock. The City has also worked closely

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 17, 2010

with Region A and O Planning Groups in preparing the State Water Plan, which includes the City's water supply needs and alternatives.

The daily capacity of the City water supply and treatment system is 81 million gallons, with an average utilization of 33 million gallons per day. The City currently receives its water supply from three sources: Bailey County Well Field, Roberts County Well Field (through Canadian River Municipal Water Authority, "CRMWA"), and Lake Meredith (also through CRMWA). The City provides water service to over 78,000 meters through 1,500 miles of distribution lines. The City also serves the communities of Shallowater, Ransom Canyon, Buffalo Springs Lake, and also serves Reese Redevelopment Authority, and the Lubbock Cooper and Roosevelt independent school districts.

The City obtained 9.6 billion gallons of its annual water supply from CRMWA. CRMWA combines surface water from Lake Meredith and ground water from the Roberts County Well Field to meet the water demands of Lubbock and the other 10 member cities of CRMWA. The City-owned Bailey County Well Field contains 150 active water wells with 83,305 acres of water rights, providing 2 billion gallons of the City's annual water supply. The City is currently constructing an additional six wells to maintain the production rates.

CRMWA has 265,999 acres of ground water rights with an estimated 15 million acre feet of water within those rights. Conservative projections, using current secured water rights, indicate CRMWA will be able to provide groundwater supplies utilizing existing infrastructure through the year 2097. CRMWA is currently expanding the existing Roberts County Well Field to increase the production capacity of the Well Field. The project includes 12-miles of 54-inch pipe to transport the well water to the existing transmission pipeline. Fifteen new water wells have been installed that are capable of producing approximately 2,500 gallons per minute for each well. In addition, electrical supply lines and infrastructure has been installed to provide power to the pumps in the wells. This expansion will allow CRMWA to deliver up to 69,000 acre-feet of water to its member cities. The volume from this expansion will replace the declining volume being used from Lake Meredith. The Roberts County Well Field expansion should be completed in late 2010.

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 51.1-mile raw water pipeline, a new water treatment plant, and treated water transmission lines are required. Plans are nearing completion, and right-of-way acquisition is under way. Construction of these facilities will begin in early 2010 with anticipated completion in mid-2012. The South Water Treatment Plant is being constructed in conjunction with the Lake Alan Henry pipeline and will be capable of processing 15 million gallons per day of raw water. The facilities include a terminal storage reservoir with a capacity of 225 million gallons and a high service pump station to transfer the treated water into the City's distribution system. The treatment technology for the plant includes a final treatment process called micro-filtration (MF - pressure membrane). The pre-treatment includes the use of plate-settling technology.

Wastewater Utility: Wastewater collection and treatment is provided within the city limits to residential, commercial, and industrial customers. As of January 1, 2010, the collection system consists of 1,007 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 has begun construction of Phase II of a four phase project to upgrade the Southeast Water Reclamation Plant. Phase I included upgrades and improvements to the influent lift station. Phase II construction 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

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 17, 2010

construction improvements to solids and handling. Phase IV will include upgrades to Plant 3 for biological removal. The improvements will produce a high quality effluent that will be discharged for potential reuse into the North Fork of the Double Mountain Fork of the Brazos River.

Additionally, a solids handling evaluation has been performed to determine the necessary improvements needed to optimize the processing and disposal of solids. These efforts will improve the quality of the City's effluent discharge and prepare it for possible future reuse. The City has also completed its first Wastewater Master Plan that includes recommendations to rehabilitate aging infrastructure and expand collection and treatment facilities to meet demands of new developments within the City's limits.

Storm Water Utility: The City's storm water run-off 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, 559 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 is funded through storm water fees.

During FY 2009, a primary focus of the Storm Water Utility was the completion of Phase 1A of the South Lubbock Drainage Project. This project constructed the remaining lateral lines that added five additional playa lakes to the overall project, for a total of 11 playa lakes connected to the South Lubbock Drainage System. This project was completed ahead of schedule and under budget. Another major focus was on implementation of a new comprehensive Storm Water Ordinance and hiring new Storm Water inspectors in order to comply with the provisions set forth in the City's new MS4 permit.

Other areas of activity within the Storm Water Utility during FY 2009 included:

- completion of the Northwest Lubbock and Maxey Park Drainage Study with City Council direction to proceed with a design and construction project;
- completion of park improvements at Dupree and Elmore Parks;
- development of a master plan of the northwest quadrant of the City;
- update of the Master Drainage Plan for the western and southern portions of the City;
- initiation of the construction of park improvements at Leftwich and Clapp Parks;
- completion of video inspection and cleaning of the majority of the downtown area storm sewer pipelines;
- initiation of the construction of drainage improvements at Mose Hood and Stumpy Hamilton Parks;
- continued compliance with the City's MS4 permit; and
- continued repair, replacement and cleaning of storm sewer inlets and drainage ways throughout the City.

Solid Waste Utility: The City provides garbage collection and disposal services to 66,938 residential customers and 2,861 commercial customers. One of the City's two landfill sites is designated as the North Avenue P Landfill and includes a citizens' 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. The design of the development of the next cell will begin in FY 2009-10.

Public Transportation: A key component of Lubbock's transportation system is the Lubbock Preston Smith International Airport, located seven miles north of the City's central business district on 3,000

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 17, 2010

acres of land adjacent to Interstate 27. The Airport is operated as a department of the City, with the guidance of an advisory board, and includes a 220,000 square foot passenger terminal building. The Airport has two commercial service runways, 11,500 and 8,000 feet in length. The Airport's third General Aviation runway is 2,869 feet in length. Air traffic control services include a 24-hour Federal Aviation Administration control tower and a full range of instrument approaches. The Airport is served by four major passenger airlines and one major cargo airline. It facilitates over 80 commercial flights per day.

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

Health and Social Services: The City has a housing and community development program implemented and administered through funding from the Federal Community Development Block Grant (CDBG) Program, HOME Investment Partnership Program, and Emergency Shelter Grant (ESG) Program. With these programs in FY 2009, the City has completed work on over 176 houses through the use of CDBG and HOME funds, and has assisted 2,810 individuals through the ESG Program with emergency shelter, and essential and homeless prevention services.

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 in FY 2008-09, 134 individuals received assistance in weatherizing their home to make their home more energy efficient; 1,419 households received utility assistance; 71 individuals graduated from the Self-Sufficiency Program; and, 23,445 residents received referral assistance through the Information and Referral Hotline.

Cultural and Recreational Activities: Cultural and recreational services are provided by the City through four libraries, 80 parks, and 57 playgrounds. Other recreational facilities include four swimming pools, 58 tennis courts, 64 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 and Auditorium, the Buddy Holly Center, the Wells Fargo Amphitheatre, and the Silent Wings Museum.

The City is financially accountable for a legally separate civic services corporation (Civic Lubbock) 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 1,071 miles of paved streets, 60 miles of unpaved streets, and 559 miles of paved and unpaved alleys. In 2004 the City Council established the Gateway Streets Program. The program, funded primarily through 40 percent of franchise fees, opens areas of the City for development 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

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 17, 2010

construction of the 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; Milwaukee Avenue from 94th Street to FM 1585; and Ash Avenue from FM 1294 to Utah Street. The design of these street improvements is nearing completion. Funding for the construction of Indiana Avenue from 103rd Street to FM 1585 has been approved by the City Council, and bids were received for this project in January 2010.

A Bond Election for street improvements was approved by the voters on November 3, 2009, and included reconstruction of 34th Street from Avenue Q to Indiana Avenue; construction of Quaker Avenue from 98th Street to 114th Street; construction of Milwaukee Avenue from 94th Street to 104th Street; strip paving of Milwaukee Avenue from 104th Street to 114th Street; strip paving of 98th Street from Juneau Avenue to Milwaukee Avenue; and strip paving of 114th Street from University Avenue to Slide Road. The design for all these projects, with the exception of Quaker Avenue, is expected to begin in the next few months.

Annual Budget Process

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

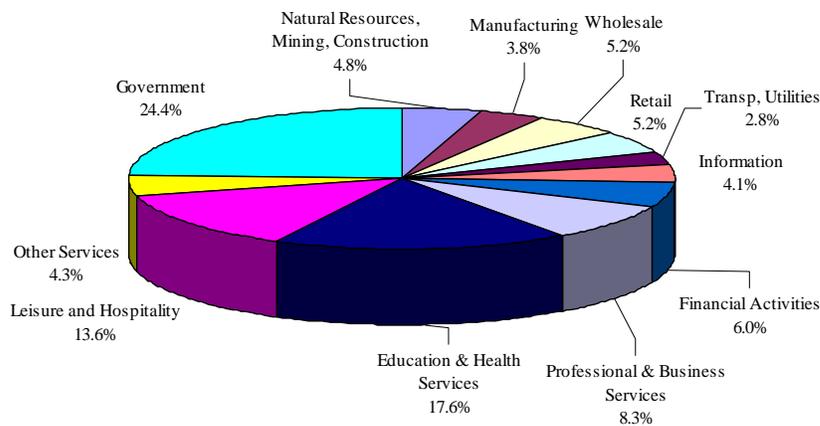
The General Fund Operating Budget is adopted on a basis other than GAAP, with the main difference being that capital lease proceeds and related capital outlays are not budgeted. Budgetary control is maintained at the department level. Management may make administrative transfers and increases or decreases between accounts below the department level without City Council approval. However, any transfer of funds between departments, the legal level of control, or higher level shall be presented to City Council for approval by ordinance before such funds can be transferred between departments or expended. All annual operating appropriations lapse at the end of the fiscal year. Capital Project 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 consistent and steady growth. Over the past 20 years, Lubbock's agriculturally based economy has diversified, which has minimized the effects of business cycles experienced by individual sectors. In FY 2009, there was a small decline in economic growth due to the downturn in the national economy. The national recession began impacting Lubbock's economy in early 2009 with a decrease in housing starts, and by mid-year the impact was seen in auto sales, as well as other economic indicators, such as retail sales, wage and salary employment, oil prices, cotton and cattle prices, number of home sales, and airline boardings.



The South Plains is one of the most productive agricultural areas in the United States. In 2009, 23.0 percent of the nation's upland cotton crop and 55.8 percent of the state's upland cotton crop were produced by farmers in the Southern High Plains District. Southern High Plains' production is 2.79 million bales, up 45 percent from the 1.92 million bales produced in 2008.¹

The City has strong manufacturing, wholesale and retail trade, services, and government sectors. Manufacturing includes a diverse group of employers who support approximately 4,600 workers. A central location and access to transportation have contributed to Lubbock's development as a regional warehousing and distribution center. Lubbock serves as the major retail trade center for a 26-county retail trade area of more than a half million people.²

Two major components of the local economy include 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. Fall 2009 enrollment for all higher education institutions in Lubbock is 45,952. Enrollment is 6.1 percent over the enrollment for fall of 2008. 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.³

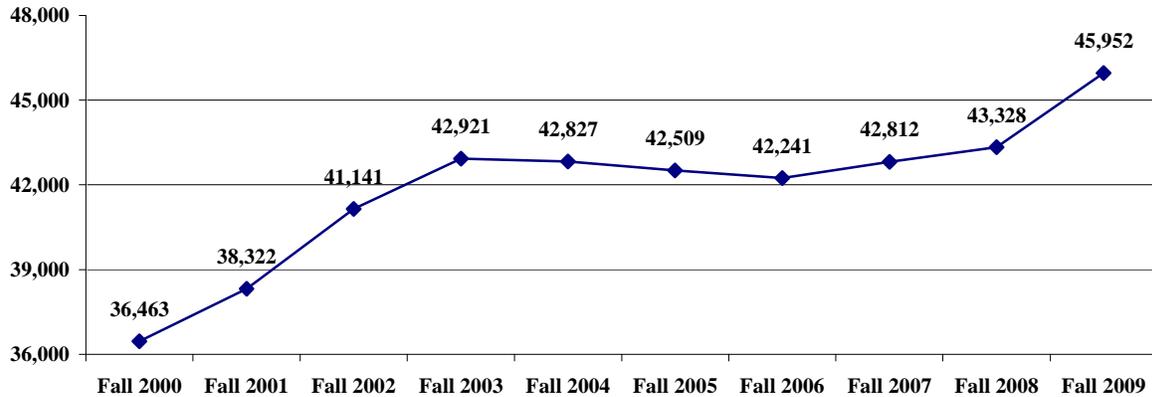
¹ United States Department of Agriculture, National Agriculture Statistics Service, Texas County Data – Crops, retrieved from http://www.nass.usda.gov/QuickStats/PullData_US_CNTY.jsp

² Texas Workforce Commission, *MSA Employment and Unemployment Data*, retrieved from <http://www.tracer2.com>

³ City of Lubbock Business Development survey of enrollments at higher education facilities

Honorable Mayor, City Council,
 And Citizens of the City of Lubbock, Texas
 February 17, 2010

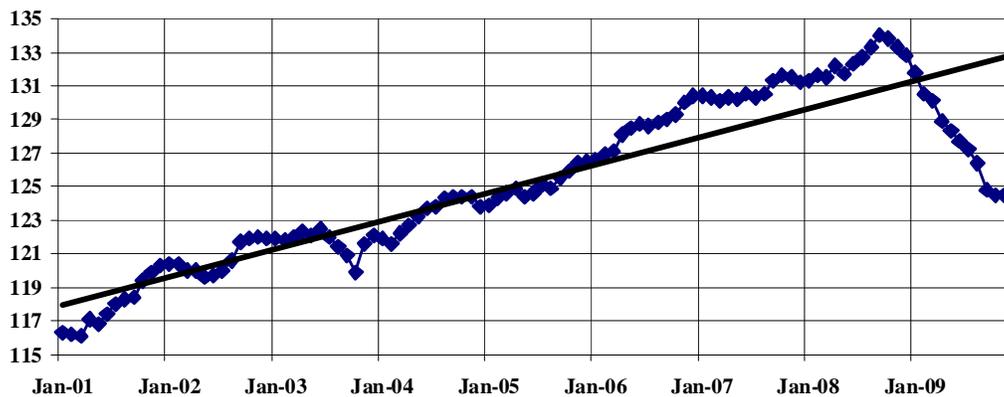
Higher Education Enrollments 2000 - 2009



The health care and social services sector is also a vital component of the Lubbock economy, with more than 19,852 employees and payroll of more than \$722 million.⁴

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 at 100. The economic index for September 2009 is 124.8, which represents a decrease of 6.9 percent from the September 2008 level.

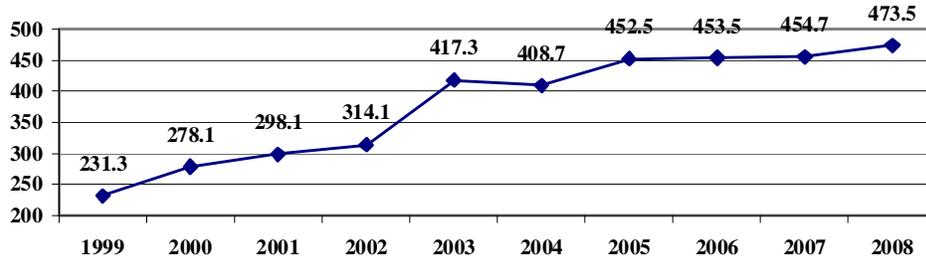
The Lubbock Economic Index peaked in September 2008 at 134.0 and has declined since that time due to the impact of the national recession. Virtually all sectors of the Lubbock economy point to ongoing recession; from the relatively modest declines in general consumer spending and employment sectors, coupled with larger declines in automobile spending, construction, home building and existing home sales.⁵



⁴ U.S. Census Bureau, 2007 County Business Patterns, retrieved from <http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl> (2-year delay in publication)

⁵ Ingham Economic Reporting, Qtr 3-2009, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham

Building Permit Valuations: The construction sector has been impacted by the national economic downturn, with the value of all building permits issued through September 2009 down 35.5 percent from the same period in 2008. The \$265.9 million in building permits issued through the first nine months of 2009 is much lower than the record setting levels of the last few years.

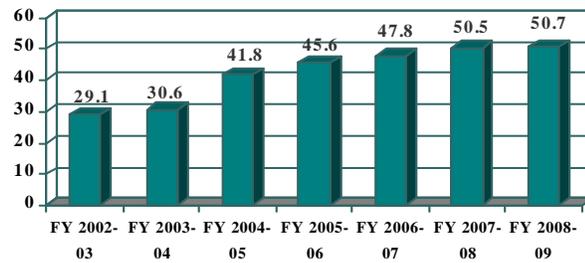


The total number of new residential permits through September 2009 decreased 28.6 percent from 2008 levels, and valuation amounts were \$132.0

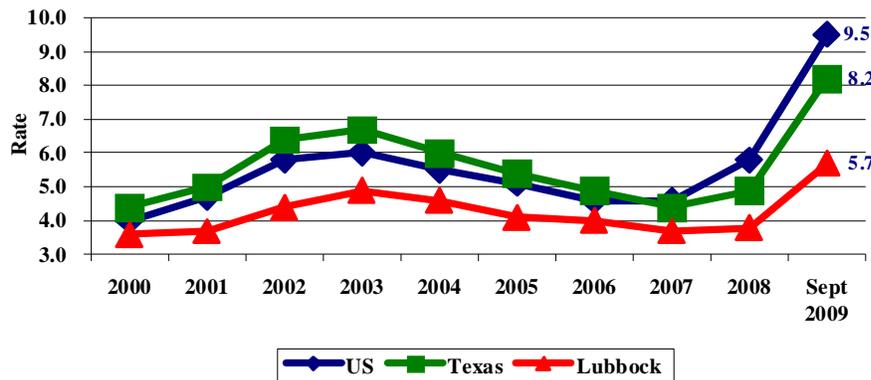
million, which is 36.3 percent lower than the same time period in 2008.⁶ The average home sale price, through September 2009, has decreased 1.6 percent from the same period in 2009.⁷

Sales Tax Collections: Total sales tax collections for FY 2009 were 0.3 percent higher than FY 2008.⁸

Annual Sales Tax Collections



Tourism and Visitor Related Indicators: Lodging tax receipts increased from \$3.02 million in September 2008 to \$3.08 million in September 2009, a 1.7 percent increase. Airline boardings at Lubbock Preston Smith International Airport decreased 5.2 percent from 2008 to 2009.⁹



Employment:

The total non-agricultural employment estimate for September 2009 was 129,000. This is a 2.0 percent decrease from September 2008. There were 2,600 less people employed in September 2009 than in September 2008. The unemployment rate for the Lubbock Metropolitan Statistical Area in September 2009

⁶ City of Lubbock Building Inspection Department, September 2009 and September 2008, *Building Inspection Statistical Report*

⁷ Texas A&M University Real Estate Center, *Lubbock Residential Housing Activity Report*, retrieved from <http://recenter.tamu.edu/data/datahs.html>

⁸ City of Lubbock Finance Department, *Historic Schedule of Sales Tax Receipts*, October 2002 through September 2009

⁹ Ingham Economic Reporting, September 2009, *Lubbock Economic Index and Consumer Price Index*. Amarillo, Texas: Karr Ingham

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 17, 2010

was 5.7 percent, the lowest in the State of Texas. Historically, Lubbock has had a low rate of unemployment that is well below the national and state unemployment rates.¹⁰

ECONOMIC DEVELOPMENT

In 1995 the City Council created Market Lubbock, Inc. (MLI), a non-profit corporation to oversee economic development for the City. MLI is funded with 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 MLI and LEDA for FY 2009 were \$7,348,819. During the last year, through their business retention, expansion, and attraction programs, LEDA assisted 16 companies in the creation of 382 new jobs with an annual payroll of \$18.1 million and capital investment of \$35.8 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.

Overton Park: Overton Park, a former blighted area called North Overton, is a 300-acre revitalization project adjacent to the downtown area of Lubbock. Projects that have been constructed in Overton Park since the beginning of the redevelopment include: five student oriented apartment complexes; The Centre, an apartment complex built over upscale retail; City Bank; Super Wal-Mart; The Overton Hotel and Conference Center; condominiums; and many small specialty restaurant and retail establishments.

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 (Zone), there are planned expenditures of approximately \$40.4 million for public infrastructure improvements, which will result in an increase of taxable value of approximately \$373.9 million over the Zone's 30-year life. The 2009 appraised value of the North Overton TIF was \$279.9 million, which is a \$253 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 from 34,416 to 18,365, or 47 percent. In response to the deterioration of north and east Lubbock, the City created the North and East Lubbock Community Development Corporation (NELCDC) in 2004 to oversee and promote development in the area. The City also committed to provide funding to the NELCDC for four years. King's Dominion, a new single-family housing project, consists of twenty-two homes with one under construction. The NELCDC has also placed fifty-nine families into scattered site developments, with an additional seven being recently approved. At the end of 2009, the NELCDC has originated \$2.0 million in mortgages for King's Dominion and an additional \$2.4 million for scattered site developments.

¹⁰ (Texas Workforce Commission, LMCI Economic Profiles, retrieved from:

<http://www.tracer2.com/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>). Note: The methodology for calculating the unemployment rate was changed in 2005 and the last four years were recalculated based on the new method. The Lubbock MSA also changed in 2005 to include both Lubbock and Crosby Counties.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 17, 2010

Downtown Redevelopment: The City of Lubbock Central Business District (CBD) has developed over the years with traditional office, retail, and governmental agency uses. As with many cities in the last ten to twenty years, retail has moved to shopping areas and other areas outside the CBD, and office development has stagnated. In an effort to reverse that trend and to stimulate further development downtown, the City established the CBD Tax Increment Finance Reinvestment Zone. A new Revitalization Action Plan for downtown Lubbock was completed in FY 2008. The Plan has been approved by the Zone Board of Directors and the City Council. In 2008, the City Council contracted with McDougal Land Company, LT to provide Consulting/Master Developer services to implement the Plan. The first step in the implementation of the Plan is to contract with an engineering firm to coordinate and design the relocation of underground utilities in a portion of the downtown area.

FINANCIAL INFORMATION

Long-term financial planning

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

The City Council has approved goals for the General Fund unreserved/undesignated fund balance, which is set at a minimum of an amount equal to twenty percent of operating revenues to meet unanticipated contingencies and fluctuations in revenue. Enterprise funds also have appropriable net asset reserve policies, ranging from 15 to 25 percent of operating revenue. LP&L maintains the greater of four months gross retail electric revenue, as determined by taking the average monthly gross retail electric revenue from the previous fiscal year, or \$50 million. Water and Wastewater funds maintain appropriable net assets in an amount equal to 25 percent of operating revenues. Solid Waste, Airport, and Storm Water funds maintain appropriable net assets of 15 percent of operating revenues. Appropriable net assets has a slightly different definition than GAAP unrestricted net assets. Excesses and deficits are addressed in the subsequent year budget process.

Utility funds, excluding LP&L, make payments in lieu of taxes to the General Fund. LP&L did not make a payment in lieu of franchise fees (franchise fee equivalent, "FFE") to the General Fund from FY 2003 to FY 2007, and has not made a payment in lieu of property taxes since FY 2003. In FY 2008, LP&L paid \$1.0 million as a FFE to the General Fund. In FY 2009 LP&L paid approximately \$3.7 million as a FFE to the General Fund and approximately \$1.3 million to the Gateway Fund. In FY 2010, LP&L will pay a FFE, totaling approximately \$3.6 million, to the General Fund and \$2.4 million to the Gateway Fund.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2008. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report in which contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 17, 2010

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

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

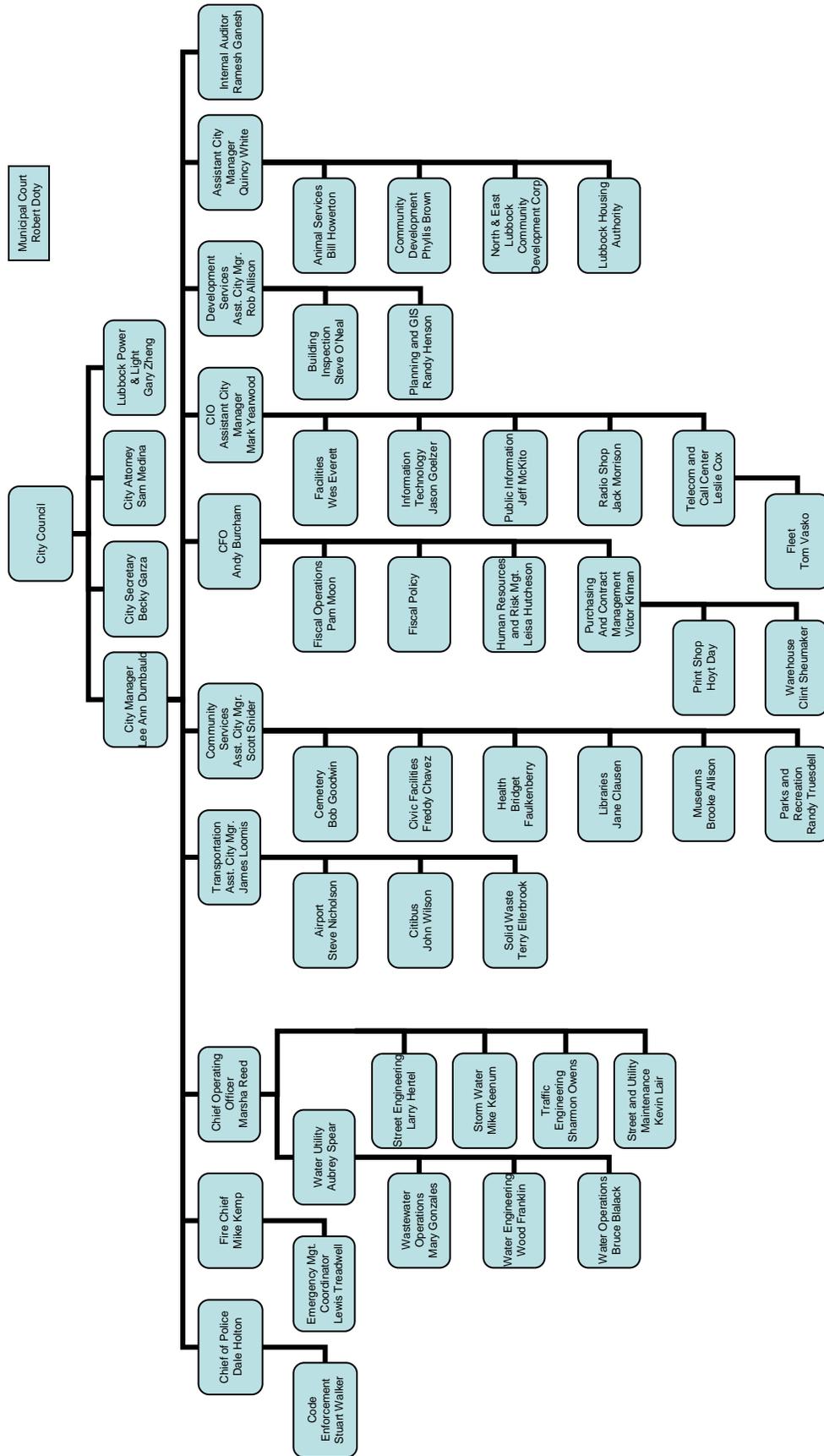
Respectfully submitted,


Lee Ann Dumbauld
City Manager


Andy Burcham
Chief Financial Officer


Pamela Moon, CPA
Director of Accounting

City of Lubbock - Organization Chart



Revised 01/21/10

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, 2008

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.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director



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, 2009, 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 \$29,934,640 and \$15,529,631, respectively, and represent 96% and 99% of the aggregate discretely presented component units' total assets and program revenues, respectively, at September 30, 2009 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, 2009, 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 IV*, in 2009, the City changed its method of accounting for pollution remediation obligations by implementing Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, 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 is 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 17, 2010

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009

The Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Lubbock for the fiscal year ended September 30, 2009.

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, 2009, by \$664.0 million (net assets), of which \$144.2 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$2.5 million as a result of operations during the fiscal year.
- The ending unreserved fund balance for the General Fund was \$19.8 million, or 19.3% of total General Fund revenues; a decrease of \$37,158 from the prior year.
- The City's governmental funds reported combined ending fund balances of \$105.0 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 \$553.4 million, of which \$108.4 million is available for spending at the City's discretion.
- During FY 2009, the City issued \$81.9 million in bonded 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, 2009

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 Required Supplementary Information (RSI). All funds of the City can be divided into two categories: *governmental funds* and *proprietary funds*.

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

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009

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

The City maintains 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, Governmental Capital Projects Fund, and the Gateway Streets Projects Fund, all 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 24 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 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, 2009

Government-Wide Financial Analysis

As noted earlier, net assets serve as a useful indicator of the City's financial position. Assets exceeded liabilities by \$664.0 million (*net assets*) at the close of the fiscal year, compared to assets exceeding liabilities by \$666.5 million (*net assets*) at the end of the prior fiscal year. As a result of operations, total net assets decreased by \$2.5 million during the period.

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 142,889	\$ 161,688	\$ 282,867	\$ 314,011	\$ 425,756	\$ 475,699
Capital assets	267,997	237,203	850,454	787,522	1,118,451	1,024,725
Total assets	<u>410,886</u>	<u>398,891</u>	<u>1,133,321</u>	<u>1,101,533</u>	<u>1,544,207</u>	<u>1,500,424</u>
Current liabilities	47,709	41,496	64,601	66,249	112,310	107,745
Noncurrent liabilities	262,269	217,462	505,674	508,748	767,943	726,210
Total liabilities	<u>309,978</u>	<u>258,958</u>	<u>570,275</u>	<u>574,997</u>	<u>880,253</u>	<u>833,955</u>
Net assets:						
Invested in capital assets, net of related debt	62,414	96,275	424,165	400,552	486,579	496,827
Restricted	11,540	11,956	21,631	21,275	33,171	33,231
Unrestricted	26,954	31,701	117,250	104,709	144,204	136,410
Total net assets	<u>\$ 100,908</u>	<u>\$ 139,932</u>	<u>\$ 563,046</u>	<u>\$ 526,536</u>	<u>\$ 663,954</u>	<u>\$ 666,468</u>

Approximately 73.3% of the City's net assets reflect its investment in capital assets, e.g., land, buildings, infrastructure, machinery, and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net assets totaling 5.0% 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 \$144.2 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, 2009

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

	Governmental Activities		Business- type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	\$ 9,665	\$ 12,677	\$ 253,262	\$ 260,494	\$ 262,927	\$ 273,171
Operating grants and contributions	8,526	9,232	6,431	5,133	14,957	14,365
Capital grants and contributions	11,766	15,922	11,573	5,953	23,339	21,875
General Revenues:						
Property taxes	52,599	50,330	-	-	52,599	50,330
Sales taxes	50,705	50,549	-	-	50,705	50,549
Other taxes	5,451	5,370	-	-	5,451	5,370
Franchise fees	10,765	12,978	-	-	10,765	12,978
Investment earnings	1,964	5,505	3,594	8,284	5,558	13,789
Other	3,435	4,811	1,432	3,807	4,867	8,618
Total revenues	154,876	167,374	276,292	283,671	431,168	451,045
Expenses:						
Administrative services/general govt.	11,078	12,372	-	-	11,078	12,372
Community services	7,038	6,874	-	-	7,038	6,874
Cultural and recreation	15,039	16,660	-	-	15,039	16,660
Economic and business development	37,221	12,378	-	-	37,221	12,378
Fire	33,098	31,789	-	-	33,098	31,789
Health	5,819	6,142	-	-	5,819	6,142
Police	48,342	46,850	-	-	48,342	46,850
Other public safety	6,326	6,678	-	-	6,326	6,678
Streets and traffic	30,139	16,357	-	-	30,139	16,357
Interest on long-term debt	9,840	8,367	-	-	9,840	8,367
Electric	-	-	117,978	153,108	117,978	153,108
Water	-	-	39,790	38,424	39,790	38,424
Wastewater	-	-	19,056	19,001	19,056	19,001
Solid Waste	-	-	18,263	16,261	18,263	16,261
Storm Water	-	-	8,208	7,677	8,208	7,677
Transit	-	-	11,390	11,338	11,390	11,338
Airport	-	-	10,085	9,465	10,085	9,465
Civic Centers	-	-	4,293	4,099	4,293	4,099
Cemetery	-	-	680	722	680	722
Total expenses	203,940	164,467	229,743	260,095	433,683	424,562
Change in net assets before transfers	(49,064)	2,907	46,549	23,576	(2,515)	26,483
Transfers	10,039	(4,703)	(10,039)	4,703	-	-
Change in net assets	(39,025)	(1,796)	36,510	28,279	(2,515)	26,483
Net assets - beginning of year	139,933	141,729	526,536	498,257	666,469	639,986
Net assets - end of year	\$ 100,908	\$ 139,933	\$ 563,046	\$ 526,536	\$ 663,954	\$ 666,469

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, 2009

Governmental activities. The City's governmental activities experienced a decrease in net assets of \$39.0 million, compared to a decrease of \$1.8 million during the prior fiscal year. Key elements of the operational decrease include:

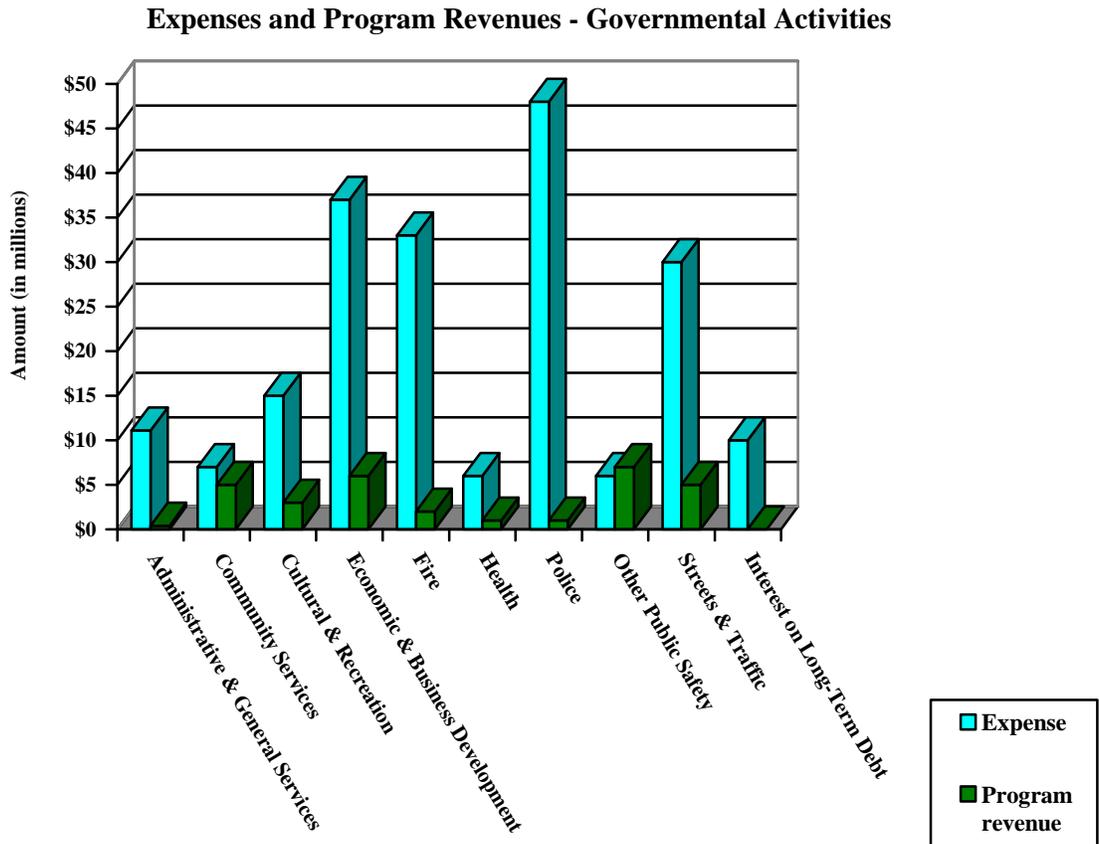
- Revenues decreased approximately \$12.5 million, from \$167.4 million in FY 2008 to \$154.9 million in FY 2009.
 - Capital grants and contributions accounted for the largest decrease, going from \$15.9 million in FY 2008 to \$11.8 million in FY 2009. In FY 2008, private foundations and private developers 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 \$9.6 million in FY2009. In the last two years most of the developer contributions have been for the Vintage Township development.
 - Property taxes increased from \$50.3 million in FY 2008 to \$52.6 million in FY 2009. The property tax rate was \$0.45505 per \$100 of assessed value in FY 2008, compared to \$0.44640 per \$100 of assessed value in FY 2009. While the tax rate decreased, taxable assessed values increased from \$11.3 billion in FY 2008 to \$12.0 billion in FY 2009.
 - Sales tax revenue totaled \$50.7 million, an increase of \$0.2 million from the prior year. While most of the nation experienced a downturn in economy, Lubbock was fortunate that the effects were minimal.
 - Charges for services decreased \$3.0 million to \$9.7 million, primarily due to revenue recognized in FY 2008 from prepaid paving jobs at the completion of street projects. Other factors also contributed to the decline in charges for services. A slow down in the housing market resulted in declines in related permit revenues during FY 2009. The City also experienced decreased revenues from the Municipal Court.
 - Franchise fees decreased \$2.2 million to \$10.8 million, primarily as a result of declines in natural gas prices and decreased electric utility rates.
 - Investment earnings decreased \$3.5 million to \$2.0 million. This was due to the spend down of bond funds and dramatically lower interest rates.
- Total expenses increased \$39.4 million from the prior year, from \$164.5 million to \$203.9 million.
 - Economic and business development accounted for the largest increase in expenses, rising from \$12.4 million in FY 2008 to \$37.2 million in FY 2009. This is primarily due to a \$23.7 million City owned conference center that was constructed at the Overton Hotel. The City leased the conference center to the hotel for a 40 year period with two optional 20 year renewals. The lease meets the criteria for a sales-type capital lease, and as a result the asset was removed from the City books and charged to economic and business development.
 - Streets and traffic experienced large increases in expenses, rising from \$16.4 million in FY 2008 to \$30.1 million in FY 2009. In FY 2009, the City contributed \$13.6 million to the Texas Department of Transportation under a funding agreement with the State to share in payment of the interchange at North Loop 289 and Slide Road. City owned streets are capitalized, but since these are State owned streets the cost was charged to streets and traffic.
 - Other governmental functions had shifts in costs amongst the various functions. Salaries increased across the board due to an increase in the Texas Municipal Retirement System and the Lubbock Fire Pension Fund contribution rates. The Fire Department implemented the second year of a five year compensation plan. Departments other than the Fire Department held salaries flat, with the exception of a \$500 one-time pay for all full-time employees. Salaries also increased by \$2.4 million for amortization of post-employment benefits and by \$1.6 million for net pension obligations. To offset a portion of the salary and retirement increases, the City

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009**

eliminated 26 positions. The City attempted to control other operational expenses through the budgeting process, but the largest savings came from decreases in fuel costs.

- Interest expense totaled \$9.8 million, an increase of \$1.4 million from the prior year as a result of additional bonded indebtedness and capital leases.
- Transfers from business-type activities during FY 2009 increased governmental activities' net assets \$10.0 million. During the prior fiscal year, the transfers reduced governmental activities' net assets by \$4.7 million.
 - In FY 2008 the governmental funds transferred \$13.8 million of one-time transfers of capital assets, net of long-term liabilities to the Civic Centers Fund. Prior to creation of this business-type fund, the activities of the Civic Center, Auditorium, and Coliseum were accounted for in the General 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 resumption of a payment in lieu of franchise fees in FY 2008, compared to \$3.7 million in FY 2009.

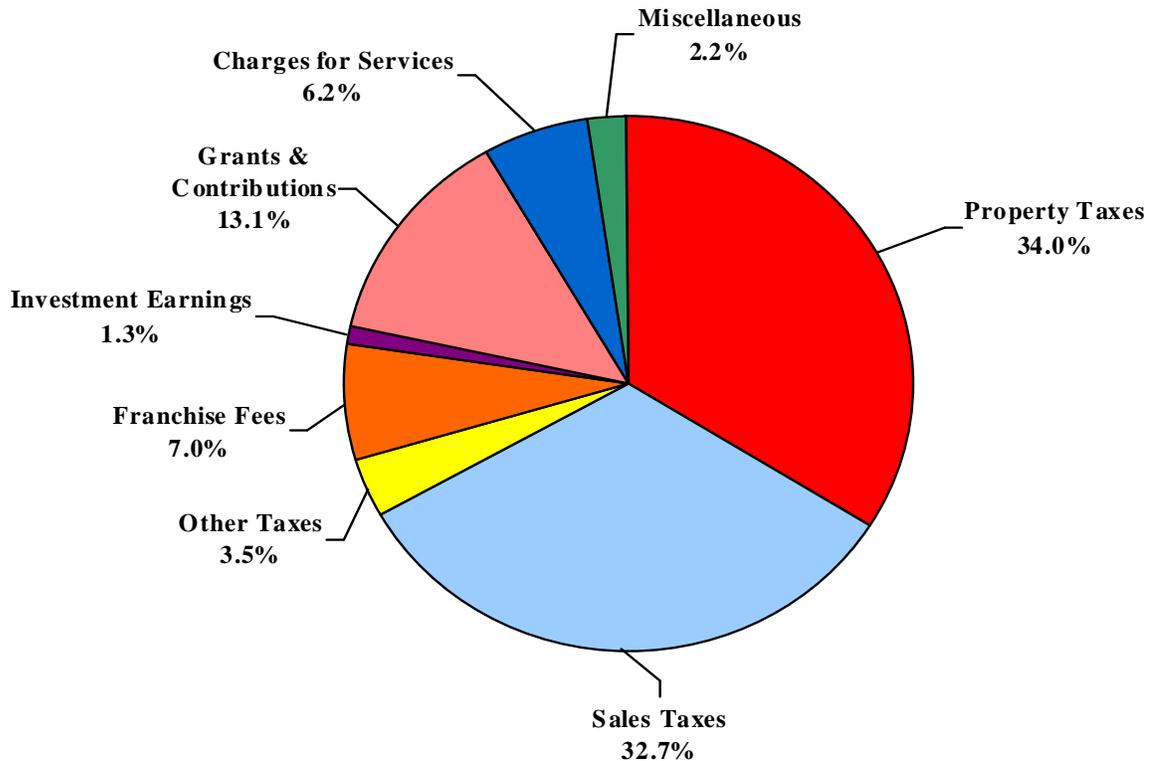
The following graph depicts the expenses and program revenues generated through the City's various governmental activities.



**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009**

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 \$36.5 million during FY 2009, compared to an increase of \$28.3 million during the prior fiscal year. Key elements of the increase from operations include:

- Revenues for business-type activities totaled \$276.3 million in FY 2009, a decrease of \$7.4 million from the prior year.
 - Charges for services for business-type activities totaled \$253.3 million in FY 2009, a decrease of \$7.2 million from the prior year.
 - Electric operations, which include LP&L and WTMPA, accounted for \$22.1 million of the decrease 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 2008 and FY 2009. LP&L also charges a fuel cost adjustment rate for electric service, which decreased in FY 2009.
 - Water and Wastewater operations accounted for an increase of \$12.9 million in charges for services, offsetting the large decline in electric operations. Water and Wastewater rates increased

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009

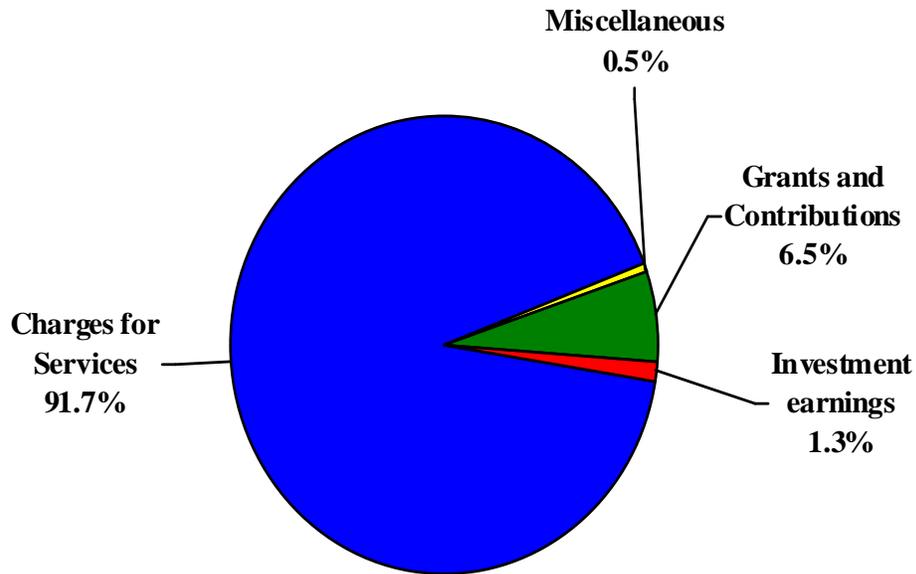
in March 2008 and again in April 2009. The rate increases were necessary to pay for higher debt service payments for debt issued on aging infrastructure and water supply projects.

- Operating grants, capital grants, and contributions continued to be a significant revenue source for business-type activities during FY 2009, producing \$18.0 million in revenue. This is a \$6.9 million increase from \$11.1 million during the prior year. The increase is primarily due to a \$4.5 million increase in developer and private donations to Water, Wastewater, and Civic Centers; and \$2.1 million of federal stimulus money received in Transit for fuel efficient buses and other capital improvements.
- Investment earnings were down \$4.7 million due to lower interest rates.
- Expenses for business-type activities were \$229.7 million in FY 2009, a decrease of \$30.4 million.
 - Electric operating expenses were \$118.0 million, a decrease of \$35.1 million from the prior year. Fuel purchases, after eliminating interfund activity between LP&L and WTMPA, went from \$121.0 million in FY 2008 to \$82.1 million in FY 2009.
 - Expenses in Water and Wastewater Funds were \$39.8 million and \$19.1 million, respectively. Water expenses increased by \$1.4 million and Wastewater expenses increased by \$0.1 million over the prior fiscal year. The increase in Water expenses is largely due to additional interest expense on the increasing debt and an increase in depreciation expense as a result of increased capital improvements on infrastructure and facility improvements.
 - Expenses in the Solid Waste Fund was \$18.3 million, an increase of \$2.0 million from the prior year. The increase is due to higher master lease interest for new solid waste trucks and higher depreciation expense on the vehicles.
 - Expenses in Storm Water were \$8.2 million, an increase of \$0.5 million from the prior year. The increase is primarily for interest expense on additional bonded debt.
 - Expenses for Transit, Airport, Civic Centers and Cemetery were \$26.4 million, an increase of \$0.8 million over prior year. Most of the increase was in additional depreciation and interest expense at the Airport.

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.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009**

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 \$105.0 million, compared to \$130.5 million at the end of the prior fiscal year. The decrease is primarily due to the timing of debt issuances and the capital outlay expenditures of the proceeds in the three capital projects funds. Governmental funds focus on inflows and outflows of current financial resources. In FY 2008, the City issued \$46.6 million of debt compared to \$45.8 million in FY 2009; however, these three capital projects funds spent \$42.6 million in FY 2008 compared to \$70.9 million in FY 2009. The \$54.8 million of fund balance reserved for capital projects decreased by \$24.0 million from the prior year. All other governmental fund balances reserved for specific purposes, other than capital projects, and unreserved but designated fund balances were \$30.9 million in FY 2009, compared to \$30.4 million in FY 2008.

Unreserved fund balance, which is available for spending at the City's discretion, amounts to \$19.8 million, or 18.8% of the ending governmental fund balance. This is compared to \$19.8 million, or 15.2% of ending governmental fund balance, at the end of the prior fiscal year.

The General Fund is the chief operating fund of the City. At the end of both FY 2009 and FY 2008, the unreserved fund balance in the General Fund was \$19.8 million, representing stability and consistency

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009**

between fiscal years. 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 19.3% of total General Fund revenues compared to 18.6% of total General Fund revenue in the prior year.

Proprietary funds. The City's proprietary fund statements provide essentially the same type of information found in the GWFS, but in more detail. Unrestricted net assets of the major proprietary funds at the end of September 30, 2009 and 2008 are as follows with amounts presented in thousands:

	2009	2008
LP&L	\$ 79,791	\$ 62,540
Water Fund	5,685	2,764
Wastewater Fund	7,137	5,829
WTMPA	1,420	1,883
Storm Water	4,037	6,318
	\$ 98,070	\$ 79,334

The LP&L Fund increased unrestricted net assets by \$17.3 million, compared to an increase of \$11.5 million during the prior year. The increase is due to the City Council and LP&L Board decision to increase cash reserves.

The Water Fund unrestricted net assets increased by \$2.9 million compared to a decrease of \$6.9 million from the prior year. In both years the change in net assets was part of a long-term rate structure plan and modeled expenses. The FY 2009 adopted budget planned to return \$2.3 million to unrestricted net assets and 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 accumulated and utilized to act 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.

The Wastewater Fund unrestricted net assets increased by \$1.3 million compared to a decrease of \$2.4 million in the prior year. The FY 2009 adopted budget included \$2.3 million utilization of net assets and the FY 2008 adopted budget included \$1.5 million utilization of net assets. Net assets were planned to be utilized 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. In FY 2009, the Wastewater Fund planned for the fund expenses to increase; however, with savings in fuel costs and other operation costs, fund expenses remained level.

The WTMPA Fund unrestricted net assets decreased by \$0.5 million compared to an increase of \$0.4 million during the prior fiscal year. This fund has very little fluctuation in net assets since operating revenues are set to break even with operating expenses.

The Storm Water Fund unrestricted net assets decreased by \$2.3 million compared to a \$2.8 million decrease in the prior fiscal year. The FY 2009 adopted budget included a \$2.3 million utilization of net assets and in FY 2008, the City budget included \$1.5 million utilization of net assets. Unrestricted net

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009**

assets are in excess of policy levels, and will continue to act as a rate stabilizer as debt service expenditures exceed revenues.

General Fund Budgetary Highlights

The General Fund original budget, including transfers, was balanced and totaled \$125.4 million. The final amended budget for expenditures increased slightly to \$125.5 million.

Revenues and transfers in the General Fund were under budget by \$3.8 million. A reduction in franchise fees revenue accounted for \$1.9 million of the under budget revenues. The FY 2009 franchise fee revenues declined as natural gas prices fell dramatically during the year. Sales tax revenues exceeded budget projections by approximately \$892,000. Property taxes, building permits, and other revenue sources were under budget related to the sluggish economy. The City monitored the General Fund revenues closely through the year and reduced expenditures accordingly. The City ended the fiscal year with expenditures and transfers out totaling \$3.1 million less 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, 2009, totaled \$1.1184 billion net of accumulated depreciation, a \$93.7 million increase over the prior fiscal year's balance of \$1.0247 billion 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 9,019	\$ 9,034	\$ 33,426	\$ 33,112	\$ 42,445	\$ 42,146
Buildings	22,595	23,141	70,666	68,150	93,261	91,291
Improvements other than buildings	128,915	120,298	552,527	477,402	681,442	597,700
Machinery and equipment	22,286	17,915	86,240	81,185	108,526	99,100
Construction in progress	85,182	66,816	107,595	127,673	192,777	194,489
Total	<u>\$ 267,997</u>	<u>\$ 237,204</u>	<u>\$ 850,454</u>	<u>\$ 787,522</u>	<u>\$ 1,118,451</u>	<u>\$ 1,024,726</u>

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

- The City spent \$32.8 million on various street improvements.
- The North Overton Tax Increment Finance reinvestment zone (TIF) spent \$11.0 million on the construction of a conference center.
- Work continued on the Southeast Water Reclamation Plant, totaling \$22.2 million.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009

- LP&L spent \$6.9 million for projects such as transformers, and overhead and underground electric lines.
- The City spent \$7.6 million on new water lines.
- The City spent \$9.5 million on the Lake Alan Henry Pipeline. The pipeline, when completed, will provide the City with a new source of water.

At the end of the fiscal year, the City had construction commitments of \$174.9 million. The largest construction commitment is a 51.1 mile transmission line that will extend to Lake Alan Henry. The City also has significant construction commitments involving the Southeast Water Reclamation Plant.

Additional information about the City's capital assets can be found on pages 69-71 of the CAFR.

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

	Governmental Activities		Business- type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 232,160	\$ 199,054	\$ 451,090	\$ 457,126	\$ 683,250	\$ 656,180
Revenue bonds	-	-	47,414	50,431	47,414	50,431
Total	<u>\$ 232,160</u>	<u>\$ 199,054</u>	<u>\$ 498,504</u>	<u>\$ 507,557</u>	<u>\$ 730,664</u>	<u>\$ 706,611</u>

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation bonds debt service. The FY 2009 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.091, which is significantly below the maximum allowable tax rate.

As of September 30, 2009, the City's total outstanding debt has increased by \$24.1 million, or 3.4% over the prior fiscal year. The increase in outstanding debt is attributed to the issuance of \$81.9 million in debt, offset by the payment of scheduled debt service totaling \$57.8 million.

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

- \$23.2 million General Obligation Refunding and Improvement Bonds, Series 2009 were issued. Of this, \$2.6 million was issued for various public improvements for streets, libraries, police facilities, and the City Bank Municipal Auditorium. The remaining \$20.6 million was used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings.
- \$58.7 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2009 were issued for various public improvements including solid waste, drainage, water, streets, electric, park, fire, and improvements to City Hall.

In January 2010, all of the City's bond ratings were affirmed by Standard & Poor's, Moody's Investor Service, and Fitch Ratings, Inc. at AA+, Aa3, and AA respectively. All three rating agencies characterize the City's rating outlook as stable.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009

In March 2009, LP&L received a ratings upgrade from Fitch Ratings, a leading global rating agency. Fitch boosted LP&L's rating from a BBB+ to A- for the City's outstanding electric revenue bonds. In April 2009, LP&L received a rating upgrade from Standard & Poor's Ratings Services, a leading global rating agency. Standard & Poor's Ratings Services raised its underlying rating on LP&L electric system revenue bonds from BBB to A-.

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

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

- In September 2009, the unemployment rate for the Lubbock area was 5.7%. This is a 1.7% increase over September of the previous year, and compares favorably to the state's unemployment rate of 8.2% and the national rate of 9.5% for September 2009.
- Taxable retail sales figures reflected a .3% increase in FY 2009, compared to FY 2008.
- The total number of new residential permits through September 2009 decreased 28.6 percent from 2008 levels, and valuation amounts were \$132.0 million which is 36.3 percent lower than the same time period in 2008.
- Total occupancy in local hotels and motels remained steady, and the local occupancy tax totaled nearly \$4.2 million as in the prior fiscal year.

The above factors were considered in preparing the City's budget for FY 2010.

- The City adopted a level tax rate of \$0.44640 in FY 2010. The General Fund Operations & Maintenance revenue from property taxes will be higher than the prior fiscal year due to shift of 0.7¢ of the tax rate from the Interest & Sinking Fund. The General Fund rate will be \$.33240 and the Debt Service rate will be \$.08400. The Economic Development Fund rate will remain at \$0.03. Property tax revenues are expected to increase by 4.1 percent due to increasing property valuations.
- Sales tax estimates are flat compared to actual sales tax revenues for FY 2009. Though the nation-wide economy was in a recession, Lubbock experienced modest growth in retail sales during the first half of FY 2009.
- The City came under budget for fuel costs in FY 2009 and this continued lower fuel cost was factored into the FY 2010 budget. Likewise lower utility costs were factored into the FY 2010 budget based on anticipated lower natural gas costs.
- The Health Department was reorganized, eliminating six positions and transferring eight positions to other departments. This resulted in a \$0.62 million dollars savings to the General Fund.
- The master lease program is expected to increase General Fund expenditures by \$1.7 million.
- The Fire Department funding has increased by \$1.3 million to pay for 15 additional firefighters at Station No. 17 and due to the full year impact of the firefighter compensation plan that was implemented in April 2009.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2009

- Retirement contributions are planned to increase \$1.9 million due an increase from 16.83 percent of payroll to 18.33 percent of payroll for the Texas Municipal Retirement system. Corresponding increases in the Fire Pension Fund were also included in planned budget increases.
- In FY 2010, the Storm Water Fund is the only utility fund with a rate increase. Water, Wastewater, and Solid Waste Funds will have no rate change for FY 2010. The Storm Water increases are necessary to pay for increased debt service requirements.

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.



City of Lubbock, Texas
Statement of Net Assets
September 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 327,364	\$ 1,393,436	\$ 1,720,800	\$ 3,671,539
Investments	59,855,069	118,416,878	178,271,947	929,540
Receivables (net of allowance for uncollectibles)	11,490,214	32,488,129	43,978,343	881,814
Internal balance	(1,115,926)	1,115,926	-	-
Due from other governments	2,887,600	442,204	3,329,804	-
Due from others	2,261,451	1,618,808	3,880,259	18,294
Inventories	139,623	2,788,601	2,928,224	127,799
Investment in property	208,213	-	208,213	-
Prepaid expenses	943,321	64,817	1,008,138	29,228
Restricted assets:				
Cash and cash equivalents	-	-	-	1,634,094
Investments	54,485,238	121,860,643	176,345,881	-
Incentive advances	-	-	-	4,000,000
Pledges and leases receivable	6,011,381	-	6,011,381	-
Mortgage receivables	5,395,214	-	5,395,214	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	94,200,776	141,020,716	235,221,492	19,653,568
Depreciable	173,796,172	709,432,707	883,228,879	278,772
Deferred charges	-	2,677,777	2,677,777	-
Total assets	<u>410,885,710</u>	<u>1,133,320,642</u>	<u>1,544,206,352</u>	<u>31,224,648</u>
LIABILITIES				
Accounts payable	8,823,198	15,159,617	23,982,815	1,306,901
Accrued liabilities	7,097,952	3,247,257	10,345,209	217,129
Accrued interest payable	1,723,188	3,773,370	5,496,558	-
Customer deposits	-	4,253,234	4,253,234	-
Unearned revenue	5,724,271	3,220	5,727,491	4,276,599
Noncurrent liabilities due within one year:				
Compensated absences	6,967,299	2,902,871	9,870,170	-
Accrued insurance claims	1,373,981	1,685,551	3,059,532	-
Contracts and leases payable	5,091,188	6,230,602	11,321,790	1,237,721
Bonds payable	10,907,849	27,344,788	38,252,637	1,450,000
Noncurrent liabilities due in more than one year:				
Compensated absences	12,513,549	3,026,629	15,540,178	-
Post employment benefits	5,306,809	2,783,582	8,090,391	-
Net pension obligation	1,636,240	1,006,497	2,642,737	-
Accrued insurance claims	135,865	1,685,900	1,821,765	-
Rebatable arbitrage	397,117	261,480	658,597	-
Landfill closure and postclosure care	-	3,967,290	3,967,290	-
Contracts and leases payable	15,914,715	17,479,123	33,393,838	1,931,667
Bonds payable	226,364,558	475,463,736	701,828,294	7,621,924
Total liabilities	<u>309,977,779</u>	<u>570,274,747</u>	<u>880,252,526</u>	<u>18,041,941</u>
NET ASSETS				
Invested in capital assets, net of related debt	62,414,445	424,165,011	486,579,456	10,860,416
Restricted for:				
Passenger facility charges	-	1,522,262	1,522,262	-
Debt service	4,789,431	20,108,545	24,897,976	-
Grant programs	6,750,257	-	6,750,257	-
Primary government agreement	-	-	-	100,000
Unrestricted	26,953,798	117,250,077	144,203,875	2,222,291
Total net assets	<u>\$ 100,967,931</u>	<u>\$ 563,045,895</u>	<u>\$ 663,953,826</u>	<u>\$ 13,182,707</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Administrative services and general government	\$ 11,078,376	\$ 40,515	\$ -	\$ -
Community services	7,037,569	-	5,417,332	-
Cultural and recreation	15,039,074	1,586,591	693,603	1,177,884
Economic and business development	37,221,152	634,081	34,126	5,510,199
Fire	33,097,947	12,900	1,198,494	307,581
Health	5,818,547	732,951	313,311	36,389
Police	48,342,376	157,411	868,736	39,806
Other public safety	6,325,692	6,493,905	-	114,320
Streets and traffic	30,138,853	7,095	-	4,580,069
Interest on long-term debt	9,840,431	-	-	-
Total governmental activities	<u>203,940,017</u>	<u>9,665,449</u>	<u>8,525,602</u>	<u>11,766,248</u>
Business-type activities:				
Electric	117,977,960	139,236,837	-	-
Water	39,789,705	51,989,393	-	2,845,810
Wastewater	19,056,052	24,479,551	28,870	3,028,270
Solid Waste	18,262,805	16,979,975	-	-
Storm Water	8,208,206	8,108,040	-	-
Transit	11,389,555	4,385,580	4,237,189	2,726,553
Airport	10,084,828	6,926,643	2,164,993	2,251,667
Civic Centers	4,293,789	693,798	-	720,983
Cemetery	680,123	462,333	-	-
Total business-type activities	<u>229,743,023</u>	<u>253,262,150</u>	<u>6,431,052</u>	<u>11,573,283</u>
Total primary government	<u>\$ 433,683,040</u>	<u>\$ 262,927,599</u>	<u>\$ 14,956,654</u>	<u>\$ 23,339,531</u>
Component units:				
Civic Lubbock, Inc.	\$ 2,429,457	\$ 2,140,234	\$ 332,501	\$ -
Market Lubbock, Inc.	6,634,167	87,533	6,737,635	-
Lubbock Economic Development Alliance	5,276,654	-	6,231,728	-
Vintage Township Public Facilities Corporation	1,197,890	-	-	168,818
Total component units	<u>\$ 15,538,168</u>	<u>\$ 2,227,767</u>	<u>\$ 13,301,864</u>	<u>\$ 168,818</u>
General revenues:				
Property taxes				
Sales taxes				
Occupancy taxes				
Other taxes				
Franchise taxes				
Investment earnings				
Miscellaneous				
Transfers, net				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (11,037,861)	\$ -	\$ (11,037,861)	\$ -
(1,620,237)	-	(1,620,237)	-
(11,580,996)	-	(11,580,996)	-
(31,042,746)	-	(31,042,746)	-
(31,578,972)	-	(31,578,972)	-
(4,735,896)	-	(4,735,896)	-
(47,276,423)	-	(47,276,423)	-
282,533	-	282,533	-
(25,551,689)	-	(25,551,689)	-
(9,840,431)	-	(9,840,431)	-
<u>(173,982,718)</u>	<u>-</u>	<u>(173,982,718)</u>	<u>-</u>
-	21,258,877	21,258,877	-
-	15,045,498	15,045,498	-
-	8,480,639	8,480,639	-
-	(1,282,830)	(1,282,830)	-
-	(100,166)	(100,166)	-
-	(40,233)	(40,233)	-
-	1,258,475	1,258,475	-
-	(2,879,008)	(2,879,008)	-
-	(217,790)	(217,790)	-
-	<u>41,523,462</u>	<u>41,523,462</u>	-
<u>(173,982,718)</u>	<u>41,523,462</u>	<u>(132,459,256)</u>	<u>-</u>
-	-	-	43,278
-	-	-	191,001
-	-	-	955,074
-	-	-	<u>(1,029,072)</u>
-	-	-	<u>160,281</u>
52,598,485	-	52,598,485	-
50,705,301	-	50,705,301	-
4,179,036	-	4,179,036	-
1,272,278	-	1,272,278	-
10,765,289	-	10,765,289	-
1,963,448	3,593,675	5,557,123	12,569
3,434,985	1,431,840	4,866,825	-
10,039,415	(10,039,415)	-	-
<u>134,958,237</u>	<u>(5,013,900)</u>	<u>129,944,337</u>	<u>12,569</u>
<u>(39,024,481)</u>	<u>36,509,562</u>	<u>(2,514,919)</u>	<u>172,850</u>
<u>139,932,412</u>	<u>526,536,333</u>	<u>666,468,745</u>	<u>13,009,857</u>
<u>\$ 100,907,931</u>	<u>\$ 563,045,895</u>	<u>\$ 663,953,826</u>	<u>\$ 13,182,707</u>

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2009

	<u>General Fund</u>	<u>Governmental Capital Projects</u>	<u>Gateway Streets Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 76,178	\$ 44,426	\$ -	\$ 136,690	\$ 257,294
Investments	14,699,335	8,560,172	-	23,094,314	46,353,821
Taxes receivable (net)	9,365,273	-	-	1,092,295	10,457,568
Accounts receivable (net)	879,781	-	-	8	879,789
Interest receivable	37,278	21,268	-	64,311	122,857
Due from other funds	3,778,765	-	-	-	3,778,765
Due from other governments	20,060	-	-	2,867,540	2,887,600
Due from others	774,481	-	-	1,353,721	2,128,202
Investment in property	-	-	-	208,213	208,213
Inventory	124,955	-	-	-	124,955
Restricted investments	-	14,227,337	33,156,977	7,100,924	54,485,238
Pledges and leases receivable	-	-	-	6,011,381	6,011,381
Mortgage receivables	-	-	-	5,395,214	5,395,214
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 29,756,106</u>	<u>\$ 22,853,203</u>	<u>\$ 33,156,977</u>	<u>\$ 47,324,611</u>	<u>\$ 133,090,897</u>
LIABILITIES					
Accounts payable	\$ 2,686,846	\$ 1,514,905	\$ 1,253,788	\$ 2,312,872	\$ 7,768,411
Due to other funds	-	-	-	2,684,289	2,684,289
Accrued liabilities	5,245,248	18,925	11,229	1,186,785	6,462,187
Accrued interest payable	-	-	-	223,790	223,790
Deferred revenue	1,942,597	136,353	-	8,902,435	10,981,385
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,874,691</u>	<u>1,670,183</u>	<u>1,265,017</u>	<u>15,310,171</u>	<u>28,120,062</u>
FUND BALANCES					
Reserved for:					
Prepaid items/inventory	124,955	-	-	-	124,955
Debt service	-	-	-	1,498,275	1,498,275
Capital projects	-	21,183,020	31,891,960	1,739,327	54,814,307
Special revenue - Civic Center facilities	-	-	-	1,288,222	1,288,222
Special revenue - grants	-	-	-	6,750,257	6,750,257
Unreserved, undesignated reported in:					
General fund	19,756,460	-	-	-	19,756,460
Special revenue funds	-	-	-	20,738,359	20,738,359
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>19,881,415</u>	<u>21,183,020</u>	<u>31,891,960</u>	<u>32,014,440</u>	<u>104,970,835</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 29,756,106</u>	<u>\$ 22,853,203</u>	<u>\$ 33,156,977</u>	<u>\$ 47,324,611</u>	<u>\$ 133,090,897</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, 2009

Total fund balance - governmental funds \$ 104,970,835

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. 267,996,948

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	11,885,533
Net book value of capital assets	(2,201,627)
Capital leases payable	666,784
Compensated absences	479,974
Post employment benefits	207,010
Net pension obligation	75,950
Amounts due from business-type ISFs for amounts undercharged	(2,210,402)

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	(232,159,987)
Capital leases payable	(18,005,903)
Compensated absences	(19,480,848)
Post employment benefits	(5,306,809)
Net pension obligation	(1,636,240)
Accrued interest on general obligation bonds	(1,496,883)
Rebatable arbitrage	(397,117)
Environmental remediation	(472,872)

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. (5,112,420)

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. 848,891

Revenue earned but unavailable in the funds is deferred. 2,257,114

Net assets of governmental activities \$ 100,907,931

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, 2009

	<u>General Fund</u>	<u>Governmental Capital Projects</u>	<u>Gateway Streets Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 84,711,760	\$ -	\$ -	\$ 24,025,738	\$ 108,737,498
Franchise taxes	6,459,207	-	-	4,306,082	10,765,289
Special assessments	-	-	-	515,597	515,597
Fees and fines	3,315,472	-	-	265,620	3,581,092
Licenses and permits	2,213,041	-	-	-	2,213,041
Intergovernmental	503,889	94,052	-	10,120,908	10,718,849
Charges for services	2,930,335	-	-	469,175	3,399,510
Interest	327,401	332,302	257,665	528,832	1,446,200
Miscellaneous	1,757,534	339,698	-	1,260,617	3,357,849
Total revenues	<u>102,218,639</u>	<u>766,052</u>	<u>257,665</u>	<u>41,492,569</u>	<u>144,734,925</u>
EXPENDITURES					
Current:					
Administrative services and general government	9,611,385	237,211	-	-	9,848,596
Community services	-	-	-	6,621,943	6,621,943
Cultural and recreation	11,515,865	387	-	967,932	12,484,184
Economic and business development	966,068	-	-	11,720,568	12,686,636
Health	4,069,411	-	-	1,279,531	5,348,942
Fire	30,479,464	483,321	-	44,918	31,007,703
Police	43,539,601	-	-	556,411	44,096,012
Other public safety	4,872,418	-	-	736,077	5,608,495
Streets and traffic	8,013,700	129,165	149,248	-	8,292,113
Intergovernmental	-	-	13,546,325	39,806	13,586,131
Debt service:					
Principal	2,487,818	-	-	9,478,486	11,966,304
Interest and other charges	352,643	42,962	69,602	9,550,158	10,015,365
Capital outlay	8,412,831	16,459,821	21,690,273	18,861,854	65,424,779
Total expenditures	<u>124,321,204</u>	<u>17,352,867</u>	<u>35,455,448</u>	<u>59,857,684</u>	<u>236,987,203</u>
Deficiency of revenues under expenditures	<u>(22,102,565)</u>	<u>(16,586,815)</u>	<u>(35,197,783)</u>	<u>(18,365,115)</u>	<u>(92,252,278)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	11,805,784	30,104,563	3,880,771	45,791,118
Retirement of refunded debt	-	-	-	(3,206,295)	(3,206,295)
Bond premium (discount)	-	324,575	933,771	202,128	1,460,474
Capital leases issued	8,714,556	-	-	-	8,714,556
Transfers in	19,303,155	1,085,951	162,585	9,956,547	30,508,238
Transfers out	(5,996,006)	(380,357)	(256,187)	(9,945,883)	(16,578,433)
Net other financing sources	<u>22,021,705</u>	<u>12,835,953</u>	<u>30,944,732</u>	<u>887,268</u>	<u>66,689,658</u>
Net change in fund balances	(80,860)	(3,750,862)	(4,253,051)	(17,477,847)	(25,562,620)
Fund balances - beginning of year	19,962,275	24,933,882	36,145,011	49,492,287	130,533,455
Fund balances - end of year	<u>\$ 19,881,415</u>	<u>\$ 21,183,020</u>	<u>\$ 31,891,960</u>	<u>\$ 32,014,440</u>	<u>\$ 104,970,835</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, 2009

Net change in fund balances - total governmental funds \$ (25,562,620)

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 \$65,424,779 exceeded depreciation of \$16,545,155 in the current period. 48,879,624

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 \$45,791,118 exceeded debt repayments of \$9,478,486 and debt defeasance of \$3,206,295. (33,106,337)

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 \$8,714,556 exceeded repayments of \$2,487,818. (6,226,738)

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 \$1,460,472 exceeded amortization of \$288,771. (1,171,701)

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

- Arbitrage payable 173,630
- Compensated absences (1,480,122)
- Post retirement benefits (2,415,907)
- Net pension obligation (1,560,290)
- Environmental remediation 817,408

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. (26,193)

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. 35,320

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. 961,918

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. (259,180)

The net effect of various miscellaneous transactions involving capital assets. This amount includes \$9,572,005 developer donated streets and parks, less \$3,890,390 equipment transfers out to business-type activities, less \$103,271 sales and trade-in, less \$23,662,637 economic development contribution. (18,083,293)

Change in net assets of governmental activities \$ (39,024,481)

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2009

	Enterprise Funds			
ASSETS	LP&L	Water	Wastewater	WTMPA
Current assets:				
Cash and cash equivalents	\$ 410,452	\$ 24,906	\$ 37,608	\$ 750,748
Investments	79,087,179	4,798,965	7,246,505	401,793
Accounts receivable	14,642,065	7,577,095	3,069,478	710,190
Interest receivable	211,314	27,077	58,384	-
Due from others	-	80,961	411,056	-
Due from other funds	-	-	-	5,644,964
Due from other governments	-	38,659	19,214	-
Prepaid expenses	-	-	-	-
Inventories	233,970	264,081	-	-
Total current assets	<u>94,584,980</u>	<u>12,811,744</u>	<u>10,842,245</u>	<u>7,507,695</u>
Noncurrent assets:				
Restricted investments	10,287,230	55,037,694	39,012,371	-
Deferred charges	2,677,777	-	-	-
	<u>12,965,007</u>	<u>55,037,694</u>	<u>39,012,371</u>	<u>-</u>
Capital assets:				
Land	750,524	12,767,350	12,593,774	-
Construction in progress	15,766,414	38,633,483	38,641,876	-
Buildings	8,030,074	25,073,351	24,059,440	-
Improvements other than buildings	199,110,198	307,619,424	141,791,568	-
Machinery and equipment	58,062,491	35,426,361	18,320,717	-
Less accumulated depreciation	<u>(126,733,351)</u>	<u>(113,803,905)</u>	<u>(78,743,139)</u>	<u>-</u>
Total capital assets	<u>154,986,350</u>	<u>305,716,064</u>	<u>156,664,236</u>	<u>-</u>
Total noncurrent assets	<u>167,951,357</u>	<u>360,753,758</u>	<u>195,676,607</u>	<u>-</u>
Total assets	<u>\$ 262,536,337</u>	<u>\$ 373,565,502</u>	<u>\$ 206,518,852</u>	<u>\$ 7,507,695</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 25,514	\$ 96,204	\$ 1,345,432	\$ 118,074
4,916,116	12,716,834	109,167,392	22,750,734
1,016,469	5,096,986	32,112,283	-
17,426	39,408	353,609	52,237
-	1,109,702	1,601,719	150,338
-	1,925,124	7,570,088	-
-	384,331	442,204	-
-	64,817	64,817	94,430
-	676,468	1,174,519	1,628,750
<u>5,975,525</u>	<u>22,109,874</u>	<u>153,832,063</u>	<u>24,794,563</u>
9,431,775	8,091,573	121,860,643	-
-	-	2,677,777	-
<u>9,431,775</u>	<u>8,091,573</u>	<u>124,538,420</u>	<u>-</u>
545,250	6,768,963	33,425,861	65,343
1,331,161	13,221,921	107,594,855	439,685
64,580	67,766,567	124,994,012	1,637,054
105,438,071	129,708,573	883,667,834	680,935
4,796,155	72,812,467	189,418,191	9,061,941
(12,528,082)	(157,655,693)	(489,464,170)	(8,866,491)
<u>99,647,135</u>	<u>132,622,798</u>	<u>849,636,583</u>	<u>3,018,467</u>
<u>109,078,910</u>	<u>140,714,371</u>	<u>974,175,003</u>	<u>3,018,467</u>
<u>\$ 115,054,435</u>	<u>\$ 162,824,245</u>	<u>\$ 1,128,007,066</u>	<u>\$ 27,813,030</u>

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2009

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 820,385	\$ 3,586,859	\$ 1,863,040	\$ 6,087,750
Accrued liabilities	1,759,420	379,679	210,055	-
Accrued interest payable	1,189,639	1,177,318	657,482	-
Due to other funds	5,644,964	-	-	-
Customer deposits	4,066,093	119,192	-	-
Deferred revenue	-	-	-	-
Compensated absences	1,192,795	491,311	246,144	-
Accrued insurance claims	-	-	-	-
Leases payable	1,099,928	863,442	528,870	-
Bonds payable	5,333,846	10,916,473	6,252,636	-
Total current liabilities	<u>21,107,070</u>	<u>17,534,274</u>	<u>9,758,227</u>	<u>6,087,750</u>
Noncurrent liabilities:				
Accrued insurance claims	-	-	-	-
Rebatable arbitrage	38,455	67,997	97,152	-
Landfill closure and post closure care	-	-	-	-
Compensated absences	1,373,574	565,773	283,450	-
Post employment benefits	943,392	549,261	244,856	-
Net pension obligation	443,229	188,857	103,402	-
Leases payable	1,875,954	2,971,037	900,174	-
Bonds payable	76,507,097	187,851,822	99,814,731	-
Total noncurrent liabilities	<u>81,181,701</u>	<u>192,194,747</u>	<u>101,443,765</u>	<u>-</u>
Total liabilities	<u>102,288,771</u>	<u>209,729,021</u>	<u>111,201,992</u>	<u>6,087,750</u>
NET ASSETS				
Invested in capital assets, net of related debt	74,348,891	151,924,585	84,068,387	-
Restricted for:				
Passenger facility charges	-	-	-	-
Debt service	6,107,864	6,226,400	4,111,808	-
Unrestricted	<u>79,790,811</u>	<u>5,685,496</u>	<u>7,136,665</u>	<u>1,419,945</u>
Total net assets	<u>\$ 160,247,566</u>	<u>\$ 163,836,481</u>	<u>\$ 95,316,860</u>	<u>\$ 1,419,945</u>

Enterprise Funds

Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 956,905	\$ 1,278,455	\$ 14,593,394	\$ 1,621,010
79,539	753,833	3,182,526	227,624
541,328	207,462	3,773,229	2,656
-	3,019,600	8,664,564	-
-	67,949	4,253,234	-
-	3,220	3,220	-
76,942	843,237	2,850,429	224,104
-	-	-	3,059,532
334,604	3,388,581	6,215,425	399,722
2,338,884	2,502,949	27,344,788	-
<u>4,328,202</u>	<u>12,065,286</u>	<u>70,880,809</u>	<u>5,534,648</u>
-	-	-	1,821,765
16,184	41,692	261,480	-
-	3,967,290	3,967,290	-
88,604	654,838	2,966,239	368,702
136,586	778,546	2,652,641	337,951
42,893	198,154	976,535	105,912
2,199,565	9,519,081	17,465,811	295,551
84,875,011	26,415,075	475,463,736	-
<u>87,358,843</u>	<u>41,574,676</u>	<u>503,753,732</u>	<u>2,929,881</u>
<u>91,687,045</u>	<u>53,639,962</u>	<u>574,634,541</u>	<u>8,464,529</u>
17,206,353	95,828,444	423,376,660	2,323,194
-	1,522,262	1,522,262	-
2,124,492	1,537,981	20,108,545	-
4,036,545	10,295,596	108,365,058	17,025,307
<u>\$ 23,367,390</u>	<u>\$ 109,184,283</u>	<u>\$ 553,372,525</u>	<u>\$ 19,348,501</u>



City of Lubbock, Texas
Reconciliation of the Statement of Net Assets - Proprietary Funds
To the Statement of Net Assets
September 30, 2009

Total net assets - proprietary funds	\$ 553,372,525
--------------------------------------	----------------

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	7,462,968
Amounts due to governmental ISFs for amounts overcharged	<u>2,210,402</u>
Net assets of business-type activities	<u><u>\$ 563,045,895</u></u>

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, 2009

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
OPERATING REVENUES				
Charges for services (net)	\$ 132,731,430	\$ 51,989,393	\$ 24,479,551	\$ 82,698,515
Total operating revenues	<u>132,731,430</u>	<u>51,989,393</u>	<u>24,479,551</u>	<u>82,698,515</u>
OPERATING EXPENSES				
Personal services	13,388,165	8,167,394	3,998,145	-
Insurance and claims	-	-	-	-
Supplies	971,049	1,722,763	950,832	-
Materials	-	-	-	-
Maintenance	2,157,774	2,563,885	1,355,282	-
Purchase of fuel and power	76,960,825	-	-	82,094,078
Billing office expense	-	1,828,144	1,127,431	-
Other services and charges	4,006,516	8,751,915	3,706,993	495,755
Depreciation and amortization	10,901,810	9,448,855	5,371,971	-
Total operating expenses	<u>108,386,139</u>	<u>32,482,956</u>	<u>16,510,654</u>	<u>82,589,833</u>
Operating income (loss)	<u>24,345,291</u>	<u>19,506,437</u>	<u>7,968,897</u>	<u>108,682</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	1,372,147	496,908	1,013,252	3,149
Passenger facility charges/Federal grants	-	-	28,870	-
Disposition of assets	187,766	(63,589)	7,670	-
Miscellaneous	512,961	146,957	106,160	(600,000)
Interest expense	(3,310,257)	(7,254,518)	(2,571,331)	-
Net nonoperating revenues (expenses)	<u>(1,237,383)</u>	<u>(6,674,242)</u>	<u>(1,415,379)</u>	<u>(596,851)</u>
Income (loss) before contributions and transfers	23,107,908	12,832,195	6,553,518	(488,169)
Capital contributions	-	4,999,566	4,641,995	-
Transfers in	1,457,109	260,672	-	25,563
Transfers out	(5,722,615)	(6,710,181)	(2,998,050)	-
Change in net assets	18,842,402	11,382,252	8,197,463	(462,606)
Total net assets - beginning of year	<u>141,405,164</u>	<u>152,454,229</u>	<u>87,119,397</u>	<u>1,882,551</u>
Total net assets - ending	<u>\$ 160,247,566</u>	<u>\$ 163,836,481</u>	<u>\$ 95,316,860</u>	<u>\$ 1,419,945</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>
\$ 8,108,040	\$ 29,448,329	\$ 329,455,258	\$ 47,129,751
<u>8,108,040</u>	<u>29,448,329</u>	<u>329,455,258</u>	<u>47,129,751</u>
1,854,662	16,812,024	44,220,390	4,834,119
-	-	-	26,770,416
98,822	2,873,371	6,616,837	164,428
-	-	-	10,264,518
280,169	4,805,413	11,162,523	2,182,082
-	-	159,054,903	-
660,198	728,945	4,344,718	-
1,074,871	5,739,713	23,775,763	2,302,221
<u>2,466,072</u>	<u>12,484,037</u>	<u>40,672,745</u>	<u>389,919</u>
<u>6,434,794</u>	<u>43,443,503</u>	<u>289,847,879</u>	<u>46,907,703</u>
<u>1,673,246</u>	<u>(13,995,174)</u>	<u>39,607,379</u>	<u>222,048</u>
221,718	342,100	3,449,274	661,649
-	6,402,182	6,431,052	-
78,979	84,294	295,120	(25,655)
17,053	845,519	1,028,650	610,748
<u>(1,867,222)</u>	<u>(1,309,540)</u>	<u>(16,312,868)</u>	<u>(29,785)</u>
<u>(1,549,472)</u>	<u>6,364,555</u>	<u>(5,108,772)</u>	<u>1,216,957</u>
123,774	(7,630,619)	34,498,607	1,439,005
-	5,822,112	15,463,673	-
-	4,876,829	6,620,173	-
<u>(1,136,772)</u>	<u>(3,982,360)</u>	<u>(20,549,978)</u>	<u>-</u>
<u>(1,012,998)</u>	<u>(914,038)</u>	<u>36,032,475</u>	<u>1,439,005</u>
<u>24,380,388</u>	<u>110,098,321</u>	<u>517,340,050</u>	<u>17,909,496</u>
<u>\$ 23,367,390</u>	<u>\$ 109,184,283</u>	<u>\$ 553,372,525</u>	<u>\$ 19,348,501</u>



City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Funds
To the Statement of Activities
For the Year Ended September 30, 2009

Net change in fund net assets - total enterprise funds \$ 36,032,475

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.

477,087

Change in net assets of business-type activities

\$ 36,509,562

See accompanying Notes to Basic Financial Statements.

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2009

Enterprise Funds

	<u>LP&L</u>	<u>Water</u>	<u>Wastewater</u>	<u>WTMPA</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 137,126,763	\$ 49,414,170	\$ 23,707,907	\$ 86,252,087
Payments to suppliers	(87,034,952)	(12,898,869)	(7,837,957)	(86,228,071)
Payments to employees	(13,388,165)	(8,547,072)	(4,208,200)	-
Other receipts	700,727	41,850	106,160	(600,000)
Net cash provided (used) by operating activities	<u>37,404,373</u>	<u>28,010,079</u>	<u>11,767,910</u>	<u>(575,984)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	1,457,109	260,672	-	25,563
Transfers out to other funds	(5,722,615)	(6,710,181)	(2,998,050)	-
Short-term interfund borrowings	-	-	-	-
Passenger facility charges and operating grants	-	-	28,870	-
Net cash provided (used) by noncapital and related financing activities	<u>(4,265,506)</u>	<u>(6,449,509)</u>	<u>(2,969,180)</u>	<u>25,563</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(12,926,603)	(26,342,675)	(27,412,244)	-
Sale of capital assets	53,834	41,594	7,670	-
Principal paid on capital leases	(1,067,930)	(675,290)	(473,734)	-
Principal paid on bonds	(5,121,977)	(19,418,931)	(15,687,415)	-
Issuance of capital leases	-	1,250,567	314,785	-
Issuance of bonds	7,151,805	18,078,119	9,027,860	-
Bond issuance costs	(16,038)	(136,913)	(90,326)	-
Interest paid on bonds and capital leases	(3,332,441)	(7,224,745)	(2,826,451)	-
Rebatable arbitrage	(34,247)	(95,968)	(87,199)	-
Capital grants and contributions	-	495,504	277,983	-
Net cash provided (used) for capital and related financing activities	<u>(15,293,597)</u>	<u>(34,028,738)</u>	<u>(36,949,071)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	13,754,421	34,073,960	44,114,239	-
Purchase of investments	(33,053,278)	(22,129,352)	(17,107,889)	(3,148)
Interest earnings on cash and investments	1,372,147	524,373	1,121,132	3,149
Net cash provided (used) for investing activities	<u>(17,926,710)</u>	<u>12,468,981</u>	<u>28,127,482</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	(81,440)	813	(22,859)	(550,420)
Cash and cash equivalents - beginning of year	491,892	24,093	60,467	1,301,168
Cash and cash equivalents - end of year	<u>\$ 410,452</u>	<u>\$ 24,906</u>	<u>\$ 37,608</u>	<u>\$ 750,748</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 24,345,291	\$ 19,506,437	\$ 7,968,897	\$ 108,682
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	10,901,810	9,448,855	5,371,971	-
Other income (expense)	700,727	41,850	106,160	(600,000)
Change in current assets and liabilities:				
Accounts receivable	4,395,333	(2,575,223)	(771,644)	188,823
Inventory	(10,309)	(38,002)	-	-
Prepaid expenses	-	-	-	-
Due from other governments	-	(4,758)	(19,214)	-
Accounts payable	(1,126,241)	1,184,703	(897,505)	(3,638,238)
Due to/from other funds	(3,364,749)	(80,961)	(249,098)	3,364,749
Other accrued expenses	996,170	17,946	9,804	-
Customer deposits	566,341	38,852	-	-
Change in compensated absences and retirement benefits	-	470,380	248,539	-
Net cash provided (used) by operating activities	<u>\$ 37,404,373</u>	<u>\$ 28,010,079</u>	<u>\$ 11,767,910</u>	<u>\$ (575,984)</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	\$ 52 -	\$ 4,504,062	\$ 4,364,012	\$ -

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			
	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Storm Water			
\$ 7,916,936	\$ 27,632,056	\$ 332,049,919	\$ 47,157,359
(1,609,457)	(14,469,820)	(210,079,126)	(40,702,154)
(1,934,201)	(17,246,176)	(45,323,814)	(4,708,056)
17,053	840,270	1,106,060	612,023
<u>4,390,331</u>	<u>(3,243,670)</u>	<u>77,753,039</u>	<u>2,359,172</u>
-	4,876,829	6,620,173	-
(1,136,772)	(3,982,360)	(20,549,978)	-
-	(112,628)	(112,628)	-
<u>-</u>	<u>6,402,182</u>	<u>6,431,052</u>	<u>-</u>
(1,136,772)	7,184,023	(7,611,381)	-
(11,296,799)	(15,869,054)	(93,847,375)	(401,538)
84,468	97,088	284,654	4,545
(76,176)	(1,857,188)	(4,150,318)	(461,360)
(2,177,520)	(2,746,309)	(45,152,152)	-
1,967,340	5,764,002	9,296,694	3,428
1,911,971	1,532,586	37,702,341	-
(4,288)	(37,242)	(284,807)	-
(1,810,747)	(1,469,882)	(16,664,266)	(30,649)
(47,866)	(44,514)	(309,794)	-
<u>-</u>	<u>4,978,220</u>	<u>5,751,707</u>	<u>-</u>
(11,449,617)	(9,652,293)	(107,373,316)	(885,574)
13,201,042	13,350,363	118,494,025	6,523,006
(5,306,271)	(8,104,641)	(85,704,579)	(8,653,790)
269,923	409,677	3,700,401	747,753
<u>8,164,694</u>	<u>5,655,399</u>	<u>36,489,847</u>	<u>(1,383,031)</u>
(31,364)	(56,541)	(741,811)	90,567
56,878	152,745	2,087,243	27,507
<u>\$ 25,514</u>	<u>\$ 96,204</u>	<u>\$ 1,345,432</u>	<u>\$ 118,074</u>
\$ 1,673,246	\$ (13,995,174)	\$ 39,607,379	\$ 222,048
2,466,072	12,484,037	40,672,745	389,919
17,053	845,519	1,111,309	612,023
(191,104)	(1,816,273)	(770,088)	82,098
-	59,146	10,835	565,485
-	(4,556)	(4,556)	-
-	(405,432)	(429,404)	-
336,915	(1,067,900)	(5,208,266)	(132,559)
-	(73,492)	(403,551)	-
10,095	(80,375)	953,640	315,399
-	(7,440)	597,753	-
78,054	818,270	1,615,243	304,759
<u>\$ 4,390,331</u>	<u>\$ (3,243,670)</u>	<u>\$ 77,753,039</u>	<u>\$ 2,359,172</u>
\$ -	\$ 843,892	\$ 9,711,966	\$ -



City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in 1909, is located in the northwestern part of the state. The City currently occupies a land area of 123.4 square miles and serves a population approximating 218,327. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

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

The BFS present the City and its component units and include all activities, organizations, and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's BFS are based upon and consistent with those set forth in the Codification of Governmental Accounting Standards, Section 2100, "*Defining the Financial Reporting Entity*." The criteria 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, 2009

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 92.8 percent interest in its operations. Each member city appoints two members to the WTMPA board, however an affirmative vote of the "majority in interest" is required to approve the operating budget, 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 92.8 percent of the electricity brokered, WTMPA provides services almost exclusively to the City and is therefore presented as a blended enterprise fund. Separate audited financial statements may be obtained through the City.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Lubbock Economic Development Alliance, Inc. is a legally separate entity that was formed on June 1, 2004 by the City of Lubbock to create, manage and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the seven-member board and its operations are funded primarily through budgeted allocations of the City's sales and use taxes. 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 (LFPF)** operates under provisions of the Texas Local Fire Fighters' Retirement Act for purposes of providing retirement benefits for the City's firefighters. The Mayor's designee, the Chief Financial Officer, three firefighters elected by active firefighters and two at-large members elected by the LFPF Board, govern its affairs. The Pension Fund is funded by contributions from the firefighters and City matching contributions. As provided by enabling legislation, the City's

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

responsibility to the LFPF is limited to matching bi-weekly contributions made by the members. Title to assets is vested in the LFPF and not the City. The Texas State Pension Review Board is mandated to oversee all Texas public retirement systems in regard to their actuarial soundness and compliance with state law and the City cannot significantly influence its operations. Separate audited financial statements may be obtained from the LFPF 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 is reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use as: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as invested in capital assets net of related debt or restricted, are shown as unrestricted. Reservations or designations of net assets imposed by the City, whether by administrative policy or legislative actions of the City Council that do not otherwise meet the definition of restricted net assets, are considered unrestricted in the GWFS.

The Government-Wide Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given func-

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

tion 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

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, 92.8 percent of the operations of WTMPA representing transactions between WTMPA and Lubbock Power & Light (LP&L) have been eliminated for the GWFS presentation and for the electric business-type activities (BTA). Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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 three 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.

The **Gateway Streets Projects Fund** accounts for the financing and expenditures related to major street improvements.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The **WTMPA Fund** accounts for the activities of power generation and power brokering to member cities. Member cities include Lubbock with 92.8 percent ownership, Tulia, Brownfield, and Floydada comprising the remaining 7.2 percent ownership.

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).

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

D. BUDGETARY ACCOUNTING

The City Manager submits a proposed operating budget and capital program to the City Council annually for the upcoming fiscal year. 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, 2009

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: compensation, benefits, supplies, maintenance, other charges, and capital outlay/reimbursements. 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, 2009, 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 and Cash Equivalents - Cash and cash equivalents include cash on hand and demand deposits.

Investments - Investments include securities in the Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Farm Credit Notes. Investments also include money markets and State investment pools. Restricted investments include investments that have been restricted for bond financed capital projects, funds that have been restricted by bond covenants for debt service requirements, and funds accumulated for passenger facility charges.

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

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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 Accounting Standard Codification 835 - Interest. The City capitalized interest of approximately \$6,722,000 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, 2009

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 governmental activities assets and business-type activities net 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 one-month rolling average monthly balance in pooled cash and investments to the total City-wide one-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 percent of the total sales tax levy of 8.25 percent, which is collected by the State of Texas and remitted to the City monthly. The tax is collected by the vendor and is required to be remitted to the State by the 20th of the month following collection. The tax is then paid to the City by the Friday following the second Wednesday of the month.

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

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

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

Sick leave for employees is accrued at 1 1/4 days per month with a maximum accrual status of 200 days. After 15 years of continuous full time service for non-civil service personnel, vested sick leave is paid on retirement or termination at the current hourly rate for up to 90 days. Upon retirement or termination, Police Civil Service Personnel are paid for up to 90 days accrued sick leave 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, 2009

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.

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

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

Post Employment Benefits for retirees of the City include the option to purchase health and life insurance 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 \$3.1 million for FY 2009. These contributions are included in the amount of insurance expense reflected in the financial activity reported in the Health Benefits Internal Service Fund.

H. NEW PRONOUNCEMENTS

The City will implement the new GASB financial accounting and reporting standards issued by the GASB 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, 2008, the City implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Prior to this, the City accounted for pollution remediation obligations under Financial Accounting Standards Board (FASB) Statement No. 5, "Accounting for Contingencies." GASB Statement No. 49 requires accrual of expense when the expected outlays are reasonably estimable. Implementing this GASB did not have a material effect on the financial statements.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. RESTRICTED NET ASSETS

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

B. GENERAL FUND BUDGET COMPARISON

The General Fund FY 2009 amended budgeted expenditures and transfers out were \$125,540,763 and actual budgetary basis expenditures and transfers out were \$122,468,722, a difference of \$3,072,041.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

On September 30, 2009, the bank balance of the City's deposits was \$1,538,690. 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 102.0 percent of market value of principal and accrued interest.

At September 30, 2009, bank balances were exposed to custodial credit risk as follows:

Insured	\$ 633,654
Uninsured and uncollateralized	-
Uninsured and collateral held by pledging financial institution	905,036
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the City's name	-
	<u>\$ 1,538,690</u>

Investments

At September 30, 2009, the City had the following investments and maturities:

<u>Type</u>	<u>Fair Value</u>	<u>September 30, 2009</u>	
		<u>Maturities in Years</u> <u>Less</u> <u>Than 1</u>	<u>1-5</u>
Money Markets	\$ 1,992,406	\$ 1,992,406	\$ -
Federal Home Loan Banks (FHLB)	57,720,760	53,668,240	4,052,520
Federal Home Loan Mortgage Corporation (FHLMC)	4,026,720	-	4,026,720
Federal National Mortgage Association (FNMA)	4,082,520	4,082,520	-
Farm Credit Note (FFCB)	11,127,820	4,011,240	7,116,580
State Investment Pools *	<u>275,397,549</u>	<u>275,397,549</u>	<u>-</u>
	<u>\$354,347,775</u>	<u>\$339,151,955</u>	<u>\$15,195,820</u>

*State Investment Pools are considered investments for financial reporting.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

A. DEPOSITS AND INVESTMENTS (Continued)

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, 2009, 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 102.0 percent 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, 2009, the City's investments constituted the following percentages of total investments:

<u>Investment</u>	<u>Percentage</u>
State Investment Pools	77.44
FHLB	16.23
FFCB	3.13
FNMA	1.15
FHLMC	1.13
Money Markets	.92

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

B. INTERFUND TRANSACTIONS

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

Interfund balances, specifically advances to and from other funds, are longer-term loans to cover Council directed internal financing of certain projects. At September 30, 2009 the City had \$11,348,853 in internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

B. INTERFUND TRANSACTIONS (Continued)

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	\$ 759	\$ -	\$ -	\$ 1,925	\$ 2,684
Proprietary Funds:					
LP&L	-	-	5,645	-	5,645
Nonmajor Enterprise	3,020	-	-	-	3,020
Totals	\$ 3,779	\$ -	\$ 5,645	\$ 1,925	\$ 11,349

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):

Interfund Transfers In: (Thousands)	Interfund Transfers Out: (Thousands)										
	Governmental Funds					Proprietary Funds					Totals
	General	Govt. Capital	Gateway CP	Nonmajor Govt	Nonmajor LP&L	Waste-water	Water	Storm Water	Nonmajor Enterprise		
Governmental Funds:											
General Fund	\$ -	\$ -	\$ -	\$ 239	\$ 4,369	\$ 6,710	\$ 2,998	\$ 1,137	\$ 3,850	\$ 19,303	
Govt. Capital Projects	186	-	-	900	-	-	-	-	-	1,086	
Gateway Capital	-	163	-	-	-	-	-	-	-	163	
Nonmajor Governmental	334	218	256	7,821	1,328	-	-	-	-	9,957	
Proprietary Funds:											
LP&L	1,062	-	-	395	-	-	-	-	-	1,457	
Water	-	-	-	128	-	-	-	-	132	260	
WTMPA	-	-	-	-	26	-	-	-	-	26	
Nonmajor Enterprise	4,414	-	-	462	-	-	-	-	-	4,876	
Totals	\$ 5,996	\$ 381	\$ 256	\$ 9,945	\$ 5,723	\$ 6,710	\$ 2,998	\$ 1,137	\$ 3,982	\$ 37,128	

Net transfers on the GWFS amounted to \$10,039,415 from governmental activities to business-type activities.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

C. DEFERRED CHARGES

The total deferred charge of \$2,677,777 in the LP&L Enterprise Fund represents an advertising contract with the United Spirit Arena. The advertising (and amortization) began with the opening of the sports arena in fiscal year 2000 and will continue for 30 years.

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

Primary Government:
Governmental Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 9,034,168	\$ -	\$ 15,524	\$ 9,018,644
Construction in Progress	66,815,798	57,341,081	38,974,747	85,182,132
Total Capital Assets Not Depreciated	<u>75,849,966</u>	<u>57,341,081</u>	<u>38,990,271</u>	<u>94,200,776</u>
Capital Assets Depreciated:				
Buildings	44,400,403	24,514,715	24,142,080	44,773,038
Improvements Other than Buildings	246,822,813	22,309,288	3,683,460	265,448,641
Machinery and Equipment	64,187,874	10,235,051	2,965,568	71,457,357
Total Capital Assets Depreciated	<u>355,411,090</u>	<u>57,059,054</u>	<u>30,791,108</u>	<u>381,679,036</u>
Less Accumulated Depreciation:				
Buildings	21,259,404	1,352,913	433,998	22,178,319
Improvements Other than Buildings	126,525,414	10,073,021	64,368	136,534,067
Machinery and Equipment	46,272,536	5,804,397	2,906,455	49,170,478
Total Accumulated Depreciation	<u>194,057,354</u>	<u>17,230,331</u>	<u>3,404,821</u>	<u>207,882,864</u>
Total Capital Assets Depreciated, Net	<u>161,353,736</u>	<u>39,828,723</u>	<u>27,386,287</u>	<u>173,796,172</u>
Governmental Activities Capital Assets, Net	<u>\$ 237,203,702</u>	<u>\$ 97,169,804</u>	<u>\$ 66,376,558</u>	<u>\$ 267,996,948</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

D. CAPITAL ASSETS (Continued)

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

Governmental activities:

Administrative Services and General Government	\$ 579,331
Community Services	121,393
Cultural and Recreation Services	2,065,414
Economic and Business Development	834,355
Fire	1,678,580
Health	319,133
Other Public Safety	528,268
Police	2,455,707
Streets and Traffic	7,962,974
Internal Service Funds	323,480
Total depreciation expense - governmental activities	<u>16,868,635</u>
Transfer in to accumulated depreciation - governmental activities	361,696
Increase in accumulated depreciation - governmental activities	<u><u>\$ 17,230,331</u></u>

Business-type Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 33,112,138	\$ 319,914	\$ 6,191	\$ 33,425,861
Construction in Progress	127,673,404	80,156,436	100,234,985	107,594,855
Total Capital Assets Not Depreciated	<u>160,785,542</u>	<u>80,476,350</u>	<u>100,241,176</u>	<u>141,020,716</u>
Capital Assets Depreciated:				
Buildings	120,760,826	5,925,110	83,306	126,602,630
Improvements Other than Buildings	792,621,714	99,852,024	8,805,904	883,667,834
Machinery and Equipment	179,959,061	18,463,830	8,267,070	190,155,821
Total Capital Assets Depreciated	<u>1,093,341,601</u>	<u>124,240,964</u>	<u>17,156,280</u>	<u>1,200,426,285</u>
Less Accumulated Depreciation:				
Buildings	52,610,864	3,409,280	83,396	55,936,748
Improvements Other than Buildings	315,219,785	24,628,122	8,706,539	331,141,368
Machinery and Equipment	98,774,034	13,304,024	8,162,596	103,915,462
Total Accumulated Depreciation	<u>466,604,683</u>	<u>41,341,426</u>	<u>16,952,531</u>	<u>490,993,578</u>
Total Capital Assets Depreciated, Net	<u>626,736,918</u>	<u>82,899,538</u>	<u>203,749</u>	<u>709,432,707</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 787,522,460</u></u>	<u><u>\$ 163,375,888</u></u>	<u><u>\$ 100,444,925</u></u>	<u><u>\$ 850,453,423</u></u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

D. CAPITAL ASSETS (Continued)

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

Business-Type Activities:

LP&L	\$ 10,768,476
Water	9,448,855
Wastewater	5,371,971
Stormwater	2,466,072
Solid Waste	5,414,394
Airport	4,451,048
Transit	1,215,549
Civic Centers	1,383,956
Cemetery	19,090
Internal Service	66,439
Total depreciation expense - business-type activities	<u>40,605,850</u>
Transfer in to accumulated depreciation - business-type activities	735,576
Increase in accumulated depreciation - business-type activities	<u><u>\$ 41,341,426</u></u>

Construction Commitments

The City has active construction projects at fiscal year end. One of Water's largest construction projects is a 65 mile transmission line that will extend to Lake Alan Henry. Wastewater's largest project was phase two of improvements to the Southeast Water Reclamation Plant. Phase two includes the design and construction of improvements associated to upgrade Plant 4 for biological nutrient removal, filtration, and disinfection.

The new Overton Hotel and Conference Center was completed this past fiscal year. It was one of the projects in the TIF Capital Projects fund. Great progress was made on projects in the Gateway Street Project fund, which was included in the Northwest Passage transportation improvement program. The projects should help facilitate congestion relief and economic development for Northwest Lubbock.

Projects	Original Commitments	Spent-to-Date	Remaining Commitments
Governmental Capital Projects	\$ 88,036,778	\$ 66,171,901	\$ 21,864,877
TIF Capital Projects	36,836,800	34,972,492	1,864,308
Gateway Street Projects	43,956,514	25,133,846	18,822,668
LP&L	20,728,935	14,075,298	6,653,637
Water	129,121,566	51,680,600	77,440,966
Wastewater	70,302,389	40,692,825	29,609,564
Solid Waste	3,264,610	1,243,564	2,021,046
Airport	18,180,728	9,264,208	8,916,520
Civic Center	500,000	75,921	424,079
Stormwater	58,804,500	52,387,804	6,416,696
Internal Service Fund	1,940,000	1,094,542	845,458
Total	<u>\$ 471,672,820</u>	<u>\$ 296,793,001</u>	<u>\$ 174,879,819</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

E. CAPITAL LEASES

In FY 2009 the City completed a \$23,662,637 construction project for a conference center that is joined to the North Overton Hotel. The City is the lessor of the conference center to the developer of the North Overton Hotel in a sales-type lease agreement in which the conference center has an estimated life of 50 years and was leased for a term of 40 years with 2 optional 20 year renewals. The City expects the lessor to lease the entire 80 year term, and hence there is no expected residual value of the hotel to the City. Lease terms include for years 3 through 20 the greater of \$65,000 per year or 15 percent of the excess of the net annual project cash flow, and years 1 through 20, one percent of the total daily collected net hotel room revenue. For years 21 through 40, there are no lease payments. On the government-wide statement of activities, the contribution of the asset from the primary government to the developer is recorded as part of the Economic and Business Development Expenses.

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

Year	Revenue Amount	1% of Revenue	Fixed \$65,000	Total	4% Rate Present Value
1	\$ 10,461,943	\$ 104,619	\$ -	\$ 104,619	\$ 100,595
2	12,383,136	123,831	-	123,831	114,489
3	13,391,287	133,913	65,000	198,913	176,833
4	14,228,242	142,282	65,000	207,282	177,186
5	14,659,401	146,594	65,000	211,594	173,915
6-10	80,163,614	801,636	325,000	1,126,636	664,413
11-15	92,931,600	929,316	325,000	1,254,316	911,895
16-20	107,731,176	1,077,312	325,000	1,402,312	692,055
Total	\$ 345,950,399	\$ 3,459,503	\$ 1,170,000	\$ 4,629,503	\$ 3,011,381

F. RETIREMENT PLANS

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

Summary of significant data for each retirement plan follows:

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Plan Description

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

F. RETIREMENT PLANS (Continued)

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the State law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded/overfunded actuarial liability/asset over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2008 valuation is effective for rates beginning January 2010). The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution	\$15,300,264
Interest on Net Pension Obligation	-
Adjustments to the ARC	-
Annual Pension Cost (APC)	15,300,264
Contributions Made	(12,657,527)
Increase in net pension obligation	2,642,737
Net Pension Obligation, beginning of year	-
Net Pension Obligation, end of year	\$ 2,642,737

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

F. RETIREMENT PLANS (Continued)

Actuarial Assumptions

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years; open period	30 years; closed period	29 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increase	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	NA	2.1%	2.1%

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/07	\$ 10,903,717	100.0	\$ -
9/30/08	11,369,691	100.0	-
9/30/09	15,300,264	82.7	2,642,737

As of December 31, 2008, the most recent actuarial valuation date, the plan was 60.3 percent funded. The actuarial accrued liability for benefits was \$340.0 million, and the actuarial value of assets was \$205.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$135.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$76.1 million, and the ratio of the UAAL to the covered payroll was 177.4 percent.

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, 2009

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

F. RETIREMENT PLANS (Continued)

LUBBOCK FIRE PENSION FUND (LFPF)

Plan Description

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

The LFPF provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. Employees may retire at age 50 with 20 years of service. A reduced early service retirement benefit is provided for employees who terminate employment with 20 or more years of service. The LFPF Plan, effective December 29, 2008, provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.9 percent of final 48-month average salary plus \$335 per month for each year of service in excess of 20 years.

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

There is no provision for automatic 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. Amending the plan requires approval of any proposed change by: a) an eligible actuary and b) a majority of the participating members of the fund.

Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

While the actual contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by LFPF be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, LFPF's normal cost contribution rate is determined as a percentage of 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

F. RETIREMENT PLANS (Continued)

liability, if any, is determined using a level percentage of payroll method. The costs of administering the plan are financed by LFPF.

Annual Pension Cost

The City Annual Pension Cost (APC) for the LFPF was equal to \$3,931,597 as described in item 4 in the table below. Based on the results of the December 31, 2008 actuarial valuation, the most recent biennial actuarial valuation, the Board's actuary found that the fund had an adequate financing arrangement based on the current level of the firefighter contribution rates and on the assumed average of City contribution rates. The funding policy of the Fund requires firefighters to contribute 12.4 percent of pay. The City contributes based on a formula which causes the City's contribution rate to fluctuate from year to year. The December 31, 2008 actuarial valuation assumes that the City's contributions will average 20.8 percent of payroll in the future.

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

<u>Valuation Date</u>	<u>12/31/2006</u>	<u>12/31/2008</u>
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period of ARC	30 years	30 years
Asset valuation method	5-year adjusted market value	5-year adjusted market value
Actuarial assumptions:		
Investment return	8.0%	8.0%
Projected salary increases	4% plus promotion and longevity	3% plus promotion and longevity
Inflation	4.0%	3.0%
Cost-of-living increase	0.0%	0.0%
Payroll increases	4.0%	4.0%
ARC as percent of payroll	20.4%	22.0%

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

1. Annual Required Contributions (ARC)	\$ 3,953,454
2. Interest on NPO	(68,985)
3. Adjustment to ARC	47,128
4. Annual Pension Cost (APC)	<u>3,931,597</u>
5. Actual City contributions made	<u>(3,918,177)</u>
6. Increase (Decrease) in NPO/(asset)	13,420
7. NPO/(asset) at December 31, 2007	<u>(862,311)</u>
8. NPO/(asset) at December 31, 2008	<u><u>\$ (848,891)</u></u>

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

F. RETIREMENT PLANS (Continued)

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
9/30/06	\$ 3,208,595	100.0%	\$(920,722)
12/31/07	3,530,944	98.4%	(862,311)
12/31/08	3,931,597	99.7%	(848,891)

As of December 31, 2008, the most recent actuarial valuation date, the plan was 78.3 percent funded. The actuarial accrued liability for benefits was \$184.1 million, and the actuarial value of assets was \$144.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$40.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$19.7 million, and the ratio of the UAAL to the covered payroll was 203.1 percent.

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.

G. 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 are the same as coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan. Employees who retire with 15 or more years of service or Civil Service employees that retire who have a balance in excess of 90 days sick leave are eligible to continue receiving medical coverage in full 30 day periods for the term of their sick leave balance. The City contributes 33.9 percent to 58.8 percent of the monthly premium for the retiree only health premium and 7.9 percent 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 542 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

G. OTHER POST EMPLOYMENT BENEFITS (Continued)

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 (ARC)	\$ 6,836,006
Interest on net OPEB obligation	195,998
Adjustment to the ARC	<u>(181,589)</u>
Annual OPEB Cost	6,850,415
Total annual employer contribution (pay-as-you-go)	<u>(3,115,544)</u>
Increase in net OPEB obligation	3,734,871
Net OPEB obligation – beginning of year	<u>4,355,520</u>
Net OPEB obligation – end of year	<u>\$ 8,090,391</u>

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

Normal Cost	\$ 3,318,187
Amortization of transition obligation	<u>3,517,819</u>
ARC	<u>\$ 6,836,006</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are 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
09/30/2009	6,850,415	45.5%	8,090,391

Funded Status and Funding Progress: As of September 30, 2008, 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 percent.

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 second year of implementation and the City has had one actuarial study (required biennially), 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

G. OTHER POST EMPLOYMENT BENEFITS (Continued)

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 September 30, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return based on a long term rate of investment, a 3.0 percent annual salary increase projection, and an annual healthcare cost trend rate of 10.0 percent for 2007 and then reduced by decrements to an ultimate rate of 4.5 percent after fifteen years. The UAAL is being amortized as a level percentage of projected payroll on an open basis over thirty years.

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

I. SURFACE WATER SUPPLY

Canadian River Municipal Water Authority

The Canadian River Municipal Water Authority (CRMWA) is a Conservation and Reclamation Authority established by the Texas Legislature to construct a dam, water reservoir, and aqueduct system for the purpose of supplying water to surrounding cities. The Authority was created in 1953 and is comprised of eleven cities, including Lubbock. The budget, financing, and operations of the Authority are governed by a Board of Directors selected by the governing bodies of each of the member cities, each city being entitled to one or two members dependent upon population. At September 30, 2009, the Board was comprised of 18 members, two of which represented the City.

The City contracted with the CRMWA to reimburse CRMWA for a portion of the cost of the Canadian River Dam and aqueduct system in exchange for surface water. The City's pro rata share of annual fixed and variable operating and reserve assessments are recorded as an expense of obtaining surface water. The City has two contract revenue bonds to pay for the water rights. These assets and liabilities are recorded in the Water Enterprise Fund.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

J. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

<u>Interest Rate%</u>	<u>Dated</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding 09/30/09</u>
5.39	10/01/93	02/15/14	\$ 2,550,000	\$ 650,000
4.90	02/01/01	02/15/21	9,100,000	415,000
4.81	02/01/01	02/15/21	2,770,000	140,000
5.25	06/01/01	02/15/31	35,000,000	1,595,000
4.68	02/15/02	02/15/22	9,400,000	3,320,000
4.71	02/15/02	02/15/22	6,450,000	2,275,000
4.70	02/15/02	02/15/22	1,545,000	1,210,000
4.62	07/01/02	02/15/22	2,605,000	1,935,000
3.18	07/01/02	02/15/10	10,810,000	920,000
4.42	07/15/03	02/15/23	11,855,000	3,190,000
4.47	07/15/03	02/15/24	9,765,000	8,045,000
4.48	07/15/03	02/15/24	680,000	560,000
4.47	07/15/03	02/15/24	3,590,000	2,955,000
4.87	07/15/03	02/15/34	40,135,000	5,285,000
4.47	07/15/03	02/15/24	3,795,000	3,130,000
4.60	08/15/03	04/15/23	8,900,000	6,775,000
4.60	08/15/03	04/15/23	13,270,000	4,285,000
4.37	06/30/04	08/01/12	1,000,000	375,000
4.09	09/15/04	02/15/24	2,025,000	1,515,000
4.08	09/28/04	02/15/24	3,100,000	2,255,000
3.58	09/28/04	02/15/20	22,620,000	16,545,000
3.89	02/15/05	04/15/25	23,055,000	16,360,000
3.94	06/15/05	02/15/21	49,615,000	49,115,000
4.26	08/15/05	02/15/25	46,525,000	39,995,000
4.82	07/01/05	02/15/21	43,080,000	34,975,000
4.27	07/15/05	02/15/25	7,265,000	6,235,000
4.58	04/15/06	02/15/26	76,950,000	70,820,000
4.58	04/15/06	02/15/26	2,740,000	2,545,000
4.84	05/15/06	02/15/31	18,830,000	18,735,000
4.42	01/01/07	02/15/34	54,020,000	49,820,000
4.42	01/01/07	02/15/34	25,255,000	23,970,000
4.88	08/15/07	08/15/27	1,155,000	1,090,000
4.88	08/15/07	08/15/27	60,820,000	56,705,000
6.45	12/15/07	08/15/27	11,805,000	11,445,000
4.22	01/15/08	08/15/27	52,900,000	51,135,000
4.80	04/15/08	08/15/27	2,035,000	1,990,000
4.42	04/15/08	08/15/27	80,485,000	77,410,000
2.45	06/01/08	08/15/27	22,615,000	21,640,000
3.12	03/01/09	08/15/19	20,540,000	20,540,000
4.67	03/01/09	08/15/29	2,645,000	2,645,000
4.53	03/01/09	08/15/29	58,705,000	58,705,000
Total			<u>\$ 862,005,000</u>	<u>\$ 683,250,000(A)</u>

(A) Excludes (\$8,863,768) net deferred losses on advance refundings, net bond premiums and discounts, and bond issuance costs – (\$3,751,349) business-type and (\$5,112,419) governmental. Additionally, this amount includes \$451,090,013 of bonds used to finance enterprise fund activities.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

J. LONG-TERM DEBT (Continued)

At September 30, 2009, management of the City believes that it was in compliance with all financial bond covenants on outstanding general obligation bonded debt, certificates of obligation, electric revenue bonded debt, 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 09/30/09</u>
4.25 to 6.25	01/01/98	04/15/18	\$ 9,170,000	\$ 4,140,000
3.10 to 5.00	01/15/99	04/15/19	14,975,000	5,100,000
4.00 to 5.25	07/01/01	04/15/21	9,200,000	5,520,000
Total			<u>\$ 33,345,000</u>	<u>\$ 14,760,000 *</u>

* Balance outstanding excludes \$344,991 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 09/30/09</u>
3.98	09/30/05	09/30/25	\$ 17,960,000	\$ 15,614,583
4.25 to 5.00	04/30/06	02/15/27	18,573,906	17,039,328
			<u>\$ 36,533,906</u>	<u>\$ 32,653,911 *</u>

*Balance outstanding excludes (\$898,242) discount, premiums and deferred losses on bonds sold or refunded.

The annual requirements to amortize all outstanding debt of the City as of September 30, 2009 are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities			
	General Obligation Bonds		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 10,907,849	\$ 11,880,251	\$ 24,282,151	\$ 21,217,133	\$ 3,062,637	\$ 2,315,474
2011	12,092,335	10,380,293	25,717,665	19,361,977	3,110,359	2,181,036
2012	12,194,366	9,824,756	25,705,633	18,224,900	2,828,634	2,040,891
2013	12,565,452	9,242,971	26,544,548	17,057,795	2,896,718	1,911,990
2014	13,109,647	8,634,164	26,545,352	15,849,576	2,968,778	1,778,998
2015-2019	65,487,711	34,112,193	127,697,290	61,811,743	15,689,764	6,642,890
2020-2024	62,199,504	18,690,102	106,255,496	33,413,618	12,958,509	2,937,064
2025-2029	40,333,124	4,799,862	72,991,878	10,497,973	3,898,512	323,476
2030-2034	3,270,000	142,115	15,350,000	1,489,969	-	-
Totals	<u>\$ 232,159,988</u>	<u>\$ 107,706,707</u>	<u>\$ 451,090,013</u>	<u>\$ 198,924,684</u>	<u>\$ 47,413,911</u>	<u>\$ 20,131,819</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

J. LONG-TERM DEBT (Continued)

Capital leases were used to acquire equipment and vehicles. The interest rate on the leases ranged from 2.2 percent to 4.6 percent. The annual requirements on capital leases of the City as of September 30, 2009, including interest payments of \$4,690,546 are as follows:

Fiscal Year	Governmental Capital Lease Minimum Payment	Business-Type Capital Lease Minimum Payment	Total Capital Lease Minimum Payment
2010	\$ 4,680,633	\$ 6,953,062	\$ 11,633,695
2011	3,621,468	6,219,873	9,841,341
2012	3,019,946	5,029,903	8,049,849
2013	2,500,332	2,619,742	5,120,074
2014	2,318,939	1,635,379	3,954,318
2015-2019	4,191,336	3,615,561	7,806,897
Less:			
Interest	(2,326,751)	(2,363,795)	(4,690,546)
Total	<u>\$ 18,005,903</u>	<u>\$ 23,709,725</u>	<u>\$ 41,715,628</u>

The carrying values on the leased assets of the City as of September 30, 2009 are as follows:

	Gross Value	Accumulated Depreciation	Net Book Value
Governmental Activities	\$ 23,923,588	\$ 2,798,584	\$ 21,125,004
Business-type Activities	35,194,578	3,520,974	31,673,604
Total Leased Assets	<u>\$ 59,118,166</u>	<u>\$ 6,319,558</u>	<u>\$ 52,798,608</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

J. LONG-TERM DEBT (Continued)

Long-term obligations (net of discounts and premiums) for governmental and business-type activities for the year ended September 30, 2009 are as follows:

	Debt Payable 09/30/08	Additions	Deletions	Debt Payable 09/30/09	Due in one year
Governmental activities:					
Tax-Supported -					
Obligation Bonds	\$ 199,053,653	\$ 45,791,118	\$ 12,684,783	\$ 232,159,988	\$ 10,907,849
Bond Discounts/Premiums	3,940,718	1,460,472	288,771	5,112,419	-
Capital Leases	12,222,506	8,717,985	2,934,588	18,005,903	4,091,188
Contracts Payable	-	3,000,000	-	3,000,000	1,000,000
Compensated Absences	17,923,843	7,942,038	6,385,033	19,480,848	6,967,299
Post Employment Benefits	2,813,759	4,493,459	2,000,409	5,306,809	-
Net Pension Obligation	-	1,636,240	-	1,636,240	-
Insurance Claim Payable	1,755,706	21,088,133	21,333,993	1,509,846	1,373,981
Arbitrage Payable	570,747	-	173,630	397,117	-
Total Governmental activities	\$ 238,280,932	\$ 94,129,445	\$ 45,801,207	\$ 286,609,170	\$ 24,340,317
Business-type activities:					
Self-Supported -					
Obligation Bonds	457,126,347	36,098,884	42,135,218	451,090,013	24,282,151
Revenue Bonds	50,430,844	-	3,016,933	47,413,911	3,062,637
Bond Discounts/Premiums	3,159,077	1,318,651	173,127	4,304,601	-
Capital Leases	18,582,396	9,292,239	4,164,910	23,709,725	6,230,602
Closure/Post Closure	3,770,566	196,724	-	3,967,290	-
Compensated Absences	5,607,684	2,878,751	2,556,935	5,929,500	2,902,871
Post Employment Benefits	1,541,761	2,356,956	1,115,135	2,783,582	-
Net Pension Obligation	-	1,006,497	-	1,006,497	-
Insurance Claim Payable	2,845,679	5,682,283	5,156,511	3,371,451	1,685,551
Arbitrage Payable	571,274	-	309,794	261,480	-
Total Business-type activities	\$ 543,635,628	\$ 58,830,985	\$ 58,628,563	\$ 543,838,050	\$ 38,163,812

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

J. LONG-TERM DEBT (Continued)

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

Long-term debt - Governmental Activities	\$	286,609,170	
Long-term debt - Business-type Activities		543,838,050	
Interest		326,763,210	
Total amount of debt			\$ 1,157,210,430
Less: Bond discounts/premiums		(9,417,020)	
Less: Capital leases		(41,715,628)	
Less: Contracts Payable		(3,000,000)	
Less: Closure/post closure		(3,967,290)	
Less: Compensated absences		(25,410,348)	
Less: Post employment benefits		(8,090,391)	
Less: Net pension obligation		(2,642,737)	
Less: Insurance claims payable		(4,881,297)	
Less: Arbitrage payable		(658,597)	
Total other debt			(99,783,308)
Total future bonded debt requirements			<u>\$ 1,057,427,122</u>

New Bond Issuances and Current Refunding

In March 2009, the City issued \$23,185,000 General Obligation Refunding and Improvement Bonds, Series 2009 (Bonds). Of the \$23,185,000 in Bonds, \$2,645,000 was issued for various public improvements for streets, libraries, police facilities, and the City Bank Municipal Auditorium. The remaining \$20,540,000 in bond proceeds was used to currently refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The Bonds were issued at premium of \$1,243,043 and incurred \$194,451 in issuance costs. The refunding portion of the Bonds refunded \$21,895,000 of outstanding bonds. As a result of the current refunding, the City decreased total debt service requirements by \$1,075,146, which resulted in an economic gain of \$863,810.

In March 2009, the City also issued \$58,705,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2009 (Certificates). Proceeds from the sale of these certificates will be used for the purpose of paying contractual obligations for: 1) various public improvements including solid waste, drainage, water, streets, electric, park, fire, and improvements to City Hall; and 2) professional services rendered in connection with and costs associated with the issuance of the Certificates. The Certificates were issued at a premium of \$1,820,888 and incurred \$135,726 in issuance costs. The proceeds of the debt are recorded in various Capital Projects Funds.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

K. CONDUIT DEBT

In the past, the City has approved the issuance of Health Facilities Development Corporation Bonds, and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of public facilities. The bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. 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, 2009 there were ten series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$270,422,131. The bonds were issued between 1993 and 2008. Also as of September 30, 2009, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$22,280,000. The bonds were issued in 2007.

L. SPECIAL ASSESSMENT DEBT

In FY 2008, the Vintage Township Public Facilities Corporation (PFC), a discretely presented component unit of the City, issued special assessment debt for 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, 2009. 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, 2009, \$3,133,000 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.

M. 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 funded on a cash flow basis, which means that the servicing contractor processes, adjusts and pays claims from a deposit account provided by the City. The City accounts for the liability program by charging premiums to replenish funds based upon losses, administrative fees, premiums and reserve requirements. In order to control the risks associated with liability claims, the City purchased excess liability coverage in September 1999, which is renewed annually. The policy had a \$10 million annual aggregate limit from September 1999 through September 30, 2009 and an \$18 million annual aggregate limit effective October 1, 2009 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

M. RISK MANAGEMENT (Continued)

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

Additionally, property and boiler coverage is accounted for in the Risk Management Fund. The property insurance policy was purchased from an outside insurance carrier. The policy has a \$250,000 deductible per occurrence, and the boiler coverage insurance deductible is up to \$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 had a significant increase in liability insurance coverage during the fiscal year from \$10 million to \$18 million in aggregate coverage. 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.

N. HEALTH INSURANCE

The City provides medical and dental insurance for all full-time employees and accounts for these activities in the Health Benefits Fund. Revenue for the health insurance program is generated from each cost center based upon the number of active full-time employees. The City's plan is self-insured under an Administrative Services Only (ASO) Agreement. The City purchases excess coverage of \$200,000 per covered individual annually with an aggregate cap of \$20,524,298. The insurance vendor based on medical trend, claims history, and utilization determines the aggregate deductible. The actuarially determined calculation of the claim liability is \$1.36 million at September 30, 2009 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 policy, voluntary life and personal accident insurance.

O. ACCRUED INSURANCE CLAIMS

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

O. ACCRUED INSURANCE CLAIMS (Continued)

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

	<u>FY 2009</u>	<u>FY 2008</u>
Workers' compensation and liability reserves at beginning of fiscal year	\$ 2,845,679	\$ 3,258,788
Claims expenses	5,682,283	4,443,470
Claims payments	<u>(5,156,511)</u>	<u>(4,856,579)</u>
Workers' compensation and liability reserves at end of fiscal year	<u>3,371,451</u>	<u>2,845,679</u>
Medical and dental claims liability at beginning of fiscal year	1,755,706	2,469,382
Claims expenses	21,088,133	19,333,090
Claims payments	<u>(21,333,993)</u>	<u>(20,046,766)</u>
Medical and dental claims liability at end of fiscal year	<u>1,509,846</u>	<u>1,755,706</u>
Total self-insurance liability at end of fiscal year	<u>4,881,297</u>	<u>4,601,385</u>
Total assets to pay claims at end of fiscal year	<u>19,035,852</u>	<u>17,510,106</u>
Accrued insurance claims payable - current	3,059,532	3,020,056
Accrued insurance claims payable - noncurrent	<u>1,821,765</u>	<u>1,581,329</u>
Total accrued insurance claims	<u>\$ 4,881,297</u>	<u>\$ 4,601,385</u>

P. 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 \$3,967,290 included in landfill closure and postclosure care liability at September 30, 2009, 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 93.7 percent of the estimated capacity of Landfill 69 has been used, with \$771,647 remaining to be recognized over the remaining closure period, an estimated two years. Approximately 3.9 percent of the estimated capacity of Landfill 2252 has been used to date, with \$25,479,170 remaining to be recognized over the remaining closure period, estimated at over 92 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, 2009

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

Q. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

	Accounts Receivable Summary				Balance at 09/30/09
	Court Fines	Property Damage	Paving	Misc.	
Governmental Funds:					
General Fund	\$ 3,154,536	\$ 287,101	\$ 224,993	\$ -	\$ 3,666,630
Non-major	-	-	-	8	8
Total	<u>\$ 3,154,536</u>	<u>\$ 287,101</u>	<u>\$ 224,993</u>	<u>\$ 8</u>	<u>\$ 3,666,638</u>

	Accounts Receivable Summary			Balance at 09/30/09
	General Consumer	Credit Card	Misc.	
Proprietary Funds:				
LP&L	\$ 16,653,865	\$ -	\$ 275,637	\$ 16,929,502
Water	8,469,361	-	580	8,469,941
Wastewater	3,427,797	-	-	3,427,797
WTMPA	710,190	-	-	710,190
Stormwater	1,130,849	-	-	1,130,849
Nonmajor	5,556,125	4,457	11,679	5,572,261
Total	<u>\$ 35,948,187</u>	<u>\$ 4,457</u>	<u>\$ 287,896</u>	<u>\$ 36,240,540</u>

Allowance for Doubtful Accounts Summary

	Balance at 09/30/09
Governmental Funds:	
General Fund	\$ 2,786,849
Proprietary Funds:	
LP&L	2,287,437
Water	892,846
Wastewater	358,319
Storm Water	114,380
Nonmajor	475,275
Total	<u>\$ 6,915,106</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

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

	<u>Accounts Payable Summary</u>			<u>Balance at 09/30/09</u>
	<u>Vouchers</u>	<u>Accounts</u>	<u>Miscellaneous</u>	
Governmental Funds:				
General Fund	\$ 719,682	\$ 1,967,164	\$ -	\$ 2,686,846
Govt. Capital Projects	1,291,939	222,966	-	1,514,905
Gateway Streets Projects	657,188	596,600	-	1,253,788
Nonmajor	832,855	1,303,415	176,602	2,312,872
Proprietary Funds:				
LP&L	604,609	202,889	12,887	820,385
Water	2,907,597	657,658	21,604	3,586,859
Wastewater	1,374,374	411,297	77,369	1,863,040
WTMPA	-	6,087,750	-	6,087,750
Stormwater	856,903	100,002	-	956,905
Nonmajor	803,183	464,670	10,602	1,278,455
Internal Service	562,875	891,534	166,601	1,621,010
Total	<u>\$ 10,611,205</u>	<u>\$ 12,905,945</u>	<u>\$ 465,665</u>	<u>\$ 23,982,815</u>

R. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

	<u>Net Receivables</u>				<u>Balance at 09/30/09</u>
	<u>Accounts Receivable</u>	<u>Interest Receivable</u>	<u>Taxes Receivable</u>	<u>Internal Service Receivables</u>	
Governmental Activities	\$ 879,789	\$ 122,857	\$ 10,457,568	\$ 30,000	\$ 11,490,214
Business-type Activities	32,112,283	353,609	-	22,237	32,488,129
Total	<u>\$ 32,992,072</u>	<u>\$ 476,466</u>	<u>\$ 10,457,568</u>	<u>\$ 52,237</u>	<u>\$ 43,978,343</u>

	<u>Accounts Payable</u>		
	<u>Accounts Payable</u>	<u>Internal Service Payables</u>	<u>Balance at 09/30/09</u>
Governmental Activities	\$ 7,768,411	\$ 1,054,787	\$ 8,823,198
Business-type Activities	14,593,394	566,223	15,159,617
Total	<u>\$ 22,361,805</u>	<u>\$ 1,621,010</u>	<u>\$ 23,982,815</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

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

S. FUND CLOSURES

There were no fund closures during FY 2009.

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, 2009, the City has \$2,211,153 reserved on general liability claims.

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. In December 2009, the Plaintiff agreed to settle the case for \$49,500.

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. Trial was held in August 2009 with the jury ruling in favor of the Plaintiff and awarding attorney fees. The City will file an appeal.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE IV. CONTINGENT LIABILITIES (Continued)

B. LITIGATION (Continued)

Templeton Mortgage Corporation & Mark Brown v. City of Lubbock

The Plaintiff is seeking \$100,000 in damages to his property because of the rising and falling of the water at Lake Alan Henry. He argues that if the restrictive easements are strictly enforced, as interpreted by the City, then he will not be able to build a structure to stop the erosion of his property, thus causing him damage.

This case also pertains to a pathway that the Plaintiff built. The City contends the pathway does not conform to the Agreement that he made with the City. The court entered a Temporary Injunction keeping the City from taking any action to get rid of the pathway until the court determines whether it conforms to the Agreement.

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.

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. Numerous depositions and discovery disputes have been taken.

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 uninsured motorist coverage claiming that the City owes him for his damages under that insurance. He asserts he is entitled to over \$600,000. The City filed a Motion for Summary Judgment and Plea to the Jurisdiction asserting that the exclusivity rule of the

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE IV. CONTINGENT LIABILITIES (Continued)

B. LITIGATION (Continued)

Workers' Compensation Act and the City's self-insurance resolution precludes coverage. In December 2009, the court granted the City's Motion for Summary Judgment. The Plaintiff has not indicated whether he will appeal the decision.

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

Plaintiffs 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.

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, a former City police officer, is suing the City alleging she was terminated in violation of the State's whistleblower statute. Plaintiff called the police department on August 1, 2008, alleging that her estranged husband, a City of Lubbock police officer, was stalking her. An investigation determined that some of the information provided by the Plaintiff was not correct. Plaintiff corrected her statement and provided additional facts she said she had inadvertently forgotten. Plaintiff is claiming she is due back pay, in the amount of \$55,000, as well as attorney fees. She also is alleging she is due damages, in the amount of \$970,000 for loss of earning capacity. Trial is scheduled for February 1, 2010.

The case went to mediation on January 12, 2010. A settlement agreement was reached to reinstate the employee with back pay, an agreement for her to resign by January 27, 2011, and a payment of \$16,850 for costs and attorney fees.

City of Lubbock v. Covenant

City of Lubbock is suing Covenant to obtain records from Covenant in connection with ICON and AAG litigation. Case abated pending City receiving documents back from the FBI.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE IV. CONTINGENT LIABILITIES (Continued)

C. SITE REMEDIATION

Effective October 1, 2008 the City changed its method of accounting for pollution remediation obligations in accordance with Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The City contracts with an engineering firm to perform the necessary remediation activities and cost estimates.

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

The City contracts with an engineering firm (eHT/Enprotec) to perform the necessary remediation activities. Enprotec works closely with the Texas Commission on Environmental Quality (TCEQ) on each of the properties. Because the issues have been in existence for some time, the remediation activities the City is required to perform have been approved by TCEQ. The City has a set plan of action for each property that TCEQ requires the City to follow.

As of September 30, 2009 the City recorded pollution remediation obligations for three locations in the enterprise funds as follows:

- LP&L Plant 1 \$67,500 – obligation is equally shared by both the City and LP&L
- LP&L Cooke Plant \$465,200
- WesTex Aircraft \$41,250

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

- LP&L Plant 1 \$67,500 – obligation is equally shared by both the City and LP&L
- CFR Training Facility \$117,647
- Fire Training Academy \$110,000
- South Fueling Facility \$177,725

The City has identified elevated levels of nitrates in the ground water beneath the Lubbock Land Application Site (LLAS), which is attributed to the historical land application of treated wastewater effluent and also impacted by the activities of individuals and other entities. As a result, the TCEQ has issued an Agreed Order that requires the City to remedy the situation. The Order calls for, among other requirements, pumping an annual average of 1,580 gallons per minute from 16 groundwater wells on the LLAS in order to eliminate a mound of groundwater under the LLAS. The groundwater, 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 09, the City continued to move towards terminating the Agreed Order and to incorporate the remaining requirements for remediation into the main wastewater treatment permit. Because the groundwater mound under the LLAS has been eliminated in accordance with the requirements of the Order, there is an

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2009

NOTE IV. CONTINGENT LIABILITIES (Continued)

C. SITE REMEDIATION (Continued)

opportunity to terminate the Agreed Order and to continue addressing any residual concerns as part of the permit. The TCEQ Agreed Order is pending closure based on the finalization of the City's wastewater discharge permit renewal which is primarily for the on-going operations of the wastewater treatment system. The renewed permit will include the Remediation Plan for monitoring and remediation of the nitrate plume in the groundwater under the LLAS. Due to the likelihood of the termination of the Agreed Order, this issue does not meet the criteria for a pollution remediation obligation.

NOTE V. SUBSEQUENT EVENTS

On November 12, 2009, LP&L and Xcel Energy have reached a mutually beneficial agreement that will allow LP&L to purchase Xcel Energy's electric distribution system within the city and to serve all of Xcel Energy's Lubbock retail electric customers. Since 1942 Lubbock has been served by both companies. Xcel Energy customers in Lubbock will be served by LP&L, but Xcel Energy will continue to supply the wholesale power and transmission services. Xcel Energy has received approval from the Xcel Energy Board of Directors to proceed with the sale of these assets at an agreed upon amount of \$87 million, and the company is expected to gain regulatory approvals within the next nine months. LP&L has approval from the LP&L Electric Utility Board and the Lubbock City Council.

On January 20, 2010, the City issued \$145,495,000 in Certificates of Obligation at an overall interest rate of 3.534%, and \$24,160,000 million in General Obligation Bonds at an overall interest rate of 3.622%. The bonds will be used for the solid waste disposal system, the drainage utility system, the waterworks system, the wastewater system, the electric system, airport improvements, municipal auditorium renovation, civic center renovation, library renovations, street and traffic signal improvements, and a new fire station.

City of Lubbock, Texas
Schedule of Funding Progress
For the Year Ended September 30, 2009

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)
12/31/06	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
12/31/08	TMRS	205,404,057	340,442,759	135,038,702	60.3	76,122,620	177.4
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
12/31/08	LFPF	144,130,117	184,149,288	40,019,171	73.3	19,703,429	203.1
09/30/08	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 approved the following changes to actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2008:

- Salary scale assumption be applied immediately instead of a one year delay.
- Explicitly recognize the cost-of-living adjustment (COLA) associated with the annuitization of the Employee Saving Fund (ESF) balances at retirement and accounting for occurrence of partial lump sum distributions.
- Set Municipality Accumulation Fund (MAF) discount rate at 7.5% to reflect the expectation of a reserving policy for the TMRS Fund.

A summary of actuarial assumptions and definitions can be found in the December 31, 2008 TMRS Comprehensive Annual Financial Report (CAFR).

The Lubbock Fire Pension Fund had a change in actuaries from the December 31, 2006 valuation to the December 31, 2008 valuation. The changes in actuarial assumptions are discussed below.

The termination rates used for the valuation were changed from tabular rates specified in the 2006 valuation report to rates from Table T-1 from "The Actuary's Pension Handbook". Rates of disability were changed from tabular rates specified in the 2006 valuation report to rates developed from the 1985 Society of Actuaries Disability Study, Class 1 male rates, with a 90-day elimination period. The retirement assumption was changed from a rate of 30 percent of eligible members per year with 100 percent assumed to retire at age 60. Assumed salary increase rates for individual members were not changed; however, the portion of each year's increase attributable to inflation was assumed to be 3.00 percent instead of the 4.00 percent assumed in the 2006 valuation. The portion of each year's increase attributable to overtime, longevity, merit and promotion was increased by 1.00 percent.

City of Lubbock, Texas
Schedule of Funding Progress (Continued)
For the Year Ended September 30, 2009

The assumptions concerning the death benefit payable to children of deceased members specified above were added to the assumptions. The assumed City contribution rate was increased to 20.77 percent of compensation. The rate assumed for the 2006 valuation was 19.75 percent of compensation. The percentage of members married at retirement was increased from 85 percent to 100 percent. The assumed forms of payment in the 2006 valuation were: 50 percent of members electing the Retro Deferred Retirement Option Plan, 20 percent electing the Partial Sum Lump Option and 30 percent electing the life only option. The 2008 valuation is based on the assumption that members elect either the Retro DROP or straight service retirement, whichever is more valuable.

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

A more detailed discussion can be found in the Lubbock Fire Pension Fund Actuarial Valuation as of December 31, 2008.

City of Lubbock, Texas
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2009

	<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	\$ 36,340,746	\$ 36,340,746	\$ 36,050,755	\$ (289,991)
Delinquent Taxes	1,208,282	1,208,282	908,867	(299,415)
Sales Tax	45,587,966	45,587,966	46,479,860	891,894
Mixed Beverage Tax	936,099	936,099	977,597	41,498
Bingo Tax	277,246	277,246	294,681	17,435
Suddenlink	1,004,514	1,004,514	1,046,938	42,424
Xcel Energy	2,138,233	2,138,233	1,675,373	(462,860)
South Plains Electric Cooperative	679,310	679,310	503,550	(175,760)
West Texas Gas Company	-	-	87	87
Atmos	2,555,206	2,555,206	1,450,075	(1,105,131)
Telecom Right of Way	1,991,467	1,991,467	1,783,185	(208,282)
Development Services	122,770	122,770	115,959	(6,811)
General Government	1,390,750	1,390,750	921,540	(469,210)
Public Safety	123,200	123,200	111,281	(11,919)
Health	798,912	798,912	745,378	(53,534)
Cultural/Recreational	1,122,908	1,122,908	1,005,999	(116,909)
Licenses and Permits	2,575,812	2,575,812	2,212,534	(363,278)
Intergovernmental	405,490	405,490	402,795	(2,695)
Fines and Forfeitures	3,478,316	3,478,316	3,315,473	(162,843)
Interest Earnings	712,050	712,050	327,401	(384,649)
Rental	4,200	4,200	60,414	56,214
Recoveries of Expenditures	890,622	890,622	611,234	(279,388)
Other	1,701,400	1,701,400	1,217,662	(483,738)
Transfers from Electric Fund	4,369,052	4,369,052	4,369,052	-
Transfers from Water Fund	6,710,181	6,710,181	6,710,181	-
Transfers from Sewer Fund	2,998,050	2,998,050	2,998,050	-
Transfers from Solid Waste	2,717,932	2,717,932	2,717,932	-
Transfers from Airport Fund	1,132,185	1,132,185	1,132,185	-
Transfers from Stormwater	1,136,772	1,136,772	1,136,772	-
Other Transfers	245,141	245,141	238,984	(6,157)
Total Revenue	<u>\$ 125,354,812</u>	<u>\$ 125,354,812</u>	<u>\$ 121,521,794</u>	<u>\$ (3,833,018)</u>
EXPENDITURES				
<u>Administrative Services</u>				
City Attorney	\$ 1,541,244	\$ 1,541,244	\$ 1,495,650	\$ 45,594
City Council	430,858	430,858	393,698	37,160
City Manager	657,239	657,239	643,318	13,921
City Secretary	461,386	461,386	437,025	24,361
Facilities Management	2,943,737	2,943,737	2,640,603	303,134
Finance	2,301,407	2,301,407	2,143,276	158,131
Human Resources	540,463	540,463	536,905	3,558
Internal Audit	226,118	226,118	230,411	(4,293)
Non-departmental	4,504,941	4,504,941	4,213,496	291,445
Total Administrative Services	<u>13,607,393</u>	<u>13,607,393</u>	<u>12,734,382</u>	<u>873,011</u>

City of Lubbock, Texas
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2009

	<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	\$ 1,553,616	\$ 1,553,616	\$ 1,504,537	\$ 49,079
Planning	984,086	984,086	966,068	18,018
Total Community Services	<u>2,537,702</u>	<u>2,537,702</u>	<u>2,470,605</u>	<u>67,097</u>
<u>Cultural and Recreation Services</u>				
Library	3,081,732	3,081,732	2,846,394	235,338
Parks	8,476,301	8,476,301	8,370,389	105,912
Museums	850,730	850,730	742,072	108,658
Total Cultural and Recreation Services	<u>12,408,763</u>	<u>12,408,763</u>	<u>11,958,855</u>	<u>449,908</u>
<u>Public Works</u>				
Engineering	1,170,485	1,170,485	1,002,052	168,433
Environmental Compliance	227,221	227,221	87,008	140,213
Street Lighting	3,419,672	2,357,824	1,862,524	495,300
Streets	2,903,635	2,903,635	2,507,286	396,349
Traffic	2,685,570	2,685,570	2,641,838	43,732
Total Public Works	<u>10,406,583</u>	<u>9,344,735</u>	<u>8,100,708</u>	<u>1,244,027</u>
<u>Public Safety and Health Services</u>				
Fire	30,554,050	30,552,411	30,620,554	(68,143)
Health	4,202,024	4,202,024	4,069,410	132,614
Municipal Court	1,574,782	1,574,782	1,557,352	17,430
Police	47,984,308	47,982,325	44,941,454	3,040,871
Total Public Safety and Health Services	<u>84,315,164</u>	<u>84,311,542</u>	<u>81,188,770</u>	<u>3,122,772</u>
Transfers	4,579,207	5,830,628	5,996,006	(165,378)
Payroll Accrual/Other	(2,500,000)	(2,500,000)	19,396	(2,519,396)
Total Expenditures	<u>\$ 125,354,812</u>	<u>\$ 125,540,763</u>	<u>\$ 122,468,722</u>	<u>\$ 3,072,041</u>

City of Lubbock, Texas
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2009

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 \$121,521,794

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 8,714,556

Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds \$130,236,350

Expenditures and Other Financing Uses

Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule \$122,468,722

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 7,848,488

Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds \$130,317,210



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.

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

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

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

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

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

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

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

CITY OF LUBBOCK, TEXAS

Special Revenue Funds (Continued)

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.

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.

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.

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

	Special Revenue Funds			
	Criminal Investigation	Municipal Court	Abandoned Motor Vehicle	Economic Development Incentive
ASSETS				
Cash and cash equivalents	\$ 3,596	\$ 2,000	\$ 1,810	\$ 148
Investments	692,844	385,283	348,741	28,537
Taxes receivable (net)	-	-	-	113,914
Accounts receivable (net)	-	-	-	-
Interest receivable	1,720	949	866	71
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Investment in property	-	-	-	-
Restricted investments	-	-	-	-
Pledges and leases receivable	-	-	-	-
Mortgage receivables	-	-	-	-
Total assets	<u>\$ 698,160</u>	<u>\$ 388,232</u>	<u>\$ 351,417</u>	<u>\$ 142,670</u>
LIABILITIES				
Accounts payable	\$ 324,443	\$ 4,540	\$ 168,373	\$ 12,057
Due to other funds	-	-	-	-
Accrued liabilities	-	7,422	-	8,015
Accrued interest payable	-	-	-	-
Deferred revenue	-	-	-	104,766
Total liabilities	<u>324,443</u>	<u>11,962</u>	<u>168,373</u>	<u>124,838</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Special revenue - Civic Center facilities	-	-	-	-
Special revenue - grants	-	-	-	-
Unreserved, undesignated in:				
Special revenue funds	<u>373,717</u>	<u>376,270</u>	<u>183,044</u>	<u>17,832</u>
Total fund balances	<u>373,717</u>	<u>376,270</u>	<u>183,044</u>	<u>17,832</u>
Total liabilities and fund balances	<u>\$ 698,160</u>	<u>\$ 388,232</u>	<u>\$ 351,417</u>	<u>\$ 142,670</u>

Special Revenue Funds

Donations	Hotel/Motel Tax	Lake Alan Henry	Cemetery Maintenance	Lubbock Economic Development Alliance	North Overton TIF	Central Business District TIF
\$ 7,661	\$ 5,348	\$ 3,097	\$ 733	\$ 52	\$ -	\$ 5,485
1,476,056	1,030,399	596,774	141,215	10,056	-	1,056,948
-	-	-	-	707,666	-	-
-	-	8	-	-	-	-
3,664	2,558	1,481	351	25	2,263	2,623
-	-	-	-	-	-	-
-	951,998	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	918,684	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,487,381</u>	<u>\$ 1,990,303</u>	<u>\$ 601,360</u>	<u>\$ 142,299</u>	<u>\$ 717,799</u>	<u>\$ 920,947</u>	<u>\$ 1,065,056</u>
\$ 2,725	\$ 41,265	\$ 4,049	\$ -	\$ 717,799	\$ -	\$ 29,500
-	-	-	-	-	1,925,124	-
1,003,190	-	7,583	-	-	2,630	1,962
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,005,915</u>	<u>41,265</u>	<u>11,632</u>	<u>-</u>	<u>717,799</u>	<u>1,927,754</u>	<u>31,462</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,288,222	-	-	-	-	-
-	-	-	-	-	-	-
<u>481,466</u>	<u>660,816</u>	<u>589,728</u>	<u>142,299</u>	<u>-</u>	<u>(1,006,807)</u>	<u>1,033,594</u>
<u>481,466</u>	<u>1,949,038</u>	<u>589,728</u>	<u>142,299</u>	<u>-</u>	<u>(1,006,807)</u>	<u>1,033,594</u>
<u>\$ 1,487,381</u>	<u>\$ 1,990,303</u>	<u>\$ 601,360</u>	<u>\$ 142,299</u>	<u>\$ 717,799</u>	<u>\$ 920,947</u>	<u>\$ 1,065,056</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

	Special Revenue Funds				
	North Overton PID	North Point PID	Vintage Township PID	Gateway Streets	Community Development
ASSETS					
Cash and cash equivalents	\$ 119	\$ 675	\$ -	\$ 78,080	\$ 25,737
Investments	22,963	130,146	-	15,044,617	1,715,709
Taxes receivable (net)	-	18	-	-	-
Accounts receivable (net)	-	-	-	-	-
Interest receivable	57	323	-	42,719	393
Due from other governments	-	-	1,011	-	1,656,744
Due from others	701	324	-	400,698	-
Investment in property	-	-	-	-	-
Restricted investments	-	-	-	2,177,472	-
Pledges and leases receivable	-	-	-	-	-
Mortgage receivables	-	-	-	-	-
Total assets	\$ 23,840	\$ 131,486	\$ 1,011	\$ 17,743,586	\$ 3,398,583
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 8,569	\$ 162,309
Due to other funds	-	-	-	-	-
Accrued liabilities	-	134	-	4,820	49,424
Accrued interest payable	-	-	-	-	-
Deferred revenue	-	-	-	-	2,498,213
Total liabilities	-	134	-	13,389	2,709,946
FUND BALANCES					
Reserved for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Special revenue - Civic Center facilities	-	-	-	-	-
Special revenue - grants	-	-	-	-	688,637
Unreserved, undesignated in:					
Special revenue funds	23,840	131,352	1,011	17,730,197	-
Total fund balances	23,840	131,352	1,011	17,730,197	688,637
Total liabilities and fund balances	\$ 23,840	\$ 131,486	\$ 1,011	\$ 17,743,586	\$ 3,398,583

Special Revenue Funds

Urban Renewal Agency (URA)	Community Services	Health	Library	Police	Other Grants	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,295	\$ 854	\$ 136,690
-	-	-	-	249,550	164,476	23,094,314
-	-	-	-	-	-	821,598
-	-	-	-	-	-	8
-	-	-	-	619	-	60,682
-	443,613	207,939	139,363	9,846	409,024	2,867,540
-	-	-	-	-	-	1,353,721
208,213	-	-	-	-	-	208,213
-	-	-	-	-	-	3,096,156
-	-	-	-	-	-	-
5,395,214	-	-	-	-	-	5,395,214
<u>\$ 5,603,427</u>	<u>\$ 443,613</u>	<u>\$ 207,939</u>	<u>\$ 139,363</u>	<u>\$ 261,310</u>	<u>\$ 574,354</u>	<u>\$ 37,034,136</u>
\$ -	\$ 144,469	\$ 13,389	\$ 35,625	\$ -	\$ 69,171	\$ 1,738,283
-	285,502	111,096	79,470	-	283,097	2,684,289
-	12,112	35,032	19,268	15,531	19,496	1,186,619
-	-	-	-	-	-	-
-	-	-	5,000	40,128	-	2,648,107
-	442,083	159,517	139,363	55,659	371,764	8,257,298
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,288,222
5,603,427	1,530	48,422	-	205,651	202,590	6,750,257
-	-	-	-	-	-	20,738,359
<u>5,603,427</u>	<u>1,530</u>	<u>48,422</u>	<u>-</u>	<u>205,651</u>	<u>202,590</u>	<u>28,776,838</u>
<u>\$ 5,603,427</u>	<u>\$ 443,613</u>	<u>\$ 207,939</u>	<u>\$ 139,363</u>	<u>\$ 261,310</u>	<u>\$ 574,354</u>	<u>\$ 37,034,136</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

	<u>Capital Projects Funds</u>		
	<u>Debt Service Fund</u>	<u>TIF Capital Projects</u>	<u>Total Capital Projects Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Taxes receivable (net)	270,697	-	-
Accounts receivable (net)	-	-	-
Interest receivable	3,629	-	-
Due from other governments	-	-	-
Due from others	-	-	-
Investment in property	-	-	-
Restricted investments	1,693,276	2,311,492	2,311,492
Pledges and leases receivable	-	6,011,381	6,011,381
Mortgage receivables	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,967,602</u>	<u>\$ 8,322,873</u>	<u>\$ 8,322,873</u>
LIABILITIES			
Accounts payable	\$ 2,590	\$ 571,999	\$ 571,999
Due to other funds	-	-	-
Accrued liabilities	-	166	166
Accrued interest payable	223,790	-	-
Deferred revenue	242,947	6,011,381	6,011,381
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>469,327</u>	<u>6,583,546</u>	<u>6,583,546</u>
FUND BALANCES			
Reserved for:			
Debt service	1,498,275	-	-
Capital projects	-	1,739,327	1,739,327
Special revenue - Civic Center facilities	-	-	-
Special revenue - grants	-	-	-
Unreserved, undesignated in:			
Special revenue funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,498,275</u>	<u>1,739,327</u>	<u>1,739,327</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,967,602</u>	<u>\$ 8,322,873</u>	<u>\$ 8,322,873</u>

**Total Nonmajor
Governmental
Funds**

\$ 136,690
23,094,314
1,092,295
8
64,311
2,867,540
1,353,721
208,213
7,100,924
6,011,381
5,395,214

\$ 47,324,611

\$ 2,312,872
2,684,289
1,186,785
223,790
8,902,435

15,310,171

1,498,275
1,739,327
1,288,222
6,750,257

20,738,359

32,014,440

\$ 47,324,611

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2009

	<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	\$ -	\$ -	\$ -	\$ 3,362,818
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	-	-	-	-
Fees and fines	-	265,620	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	3,371	6,617	5,498	-
Miscellaneous	185,468	-	396,809	-
Total revenues	<u>188,839</u>	<u>272,237</u>	<u>402,307</u>	<u>3,362,818</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	-	-	-	3,344,986
Health	-	-	-	-
Fire	-	-	-	-
Police	10,973	-	244,642	-
Other public safety	-	360,616	-	-
Intergovernmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	253,043	-
Total expenditures	<u>10,973</u>	<u>360,616</u>	<u>497,685</u>	<u>3,344,986</u>
Excess (deficiency) of revenues over (under) expenditures	<u>177,866</u>	<u>(88,379)</u>	<u>(95,378)</u>	<u>17,832</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Retirement of refunded debt	-	-	-	-
Bond premium (discount)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	177,866	(88,379)	(95,378)	17,832
Fund balances - beginning of year	<u>195,851</u>	<u>464,649</u>	<u>278,422</u>	<u>-</u>
Fund balances - end of year	<u>\$ 373,717</u>	<u>\$ 376,270</u>	<u>\$ 183,044</u>	<u>\$ 17,832</u>

Special Revenue Funds

<u>Donations</u>	<u>Hotel/Motel Tax</u>	<u>Lake Alan Henry</u>	<u>Cemetery Maintenance</u>	<u>Lubbock Economic Development Alliance</u>	<u>North Overton TIF</u>	<u>Central Business District TIF</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,583,031	\$ 469,736
-	-	-	-	4,225,442	-	-
-	4,179,036	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	469,175	-	-	-	-
9,380	26,897	10,193	940	-	12,297	20,429
238,516	-	-	11,021	-	-	-
<u>247,896</u>	<u>4,205,933</u>	<u>479,368</u>	<u>11,961</u>	<u>4,225,442</u>	<u>1,595,328</u>	<u>490,165</u>
50,294	-	-	-	-	-	-
63,287	-	328,782	-	-	-	-
448	2,853,919	-	-	4,225,442	58,388	346,782
4,751	-	-	-	-	-	-
3,617	-	-	-	-	-	-
3,715	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
50,000	-	15,934	-	-	-	-
<u>176,112</u>	<u>2,853,919</u>	<u>344,716</u>	<u>-</u>	<u>4,225,442</u>	<u>58,388</u>	<u>346,782</u>
<u>71,784</u>	<u>1,352,014</u>	<u>134,652</u>	<u>11,961</u>	<u>-</u>	<u>1,536,940</u>	<u>143,383</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(1,698,745)	(128,429)	-	-	(2,969,519)	-
-	(1,698,745)	(128,429)	-	-	(2,969,519)	-
71,784	(346,731)	6,223	11,961	-	(1,432,579)	143,383
409,682	2,295,769	583,505	130,338	-	425,772	890,211
<u>\$ 481,466</u>	<u>\$ 1,949,038</u>	<u>\$ 589,728</u>	<u>\$ 142,299</u>	<u>\$ -</u>	<u>\$(1,006,807)</u>	<u>\$ 1,033,594</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2009

	Special Revenue Funds				
	North Overton PID	North Point PID	Vintage Township PID	Gateway Streets	Community Development
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Occupancy taxes	-	-	-	-	-
Franchise taxes	-	-	-	4,306,082	-
Special assessments	275,144	70,624	169,829	-	-
Fees and fines	-	-	-	-	-
Intergovernmental	-	-	-	-	3,604,559
Charges for services	-	-	-	-	-
Interest	1,284	1,987	-	305,216	8,218
Miscellaneous	-	-	-	-	241,803
Total revenues	<u>276,428</u>	<u>72,611</u>	<u>169,829</u>	<u>4,611,298</u>	<u>3,854,580</u>
EXPENDITURES					
Current:					
Community services	-	-	-	-	3,847,913
Cultural and recreation	-	-	-	-	-
Economic and business development	296,630	25,012	168,818	397,766	-
Health	-	-	-	-	-
Fire	-	-	-	-	-
Police	-	-	-	-	-
Other public safety	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	-	-	-	-	5,919
Total expenditures	<u>296,630</u>	<u>25,012</u>	<u>168,818</u>	<u>397,766</u>	<u>3,853,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,202)</u>	<u>47,599</u>	<u>1,011</u>	<u>4,213,532</u>	<u>748</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Retirement of refunded debt	-	-	-	-	-
Bond premium (discount)	-	-	-	-	-
Transfers in	-	-	-	1,328,000	-
Transfers out	-	-	-	(4,530,488)	(148,300)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,202,488)</u>	<u>(148,300)</u>
Net change in fund balances	(20,202)	47,599	1,011	1,011,044	(147,552)
Fund balances - beginning of year	44,042	83,753	-	16,719,153	836,189
Fund balances - end of year	<u>\$ 23,840</u>	<u>\$ 131,352</u>	<u>\$ 1,011</u>	<u>\$ 17,730,197</u>	<u>\$ 688,637</u>

Special Revenue Funds

Urban Renewal Agency (URA)	Community Services	Health	Library	Police	Other Grants	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,415,585
-	-	-	-	-	-	4,225,442
-	-	-	-	-	-	4,179,036
-	-	-	-	-	-	4,306,082
-	-	-	-	-	-	515,597
-	-	-	-	-	-	265,620
-	1,812,773	854,233	566,652	263,631	1,519,060	8,620,908
-	-	-	-	-	-	469,175
-	-	-	-	3,186	-	415,513
-	-	125,866	-	-	61,134	1,260,617
-	<u>1,812,773</u>	<u>980,099</u>	<u>566,652</u>	<u>266,817</u>	<u>1,580,194</u>	<u>29,673,575</u>
217,528	1,813,809	-	-	-	692,399	6,621,943
-	-	-	575,863	-	-	967,932
-	-	-	-	-	-	11,718,191
-	-	959,243	-	-	315,537	1,279,531
-	-	-	-	-	41,301	44,918
-	-	-	-	247,524	49,557	556,411
-	-	-	-	-	375,461	736,077
-	-	-	-	39,806	-	39,806
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	73,691	-	9,495	387,716	795,798
<u>217,528</u>	<u>1,813,809</u>	<u>1,032,934</u>	<u>575,863</u>	<u>296,825</u>	<u>1,861,971</u>	<u>22,760,607</u>
<u>(217,528)</u>	<u>(1,036)</u>	<u>(52,835)</u>	<u>(9,211)</u>	<u>(30,008)</u>	<u>(281,777)</u>	<u>6,912,968</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	97,628	236,183	1,661,811
-	-	-	-	-	-	(9,475,481)
-	-	-	-	97,628	236,183	(7,813,670)
(217,528)	(1,036)	(52,835)	(9,211)	67,620	(45,594)	(900,702)
<u>5,820,955</u>	<u>2,566</u>	<u>101,257</u>	<u>9,211</u>	<u>138,031</u>	<u>248,184</u>	<u>29,677,540</u>
<u>\$ 5,603,427</u>	<u>\$ 1,530</u>	<u>\$ 48,422</u>	<u>\$ -</u>	<u>\$ 205,651</u>	<u>\$ 202,590</u>	<u>\$ 28,776,838</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2009

	<u>Capital Projects Funds</u>			Total Nonmajor Governmental Funds
	Debt Service Fund	TIF Capital Projects	Total Capital Projects Funds	
REVENUES				
Property taxes	\$ 10,205,675	\$ -	\$ -	\$ 15,621,260
Sales taxes	-	-	-	4,225,442
Occupancy taxes	-	-	-	4,179,036
Franchise taxes	-	-	-	4,306,082
Special assessments	-	-	-	515,597
Fees and fines	-	-	-	265,620
Intergovernmental	-	1,500,000	1,500,000	10,120,908
Charges for services	-	-	-	469,175
Interest	36,413	76,906	76,906	528,832
Miscellaneous	-	-	-	1,260,617
Total revenues	<u>10,242,088</u>	<u>1,576,906</u>	<u>1,576,906</u>	<u>41,492,569</u>
EXPENDITURES				
Current:				
Community services	-	-	-	6,621,943
Cultural and recreation	-	-	-	967,932
Economic and business development	-	2,377	2,377	11,720,568
Health	-	-	-	1,279,531
Fire	-	-	-	44,918
Police	-	-	-	556,411
Other public safety	-	-	-	736,077
Intergovernmental	-	-	-	39,806
Debt Service:				
Principal	9,478,486	-	-	9,478,486
Interest and other charges	9,550,158	-	-	9,550,158
Capital outlay	-	18,066,056	18,066,056	18,861,854
Total expenditures	<u>19,028,644</u>	<u>18,068,433</u>	<u>18,068,433</u>	<u>59,857,684</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,786,556)</u>	<u>(16,491,527)</u>	<u>(16,491,527)</u>	<u>(18,365,115)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	2,919,385	961,386	961,386	3,880,771
Retirement of refunded debt	(3,206,295)	-	-	(3,206,295)
Bond premium (discount)	172,308	29,820	29,820	202,128
Transfers in	8,294,736	-	-	9,956,547
Transfers out	-	(470,402)	(470,402)	(9,945,883)
Net other financing sources (uses)	<u>8,180,134</u>	<u>520,804</u>	<u>520,804</u>	<u>887,268</u>
Net change in fund balances	(606,422)	(15,970,723)	(15,970,723)	(17,477,847)
Fund balances - beginning of year	2,104,697	17,710,050	17,710,050	49,492,287
Fund balances - end of year	<u>\$ 1,498,275</u>	<u>\$ 1,739,327</u>	<u>\$ 1,739,327</u>	<u>\$ 32,014,440</u>

CITY OF LUBBOCK, TEXAS

Nonmajor Enterprise Funds

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

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

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

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

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

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

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2009

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 19,406	\$ 42,563	\$ 30,205	\$ -
Investments	3,739,240	8,201,112	-	59
Accounts receivable	395,582	1,762,577	2,777,870	55,850
Interest receivable	15,628	23,740	-	40
Due from others	202,451	-	885,273	165
Due from other funds	-	1,925,124	-	-
Due from other governments	384,331	-	-	-
Prepaid expenses	-	-	64,817	-
Inventories	-	-	676,468	-
	<u>4,756,638</u>	<u>11,955,116</u>	<u>4,434,633</u>	<u>56,114</u>
Total currents assets				
Noncurrent assets:				
Restricted investments	<u>4,836,946</u>	<u>2,738,887</u>	<u>-</u>	<u>73,060</u>
	<u>4,836,946</u>	<u>2,738,887</u>	<u>-</u>	<u>73,060</u>
Capital assets:				
Land	3,589,941	1,607,932	318,539	14,097
Construction in progress	9,884,478	2,297,003	528,842	428,091
Buildings	39,168,519	1,634,574	4,522,110	555,588
Improvements other than buildings	98,872,758	26,794,234	1,273,687	-
Machinery and equipment	13,297,034	32,114,843	21,769,509	337,349
Less accumulated depreciation	<u>(77,192,737)</u>	<u>(41,094,028)</u>	<u>(18,808,559)</u>	<u>(363,021)</u>
	<u>87,619,993</u>	<u>23,354,558</u>	<u>9,604,128</u>	<u>972,104</u>
Total capital assets	<u>87,619,993</u>	<u>23,354,558</u>	<u>9,604,128</u>	<u>972,104</u>
Total noncurrent assets	<u>92,456,939</u>	<u>26,093,445</u>	<u>9,604,128</u>	<u>1,045,164</u>
Total assets	<u>\$ 97,213,577</u>	<u>\$ 38,048,561</u>	<u>\$ 14,038,761</u>	<u>\$ 1,101,278</u>

<u>Civic Centers</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 4,030	\$ 96,204
776,423	12,716,834
105,107	5,096,986
-	39,408
21,813	1,109,702
-	1,925,124
-	384,331
-	64,817
-	676,468
<u>907,373</u>	<u>22,109,874</u>
<u>442,680</u>	<u>8,091,573</u>
<u>442,680</u>	<u>8,091,573</u>
1,238,454	6,768,963
83,507	13,221,921
21,885,776	67,766,567
2,767,894	129,708,573
5,293,732	72,812,467
<u>(20,197,348)</u>	<u>(157,655,693)</u>
<u>11,072,015</u>	<u>132,622,798</u>
<u>11,514,695</u>	<u>140,714,371</u>
<u>\$ 12,422,068</u>	<u>\$ 162,824,245</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2009

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 634,924	\$ 141,577	\$ 462,207	\$ 7,189
Accrued liabilities	159,079	331,537	179,032	18,715
Accrued interest payable	79,472	119,463	-	3,935
Due to other funds	-	-	2,912,500	107,100
Customer deposits	-	8,172	-	-
Deferred revenue	-	-	-	3,220
Compensated absences	111,451	311,964	274,583	25,923
Leases payable	11,922	3,376,659	-	-
Bonds payable	1,786,574	683,940	-	23,928
	<u>2,783,422</u>	<u>4,973,312</u>	<u>3,828,322</u>	<u>190,010</u>
Total current liabilities				
Noncurrent liabilities:				
Rebatable arbitrage	30,363	9,711	-	1,618
Landfill closure and post closure care	-	3,967,290	-	-
Compensated absences	128,342	359,245	-	29,852
Post employment benefits	185,957	417,718	-	37,094
Pension obligation	49,844	112,655	-	9,041
Leases payable	36,250	9,482,831	-	-
Bonds payable	12,466,370	12,839,875	-	616,383
	<u>12,897,126</u>	<u>27,189,325</u>	<u>-</u>	<u>693,988</u>
Total noncurrent liabilities				
	<u>15,680,548</u>	<u>32,162,637</u>	<u>3,828,322</u>	<u>883,998</u>
Total liabilities				
NET ASSETS				
Invested in capital assets, net of related debt	75,585,677	(746,519)	9,604,128	388,487
Restricted for passenger facility charges	1,522,262	-	-	-
Restricted for debt service	1,047,886	456,658	-	16,366
Unrestricted	3,377,204	6,175,785	606,311	(187,573)
	<u>\$ 81,533,029</u>	<u>\$ 5,885,924</u>	<u>\$ 10,210,439</u>	<u>\$ 217,280</u>
Total net assets				

<u>Civic Centers</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 32,558	\$ 1,278,455
65,470	753,833
4,592	207,462
-	3,019,600
59,777	67,949
-	3,220
119,316	843,237
-	3,388,581
8,507	2,502,949
<u>290,220</u>	<u>12,065,286</u>
-	41,692
-	3,967,290
137,399	654,838
137,777	778,546
26,614	198,154
-	9,519,081
492,447	26,415,075
<u>794,237</u>	<u>41,574,676</u>
<u>1,084,457</u>	<u>53,639,962</u>
10,996,671	95,828,444
-	1,522,262
17,071	1,537,981
323,869	10,295,596
<u>\$ 11,337,611</u>	<u>\$ 109,184,283</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, 2009

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
OPERATING REVENUES				
Charges for services (net)	<u>\$ 6,926,643</u>	<u>\$ 16,979,975</u>	<u>\$ 4,385,580</u>	<u>\$ 462,333</u>
Total operating revenues	<u>6,926,643</u>	<u>16,979,975</u>	<u>4,385,580</u>	<u>462,333</u>
OPERATING EXPENSES				
Personal services	2,287,833	5,829,354	6,563,521	407,392
Supplies	159,263	1,223,424	1,369,648	42,018
Maintenance	526,682	2,792,513	1,133,704	34,021
Billing office expense	-	728,945	-	-
Other services and charges	1,915,695	1,779,374	1,107,133	170,051
Depreciation and amortization	<u>4,451,048</u>	<u>5,414,394</u>	<u>1,215,549</u>	<u>19,090</u>
Total operating expenses	<u>9,340,521</u>	<u>17,768,004</u>	<u>11,389,555</u>	<u>672,572</u>
Operating loss	<u>(2,413,878)</u>	<u>(788,029)</u>	<u>(7,003,975)</u>	<u>(210,239)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	147,827	180,239	-	530
Passenger facility charges/Federal grants	2,164,993	-	4,237,189	-
Disposition of assets	2,902	78,095	-	3,297
Miscellaneous	740,223	100,047	-	-
Interest expense	<u>(740,403)</u>	<u>(555,129)</u>	<u>-</u>	<u>(14,008)</u>
Net nonoperating revenues (expenses)	<u>2,315,542</u>	<u>(196,748)</u>	<u>4,237,189</u>	<u>(10,181)</u>
Loss before contributions and transfers	(98,336)	(984,777)	(2,766,786)	(220,420)
Capital contributions	2,263,877	37,716	2,726,553	-
Transfers in	-	-	1,901,140	413,531
Transfers out	<u>(1,132,185)</u>	<u>(2,850,175)</u>	<u>-</u>	<u>-</u>
Change in net assets	1,033,356	(3,797,236)	1,860,907	193,111
Total net assets - beginning	<u>80,499,673</u>	<u>9,683,160</u>	<u>8,349,532</u>	<u>24,169</u>
Total net assets - ending	<u>\$ 81,533,029</u>	<u>\$ 5,885,924</u>	<u>\$ 10,210,439</u>	<u>\$ 217,280</u>

<u>Civic Centers</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 693,798	\$ 29,448,329
<u>693,798</u>	<u>29,448,329</u>
1,723,924	16,812,024
79,018	2,873,371
318,493	4,805,413
-	728,945
767,460	5,739,713
<u>1,383,956</u>	<u>12,484,037</u>
<u>4,272,851</u>	<u>43,443,503</u>
<u>(3,579,053)</u>	<u>(13,995,174)</u>
13,504	342,100
-	6,402,182
-	84,294
5,249	845,519
<u>-</u>	<u>(1,309,540)</u>
<u>18,753</u>	<u>6,364,555</u>
(3,560,300)	(7,630,619)
793,966	5,822,112
2,562,158	4,876,829
<u>-</u>	<u>(3,982,360)</u>
<u>(204,176)</u>	<u>(914,038)</u>
<u>11,541,787</u>	<u>110,098,321</u>
<u>\$ 11,337,611</u>	<u>\$ 109,184,283</u>

City Of Lubbock, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2009

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 6,839,004	\$ 17,374,004	\$ 2,274,695	\$ 456,396
Payments to suppliers	(4,105,224)	(5,591,180)	(3,295,474)	(422,857)
Payments to employees	(2,391,555)	(6,075,613)	(6,563,521)	(426,106)
Other receipts	740,223	100,047	-	-
Net cash provided (used) by operating activities	<u>1,082,448</u>	<u>5,807,258</u>	<u>(7,584,300)</u>	<u>(392,567)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	-	-	1,901,140	413,531
Transfers out to other funds	(1,132,185)	(2,850,175)	-	-
Short-term interfund borrowings (repayments)	-	(1,413,128)	1,300,500	-
Passenger facility charges and operating grants	2,164,993	-	4,237,189	-
Net cash provided (used) by noncapital and related financing activities	<u>1,032,808</u>	<u>(4,263,303)</u>	<u>7,438,829</u>	<u>413,531</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(5,715,894)	(7,449,738)	(2,588,987)	(50,910)
Sale of capital assets	2,902	78,095	-	16,091
Principal paid on capital leases	(11,681)	(1,845,507)	-	-
Principal paid on bonds	(1,607,445)	(1,115,916)	-	(22,948)
Issuance of capital leases	-	5,759,546	-	-
Issuance of bonds	-	1,026,776	-	-
Bond issuance costs	-	(32,434)	-	-
Interest paid on bonds and capital leases	(876,350)	(582,631)	-	(14,291)
Rebatable arbitrage	(16,098)	(26,137)	-	(2,279)
Capital grants and contributions	2,251,667	-	2,726,553	-
Net cash provided (used) for capital and related financing activities	<u>(5,972,899)</u>	<u>(4,187,946)</u>	<u>137,566</u>	<u>(74,337)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	6,831,745	6,438,739	-	79,879
Purchase of investments	(3,171,725)	(4,045,933)	-	(27,042)
Interest earnings on cash and investments	188,775	210,330	-	506
Net cash provided (used) for investing activities	<u>3,848,795</u>	<u>2,603,136</u>	<u>-</u>	<u>53,343</u>
Net increase (decrease) in cash and cash equivalents	(8,848)	(40,855)	(7,905)	(30)
Cash and cash equivalents - beginning of year	28,254	83,418	38,110	30
Cash and cash equivalents - end of year	<u>\$ 19,406</u>	<u>\$ 42,563</u>	<u>\$ 30,205</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating loss	\$ (2,413,878)	\$ (788,029)	\$ (7,003,975)	\$ (210,239)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation and amortization	4,451,048	5,414,394	1,215,549	19,090
Other income (expense)	740,223	100,047	-	-
Change in current assets and liabilities:				
Accounts receivable	(87,639)	394,029	(2,110,885)	(5,937)
Inventory	-	-	59,146	-
Prepaid expenses	-	-	(4,556)	-
Due from other governments	(384,331)	-	(21,101)	-
Accounts payable	(1,383,551)	34,087	323,642	(3,933)
Other accrued expenses	(48,527)	31,861	(70,695)	1,506
Due to/from other funds	86,386	-	-	(138,065)
Customer deposits	-	400	-	-
Change in compensated absences and retirement benefits	122,717	620,469	28,575	(54,989)
Net cash provided (used) by operating activities	<u>\$ 1,082,448</u>	<u>\$ 5,807,258</u>	<u>\$ (7,584,300)</u>	<u>\$ (392,567)</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	\$ 12,210	\$ 37,716	\$ -	\$ -

<u>Civic Centers</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 687,957	\$ 27,632,056
(1,055,085)	(14,469,820)
(1,789,381)	(17,246,176)
-	840,270
<u>(2,156,509)</u>	<u>(3,243,670)</u>
2,562,158	4,876,829
-	(3,982,360)
-	(112,628)
-	6,402,182
<u>2,562,158</u>	<u>7,184,023</u>
(63,525)	(15,869,054)
-	97,088
-	(1,857,188)
-	(2,746,309)
4,456	5,764,002
505,810	1,532,586
(4,808)	(37,242)
3,390	(1,469,882)
-	(44,514)
-	4,978,220
<u>445,323</u>	<u>(9,652,293)</u>
-	13,350,363
(859,941)	(8,104,641)
10,066	409,677
<u>(849,875)</u>	<u>5,655,399</u>
1,097	(56,541)
2,933	152,745
<u>\$ 4,030</u>	<u>\$ 96,204</u>
\$ (3,579,053)	\$ (13,995,174)
1,383,956	12,484,037
5,249	845,519
(5,841)	(1,816,273)
-	59,146
-	(4,556)
-	(405,432)
(38,145)	(1,067,900)
5,480	(80,375)
(21,813)	(73,492)
(7,840)	(7,440)
101,498	818,270
<u>\$ (2,156,509)</u>	<u>\$ (3,243,670)</u>
\$ 793,966	\$ 843,892



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, 2009

	<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	\$ 4,373	\$ 2,160	\$ 41,471	\$ 48,004
Investments	842,546	416,142	7,990,798	9,249,486
Interest receivable	2,091	1,033	19,113	22,237
Due from others	524	3,586	12,979	17,089
Prepaid expenses	-	-	-	-
Inventories	196,524	1,417,558	-	1,614,082
Total current assets	<u>1,046,058</u>	<u>1,840,479</u>	<u>8,064,361</u>	<u>10,950,898</u>
Noncurrent assets				
Capital assets:				
Land	-	-	-	-
Construction in Progress	-	-	-	-
Buildings	1,469,765	138,853	-	1,608,618
Improvements other than buildings	-	-	-	-
Machinery and equipment	603,642	116,761	17,227	737,630
Less accumulated depreciation	<u>(1,287,896)</u>	<u>(224,285)</u>	<u>(17,227)</u>	<u>(1,529,408)</u>
Total capital assets	<u>785,511</u>	<u>31,329</u>	<u>-</u>	<u>816,840</u>
Total noncurrent assets	<u>785,511</u>	<u>31,329</u>	<u>-</u>	<u>816,840</u>
Total assets	<u>\$ 1,831,569</u>	<u>\$ 1,871,808</u>	<u>\$ 8,064,361</u>	<u>\$ 11,767,738</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>
\$ 13,837	\$ 56,162	\$ 71	\$ 70,070	\$ 118,074
2,666,231	10,821,384	13,633	13,501,248	22,750,734
6,618	23,382	-	30,000	52,237
62,686	70,563	-	133,249	150,338
94,430	-	-	94,430	94,430
14,668	-	-	14,668	1,628,750
<u>2,858,470</u>	<u>10,971,491</u>	<u>13,704</u>	<u>13,843,665</u>	<u>24,794,563</u>
65,343	-	-	65,343	65,343
439,685	-	-	439,685	439,685
28,436	-	-	28,436	1,637,054
680,935	-	-	680,935	680,935
8,318,743	5,568	-	8,324,311	9,061,941
(7,331,515)	(5,568)	-	(7,337,083)	(8,866,491)
<u>2,201,627</u>	<u>-</u>	<u>-</u>	<u>2,201,627</u>	<u>3,018,467</u>
<u>2,201,627</u>	<u>-</u>	<u>-</u>	<u>2,201,627</u>	<u>3,018,467</u>
<u>\$ 5,060,097</u>	<u>\$ 10,971,491</u>	<u>\$ 13,704</u>	<u>\$ 16,045,292</u>	<u>\$ 27,813,030</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2009

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 394,048	\$ 158,764	\$ 13,411	\$ 566,223
Accrued liabilities	40,058	13,132	11,541	64,731
Accrued interest payable	-	141	-	141
Compensated absences	32,518	13,032	6,892	52,442
Accrued insurance claims	-	-	1,685,551	1,685,551
Leases payable	-	15,177	-	15,177
Total current liabilities	466,624	200,246	1,717,395	2,384,265
Noncurrent liabilities:				
Accrued insurance claims	-	-	1,685,900	1,685,900
Compensated absences	37,446	15,008	7,936	60,390
Post employment benefits	83,249	26,496	21,196	130,941
Net pension obligation	18,809	5,472	5,681	29,962
Leases payable	-	13,312	-	13,312
Total noncurrent liabilities	139,504	60,288	1,720,713	1,920,505
Total liabilities	606,128	260,534	3,438,108	4,304,770
NET ASSETS				
Invested in capital assets, net of related debt	785,511	2,840	-	788,351
Unrestricted	439,930	1,608,434	4,626,253	6,674,617
Total net assets	\$ 1,225,441	\$ 1,611,274	\$ 4,626,253	\$ 7,462,968

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>
\$ 337,042	\$ 717,745	\$ -	\$ 1,054,787	\$ 1,621,010
148,908	10,279	3,706	162,893	227,624
2,515	-	-	2,515	2,656
167,967	3,695	-	171,662	224,104
-	1,373,981	-	1,373,981	3,059,532
384,545	-	-	384,545	399,722
<u>1,040,977</u>	<u>2,105,700</u>	<u>3,706</u>	<u>3,150,383</u>	<u>5,534,648</u>
-	135,865	-	135,865	1,821,765
301,677	6,635	-	308,312	368,702
187,695	19,315	-	207,010	337,951
70,153	4,014	1,783	75,950	105,912
282,239	-	-	282,239	295,551
<u>841,764</u>	<u>165,829</u>	<u>1,783</u>	<u>1,009,376</u>	<u>2,929,881</u>
<u>1,882,741</u>	<u>2,271,529</u>	<u>5,489</u>	<u>4,159,759</u>	<u>8,464,529</u>
1,534,843	-	-	1,534,843	2,323,194
<u>1,642,513</u>	<u>8,699,962</u>	<u>8,215</u>	<u>10,350,690</u>	<u>17,025,307</u>
<u>\$ 3,177,356</u>	<u>\$ 8,699,962</u>	<u>\$ 8,215</u>	<u>\$ 11,885,533</u>	<u>\$ 19,348,501</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, 2009

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
OPERATING REVENUES				
Charges for services	\$ 7,971,746	\$ 4,057,478	\$ 5,203,554	\$ 17,232,778
Total operating revenues	<u>7,971,746</u>	<u>4,057,478</u>	<u>5,203,554</u>	<u>17,232,778</u>
OPERATING EXPENSES				
Personal services	928,391	282,304	254,679	1,465,374
Insurance and claims	-	-	5,682,283	5,682,283
Supplies	50,641	8,056	4,292	62,989
Materials	6,439,660	3,579,755	-	10,019,415
Maintenance	31,092	15,260	1,209	47,561
Other services and charges	429,984	192,961	101,993	724,938
Depreciation and amortization	53,293	12,189	957	66,439
Total operating expenses	<u>7,933,061</u>	<u>4,090,525</u>	<u>6,045,413</u>	<u>18,068,999</u>
Operating income (loss)	<u>38,685</u>	<u>(33,047)</u>	<u>(841,859)</u>	<u>(836,221)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	8,864	2,131	133,406	144,401
Disposition of assets	(21,562)	1,045	-	(20,517)
Miscellaneous	18,526	2,755	403,920	425,201
Interest expense	-	(1,494)	-	(1,494)
Net nonoperating revenues (expenses)	<u>5,828</u>	<u>4,437</u>	<u>537,326</u>	<u>547,591</u>
Income (loss) before contributions and transfers	44,513	(28,610)	(304,533)	(288,630)
Capital Contributions	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Change in net assets	44,513	(28,610)	(304,533)	(288,630)
Total net assets - beginning of year	<u>1,180,928</u>	<u>1,639,884</u>	<u>4,930,786</u>	<u>7,751,598</u>
Total net assets - end of year	<u>\$ 1,225,441</u>	<u>\$ 1,611,274</u>	<u>\$ 4,626,253</u>	<u>\$ 7,462,968</u>

Governmental Activities

Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
<u>\$ 7,194,703</u>	<u>\$22,702,270</u>	<u>\$ -</u>	<u>\$ 29,896,973</u>	<u>\$ 47,129,751</u>
<u>7,194,703</u>	<u>22,702,270</u>	<u>-</u>	<u>29,896,973</u>	<u>47,129,751</u>
3,109,673	184,788	74,284	3,368,745	4,834,119
-	21,088,133	-	21,088,133	26,770,416
93,276	8,158	5	101,439	164,428
245,103	-	-	245,103	10,264,518
2,134,521	-	-	2,134,521	2,182,082
1,303,637	57,750	215,896	1,577,283	2,302,221
323,480	-	-	323,480	389,919
<u>7,209,690</u>	<u>21,338,829</u>	<u>290,185</u>	<u>28,838,704</u>	<u>46,907,703</u>
<u>(14,987)</u>	<u>1,363,441</u>	<u>(290,185)</u>	<u>1,058,269</u>	<u>222,048</u>
33,692	187,637	295,919	517,248	661,649
(5,138)	-	-	(5,138)	(25,655)
169	185,378	-	185,547	610,748
<u>(28,291)</u>	<u>-</u>	<u>-</u>	<u>(28,291)</u>	<u>(29,785)</u>
<u>432</u>	<u>373,015</u>	<u>295,919</u>	<u>669,366</u>	<u>1,216,957</u>
(14,555)	1,736,456	5,734	1,727,635	1,439,005
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(14,555)	1,736,456	5,734	1,727,635	1,439,005
<u>3,191,911</u>	<u>6,963,506</u>	<u>2,481</u>	<u>10,157,898</u>	<u>17,909,496</u>
<u>\$ 3,177,356</u>	<u>\$ 8,699,962</u>	<u>\$ 8,215</u>	<u>\$ 11,885,533</u>	<u>\$ 19,348,501</u>

City of Lubbock, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2009

	Business-type Activities			Total Business-type Activities
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 7,971,745	\$ 4,057,478	\$ 5,203,554	\$ 17,232,777
Payments to suppliers	(6,721,111)	(3,468,403)	(5,246,927)	(15,436,441)
Payments to employees	(896,405)	(272,896)	(247,153)	(1,416,454)
Other receipts	18,756	3,800	403,920	426,476
Net cash provided (used) by operating activities	<u>372,985</u>	<u>319,979</u>	<u>113,394</u>	<u>806,358</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(71,458)	-	-	(71,458)
Sale of capital assets	-	-	-	-
Principal paid on capital leases	-	(14,591)	-	(14,591)
Issuance of capital leases	-	-	-	-
Interest paid on debt	-	(1,567)	-	(1,567)
Net cash provided (used) for capital and related financing activities	<u>(71,458)</u>	<u>(16,158)</u>	<u>-</u>	<u>(87,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	1,242	47,249	2,723,895	2,772,386
Purchase of investments	(311,598)	(354,357)	(2,955,232)	(3,621,187)
Interest earnings on cash and investments	8,855	4,557	159,414	172,826
Net cash provided (used) for investing activities	<u>(301,501)</u>	<u>(302,551)</u>	<u>(71,923)</u>	<u>(675,975)</u>
Net increase (decrease) in cash and cash equivalents	26	1,270	41,471	42,767
Cash and cash equivalents - beginning of year	4,347	890	-	5,237
Cash and cash equivalents - end of year	<u>\$ 4,373</u>	<u>\$ 2,160</u>	<u>\$ 41,471</u>	<u>\$ 48,004</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 38,685	(33,047)	\$ (841,859)	(836,221)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	53,293	12,189	957	66,439
Other income (expense)	18,756	3,800	403,920	426,476
Change in current assets and liabilities:				
Accounts receivable	-	-	-	-
Inventory	207,580	335,776	-	543,356
Accounts payable	1,997	(13,758)	(15,096)	(26,857)
Due from others	(524)	(1,210)	21,518	19,784
Other accrued expenses	10,831	1,017	526,750	538,598
Change in compensated absences	(8,428)	332	3,997	(4,099)
Change in post retirement benefits	31,986	9,408	7,526	48,920
Change in net pension obligation	18,809	5,472	5,681	29,962
Net cash provided (used) by operating activities	<u>\$ 372,985</u>	<u>\$ 319,979</u>	<u>\$ 113,394</u>	<u>\$ 806,358</u>

Governmental Activities				
Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
\$ 7,169,000	\$ 22,755,582	\$ -	\$ 29,924,582	\$ 47,157,359
(3,452,104)	(21,595,678)	(217,931)	(25,265,713)	(40,702,154)
(3,038,175)	(179,143)	(74,284)	(3,291,602)	(4,708,056)
169	185,378	-	185,547	612,023
<u>678,890</u>	<u>1,166,139</u>	<u>(292,215)</u>	<u>1,552,814</u>	<u>2,359,172</u>
(330,080)	-	-	(330,080)	(401,538)
4,545	-	-	4,545	4,545
(446,769)	-	-	(446,769)	(461,360)
3,428	-	-	3,428	3,428
(29,082)	-	-	(29,082)	(30,649)
<u>(797,958)</u>	<u>-</u>	<u>-</u>	<u>(797,958)</u>	<u>(885,574)</u>
1,076,155	2,673,137	1,328	3,750,620	6,523,006
(1,025,496)	(4,002,065)	(5,042)	(5,032,603)	(8,653,790)
60,057	218,951	295,919	574,927	747,753
<u>110,716</u>	<u>(1,109,977)</u>	<u>292,205</u>	<u>(707,056)</u>	<u>(1,383,031)</u>
(8,352)	56,162	(10)	47,800	90,567
22,189	-	81	22,270	27,507
<u>\$ 13,837</u>	<u>\$ 56,162</u>	<u>\$ 71</u>	<u>\$ 70,070</u>	<u>\$ 118,074</u>
(14,987)	1,363,441	(290,185)	1,058,269	222,048
323,480	-	-	323,480	389,919
169	185,378	-	185,547	612,023
(25,703)	53,312	-	27,609	27,609
22,129	-	-	22,129	565,485
109,333	(207,516)	(7,519)	(105,702)	(132,559)
34,705	-	-	34,705	54,489
15,664	(242,569)	3,706	(223,199)	315,399
72,449	4,434	-	76,883	72,784
71,498	5,645	-	77,143	126,063
70,153	4,014	1,783	75,950	105,912
<u>\$ 678,890</u>	<u>\$ 1,166,139</u>	<u>\$ (292,215)</u>	<u>\$ 1,552,814</u>	<u>\$ 2,359,172</u>



CITY OF LUBBOCK, TEXAS

Nonmajor Component Units

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

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

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

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

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



City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Component Units
September 30, 2009

	<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	\$ 857,850	\$ 1,704,996	\$ 1,108,693	\$ -	\$ 3,671,539
Investments	-	25,008	904,532	-	929,540
Accounts receivable	122,750	41,265	717,799	-	881,814
Due from others	-	18,294	-	-	18,294
Inventories	79,383	48,416	-	-	127,799
Prepaid expenses	10,980	6,613	11,635	-	29,228
Restricted assets:					
Cash and cash equivalents	344,086	-	-	1,290,008	1,634,094
Incentives advances	-	4,000,000	-	-	4,000,000
Capital assets:					
Non-depreciable	439,636	872,087	18,341,845	-	19,653,568
Depreciable	-	159,448	119,324	-	278,772
Total assets	<u>1,854,685</u>	<u>6,876,127</u>	<u>21,203,828</u>	<u>1,290,008</u>	<u>31,224,648</u>
LIABILITIES					
Current liabilities:					
Accounts payable	709,011	49,619	548,271	-	1,306,901
Accrued liabilities	-	35,156	56,819	125,154	217,129
Unearned revenue	276,599	4,000,000	-	-	4,276,599
Noncurrent liabilities due within one year:					
Contracts and leases payable	-	127,887	1,109,834	-	1,237,721
Bonds and notes payable	-	-	1,450,000	-	1,450,000
Noncurrent liabilities due in more than one year:					
Contracts and leases payable	-	8,334	1,923,333	-	1,931,667
Bonds payable	-	-	4,227,924	3,394,000	7,621,924
Total liabilities	<u>985,610</u>	<u>4,220,996</u>	<u>9,316,181</u>	<u>3,519,154</u>	<u>18,041,941</u>
NET ASSETS					
Invested in capital assets, net of related debt	439,636	1,031,535	12,783,245	(3,394,000)	10,860,416
Restricted for:					
Primary government agreement	100,000	-	-	-	100,000
Unrestricted	329,439	1,623,596	(895,598)	1,164,854	2,222,291
Total net assets	<u>\$ 869,075</u>	<u>\$ 2,655,131</u>	<u>\$ 11,887,647</u>	<u>\$ (2,229,146)</u>	<u>\$ 13,182,707</u>

City of Lubbock, Texas
Combining Statement of Activities
Nonmajor Component Units
For the Year Ended September 30, 2009

	<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	\$ 2,429,457	\$ 2,140,234	\$ 332,501	\$ -
Market Lubbock, Inc.				
Economic and business development	6,634,167	87,533	6,737,635	-
Lubbock Economic Development Alliance				
Economic and business development	5,276,654	-	6,231,728	-
Vintage Township Public Facilities Corporation				
Economic and business development	<u>1,197,890</u>	<u>-</u>	<u>-</u>	<u>168,818</u>
Total nonmajor component units	<u>\$ 15,538,168</u>	<u>\$ 2,227,767</u>	<u>\$ 13,301,864</u>	<u>\$ 168,818</u>

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

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

Civic Lubbock, Inc.	Market Lubbock, Inc.	Lubbock Economic Development Alliance	Vintage Township Public Facilities Corporation	Total
\$ 43,278	\$ -	\$ -	\$ -	\$ 43,278
-	191,001	-	-	191,001
-	-	955,074	-	955,074
			(1,029,072)	(1,029,072)
<u>43,278</u>	<u>191,001</u>	<u>955,074</u>	<u>(1,029,072)</u>	<u>160,281</u>
2,913	-	-	9,656	12,569
<u>2,913</u>	<u>-</u>	<u>-</u>	<u>9,656</u>	<u>12,569</u>
46,191	191,001	955,074	(1,019,416)	172,850
822,884	2,464,130	10,932,573	(1,209,730)	13,009,857
<u>\$ 869,075</u>	<u>\$ 2,655,131</u>	<u>\$ 11,887,647</u>	<u>\$ (2,229,146)</u>	<u>\$ 13,182,707</u>

City of Lubbock, Texas
Statement of Net Assets
Discretely Presented Component Unit
Vintage Township Public Facilities Corporation
September 30, 2009

ASSETS	
Restricted assets:	
Cash and cash equivalents	<u>1,290,008</u>
Total assets	<u>\$ 1,290,008</u>
LIABILITIES	
Current liabilities:	
Accrued liabilities	<u>\$ 125,154</u>
Total current liabilities	<u>125,154</u>
Noncurrent liabilities:	
Bonds payable	<u>3,394,000</u>
Total noncurrent liabilities	<u>3,394,000</u>
Total liabilities	<u>3,519,154</u>
NET ASSETS	
Invested in capital assets, net of related debt	(3,394,000)
Unrestricted	<u>1,164,854</u>
Total net assets	<u>\$ (2,229,146)</u>

City of Lubbock, Texas
Statement of Revenues, Expenses and
and Changes in Fund Net Assets
Discretely Presented Component Unit
Vintage Township Public Facilities Corporation
For Fiscal Year Ended September 30, 2009

OPERATING EXPENSES	
Other services and charges	24,471
Total operating expenses	<u>24,471</u>
Operating loss	<u>24,471</u>
NONOPERATING REVENUES (EXPENSES)	
Interest earnings	9,656
Grants	168,818
Disposition of assets	(923,111)
Interest expense	<u>(250,308)</u>
Net nonoperating revenues (expenses)	(994,945)
Change in net assets	(1,019,416)
Total net assets - beginning	<u>(1,209,730)</u>
Total net assets - ending	<u><u>\$ (2,229,146)</u></u>



City of Lubbock, Texas
Statistical Section
(Unaudited – for Analytical Purposes Only)
September 30, 2009

The following portion of the City of Lubbock 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 regarding the City’s overall financial health.

TABLE **CONTENTS**

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

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

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

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

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

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

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant years. 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 Eight Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities								
Invested in capital assets, net of related debt	\$ 62,414	\$ 96,275	\$ 102,925	\$ 76,483	\$ 82,330	\$ 74,433	\$ 78,474	\$ 78,256
Restricted	11,540	11,956	5,128	10,148	8,770	20,339	4,391	25,580 ⁽¹⁾
Unrestricted	26,954	31,701	33,676	26,090	19,529	9,569	18,819	6,305
Total governmental activities net assets	100,908	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	424,165	400,552	384,516	380,149	363,227	355,816	371,427	332,050
Restricted	21,631	21,275	17,730	18,916	26,277	45,417	43,389	74,062 ⁽¹⁾
Unrestricted	117,250	104,709	96,011	71,730	45,345	41,190	32,928	37,987
Total business-type activities net assets	563,046	526,536	498,257	470,795	434,849	442,423	447,744	444,099
Primary Government								
Invested in capital assets, net of related debt	486,579	496,827	487,441	456,632	445,557	430,249	343,467	410,306
Restricted	33,171	33,231	22,858	29,064	35,047	65,756	154,214	99,642
Unrestricted	144,204	136,410	129,687	97,820	64,874	50,759	51,747	44,292
Total Primary government net assets	\$ 663,954	\$ 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 Eight Fiscal Years
(accrual basis of accounting)

	2009	2008	2007	2006	2005	2004	2003	2002
EXPENSES								
Governmental activities:								
Administrative services and general government	\$ 11,078,376	\$ 12,372,316	\$ 12,154,972	\$ 15,116,701	\$ 14,473,020	\$ 10,869,588	\$ 12,799,968	\$ 12,308,092
Community services	7,037,569	6,874,065	6,951,069	6,112,193	6,145,415	6,776,483	6,334,504	8,642,903
Cultural and recreation	15,039,074	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	37,221,152	12,378,335	11,619,989	10,283,007	9,739,417	4,610,380	4,535,348	4,399,424
Fire	33,097,947	31,789,223	27,337,834	26,711,389	23,516,586	22,074,369	20,450,558	19,431,533
Health	5,818,547	6,141,386	5,898,588	5,013,691	5,040,447	4,585,175	4,342,584	4,173,168
Police	48,342,376	46,849,826	43,022,202	42,063,023	38,451,808	36,542,720	33,986,064	31,862,250
Other public safety	6,325,692	6,677,751	5,886,199	5,239,386	4,976,882	4,210,884	3,601,598	3,458,940
Streets and traffic	30,138,853	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	9,840,431	8,367,167	6,968,480	4,326,128	3,195,182	4,876,723	3,373,104	3,492,931
Total governmental activities	203,940,017	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	117,977,960	153,108,050	145,831,415	213,026,628	192,902,041	110,591,149	105,216,078	89,803,676
Water	39,789,705	38,424,263	32,124,957	32,830,002	28,737,866	27,879,343	27,461,215	26,760,680
Wastewater	19,056,052	19,000,488	18,047,434	21,273,796	17,804,487	17,020,092	17,247,936	17,766,514
Solid Waste	18,262,805	16,260,630	14,454,403	14,971,421	14,695,193	17,661,438	19,558,444	14,105,518
Storm Water	8,208,206	7,676,456	3,933,340	5,174,635	5,585,577	5,356,649	3,315,261	3,749,298
Transit	11,389,555	11,338,463	11,004,429	9,349,206	9,003,610	10,565,159	9,163,091	-
Airport	10,084,828	9,465,392	8,524,086	7,996,692	8,150,815	6,852,874	6,478,728	7,024,286
Civic Centers	4,293,789	4,098,873	619,389	-	-	-	-	-
Cemetery	680,123	722,393	-	-	-	-	20,711	61,192
Total business-type activities	229,743,023	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	\$ 433,683,040	\$ 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	\$ 1,586,591	\$ 1,589,515	\$ 2,294,764	\$ 2,590,241	\$ 2,846,058	\$ 3,418,857	\$ 3,734,915	\$ 2,519,486
Other public safety	6,493,905	7,307,182	7,051,120	4,984,968	5,477,292	6,579,654	7,187,914	4,848,798
Other activities	1,584,953	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	8,525,602	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	11,766,248	15,921,953	4,322,182	844,930	-	-	-	-
Total governmental activities program revenues	29,957,299	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	139,236,837	161,329,847	154,103,767	226,373,638	192,568,012	105,433,133	99,969,264	97,424,993
Water	51,989,393	42,527,445	35,454,426	37,330,953	33,306,786	31,907,893	32,770,781	32,727,207
Wastewater	24,479,551	21,095,745	19,841,503	21,087,364	19,829,430	18,889,095	17,894,203	18,492,113
Solid Waste	16,979,975	16,754,438	16,885,042	13,948,861	12,420,499	11,641,316	14,948,379	16,375,461
Stormwater	8,108,040	6,633,255	6,519,658	6,348,461	6,239,436	6,019,490	5,988,651	5,997,284
Transit	4,385,580	4,306,204	4,466,404	3,268,441	3,144,015	2,893,507	2,710,599	-
Airport	6,926,643	6,793,829	6,276,416	5,424,016	5,394,314	4,626,270	4,254,013	4,601,675
Civic Centers	693,798	717,494	287,622	-	-	-	-	-
Cemetery	462,333	335,884	-	-	-	-	-	-
Operating grants and contributions	6,431,052	5,133,092	5,812,969	8,351,605	8,156,015	6,738,797	5,218,995	-
Capital grants and contributions	11,573,283	5,952,837	8,792,317	17,624,811	5,205,541	9,269,306	7,909,581	-
Total business-type activities program revenues	271,266,485	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	\$ 301,223,784	\$ 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 Eight Fiscal Years
(accrual basis of accounting)

	2009	2008	2007	2006	2005	2004	2003	2002
NET (EXPENSES) AND PROGRAM REVENUES								
Governmental activities	\$ (173,982,718)	\$ (126,637,018)	\$ (141,099,319)	\$(124,949,995)	\$(111,871,524)	\$ (99,861,601)	\$ (96,565,421)	\$ (97,603,618)
Business-type activities	41,523,462	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	<u>\$ (132,459,256)</u>	<u>\$ (115,151,956)</u>	<u>\$ (117,198,648)</u>	<u>\$ (89,814,225)</u>	<u>\$(102,487,065)</u>	<u>\$ (98,369,498)</u>	<u>\$ (93,362,419)</u>	<u>\$ (81,256,049)</u>
GENERAL REVENUE, SPECIAL ITEMS, AND TRANSFERS								
Governmental activities:								
Property taxes	52,598,485	50,330,322	47,007,067	42,770,826	39,748,464	44,496,973	42,303,280	40,408,067
Sales taxes	50,705,301	50,548,865	47,780,448	45,576,582	41,803,092	30,554,632	29,092,032	28,902,648
Occupancy taxes	4,179,036	4,190,376	3,828,854	3,410,920	3,260,040	2,853,205	2,862,719	2,860,785
Other taxes	1,272,278	1,180,332	1,080,098	1,036,283	982,327	939,456	848,816	820,507
Franchise taxes	10,765,289	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	1,963,448	5,505,386	6,117,680	4,393,782	1,633,312	1,151,620	1,244,022	2,027,513
Miscellaneous	3,434,985	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	10,039,415	(4,703,317)	10,571,943	9,607,211	15,468,765	9,745,250	2,553,927	15,667,795
Total governmental activities	<u>\$ 134,958,237</u>	<u>\$ 124,840,550</u>	<u>\$ 132,433,068</u>	<u>\$ 127,042,256</u>	<u>\$ 118,159,115</u>	<u>\$ 102,519,155</u>	<u>\$ 88,107,504</u>	<u>\$ 101,173,460</u>
Business-type activities:								
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	258,736	3,881,473
Investment earnings	3,593,675	8,284,058	7,145,670	6,140,436	3,758,240	2,859,344	2,336,454	3,303,341
Miscellaneous	1,431,840	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	(10,039,415)	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	<u>\$ (5,013,900)</u>	<u>\$ 16,794,239</u>	<u>\$ 2,578,106</u>	<u>\$ 810,522</u>	<u>\$ (16,959,704)</u>	<u>\$ (6,813,036)</u>	<u>\$ 441,046</u>	<u>\$ (5,754,144)</u>
Total primary government	<u>\$ 129,944,337</u>	<u>\$ 141,634,789</u>	<u>\$ 135,011,174</u>	<u>\$ 127,852,778</u>	<u>\$ 101,199,411</u>	<u>\$ 95,706,119</u>	<u>\$ 88,548,550</u>	<u>\$ 95,419,316</u>
CHANGES IN NET ASSETS								
Governmental activities	\$ (39,024,481)	\$ (1,796,468)	\$ (8,666,251)	\$ 2,092,261	\$ 6,287,591	\$ 2,657,554	\$ (8,457,917)	\$ 3,569,842
Business-type activities	36,509,562	28,279,301	26,478,777	35,946,292	(7,575,245)	(5,320,933)	3,644,048	10,593,425
Total primary government	<u>\$ (2,514,919)</u>	<u>\$ 26,482,833</u>	<u>\$ 17,812,526</u>	<u>\$ 38,038,553</u>	<u>\$ (1,287,654)</u>	<u>\$ (2,663,379)</u>	<u>\$ (4,813,869)</u>	<u>\$ 14,163,267</u>

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)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved	\$ 124,955	\$ 168,657	\$ 171,580	\$ 168,964	\$ 107,828	\$ 566,556	\$ 1,037,277	\$ 1,255,041	\$ 1,878,500	\$ 1,861,081
Unreserved	19,756,460	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
Total general fund	<u>\$ 19,881,415</u>	<u>\$ 19,962,275</u>	<u>\$ 19,125,648</u>	<u>\$ 19,924,711</u>	<u>\$ 17,376,420</u>	<u>\$ 12,694,525</u>	<u>\$ 9,417,346</u>	<u>\$ 18,612,357</u>	<u>\$ 16,716,042</u>	<u>\$ 16,620,652</u>
All other governmental funds										
Reserved	\$ 64,351,061	\$ 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
Unreserved, reported in:										
Capital project funds	-	-	-	-	-	(76,784)	(62,358)	-	-	-
Permanent fund	-	6,876	4,684	-	-	-	-	-	-	-
Special revenue funds	20,738,359	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
Total all other governmental funds	<u>\$ 85,089,420</u>	<u>\$ 110,571,180</u>	<u>\$ 91,052,060</u>	<u>\$ 76,904,511</u>	<u>\$ 67,824,334</u>	<u>\$ 35,041,456</u>	<u>\$ 40,912,877</u>	<u>\$ 46,832,624</u>	<u>\$ 40,506,971</u>	<u>\$ 39,073,646</u>

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

	2009	2008	2007	2006	2005	2004	2003	2002
REVENUES								
Taxes	\$ 108,737,498	\$ 106,316,678	\$ 99,433,228	\$ 92,693,847	\$ 86,475,846	\$ 78,044,387	\$ 75,069,631	\$ 72,259,571
Franchise taxes	10,765,289	12,977,686	12,378,389	13,348,364	11,153,641	9,654,447	6,612,822	6,998,046
Special assessments	515,597	296,482	243,129	171,682	38,210	-	-	-
Fees and fines	3,581,092	3,801,302	3,712,179	3,981,978	4,015,402	3,675,857	3,672,509	3,069,362
Licenses and permits	2,213,041	2,663,139	2,531,032	2,250,635	1,953,666	1,982,281	1,875,118	1,475,451
Intergovernmental	10,718,849	17,479,413	10,993,027	11,048,393	13,295,581	9,643,439	12,137,101	7,074,786
Charges for services	3,399,510	6,095,439	4,896,438	6,088,205	4,614,082	5,316,877	5,541,745	4,756,001
Interest	1,446,200	4,688,349	5,367,651	3,874,940	1,154,339	739,349	810,443	1,329,884
Miscellaneous	3,357,849	4,967,913	4,083,255	6,966,257	4,774,596	3,055,475	4,200,523	4,397,491
Total revenues	144,734,925	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	9,848,596	11,110,736	11,560,733	9,356,059	7,534,080	7,491,548	6,753,811	6,927,630
Community services	6,621,943	6,586,711	6,820,895	5,932,820	5,817,388	6,590,727	6,169,025	8,493,322
Cultural and recreation	12,484,184	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	12,686,636	11,879,265	11,353,894	10,120,183	9,558,868	4,484,673	4,423,363	4,298,198
Fire	31,007,703	29,733,309	26,831,503	24,638,814	21,927,251	20,899,441	19,403,885	18,485,419
Health	5,348,942	5,804,988	5,760,386	4,647,413	4,567,766	4,278,037	4,068,973	3,925,844
Police	44,096,012	43,865,272	41,148,206	38,376,991	34,818,579	33,874,159	31,608,803	29,713,382
Other public safety	5,608,495	6,104,913	5,497,661	4,647,862	4,553,950	3,839,497	3,270,752	3,159,880
Streets and traffic	8,292,113	8,493,312	7,874,791	7,966,790	8,620,209	7,740,722	13,850,069	7,634,302
Intergovernmental	13,586,131	123,852	12,500,000	4,258,780	5,665,487	2,523,093	5,284,536	4,692,014
Debt services:								
Principal	11,966,304	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	10,015,365	8,332,280	6,411,639	4,141,421	3,031,751	4,749,272	3,259,565	3,390,300
Capital outlay	65,424,779	46,683,372	27,654,063	35,645,649	21,715,538	16,666,136	17,696,468	13,306,971
Total expenditures	236,987,203	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	(92,252,278)	(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 Eight Fiscal Years
(modified accrual basis of accounting)

	2009	2008	2007	2006	2005	2004	2003	2002
OTHER FINANCING SOURCES (USES)								
Long-term debt issued	45,791,118	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	(3,206,295)	-	(11,562,672)	-	(7,215,000)	-	-	-
Bond premium (discount)	1,460,474	1,844,019	398,032	620,860	725,586	1,179,722	-	-
Capital leases issued	8,714,556	3,357,019	3,721,262	5,119,980	3,534,016	1,535,075	2,023,414	-
Transfers in	30,508,238	26,142,942	22,720,904	18,677,088	22,688,009	37,559,808	40,603,098	43,709,066
Transfers out	(16,578,433)	(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)	<u>66,689,658</u>	<u>63,073,093</u>	<u>57,327,850</u>	<u>43,666,634</u>	<u>58,102,440</u>	<u>17,359,131</u>	<u>21,532,242</u>	<u>24,981,675</u>
Net change in fund balances	<u>\$ (25,562,620)</u>	<u>\$ 20,355,747</u>	<u>\$ 13,348,486</u>	<u>\$ 11,628,468</u>	<u>\$ 37,464,741</u>	<u>\$ (2,594,242)</u>	<u>\$ (3,100,651)</u>	<u>\$ 4,056,044</u>
Debt service as a percentage of noncapital expenditures	<u>12.81%</u>	<u>11.81%</u>	<u>8.98%</u>	<u>8.39%</u>	<u>7.41%</u>	<u>8.01%</u>	<u>6.51%</u>	<u>6.89%</u>

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⁾
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
2009	52,598,485	50,705,301	4,179,036	1,272,278	108,755,100

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		
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%
2009	9,999,003,791	10,302,954,536	1,674,070,341	1,719,807,066	349,687,470	11,673,074,132	12,022,761,602	97.1%	2.14%

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 2009			FYE 2000		
		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	\$ 128,778,473	1	1.18%	\$ 102,480,853	1	1.54%
Wal-Mart Stores	Discount Retail Store	68,785,597	2	0.63%	21,162,386	7	0.32%
Southwestern Bell Telephone Co.	Telephone Utility	58,830,186	3	0.54%	69,081,840	2	1.04%
United Supermarkets	Food Wholesale	52,459,356	4	0.48%			
Plains Co-op Oil Mill, Inc.	Agricultural Processing	47,483,420	5	0.44%	28,090,510	4	0.42%
Southwestern Public Service	Electric Utility	38,786,891	6	0.36%	54,457,638	3	0.82%
Atmos Energy	Natural Gas Utility	35,364,580	7	0.32%	18,060,408	10	0.27%
X-Fab Texas, Inc.	Electronics Manufacturer	30,461,471	8	0.28%	27,023,881	5	0.41%
Tyco Fire Products LP	Fire Suppression Manufacturer	29,621,046	9	0.27%			
Lubbock Property LLC	Apartments	29,141,397	10	0.27%			
Methodist Hospital	Hospital/Medical Offices				23,661,703	6	0.36%
Fleming Companies, Inc.	Wholesale Grocers				20,651,136	8	0.31%
Southern Cotton Oil Co.	Agricultural Processing				19,071,943	9	0.29%
		<u>\$ 519,712,417</u>		<u>4.77%</u>	<u>\$ 383,742,298</u>		<u>5.78%</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
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%
2009	51,616,589	50,472,997	97.8%	561,748	51,034,745	98.9%	3,142,891	6.1%

Source: Lubbock Central Appraisal District

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

Fiscal Year Ending	City Direct Rates				Overlapping Rates				
	General Fund	Economic Development	Interest & Sinking Fund	Total City of Lubbock Direct	Lubbock Independent School District	Lubbock County	High Plains Underground Water District	Lubbock County Hospital District	Total
					(LISD)	(County)	(High Plains)	(Hospital)	
2000	0.42839	0.03000	0.12161	0.58000	1.56500	0.19170	0.00840	0.09798	2.44308
2001	0.42718	0.03000	0.11282	0.57000	1.58930	0.19170	0.00840	0.09798	2.45738
2002	0.42844	0.03000	0.11156	0.57000	1.60620	0.19170	0.00830	0.09905	2.47525
2003	0.43204	0.03000	0.10796	0.57000	1.60560	0.19110	0.00840	0.10435	2.47945
2004	0.41504	0.03000	0.10066	0.54570	1.60560	0.25954	0.00830	0.10896	2.52810
2005	0.33474	0.03000	0.09496	0.45970	1.60560	0.25587	0.00830	0.10742	2.43689
2006	0.35626	0.03000	0.06094	0.44720	1.65890	0.26162	0.00830	0.11034	2.48636
2007	0.36074	0.03000	0.07125	0.46199	1.56500	0.28576	0.00830	0.11420	2.43525
2008	0.35380	0.03000	0.07125	0.45505	1.23500	0.30615	0.00794	0.11661	2.12075
2009	0.32540	0.03000	0.09100	0.44640	1.23500	0.32620	0.00794	0.12067	2.13621

Source: Lubbock Central Appraisal District

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

Governmental						
Fiscal Year	General Obligation Bonds	Capital Leases	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita	
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	
2009 *	232,159,988	18,005,903	250,165,891	2.08%	1,146	

Business-type						
Fiscal Year	General Obligation Bonds	Revenue Bonds	Capital Leases	Total	Percentage of Personal Income	Per Capita
2000	\$ 135,528,101	\$ 77,446,614	\$ -	\$ 261,355,061	4.32%	\$ 1,310
2001	163,893,747	81,575,667	-	298,552,222	4.91%	1,485
2002	164,122,724	110,535,112	-	333,163,182	5.33%	1,649
2003	226,126,796	101,295,000	1,941,223	400,167,700	6.13%	1,955
2004	215,663,783	94,605,000	1,393,207	383,244,164	5.53%	1,858
2005	286,749,731	42,800,000	1,354,576	437,579,461	5.96%	2,092
2006	323,567,720	58,079,322	8,388,968	522,023,849	6.76%	2,472
2007	352,486,630	54,208,174	13,049,379	419,744,183	5.19%	1,977
2008	457,126,347	50,430,844	18,582,396	526,139,587	6.20%	2,449
2009	451,090,013	47,413,911	23,709,725	522,213,649	N/A	2,392

* Includes HUD 108 Debt

**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*	Assessed Value (in thousands)	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
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
2009	218,327	11,673,074	683,250,001	1,498,275	91,426,295	451,090,013	139,235,418	1.19%	637.74

*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

	2009	2008	2007	2006	2005
Total Taxable Property Value	\$ 11,673,074,132	\$ 10,897,210,563	\$ 10,002,725,637	\$ 9,346,613,951	\$ 8,634,994,862
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	175,096,112	163,458,158	150,040,885	140,199,209	129,524,923
General Obligation bond & Certificate Obligation liability	(30,435,000)	(26,535,000)	(2,516,000)	(23,395,000)	(20,305,000)
Capital lease purchases	(7,099,497)	(5,218,128)	(3,187,580)	(3,401,402)	(2,668,648)
Margin of Indebtedness Available	\$ 137,561,615	\$ 131,705,030	\$ 144,337,305	\$ 113,402,807	\$ 106,551,275
	2004	2003	2002	2001	2000
Total Taxable Property Value	\$ 8,104,836,563	\$ 7,585,115,804	\$ 6,914,375,308	\$ 6,754,504,894	\$ 6,259,162,417
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	121,572,548	113,776,737	103,715,630	101,317,573	93,887,436
General Obligation bond & Certificate Obligation liability	(16,130,000)	(14,590,000)	(24,444,812)	(24,650,602)	(23,361,135)
Capital lease purchases	(2,685,282)	(3,563,217)	(2,388,853)	-	-
Margin of Indebtedness Available	\$ 102,757,266	\$ 95,623,520	\$ 76,881,965	\$ 76,666,971	\$ 70,526,301

*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	
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
2009	132,731,430	97,484,329	35,247,101	1,720,000	781,655	2,501,655	14.09

WATER BONDS:

Fiscal Year	Net Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2009	51,989,393	23,034,101	28,955,292	1,296,933	1,666,541	2,963,474	9.77

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

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

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
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	4,780,949	2,657,883	7,438,832	129,665,462	5.7%
2006	4,729,101	3,223,604	7,952,705	143,512,681	5.5%
2007	5,339,612	3,952,131	9,291,743	152,363,561	6.1%
2008	5,724,714	4,249,342	9,974,056	159,359,684	6.3%
2009	6,400,891	4,769,322	11,170,213	166,110,455	6.7%

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

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

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

	Funded Debt Outstanding at 09/30/2009	Percentage Applicable to City of Lubbock	Amount Applicable to City of Lubbock
City of Lubbock	\$ 682,875,001 ⁽¹⁾	100.00%	\$ 682,875,001
Subtotal Directs	682,875,001		682,875,001
Lubbock County	78,005,000	83.13%	64,845,557
Lubbock Independent School District	118,505,113	98.70%	116,964,547
Lubbock- Cooper Independent School District	124,259,959	57.09%	70,940,011
Frenship Independent School District	157,389,717	66.53%	104,711,379
Idalou Independent School District	-	3.92%	-
Roosevelt Independent School District	11,909,998	2.98%	354,918
Subtotal Overlapping	490,069,787		357,816,410
Total	<u>\$ 1,172,944,788</u>		<u>\$ 1,040,691,411</u>

⁽¹⁾ General Purpose funded debt payable from ad valorem taxes (Also, includes all self-supporting debt. 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 (in thousands) ⁽²⁾	Per Capita Income ⁽³⁾	Median Age ⁽¹⁾	Education Level in Years of Formal Schooling Completed ⁽¹⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽³⁾
2000 ⁽⁴⁾	199,564	\$ 6,055,439	\$ 17,511	29.7	12.4	29,150	3.60%
2001	201,097	6,075,894	17,312	29.7	12.4	29,020	3.70%
2002	202,000	6,247,601	17,658	30.0	12.4	28,898	4.40%
2003	204,737	6,524,160	18,011	30.3	12.4	28,879	4.90%
2004	206,290	6,927,223	18,371	30.4	12.4	28,355	4.60%
2005	209,120	7,346,000	18,775	30.6	12.4	28,297	4.10%
2006	211,187	7,722,409	19,747	30.9	12.4	28,209	4.00%
2007	212,365	8,086,039	19,747	30.4	* 12.4	28,639	3.70%
2008	214,847	8,492,000	20,310	30.8	** 12.5	28,976	3.80%
2009	218,327	N/A	21,233	30.6	** 12.5	28,682	5.70%

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
Current Year and Nine Years Ago

<u>Employer</u>	<u>2009</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	10,372	1	7.30%	8,535	1	6.76%
Covenant Health System	4,865	2	3.42%	5,900	2	4.68%
Lubbock Independent School District	3,606	3	2.54%	3,442	3	2.73%
University Medical Center	3,150	4	2.22%	1,979	6	1.57%
United Supermarkets (Corporate)	2,832	5	1.99%	1,345	9	4.53%
AT & T Communications	2,370	6	1.67%	897	10	0.71%
City of Lubbock	2,392	7	1.68%	2,164	5	1.71%
TTU Health Sciences Center	2,752	8	1.94%	2,259	4	1.79%
Convergys Corporation	1,125	9	0.79%	1,500	8	1.19%
Lubbock County	1,107	10	0.78%			
Caprock Home Health Services, Inc.			-	1,650	7	1.31%
Total	<u>34,571</u>		<u>24.33%</u>	<u>29,671</u>		<u>23.51%</u>

Source: Survey performed by City of Lubbock economic analyst based on Lubbock MSA. AT&T is based on 2007 data, which is the last data they would provide.

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

Function	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:								
Administrative services and general government	76	86	84	86	89	83	91	91
Community services	18	18	18	18	21	21	23	22
Cultural and recreation	132	131	158	157	159	178	180	186
Economic and business development	15	15	15	15	13	11	17	17
Fire	355	355	330	321	309	289	280	269
Health	74	81	79	76	74	73	75	75
Police	535	538	538	499	424	421	416	403
Other public safety	80	78	78	73	63	46	38	36
Streets and traffic	89	91	86	87	98	119	117	115
Intergovernmental	-	-	-	7	5	6	6	9
Internal service	43	43	8	8	11	28	30	29
Total governmental activities	1,417	1,436	1,394	1,347	1,266	1,275	1,273	1,252
Business-type activities:								
Electric	246	237	233	221	191	189	252	260
Water	156	154	150	152	138	135	137	134
Sewer	77	77	78	78	71	75	73	72
Solid waste	110	105	106	106	91	89	90	93
Stormwater	34	35	24	18	18	18	18	17
Transit	129	129	119	116	117	99	105	100
Airport	48	48	49	49	50	52	51	48
Cemetery	7	7	7	-	-	-	-	-
Civic Centers	30	31	-	-	-	-	-	-
Internal service	28	27	61	61	71	77	76	74
Total business-type activities	865	850	827	801	747	734	802	798
Total	2,282	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 Eight Fiscal Years

	2009	2008	2007	2006	2005	2004	2003	2002
Cultural and Recreation Services								
Civic Center number of events with greater than 500 attendees	129	129	105	120	123	128	330	359
Library Visits	539,738	547,595	554,864	601,947	721,847	704,784	736,695	647,489
Trees Planted	255	116	152	24	48	522	522	768
Softball Team Registrations	372	344	401	438	442	465	420	431
Community Center Attendance	173,787	113,969	119,781	123,487	109,029	122,311	N/A	N/A
Senior Center Attendance	92,085	83,319	70,419	68,420	70,849	79,546	N/A	N/A
Garden and Arts Attendance	60,544	35,894	47,024	58,981	51,114	53,074	41,576	43,100
Other Public Safety								
Construction Permits	4,748	2,648	2,764	3,717	5,151	3,583	3,663	6,049
Building Department Inspections	34,530	29,381	34,647	36,775	50,735	44,432	43,863	34,601
Police								
Police Reports Processed	81,772	84,980	92,788	90,144	82,346	89,493	89,000	86,178
Police Crime/Incident Reports	41,328	45,539	47,994	47,992	45,551	46,074	45,200	44,838
Police Calls	316,049	235,697	244,671	317,571	268,855	281,367	293,644	289,153
Fire								
Public Fire Safety Education Presentation:	221	192	176	163	166	150	150	207
Fire/Arson Investigations Conducted	177	169	116	118	88	85	175	139
Inspection Activities Performed	2,416	2,170	2,074	1,860	1,521	1,845	800	967
LP&L								
Average daily consumption (kwh)	4,516,842	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)	32,700,000	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)	547,333	581,655	582,836	564,967	547,435	539,372	510,319	536,670
Daily average of airplane departures and landings	212	223	266	239	255	221	264	247
Number of major airlines	4	3	3	3	3	4	4	4
Number of scheduled daily flights	54	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 Eight Fiscal Years

	2009	2008	2007	2006	2005	2004	2003	2002
Streets and Traffic Engineering								
Miles of Streets Paved	1,071	1,058	1,030	1,030	1,004	975	965	947
Miles of Streets Unpaved	60	60	72	72	72	74	76	79
Fire								
Number of stations	16	15	15	15	15	14	14	14
Number of fire fighters and officers (civil service)	335	355	335	300	290	269	260	251
Police								
Number of stations	1	1	1	1	1	1	1	1
Number of authorized police officers	422	422	422	422	380	320	310	310
Culture and Recreation Services								
Number of parks and playgrounds	138	138	137	137	137	134	125	125
Number of recreation centers	9	9	9	9	9	9	9	9
Number of golf courses	2	2	2	2	2	2	2	2
Number of swimming pools	4	4	4	4	4	4	4	4
Number of auditoriums/coliseums	2	2	2	2	2	2	2	2
Number of amphitheaters	2	2	2	2	2	1	1	1
Number of civic centers	1	1	1	1	1	1	1	1
Number of libraries (excl. education)	3	4	4	4	4	4	4	4
LP&L								
Number of meters	74,930	72,949	71,489	68,709	66,227	63,076	62,325	65,135
Number of sub-stations	14	14	14	14	14	14	13	12
Number of steam turbines	6	6	6	6	6	6	6	6
Number of diesel engines	2	2	2	2	2	2	2	2
Number of gas turbine engines	5	5	5	5	5	5	5	5
Miles of distribution lines	1,054	1,042	1,023	1,013	1,005	997	975	969
Miles of transmission lines	90	85	85	85	85	85	80	79
Water								
Number of meters	78,312	77,608	77,147	75,876	74,026	72,505	70,990	71,046
Miles of distribution lines	1,452	1,427	1,408	1,373	1,341	1,323	1,293	1,264
Number of fire hydrants	5,442	4,636	4,536	4,356	4,220	4,121	3,996	3,882
Number of water wells (active)	150	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	99,152
Number of gallons allocated annually by Canadian River Municipal Water Authority (in millions of gallons)	9,660	10,300	10,868	11,268	9,915	14,007	14,007	12,438
Sewer								
Miles of sanitary sewer lines	1,007	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.



CITY OF LUBBOCK, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

PASS-THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Grant/ Contract Number	Total Federal 9/30/2009
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct Programs:			
Community Development Block Grant 08-09	14.218	B-08-MC-48-0022	\$ 1,886,374
Community Development Block Grant 07-08	14.218	B-07-MC-48-0022	302,949
Community Development Block Grant 06-07	14.218	B-06-MC-48-0022	86,137
Community Development Block Grant 05-06	14.218	B-05-MC-48-0022	121,113
Community Development Block Grant 03-04	14.218	B-03-MC-48-0022	16,069
Total CFDA 14.218			<u>2,412,642</u>
Emergency Shelter Grant 08-09	14.231	S-08-MC-48-0007	101,880
Emergency Shelter Grant 07-08	14.231	S-07-MC-48-0007	5,148
Total CFDA 14.231			<u>107,028</u>
HOME Program 08-09	14.239	M-08-MC-48-0205	333,658
HOME Program 07-08	14.239	M-07-MC-48-0205	578,317
HOME Program 06-07	14.239	M-06-MC-48-0205	315,850
HOME Program 00-01	14.239	M-00-MC-48-0205	78,535
Total CFDA 14.239			<u>1,306,360</u>
Section 108 Loan Guarantee Program	14.248	B-01-MC-48-0022	167,678
Total U. S. Department of Housing & Urban Development			<u>3,993,708</u>
U. S. DEPARTMENT OF JUSTICE			
Federal Equitable Sharing - Justice	N/A	N/A	30,685
Passed through Office of Justice Programs:			
Byrne Memorial (JAG 08)	16.738	2008-DJ-BX-0476	39,806
Total U. S. Department of Justice			<u>70,491</u>
U. S. DEPARTMENT OF TRANSPORTATION			
Federal Aviation Administration:			
Terminal Building Improvements	20.106	3-48-0138-030-2007	302,294
Rwy 8/26 Improvements-Design Only	20.106	3-48-0138-031-2008	1,453,722
Rwy 8/26 Improvements-Design Only	20.106	3-48-0138-032-2008	400,316
Phase 1 Rwy 8/26 Improvements	20.106	3-48-0138-033-2009	338,121
Total CFDA 20.106			<u>2,494,453</u>
Federal Transit Administration:			
Capital, Operating and Planning 07-08	20.507	TX-90-X791	19,141
Capital, Operating and Planning 08-09	20.507	TX-90-X876	2,075,323
ARRA Federal Transit Capital Invest 08-09	20.507	TX-96-X002	2,167,776
Total CFDA 20.507			<u>4,262,240</u>
Federal Transit Administration:			
Parking Lot Renovations Bus Wash	20.509	TX-04-0020	567,798
Federal Transit Administration:			
Job Access-Reverse Commute 07-08	20.516	TX-37-X056-01	124,117
Job Access-Reverse Commute 2009	20.516	TX-37-X056-02	191,860
Total CFDA 20.516			<u>315,977</u>

CITY OF LUBBOCK, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

PASS-THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Grant/ Contract Number	Total Federal 9/30/2009
Federal Transit Administration:			
New Freedom Mobility Management 06-08	20.517	TX-57-X005-01	\$ 63,326
Federal Highway Administration:			
Passed through Texas Department of Transportation Under the Unified Planning Work Program:			
Highway Planning and Construction 08-09	20.205	50-72-2-09-1105-70-806	566,298
Total CFDA 20.205			
Passed through Texas Department of Transportation Under the Unified Planning Work Program:			
Federal Transit Metropolitan Planning Grants (MPO) 08-09	20.505	51-74-108-0105-09-810	88,285
Total CFDA 20.505			
Passed through Texas Department of Transportation:			
STEP Comprehensive 08-09	20.600	2009-LubbockPD-S-SYG-0180	94,990
Click It or Ticket 2009	20.600	2009-Lubbock PD-CIOT-00029	16,521
TX DOT Safety Perf Plan "Teach Kids to be Street Smart" 08-09	20.600	09DE04F1GG	27,898
Total CFDA 20.600			<u>139,409</u>
Total U. S. Department of Transportation			<u>8,497,786</u>
U. S. DEPARTMENT OF EDUCATION			
Passed through Texas State Library and Archives Commission:			
Technical Assistance Negotiated Grant 09-10	45.310	476-10019	8,436
Library System Operation Grant 09-10	45.310	470-10015	58,780
Interlibrary Loan Center 09-10	45.310	771-10031	9,479
Interlibrary Loan Center 08-09	45.310	771-09022	100,962
Library Systems Operation 08-09	45.310	470-09001	282,495
Library Technical Assistance 08-09	45.310	476-09008	72,298
Total CFDA 45.310			<u>532,450</u>
Total U. S. Department of Education			<u>532,450</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
Canyon Lakes Water Reuse Project	66.202	N/A	<u>28,908</u>
U.S. DEPARTMENT OF ENERGY			
Passed through Texas Department of Housing and Community Affairs:			
DOE/Oil Overcharge Weatherization Assistance Program 2009	81.042	56090000466	146,977
DOE/Oil Overcharge Weatherization Assistance Program 2008	81.042	568048	34,772
Total CFDA 81.042			<u>181,749</u>
Total U. S. Department of Energy			<u>181,749</u>
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through Texas Department of Aging & Disability Services:			
Special Program for the Aging Title III B 08-09	93.044	A100	14,956
Total CFDA 93.044			
Special Program for the Aging Title III C 08-09	93.045	A100	204,616
Total CFDA 93.045			
Passed through Texas Department of State Health Services:			
Public Health Emergency Preparedness 09-10	93.069	2009-031829	39,798
Public Health Emergency Preparedness (PHER) 09-10	93.069	2010-033391	4,636
Public Health Emergency Preparedness (LRN-PHEP) 09-10	93.069	2009-032180	9,050
Total CFDA 93.069			<u>53,484</u>

CITY OF LUBBOCK, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

PASS-THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Grant/ Contract Number	Total Federal 9/30/2009
Immunization / Locals 09-10	93.268	2010-031802	\$ 35,247
Immunization / Locals 08-09	93.268	2009-028859-001	288,825
Total CFDA 93.268			<u>324,072</u>
CDC and Prevention Invest and Tech Assist 08-09	93.283	2008-028186	164,847
CDC and Prevention Invest and Tech Assist (BTDFP2) 2009	93.283	2009-031214-001	5,565
CDC and Prevention Invest and Tech Assist (PHP) 08-09	93.283	2008-027967	263,372
Total CFDA 93.283			<u>433,784</u>
RLSS/LPHS 09-10	93.991	2010-032759	1,906
RLSS/LPHS 08-09	93.991	2009-028369	69,572
			<u>71,478</u>
CHS/POP Based Services	93.994	2006-020411-001	1,131
Passed through Texas Department of Housing & Comm. Affairs:			
Comprehensive Energy Assistance Program (CEAP) 2009	93.568	58090000429	869,285
Comprehensive Energy Assistance Program (CEAP) 2008	93.568	58080000150	163,704
LIHEAP Weatherization Assistance Program 2009	93.568	81090000499	69,272
LIHEAP Weatherization Assistance Program 2008	93.568	818048	40,987
Total CFDA 93.568			<u>1,143,248</u>
Community Services Block Grant 2009	93.569	61090000378	276,754
Community Services Block Grant 2008	93.569	61080000200	197,449
Total CFDA 93.569			<u>474,203</u>
Total U. S. Department of Health & Human Services			<u>2,720,972</u>
U. S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Governor's Division of Emergency Management:			
FEMA Public Assistance Grant- Ike	97.036	FEMA 3294-EM-TX	98
FEMA Public Assistance Grant- Ike Mutual Aid	97.036	TX-TXS-009000	9,356
Total CFDA 97.036			<u>9,454</u>
Emergency Management Performance Grant 08-09	97.042	2008-GE-T7-0025	130,350
Assistance to Firefighters Grant - Truck	97.044	EMW-2007-FV-05955	280,000
Assistance to Firefighters Grant - Equipment	97.044	EMW-2007-FO-09243	27,581
Total CFDA 97.044			<u>307,581</u>
MMRS 2008	97.071	2008-GE-T8-0034	21,471
MMRS 2007	97.071	2007-GE-T7-0024	55,905
MMRS 2006	97.071	2006-GE-T6-0068	5,161
Metropolitan Medical Response System (MMRS)	N/A	233-01-0049	19,674
Total CFDA 97.071			<u>102,211</u>
State Homeland Security 2006	97.073	2006-GE-T6-0068	65,661
Law Enforcement Terrorism Prevention Program (LETPP) 2008	97.074	2007-GE-T7-0024	46,799
Law Enforcement Terrorism Prevention Program (LETPP) 2006	97.074	2006-GE-T6-0068	898
Total CFDA 97.074			<u>47,697</u>
Total U. S. Department of Homeland Security			<u>662,954</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 16,689,018</u>

CITY OF LUBBOCK, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

(1) General

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

(2) Basis of Accounting

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

(3) Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs, including the summary of auditors' results is included on page 175.

(4) Relationship to Federal and State Financial Reports

Grant expenditure reports as of September 30, 2009, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

(5) Sub-recipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to sub-recipients totaling \$ 1,918,151.

<u>Program</u>	<u>CFDA Number</u>	<u>Sub-recipient</u>	<u>Amount</u>
CDBG	14.218	Various	\$ 428,548
ESG	14.231	Various	96,794
Home	14.239	Various	411,967
Byrne Memorial	16.738	Lubbock County	39,806
CEAP	93.568	Various	548,951
CSBG	93.569	Various	366,619
Emergency Management	97.042	Lubbock County	<u>25,466</u>
Total Federal Assistance			<u>\$1,918,151</u>

(6) Outstanding Loans

The City has provided loans through its various housing programs. The outstanding balance of loans at September 30, 2009 was \$5,395,214.

(7) Outstanding Debt Balance

The Schedule of Expenditures of Federal Awards includes \$148,300 of HUD Section 108 debt service. Of this debt service, \$131,797 is recorded in the Community Development Block Grant 08-09 & 07-08 and \$16,503 is recorded in the Section 108 Loan Guarantee Program Grant. As of September 30, 2009, the HUD Section 108 Fund had an outstanding debt balance of \$375,000.

**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, 2009, which collectively comprise its basic financial statements and have issued our report thereon dated February 17, 2010, which contained an explanatory paragraph regarding a change in accounting principle 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.

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

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 17, 2010.

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

BKD, LLP

February 17, 2010

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, 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, 2009.

Internal Control Over Compliance

The management of the City of Lubbock, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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, 2009, and have issued our report thereon dated February 17, 2010, which contained an explanatory paragraph regarding a change in accounting principle 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 City 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, up

February 17, 2010

City of Lubbock, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

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, 2009

7. The City's major programs were:

Cluster/Program	CFDA Number
HOME	14.239
Highway Planning and Construction	20.205
Federal Transit Cluster	20.507
Parking Lot Renovations	20.509

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$500,671.

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, 2009

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, 2009

Findings Required to be Reported by OMB Circular A-133

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

No matters are reportable.

CITY OF LUBBOCK, TEXAS
Schedule of Expenditures of State Awards
For the Year Ended September 30, 2009

PASS-THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Grant/ Contract Number	Total State 9/30/2009
Texas State Library and Archives Commission:			
Gates Foundation PAC HUG 06-08	N/A	434-07172	\$ 7,824
Lone Star Library 08-09	N/A	442-09305	35,589
Total Texas State Library and Archives Commission			<u>43,413</u>
Texas Department of State Health Services:			
STD Syphilis Elimination 09-10	N/A	2010-032957	10,081
Infectious Disease Control Unit/FLU-LAB 2009	N/A	2009-030832	5,900
Milk & Dairy Products Division 08-09	N/A	2009-028481	9,280
Milk & Dairy Products Division 06-08	N/A	2008-023128-001	96,560
RLSS/LPHS 09-10	93.991	2010-032759	6,383
RLSS/LPHS 08-09	93.991	2009-028369	20,781
Total Texas Department of State Health Services			<u>148,985</u>
Texas Department of Housing & Community Affairs :			
SPS Low-Income Program- State Program 2009	N/A	409048	9,891
SPS Low-Income Program- State Program 2008	N/A	408048	4,718
Total Texas Department of Housing & Community Affairs			<u>14,609</u>
Texas Department of Transportation:			
5304 Funds - State Planning 08-09	N/A	517XXF7054-REG 0905(51)	41,389
5309 Funds - VCR Funds 08-09	N/A	VCR 51 905F7091	759,698
5307 Funds- State Operating 08-09	N/A	517XXF7054-URB 0901(05)	632,324
5307 Funds- State Preventive Maintenance 08-09	N/A	51905F7226-ED 0902(05)	60,991
Total Texas Department of Transportation			<u>1,494,402</u>
Texas Commission on Environmental Quality:			
Solid Waste Equipment 08-09	N/A	582-8-86700	36,389
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 1,737,798</u>

CITY OF LUBBOCK, TEXAS
Notes to Schedule of Expenditures of State Awards
For the Year Ended September 30, 2009

(1) ***General***

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

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

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

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

Grant expenditure reports as of September 30, 2009, 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, 2009, which collectively comprise its basic financial statements and have issued our report thereon dated February 17, 2010, 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 17, 2010.

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



February 17, 2010

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, 2009. 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, 2009.

Internal Control Over Compliance

The management of the City of Lubbock, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

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

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, 2009, and have issued our report thereon dated February 17, 2010, which contained an explanatory paragraph regarding a change in accounting principle 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 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 City and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 17, 2010

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2009

7. The City's major state program was:

Cluster/Program	State Agency	Grant Number
5309 Funds—FY09 VCR Funds	Texas Department of Transportation	VCR 51 905F7091

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

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

City of Lubbock, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2009

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

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

No matters are reportable.

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2009

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, TX
P O Box 2000
Lubbock, TX 79457
(806) 775-2156
www.finance.ci.lubbock.tx.us