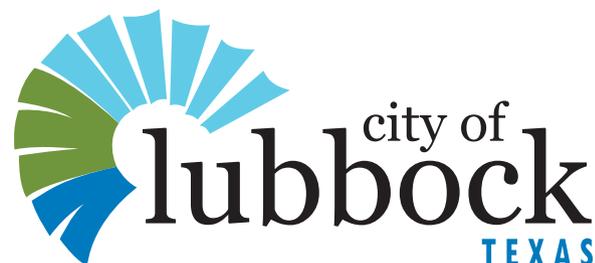
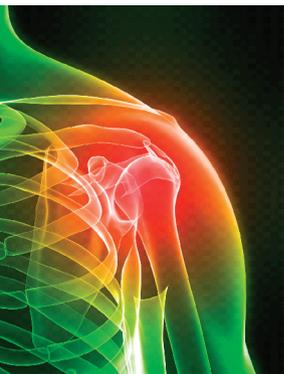
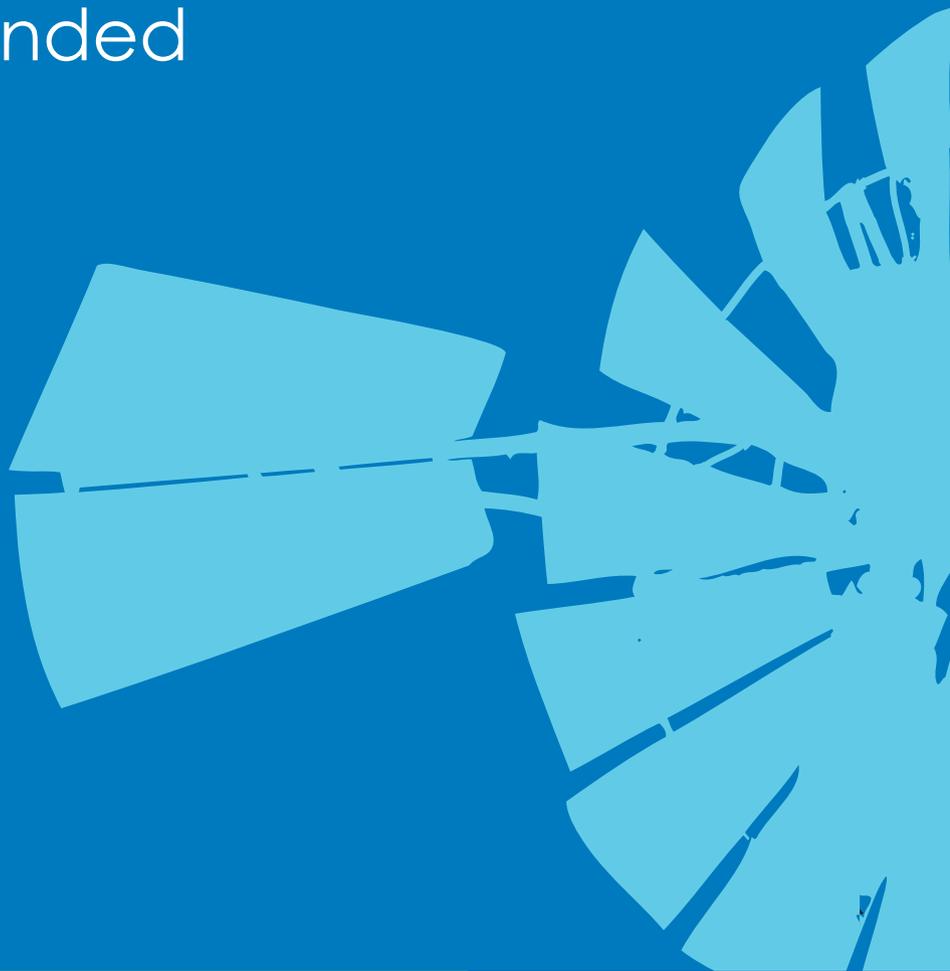


# City of Lubbock, Texas

Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
September 30, 2011





Comprehensive Annual Financial Report  
List of Elected and Appointed Officials  
For the Fiscal Year Ended September 30, 2011

**City Council**

Tom Martin	Mayor
Floyd Price	Mayor Pro Tem - District 2
Victor Hernandez	Council Member - District 1
Todd R. Klein	Council Member - District 3
Paul R. Beane	Council Member - District 4
Karen Gibson	Council Member - District 5
Jim Gilbreath	Council Member - District 6

**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	Accounting Supervisor
Linda Cuellar, CPA	Accounting Supervisor
Deborah Hansard	Senior Accountant
Dorothy Lewis, CPA	Senior Accountant
Veronica Valderaz	Senior Accountant
Zane Graham	Grant Accountant
Rhonda Gentry	Grant Accountant
Damian Pantoya, CPA	Lubbock Power & Light

**City of Lubbock, Texas  
 Comprehensive Annual Financial Report  
 Year Ended September 30, 2011**

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

February 21, 2012

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, 2011. The purpose of the CAFR is to provide accurate and meaningful information concerning the City's financial condition and performance. In addition, independent auditors have verified that the City has fairly presented its financial position, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

The CAFR satisfies Section 103.001 of the Texas Local Government Code requiring annual audits of all municipalities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the financial position and results of the City. We also believe all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed: 1) to protect the City's assets from loss, theft, or misuse; and 2) to compile sufficient, reliable information for the preparation of the City's financial statements, in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

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

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

Honorable Mayor, City Council,  
And Citizens of the City of Lubbock, Texas  
February 21, 2012

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

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

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

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

## **CITY OVERVIEW**

### **Description of the City**

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

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically as the City Council deems appropriate. The 2010 Census population for the City was 229,573; the estimated 2011 population is 231,937.<sup>1</sup> 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 Codification of Governmental Accounting Standards, Section 2100, "*Defining the Financial Reporting Entity*," these financial statements present the City (the primary government) and its component units. 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.

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<sup>1</sup> City of Lubbock Planning Department.

## **City Services**

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

**Public Safety:** The Police Department serves and protects the public by conducting criminal investigations and enforcing laws governing public health and order. As part of an effort to reach the goal of two officers for every 1,000 residents, the Police Department hired 47 new police recruits in FY 2011. As of September 30, 2011, the department was staffed with 395 sworn officers. In FY 2011, the Police Department responded to 231,445 calls for service with an average response time of 4.25 minutes.

The Lubbock Fire Department is dedicated to providing unparalleled emergency response and life safety services for the City. As of September 30, 2011, the Fire Department operated 16 fire stations and was staffed with 335 sworn firefighters. Three new fire stations were approved in the 2009 bond election: Fire Stations 16, 18, and 19. The construction of Fire Station 16 began in January 2011 and was completed in December 2011. The construction of Fire Station 18 began in November 2011 and Fire Station 19 is tentatively scheduled to begin construction in December 2012. The Fire Department added two new dispatcher positions to the Communications Center for emergency call processing in FY 2011 and upgraded a Communication Center Shift Supervisor position to a Fire Communications Captain position. The Fire Marshal's office relocated to new offices in the downtown in June. Many improvements were made to citywide fire stations as a result of \$1 million of approved funding in the FY 2011 budget for fire station renovations. Three new fire engines were purchased and were put into service in the Fall of 2011.

**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 a governing EUB on November 2, 2004. The City Council retains authority for appointment of board members, approval of the operating and capital budget, approval of rates for electric service, eminent domain, and approval of debt financing.

For the majority of FY 2011, electric service in the City was provided by LP&L and South Plains Electric Cooperative. LP&L is the municipally-owned electric provider with 99,660 meters, an average daily consumption of 7,089,091 kWh, 37 substations, 2,442 miles of distribution lines, and approximately 85 miles of transmission lines. On November 12, 2009 LP&L and Xcel Energy reached an agreement that allowed the City to purchase Xcel Energy's electric distribution system within the City. LP&L then became the electric provider to all of Xcel Energy's Lubbock retail electric customers that were served via the purchased assets. The purchase of the assets was finalized on October 29, 2010, and totaled \$87,754,858.

In 1983, the cities of Lubbock, Brownfield, Floydada, and Tulia, created the West Texas Municipal Power Agency (WTMPA) as a joint power agency. WTMPA is a municipal power agency that was created to enhance the negotiating strength of the individual cities in obtaining favorable electric power contracts and in coordinating joint planning for additional generation. WTMPA provides electricity to its four member cities. WTMPA is governed by an eight-member Board of Directors. The board consists of two directors from each participating city. Each member city appoints two members to the WTMPA board; however, an affirmative vote of the "majority in interest" is required to approve the operating budget, approve capital projects, approve debt issuance, and approve any amendments to WTMPA rules and regulations. One member is elected as the president who presides over monthly meetings. Directors serve without compensation. WTMPA has no employees and instead contracts for services to meet its general operating needs. WTMPA may engage in the business of generation, transmission, sale, and exchange of electric energy to its four members. WTMPA may also participate in power pooling and power exchange agreements with other entities. The City maintains the "majority in interest" vote based

Honorable Mayor, City Council,  
And Citizens of the City of Lubbock, Texas  
February 21, 2012

on kilowatt purchases and consequently has majority voting control. As the City purchases approximately 95% 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.

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

The daily capacity of the City water supply and treatment is 82 million gallons, with an average utilization of 40.5 million gallons per day. The City currently receives its water supply from the City-owned Bailey County Well Field, and two sources owned by the Canadian River Municipal Water Authority (CRMWA): Roberts County Well Field, and Lake Meredith.

The City obtained 8.9 billion gallons of its annual water supply from CRMWA in FY 2011. CRMWA combines surface water from Lake Meredith and ground water from the Roberts County Well Field to meet the water demands of Lubbock and ten member cities. In 2011, CRMWA increased its ground water rights to 407,566 acres with an estimated 22 million acre-feet of water within those rights. CRMWA was successful in purchasing an additional 144,000 acres of groundwater rights from Mesa Water that are contiguous to existing water rights in Roberts County. CRMWA recently completed the expansion of the Roberts County Well Field to increase its production capacity. 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. In addition, electrical supply lines and infrastructure have been installed to provide power to the well pumps. This expansion will allow CRMWA to deliver up to 65,000 acre-feet of water to its member cities each year. The volume from the expansion of the Roberts County Well Field will replace a portion of the volume received from Lake Meredith. While Lake Meredith was used as a water source in FY 2011, at the beginning of FY 2012, the lake had reached its designated unstable water level and is no longer usable.

The Bailey County Well Field contains 150 active water wells with 83,305 acres of water rights, providing 6.2 billion gallons of the City's annual water supply. The City recently completed the construction of eight additional wells to maintain the well field production rates.

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-mile raw water pipeline, a new water treatment plant, and treated water transmission lines are required. All phases of the water supply project are currently under construction. Completion of the water supply project is scheduled for the summer of 2012. The South Water Treatment Plant is being constructed in conjunction with the Lake Alan Henry pipeline and will initially be capable of processing 15 million gallons per day of raw water. The treatment facilities include a 225 million gallon terminal storage reservoir and a high service pump station to transfer the treated water into the City's distribution system.

The City provides water service to over 79,000 meters through 1,500 miles of distribution lines. The City also provides treated water to Shallowater, Ransom Canyon, Buffalo Springs Lake, Reese Redevelopment Authority, Lubbock Cooper ISD, and Roosevelt ISD.

**Wastewater Utility:** Wastewater collection and treatment is provided within the city limits to residential, commercial, and industrial customers. As of January 1, 2011, the collection system consisted of 1,105

Honorable Mayor, City Council,  
And Citizens of the City of Lubbock, Texas  
February 21, 2012

miles of sanitary sewer lines and 28 lift stations. The wastewater treatment plant has a permitted capacity of 31.5 million gallons per day 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 treated wastewater is disposed of or reused in various ways. In 2011, approximately 41 percent of the wastewater was used to irrigate crops at the Lubbock Land Application Site and 24 percent was used to irrigate crops at the Hancock Land Application Site. In addition, Xcel Energy used approximately 19 percent of the treated wastewater and 16 percent was discharged into the North Fork of the Double Mountain Fork of the Brazos River North Fork. Currently, dewatered solids generated during the wastewater treatment process are hauled and disposed of at the City's regional solid waste landfill in Abernathy, Texas.

As part of the City's Strategic Water Supply Plan, projects are underway to improve the quality of the treated wastewater so it can be reused in beneficial ways. The City has completed Phase I and Phase II of a four-phase project to upgrade the Southeast Water Reclamation Plant. Phase I included upgrades and improvements to the influent lift station. Phase II construction included upgrades to Plant 3 for filtration and ultraviolet disinfection, and Plant 4 for biological nutrient removal, filtration, and ultraviolet disinfection. Phase III includes design and construction improvements to anaerobic digesters and solids handling. Construction began on digesters No. 8 and No. 9 in June 2011. Upgrades include new covers, new mixing system, new heating system, and gas piping. Phase IV will include upgrades to Plant 3 for biological removal. These efforts will improve the quality of the City's effluent discharge and prepare it for possible future reuse. The high quality effluent will be discharged into the North Fork.

The 2008 Wastewater Master Plan recommended several improvements to the collection system in order to meet population growth as well as aging infrastructure replacement needs. Preliminary design has been completed on the South Lubbock Sanitary Sewer System Expansion Phase I and final design is complete on bid package A of this expansion. The project consists of engineering design and construction of large diameter sanitary sewer interceptors for the expansion of the existing sanitary sewer system. This will relieve the surcharge of sewer mains currently servicing multiple sewer sheds in south Lubbock. In addition, the Canyon Lakes System Reuse Study is 90 percent complete. This study will help determine the most viable locations for discharging high quality treated effluent along the Canyon Lakes System. The results of this study will assist the City in determining where a new Northwest Wastewater Treatment Plant might be located to relieve the surcharge of sewer mains serving North Lubbock.

***Storm Water Utility:*** The City's storm water run-off is primarily conveyed through the City's street system that discharges into more than 135 playa lakes. The subsurface drainage, via storm sewer pipes with curb inlets, conveys water to two small intermittent streams (Blackwater Draw and Yellowhouse Draw) which both converge at the upper reaches of the North Fork. The City's municipal separate storm sewer system (MS4 permit) is made up of approximately 1,136 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, 135 playa lakes, and one pump station. Maintenance of all of the storm sewers, including street cleaning and street maintenance, is funded through storm water fees.

During FY 2011, a primary focus of the Storm Water Utility was to finish the design of the Northwest Lubbock Drainage Improvements Project. The project will add six additional playa lakes to a new drainage system to help reduce the risk of flooding in the northwest region of Lubbock. Another major focus was on continued compliance with both the City's MS4 Permit and the comprehensive Storm Water Ordinance.

***Solid Waste Utility:*** The City provides garbage collection and disposal services to 67,500 residential customers and 2,750 commercial customers. One of the City's two landfill sites is designated as the Caliche Canyon Landfill and includes a citizen's transfer station. Cell construction at this landfill began in FY 2011 and will be completed in FY 2012. The second site is the West Texas Regional Disposal

Honorable Mayor, City Council,  
And Citizens of the City of Lubbock, Texas  
February 21, 2012

Facility located in Abernathy, Texas, which opened in 1999, and is one of the largest permitted areas for a landfill in the State of Texas. With 1,260 acres, the expected useful life of this landfill is 228 years. Construction of Cell 4 began in FY 2011 and will be completed in FY 2012.

**Public Transportation:** A key component of Lubbock's transportation system is the Lubbock Preston Smith International Airport, located seven miles north of the City's central business district on 3,000 acres of land adjacent to Interstate 27. The Airport is operated as a department of the City, with the guidance of an advisory board, and includes a 220,000 square foot passenger terminal building. The Airport has two commercial service runways, 11,500 and 8,000 feet in length. The Airport's third General Aviation runway is 2,869 feet in length. Air traffic control services include a 24-hour Federal Aviation Administration control tower and a full range of instrument approaches. The Airport is served by four major passenger airlines and one major cargo airline. It facilitates over 80 commercial flights per day. A project is underway to extend and rehabilitate the 8,000 foot runway in order to eliminate the intersection of the two runways and to enhance the capacity of the Airport. The estimated cost of the project is \$50 million and is funded by a federal grant and passenger facility charges.

Citibus provides public transportation for the City and is managed by McDonald Transit Associates, Inc. Citibus provides a Fixed Route Service, CitiAccess (paratransit system), evening service, and other special services. CitiAccess is a curb-to-curb service for disabled members of the community. The Citibus evening service is designed to meet the needs of CitiAccess and fixed route passengers who rely on public transit. A majority of evening service passengers work at night and use the service for transportation to and from their jobs. In addition, Citibus offers route service for Texas Tech University. Citibus is also the contracted agent for passenger sales and freight shipping and receiving for Greyhound Lines, Inc., operating from the Downtown Transfer Plaza.

**Health and Social Services:** The City has a housing and community development program implemented and administered through funding from the Federal Community Development Block Grant (CDBG) Program, HOME Investment Partnership Program, and Emergency Shelter Grant (ESG) Program. With these programs in FY 2011, the City has completed work on over 157 houses through the use of CDBG and HOME funds, and has assisted 3,534 individuals through the ESG Program with emergency shelter, and essential homeless prevention services.

The City also received funding from the Texas Department of Housing and Community Affairs. These funds allow the City to offer additional programs to its citizens. Through these programs in FY 2011, 296 individuals received assistance in weatherizing their home to make their home more energy efficient; 1,844 households received utility assistance; 55 individuals graduated from the Self-Sufficiency Program; and approximately 50,000 residents received referral assistance through the Information and Referral Hotline.

**Culture and Recreation Activities:** Culture and recreation services are provided by the City through four libraries, 80 parks, and 60 playgrounds. Other recreational facilities include four swimming pools, 61 tennis courts, 51 baseball and softball fields, 49 soccer fields, 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, Inc.), which is reported separately within the City's financial statements as a discretely presented component unit. Additional information on this legally separate entity can be found in the notes to the financial statements.

Honorable Mayor, City Council,  
And Citizens of the City of Lubbock, Texas  
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**Highways and Streets:** The City is responsible for the construction and maintenance of 1,076 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 with 40 percent of franchise fees, opens areas of the City for development through thoroughfare construction. The Gateway Streets Program consists of the Northwest Passage, City thoroughfare streets and Texas Department of Transportation (TxDOT) improvements in northwest Lubbock, as well as other thoroughfare improvements located in southwest Lubbock.

The City thoroughfare streets that have recently been completed as part of the Gateway program include: Erskine Street from Frankford Avenue to West Loop 289, Slide Road from West Loop 289 to Erskine Street, and Slide Road from 4th Street to West Loop 289, Indiana Avenue from 103rd Street to FM 1585, and Quaker Avenue from 98<sup>th</sup> Street to 114<sup>th</sup> Street.

Other major street projects in the Gateway Fund include Quaker Avenue from 114th Street to FM 1585 – scheduled to begin construction in 2012 – and Frankford Avenue from 98th Street to 114th Street.

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

- 34<sup>th</sup> Street reconstruction from Indiana Avenue to University Avenue (2009 Bond Election)
- Paving of Quaker Avenue from 114th Street to 130th Street (FM1585)
- City-wide 10-year Street Maintenance Program
- 98<sup>th</sup> Street sanitary sewer remediation – although a sanitary sewer funded project, this will reconstruct the street between Albany Avenue and Huron Avenue with seven-lane concrete pavement

### **Annual Budget Process**

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

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

Despite national and worldwide recessionary pressures, the City's sales tax and lodging receipts suggest that Lubbock will be one of the first local economies to see solid expansion in the future. The retail picture continues to show steady improvement in Lubbock with inflation-adjusted taxable retail spending on the cusp of returning to pre-downturn 2008 levels. By varying degrees, the trends in Lubbock are similar to a number of other Texas metro areas – improvement in the spending and employment sectors, low construction and housing numbers, but with generally improving and healthy housing prices.<sup>2</sup>

Lubbock has a stable economy with historically consistent and steady growth. Over the past twenty years, Lubbock's agriculturally based economy has diversified, which has minimized the effects of business cycles experienced by individual sectors.

The Southern High Plains District, comprised of 16 counties surrounding Lubbock, is one of the most productive agricultural areas in the United States. In 2011, 8.5 percent of the nation's upland cotton crop and 34.5 percent of the state's upland cotton crop were produced by farmers in the Southern High Plains District. Due to a severe drought in the State, the Southern High Plains production was 1.33 million bales, down 70.4 percent from the 4.49 million bales produced in the fall of 2010.<sup>3</sup>

The City has strong manufacturing, wholesale and retail trade, services, health care, education, and government sectors. Manufacturing includes a diverse group of employers who support approximately 5,100 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.<sup>4</sup>

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 2011 enrollment for all higher education institutions in Lubbock was 49,462, an increase of 2.7 percent over the Fall 2010 enrollment of 48,146. Texas Tech has set a goal to reach enrollment of 40,000 students by 2020. The availability of graduates in the City is an added advantage to local industries as the universities and colleges continue to produce a ready source of qualified labor.<sup>5</sup>

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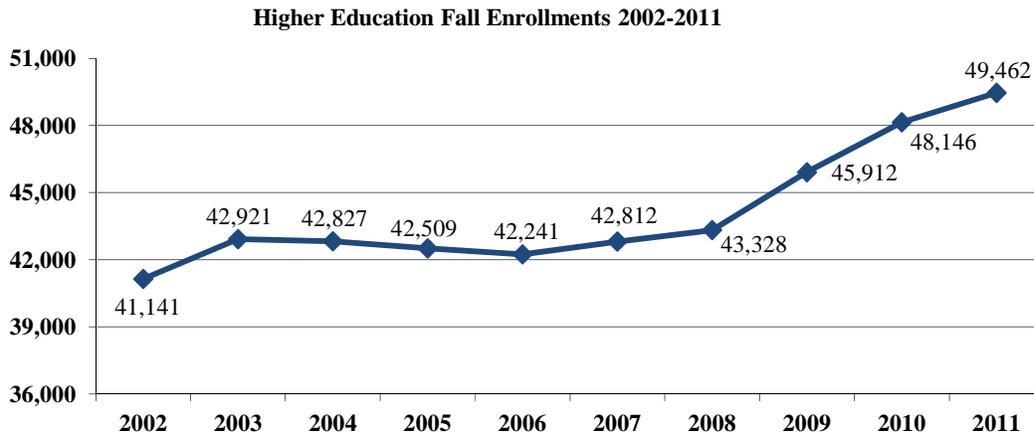
<sup>2</sup> Karr Ingham, Ingham Economic Reporting, Lubbock Economic Index and Consumer Price Index, November 2011.

<sup>3</sup> 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](http://www.nass.usda.gov/QuickStats/PullData_US_CNTY.jsp).

<sup>4</sup> Texas Workforce Commission, *MSA Employment and Unemployment Data*, retrieved from <http://www.tracer2.com>.

<sup>5</sup> City of Lubbock Business Development survey of enrollments at higher education facilities.

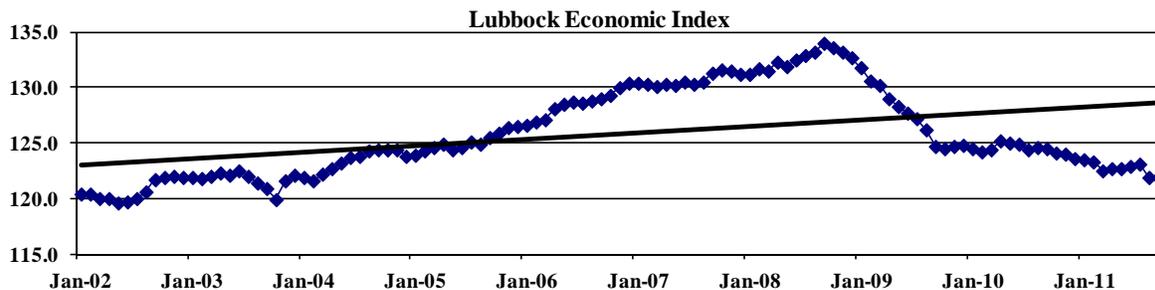
Honorable Mayor, City Council,  
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The health care and social services sector is also a vital component of the Lubbock economy, with more than 21,737 employees and payroll of more than \$820 million.<sup>6</sup> Lubbock is home to several medical facilities including: University Medical Center, Covenant Medical Center, The Lubbock Heart Hospital, and Grace Medical Center. The Texas Tech University Health Sciences Center also provides health care as well as training and research opportunities for health care professionals.

**Lubbock Economic Index:** The Lubbock Economic Index is designed to represent the general condition of the Lubbock economy by tracking local economic indicators. The base year for the index was 1996, when the index was set at 100. The economic index for September 2011 was 121.9, which represents a decrease of 2.1 percent from the September 2010 level of 124.5.

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. Some trends in the economic index show signs of recovery. While still below the pre-downturn levels, retail spending and auto sales saw modest increases compared to the previous year.<sup>7</sup> Housing prices continued to increase at a steady pace and existing home sales experienced an increase during the year.



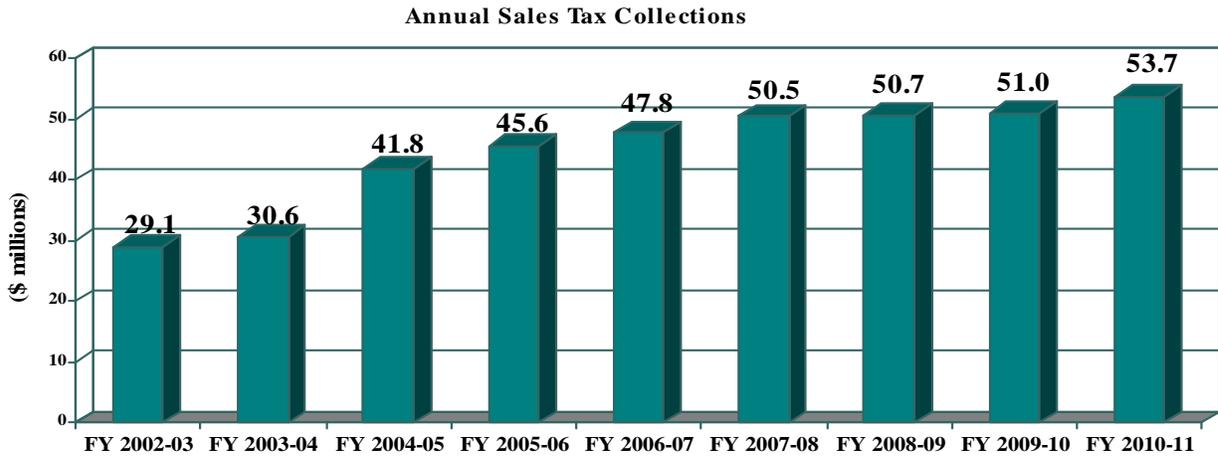
**Sales Tax Collections:** Sales tax collections for FY 2011, totaling \$53,672,766, were 5.2 percent higher than collections through the same period in FY 2010.<sup>8</sup> FY 2011 collections hit an all-time record high with the third largest year-to-year percentage increase in the last 10 years.

<sup>6</sup> U.S. Census Bureau, 2009 County Business Patterns, retrieved from <http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl> (2-year delay in publication).

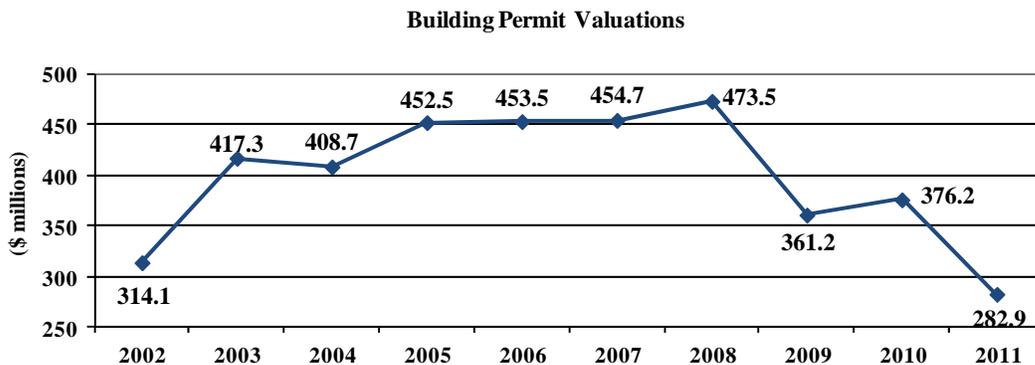
<sup>7</sup> Ingham Economic Reporting, September-2011, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham.

<sup>8</sup> City of Lubbock Finance Department, Historic Schedule of Sales Tax Receipts, October 2002 through September 2011.

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**Building Permit Valuations:** The construction sector experienced a decline during 2011, with the value of all building permits issued through September down 32 percent from the same period in 2010. The \$219.5 million in building permits issued through September 2011 is a significant decrease from the \$322.6 million issued through September 2010.



The total number of new residential permits issued through September 2011 decreased 28 percent from 2010 levels, and the total new residential valuations were \$119.8 million, 33.1 percent lower than the same time period in 2010.<sup>9</sup> The average home sales price for FY 2011 is \$144,133, an increase of 4.3 percent over FY 2010.<sup>10</sup>

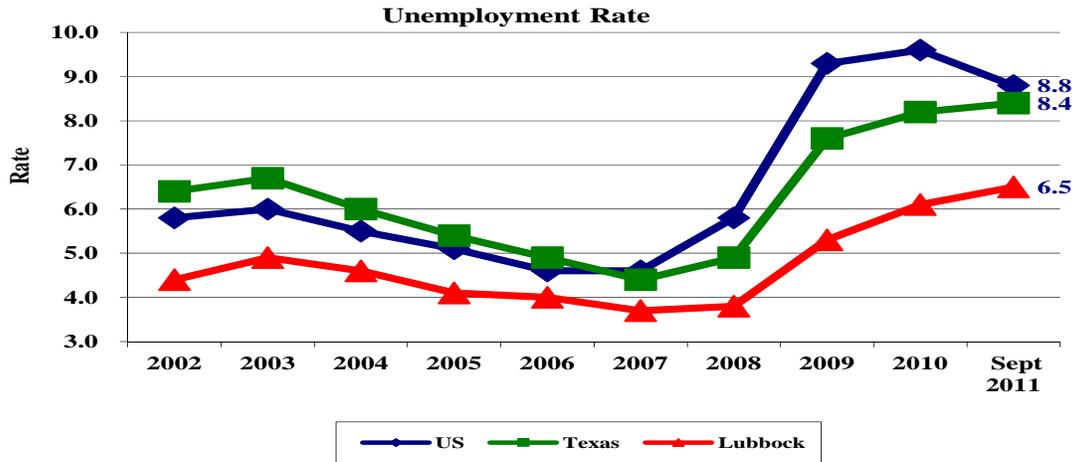
**Employment:** The total non-agricultural employment estimate for September 2011 was 132,000, representing a 2.3 percent increase from September 2010. An additional 3,000 people were employed in September 2011 than in September 2010. The unemployment rate for the Lubbock Metropolitan Statistical Area in September 2011 was 6.5 percent, the fourth 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.<sup>11</sup>

<sup>9</sup> City of Lubbock Building Inspection Department September 2010 and September 2011, *Building Inspection Statistical Report*.

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

<sup>11</sup> (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.

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### 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 2011 were \$7,825,836. During the last year, through their business retention, expansion, and attraction programs, LEDA assisted 14 companies in the creation of 447 new jobs with an annual payroll of \$16.9 million and capital investment of \$27.8 million.

The City’s Finance Department works closely with LEDA to provide assistance in their economic development projects. Finance is responsible for tracking and maintaining economic and demographic information for the City, assisting with city-related business issues, the enterprise zone and tax abatement programs, three Tax Increment Financing Reinvestment Zones, and all Public Improvement Districts.

**Lubbock Business Park:** The Lubbock Business Park (Park) is a 586-acre tract of land located off of Interstate 27, approximately one mile south of Lubbock Preston Smith International Airport. The Park is being developed by LEDA as a recruitment tool to assist in the recruitment of new businesses to the area. The Park has shovel ready lots available for businesses who would like to relocate to Lubbock or expand an existing business.

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that will assist in funding the public infrastructure necessary to develop the Park. According to the latest Project and Finance Plan for the Lubbock Business Park Tax Increment Financing Reinvestment Zone (LBP Zone), there are planned expenditures of approximately \$45.2 million for public infrastructure improvements, which will result in an increase in taxable value of approximately \$208.7 million over the LBP Zone’s 30-year life. The 2011 appraised value of the LBP Zone was \$37.1 million with a net taxable value of \$25.9 million, which is a \$25.5 million increase over the 2009 base year value.

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

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and Conference Center; condominiums; and many small specialty restaurant and retail establishments. In FY 2011, new projects completed are the Golden Chick Restaurant and Leonard's Grocery Store. Construction began on a new apartment complex on Mac Davis Lane and Avenue X during FY 2011 that should be completed in 2012.

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that has funded the replacement of the 80-year old infrastructure. According to the latest Project and Finance Plan for the North Overton Tax Increment Financing Reinvestment Zone (Overton Zone), there were planned expenditures of \$40.4 million, of which \$39 million has been expended as of September 30, 2011 for the replacement and upgrade of public improvements including roads, water, sewer, relocation underground of the electric infrastructure, lighting, and landscaping in the parkway. These improvements will result in an increase of taxable value of approximately \$373.9 million over the Overton Zone's 30-year life. The 2011 appraised value of the Overton Zone was \$295.3 million, which is a \$268.4 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-four homes. The NELCDC has also placed ninety-one families into scattered site developments. At the end of 2011, the NELCDC has originated \$2.5 million in mortgages for King's Dominion and an additional \$12 million for scattered site developments. As a collaboration between the public and private sectors, the NELCDC partnered with G.S. Gill, M.D. to revitalize an older neighborhood and in 2010, concluded the venture with the completion of a 21,000 square-foot shopping center on Parkway Drive.

***Downtown Redevelopment:*** The City of Lubbock Central Business District (CBD) has developed over the years with traditional office, retail, and governmental agency uses. As with many cities in the last ten to twenty years, retail has moved to shopping areas and other areas outside the CBD, and office development has stagnated. In an effort to reverse the trend, the City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District created a Tax Increment Financing Reinvestment Zone to assist in the redevelopment of downtown in December 2001, with a termination date of December 31, 2020. On September 24, 2009, the City Council approved an extension of the termination date to December 31, 2040 in order to provide additional funding to implement the project and finance plan. According to the latest Project and Finance Plan for the Central Business District Tax Increment Financing Reinvestment Zone (CBD Zone), there are planned expenditures of approximately \$40.1 million for public infrastructure improvements, which will result in an increase in taxable value of approximately \$170.3 million over the CBD Zone's 40-year life. The 2011 appraised value of the CBD Zone was \$171.6 million, which is a \$65.7 million increase over the 2001 base year value.

A Revitalization Action Plan for downtown Lubbock was completed in FY 2008. The Plan was approved by the Planning and Zoning Commission and the City Council. In 2008, the City Council contracted with McDougal Land Company, LT to provide Consulting/Master Developer services to implement the Plan. In December 2008, the first step in the implementation of the Plan was put into place when the City Council contracted with SGS Engineering to provide coordination and design services for the relocation of overhead utilities underground in the downtown target area, and in November 2011, the City of Lubbock executed a contract with Utility Contractors of America to construct the first phase of the relocation of the utilities underground. In addition, the City Council approved a master zoning case for

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the downtown area on December 15, 2010. The zone case will assist in implementing design standards for exterior renovations of current buildings as well as for new development in downtown.

## **FINANCIAL INFORMATION**

### **Long-term financial planning**

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

The City Council has approved goals for the General Fund unrestricted fund balance, which is set at a minimum of an amount equal to twenty percent of operating revenues to meet unanticipated contingencies and fluctuations in revenue. Enterprise funds also have appropriate 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 appropriate net assets in an amount equal to 25 percent of operating revenues. Solid Waste, Airport, and Storm Water funds maintain appropriate net assets of 15 percent of operating revenues. Appropriate net assets have a slightly different definition than GAAP unrestricted net assets. Excesses and deficits are addressed in the subsequent year budget process.

Utility funds, 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, until the current year, had 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 paid approximately \$3.6 million as a FFE to the General Fund and approximately \$2.4 million to the Gateway Fund. In FY 2011, LP&L paid a FFE, totaling approximately \$5.7 million, to the General Fund and approximately \$3.8 million to the Gateway Fund. In addition, LP&L resumed a payment in lieu of property taxes, totaling approximately \$2.0 million, to the General Fund in FY 2011.

## **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, 2010. 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.

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 Accounting Supervisors, Senior Accountants, Accountants, Senior Financial Analysts, and Financial Analysts for their countless hours of work on this financial report. We express our appreciation to all members of City departments who assisted with and contributed to the preparation of this report. Credit is also given to the

Honorable Mayor, City Council,  
And Citizens of the City of Lubbock, Texas  
February 21, 2012

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

# 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, 2010

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.



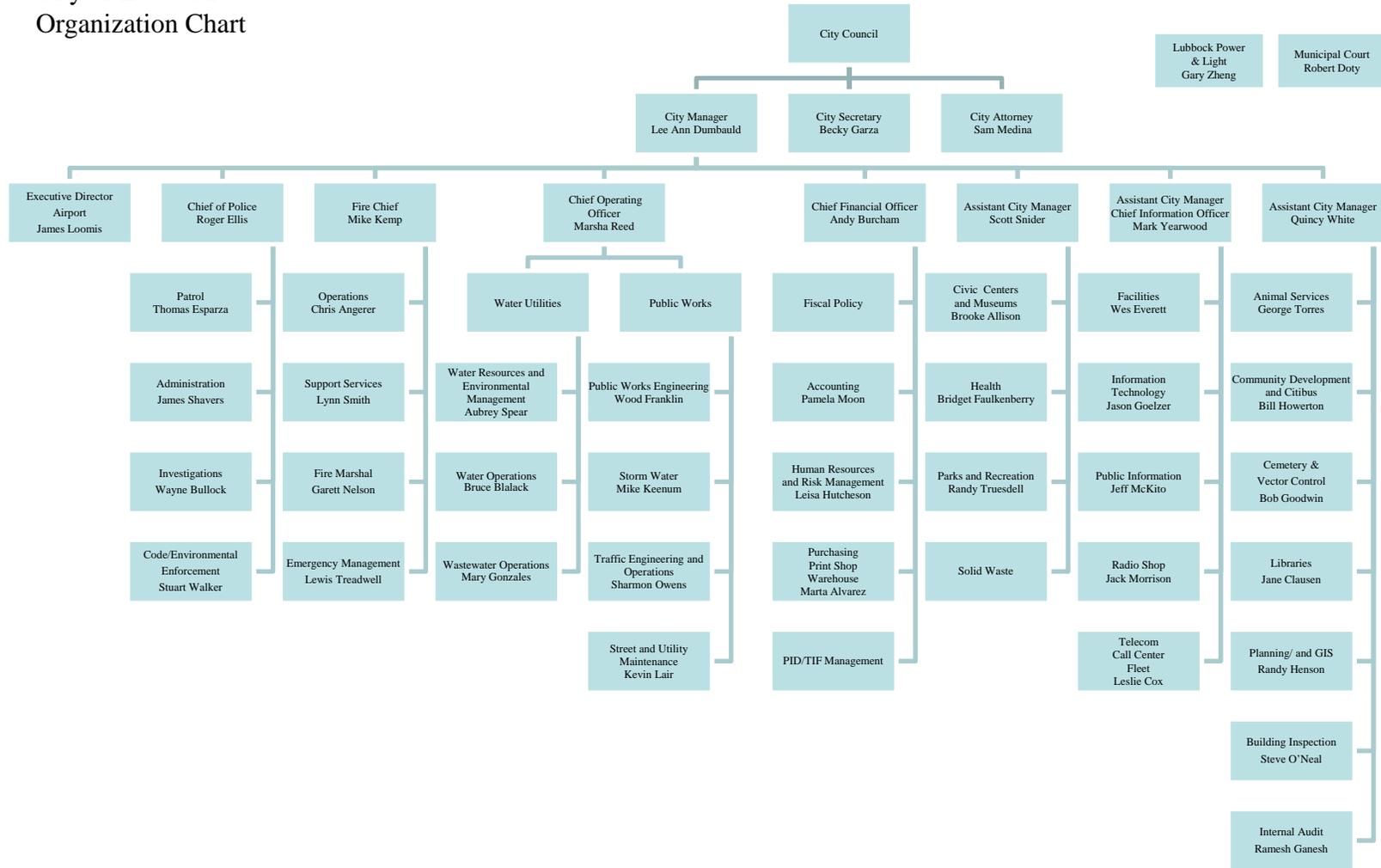
*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# City of Lubbock Organization Chart



September 30, 2011

## 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, 2011, 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 \$31,817,429 and \$16,734,319, respectively, and represent 99% and 98% of the aggregate discretely presented component units' total assets and program revenues, respectively, at September 30, 2011 and for the year then ended. The financial statements of these entities were audited by other accountants whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other accountants.

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

In our opinion, based on our audit and the reports of the other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lubbock, Texas, as of September 30, 2011, 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

As discussed in *Note 1.I.*, in 2011, the City changed its method of accounting for fund balances under Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2012, 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 including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and schedule of expenditures of State awards required by the State of Texas *Uniform Grants Management Standards*, as listed in the table of contents 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 21, 2012

**City of Lubbock, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

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, 2011.

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, 2011 by \$712.1 million (net assets), of which \$115.5 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$39.6 million as a result of operations during the fiscal year.
- The ending unassigned fund balance for the General Fund was \$21.7 million, or 20.4 percent of total General Fund revenues, an increase of \$2.0 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$103.2 million, of which \$18.8 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net assets of \$635.6 million, of which \$112.2 million is available for spending at the City's discretion.
- During FY 2011, the City issued \$257.0 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

**City of Lubbock, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

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

**Component Units:** The GWFS include the City (the “primary government”), and 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 to be 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.

**City of Lubbock, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Governmental Capital Projects Fund, which are considered to be major funds. The governmental FFS can be found on pages 38-41 of the CAFR. Data for the other 27 governmental funds are combined into a single, aggregated presentation.

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

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

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

**Notes to Basic Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 54-92 of the CAFR.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the City's progress in funding its obligation to provide pension and post retirement benefits to its employees and retirees. The General Fund budgetary comparison demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 93-97 of the CAFR.

**City of Lubbock, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

**Government-Wide Financial Analysis**

As noted earlier, net assets serve as a useful indicator of the City's financial position. Assets exceeded liabilities by \$712.1 million (*net assets*) at the close of the fiscal year, compared to assets exceeding liabilities by \$672.6 million (*net assets*) at the end of the prior fiscal year. As a result of operations, total net assets increased by \$39.5 million during the period.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 129,540	\$ 132,573	\$ 426,125	\$ 403,558	\$ 555,665	\$ 536,131
Capital assets	309,698	292,548	1,127,414	903,983	1,437,112	1,196,531
Total assets	439,238	425,121	1,553,539	1,307,541	1,992,777	1,732,662
Current liabilities	49,152	49,070	112,435	86,181	161,587	135,251
Noncurrent liabilities	321,224	294,989	797,859	629,870	1,119,083	924,859
Total liabilities	370,376	344,059	910,294	716,051	1,280,670	1,060,110
Net assets:						
Invested in capital assets, net of related debt	54,813	52,476	492,011	435,249	546,824	487,725
Restricted	17,234	17,147	32,563	28,247	49,797	45,394
Unrestricted	(3,185)	11,439	118,671	127,994	115,486	139,433
Total net assets	\$ 68,862	\$ 81,062	\$ 643,245	\$ 591,490	\$ 712,107	\$ 672,552

Approximately 76.5 percent of the City's net assets reflect its investment in capital assets, e.g., land, buildings, infrastructure, machinery, and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net assets totaling 7.0 percent of total net assets, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants, passenger facility charges restricted for airport improvements, and special revenue funds restricted for specific purposes. The remaining balance of unrestricted net assets of \$115.5 million may be used to meet the City's ongoing obligations.

The City reports positive balances in all three categories of net assets for the City as a whole, with negative unrestricted net assets of \$3.2 million for governmental activities and positive \$118.7 million for business-type activities. The change in unrestricted net assets in governmental activities from a positive amount in FY 2010 to a negative amount in FY 2011 is partially related to unfunded post retirement benefits and net pension obligations, which decreased unrestricted governmental activities net assets by \$6.5 million. The net expense of certain internal service funds contributed an additional \$4.0 million decrease to governmental activities. Most of this was due to a sharp increase in health insurance leaving that fund with a large decrease in net assets. Compensated absences also increased by \$1.7 million in FY 2011.

**City of Lubbock, Texas**  
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**For the Year Ended September 30, 2011**

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

	Governmental Activities		Business- type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 9,405	\$ 9,990	\$ 362,092	\$ 277,845	\$ 371,497	\$ 287,835
Operating grants and contributions	13,835	13,666	9,387	5,855	23,222	19,521
Capital grants and contributions	8,397	8,137	16,061	11,996	24,458	20,133
General Revenues:						
Property taxes	57,534	55,065	-	-	57,534	55,065
Sales taxes	53,673	51,008	-	-	53,673	51,008
Other taxes	6,165	5,458	-	-	6,165	5,458
Franchise fees	8,307	11,703	-	-	8,307	11,703
Investment earnings	240	433	431	477	671	910
Other	5,615	4,293	3,697	2,131	9,312	6,424
Total revenues	<u>163,171</u>	<u>159,753</u>	<u>391,668</u>	<u>298,304</u>	<u>554,839</u>	<u>458,057</u>
<b>Expenses:</b>						
Administrative services/general govt.	11,787	12,006	-	-	11,787	12,006
Community services	10,708	12,232	-	-	10,708	12,232
Cultural and recreation	16,833	16,590	-	-	16,833	16,590
Economic and business development	15,944	15,336	-	-	15,944	15,336
Fire	39,620	36,803	-	-	39,620	36,803
Health	6,332	5,599	-	-	6,332	5,599
Police	56,537	54,172	-	-	56,537	54,172
Other public safety	5,920	6,343	-	-	5,920	6,343
Streets and traffic	21,244	28,181	-	-	21,244	28,181
Interest on long-term debt	13,290	12,207	-	-	13,290	12,207
Electric	-	-	197,364	135,634	197,364	135,634
Water	-	-	46,457	39,864	46,457	39,864
Wastewater	-	-	18,078	18,747	18,078	18,747
Solid Waste	-	-	16,743	20,035	16,743	20,035
Storm Water	-	-	10,892	7,927	10,892	7,927
Transit	-	-	11,335	12,166	11,335	12,166
Airport	-	-	11,192	10,874	11,192	10,874
Civic Centers	-	-	3,921	4,049	3,921	4,049
Cemetery	-	-	700	694	700	694
Lake Alan Henry	-	-	386	-	386	-
Total expenses	<u>198,215</u>	<u>199,469</u>	<u>317,068</u>	<u>249,990</u>	<u>515,283</u>	<u>449,459</u>
Change in net assets before transfers	(35,044)	(39,716)	74,600	48,314	39,556	8,598
Transfers	22,844	19,870	(22,844)	(19,870)	-	-
Change in net assets	<u>(12,200)</u>	<u>(19,846)</u>	<u>51,756</u>	<u>28,444</u>	<u>39,556</u>	<u>8,598</u>
Net assets - beginning of year	81,062	100,908	591,489	563,046	672,551	663,954
Net assets - end of year	<u>\$ 68,862</u>	<u>\$ 81,062</u>	<u>\$ 643,245</u>	<u>\$ 591,490</u>	<u>\$ 712,107</u>	<u>\$ 672,552</u>

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

**City of Lubbock, Texas**  
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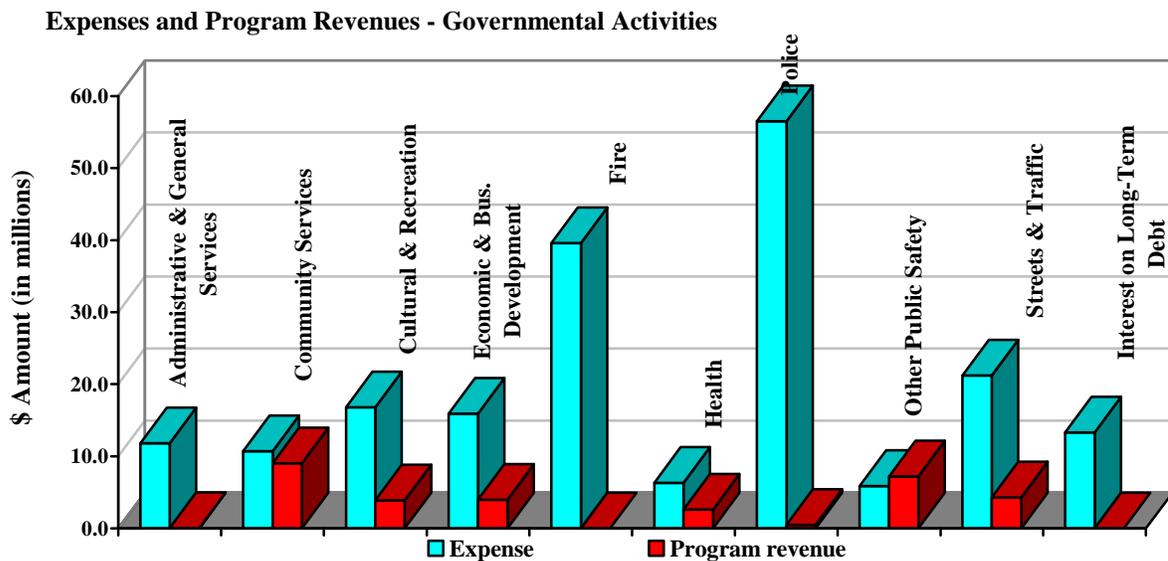
**Governmental activities:** The City's governmental activities experienced a decrease in net assets of \$12.2 million, compared to a decrease of \$19.8 million during the prior fiscal year. Key elements of the operational decrease include:

- Revenues increased \$3.4 million, from \$159.8 million in FY 2010 to \$163.2 million in FY 2011.
  - The City experienced very little change in total program revenues. Charges for services decreased \$0.6 million from FY 2010 to FY 2011, offset by increases in operating grants and contributions totaling \$0.1 million and increases in capital grants and contributions totaling \$0.3 million. In the capital grants and contributions category for the prior fiscal year, the City received a \$1 million donation for the construction of a new City animal shelter and \$1.3 million in federal stimulus money for police. In FY 2011 the City received a \$1.9 million Department of Energy federal stimulus grant to provide an energy efficient HVAC system at the physical facility that serves the Mahon Library and Civic Center and \$0.2 million in police grants.
  - Property tax revenue increased from \$55.1 million in FY 2010 to \$57.5 million in FY 2011. The property tax rate was increased from \$0.44640 per \$100 of assessed value in 2010 to \$0.45617 per \$100 of assessed value in 2011. The \$0.00977 increase in the property tax rate funds debt service on bond issues authorized in the 2009 Bond Election. Taxable assessed values increased from \$12.0 billion in 2010 to \$12.3 billion in 2011.
  - Sales tax revenue totaled \$53.7 million, an increase of \$2.7 million from the prior year. The Lubbock economy entered into recession in October 2008; however, Lubbock's diverse economy, comprised of agricultural, educational, and medical sectors lessened the effects of the recession. Since FY 2008, sales tax growth has risen less than one percent annually; however in FY 2011, Lubbock experienced a 5.2 percent increase. The improving local and national economy, combined with a greater than average cotton production, contributed to the sales tax revenue increase.
  - Franchise fees decreased from \$11.7 in FY 2010 to \$8.3 million in FY 2011, primarily as a result of the City's acquisition of distribution assets from Southwestern Public Service Company (SPS). The loss in franchise fee funding from SPS was replaced with a transfer for payment in lieu of franchise fees from LP&L to governmental activities.
- Total expenses decreased \$1.3 million, from \$199.5 million to \$198.2 million in FY 2011.
  - Employee compensation increased due to a 3 percent merit increase that was effective on January 1, 2011. The Texas Municipal Retirement System (TMRS) contribution rate increased from 18.33 percent in FY 2010 to 19.26 percent in FY 2011 and the Lubbock Fire Pension Fund rate increased from 22.04 percent in FY 2010 to 22.83 percent in FY 2011. Expenses related to benefits increased due to the recording of the net pension obligation and other post employment benefits, as well as increases in health care costs.
  - Community services expenses decreased \$1.5 million in FY 2011, primarily due to a decrease in federal funds received in the Community Development Block Grant and HOME Program.
  - Fire Department expenses increased \$2.8 million to \$39.6 million in FY 2011, mainly due to increases in salaries and benefits. Depreciation expense increased with the addition of a new fire station and the purchase of new fire trucks.
  - Police services increased \$2.4 million to \$56.5 million in FY 2011, with the majority of the increase due to the salary and benefit increases noted above. The Police Department has the largest number of employees with 535 positions authorized. The increase in salary expense was offset by decreases in technology expense due to a one-time infusion of federal stimulus grants in FY 2010.

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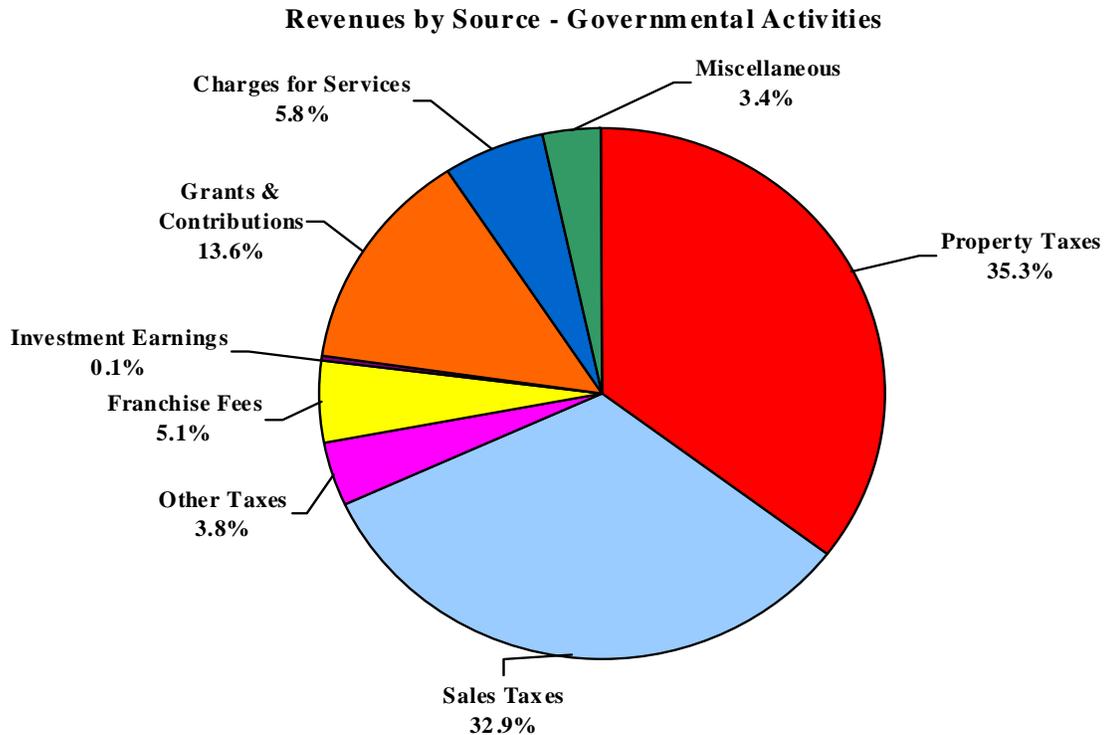
- Streets and traffic decreased \$6.9 million, to \$21.2 million in FY 2011. The decrease was due to a FY 2010 contribution of \$7.6 million to the Texas Department of Transportation under a funding agreement to share in the payment of improvements on West Loop 289 from Frankford to 4<sup>th</sup> Street. City-owned streets are capitalized, but since this is a state-owned thoroughfare, the cost was charged to streets and traffic. Recent road improvements, in the past several years, have resulted in additional depreciation on capital assets placed in service. Offsetting the increase in depreciation expense was the movement of \$1.8 million street lighting operations from governmental activities in FY 2010 to electric operations in FY 2011.
- Interest expense increased \$1.1 million to \$13.3 million from the prior year as a result of additional bonded indebtedness and capital leases.
- Transfers from business-type activities during FY 2011 increased governmental activities' net assets by \$22.8 million. During the prior fiscal year, the transfers increased governmental activities' net assets by \$19.9 million.
  - Net transfers from business-type activities included payments in lieu of taxes, franchise fees, and indirect costs of operations for centralized services such as payroll and purchasing to governmental activities. LP&L, Water, Wastewater, Storm Water, and Solid Waste all increased payment in lieu of taxes as a result of higher capital asset values and the increased property tax rate. The largest increase; however, was from LP&L and was related to the purchase of \$87.6 million of SPS assets as well as the implementation of a payment in lieu of taxes equal to one percent of gross retail revenue from the metered sale of electricity.

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



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



**Business-type activities:** Revenues from the City's business-type activities totaled \$391.7 million, compared to \$298.3 million in FY 2010, an increase of \$93.4 million. Key elements of the revenue increase from operations include:

- Charges for services for business-type activities totaled \$362.1 million in FY 2011, an increase of \$84.3 million from the prior year.
  - Electric operations, which include LP&L and WTMPA, totaled \$209.1 million in FY 2011, an increase of \$59.5 million. The increase related to the purchase of SPS assets and the related addition of their customers. The electric customer base increased 31.2 percent, from 75,975 meters in FY 2010 to 99,660 meters in FY 2011.
  - Water operations totaled \$74.2 million in FY 2011, an increase of \$18.2 million. In FY 2011 Lubbock experienced the worst drought on record, with 5.88 inches of rainfall compared to an average rainfall of 18.60 inches. In spite of recent efforts to conserve water usage in Lubbock, citizens responded to the drought conditions with increased watering of lawns and vegetation. Water volume increased approximately 18.7 percent, from 11.0 billion gallons sold in FY 2010 to 13.0 billion gallons sold in 2011. The base rate in the Water Fund also increased in FY 2011, from \$18.00 per month to \$24.00 a month for the ¾" water meter customer and from \$30.05 per month to \$40.06 per month for the 1" water meter customer.
  - Wastewater operations totaled \$29.9 million, an increase of \$3.2 million. This was attributable to the increase in water usage in FY 2011 as well as an increase in the base rate from \$9.80 per month to \$12.00 per month for the ¾" water meter customer and from \$11.94 per month to \$14.62 per month for the 1" water meter customer.

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- Storm Water operations totaled \$16.2 million, an increase of \$4.1 million. The Storm Water residential rate increased from \$9.00 to \$12.00 per month, and the commercial rate increased from \$59.74 to \$79.65 per month.
- Operating grants, capital grants, and contributions continued to be a significant revenue source for business-type activities during FY 2011, producing \$25.4 million in revenue, resulting in a \$7.5 million increase from the prior year. The Airport Fund has undertaken a multi-phase rehabilitation project on one of its runways, with an estimated cost of over \$50 million. The grants related to Airport projects totaled \$4.3 million in FY 2010 compared to \$12.5 million in FY 2011.

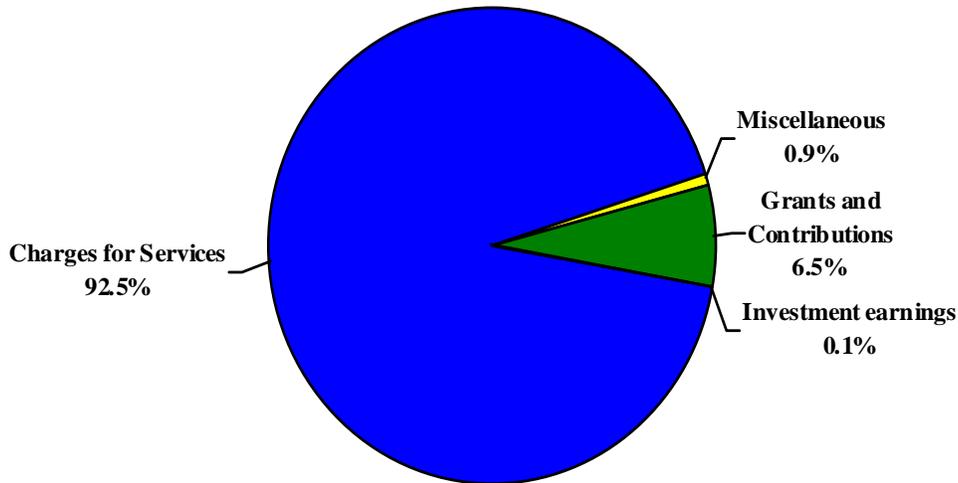
Expenses for business-type activities were \$317.1 million in FY 2011, an increase of \$67.1 million.

- Electric operating expenses were \$197.4 million, an increase of \$61.7 million from the prior year. This was related to the additional fuel and operating costs necessary to handle the increase in customer base as a result of purchasing SPS assets and the related addition of their customers in FY 2011.
- Expenses in Water and Wastewater Funds were \$46.5 million and \$18.1 million, respectively. While water expenses increased by \$6.6 million over FY 2010, wastewater expenses were relatively flat when compared to the prior year. The increase in Water expenses is largely due to additional debt issuance related to the Lake Alan Henry pipeline and due to an increase in depreciation expense as a result of increased capital improvements on infrastructure and facilities.
- Expenses in the Solid Waste Fund were \$16.7 million, a decrease of \$3.3 million from the prior year. In FY 2010 landfill closure costs were increased for an adjustment to the liability due to revised engineer estimates that were approved by Texas Commission on Environmental Quality (TCEQ). In FY 2011, landfill closure costs were adjusted by volume usage but there were not any changes in the estimates. Depreciation expense also decreased due to the assignment of a longer lifespan on the landfill cells than originally used.
- Expenses in Storm Water were \$10.9 million, an increase of \$3.0 million from the prior year. The increases were primarily due to the increased debt service necessary to cover the capital program requirements in that fund.
- Expenses for Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry were \$27.5 million, a slight decrease from FY 2010.

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

**Revenues by Source – Business-type Activities**



**Financial Analysis of the City's Funds**

**Governmental funds:** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. With the implementation of GASB No. 54 in FY 2011, the City changed its presentation of fund balances in governmental funds. The GASB has defined five types of fund balances, which, are more fully described in the footnotes to the financials. The City uses four of the five types of fund balances defined: nonspendable, restricted, committed, and unassigned.

The unassigned fund balance is comparable to the unreserved fund balance reported in FY 2010, and both serve 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 \$103.2 million, compared to \$100.0 million at the end of the prior fiscal year. The increase was primarily due to sales tax collections at a higher rate than expected.

The General Fund is the chief operating fund of the City. In FY 2011 the General Fund had \$21.7 unassigned fund balance compared to \$19.7 million unreserved, undesignated fund balance in FY 2010. This is 23.0 percent of the ending governmental fund balance, compared to 19.7 percent of the ending governmental fund balance, at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it is useful to compare both the unassigned fund balance and total fund balance to total fund revenues. Unassigned fund balance represented 20.4 percent of total General Fund revenues compared to 18.7 percent of total General Fund revenue in the prior year.

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**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, 2011 and 2010 are as follows with amounts presented in thousands:

	<b>2011</b>	<b>2010</b>
LP&L	\$ 70,475	\$ 87,413
Water Fund	19,339	12,431
Wastewater Fund	8,743	8,409
WTMPA	1,668	1,760
Storm Water	3,006	2,416
	\$ 103,231	\$ 112,429

The LP&L Fund unrestricted net assets decreased by \$16.9 million, compared to an increase of \$7.6 million in the prior year. The Electric Utility Board utilized accumulated reserves in order to cash fund a portion of the purchase of SPS assets. In October 2010, the City used \$20.8 million of cash reserves in addition to issuing \$67.0 million in revenue bonds to finance the purchase of the SPS assets.

The Water Fund unrestricted net assets increased by \$6.9 million compared to an increase of \$6.7 million in the prior year. The change in net assets in FY 2010 was part of a long-term rate structure plan, which accumulates funds to act as a rate stabilizer for future debt service requirements, which will increase in FY 2012. The change in net assets in FY 2011 was not planned, but occurred due to increased revenues as a result of increased water usage related to the historic drought. Water usage increased 18.7 percent, resulting in revenues much greater than projected. Expenses increased primarily for interest expense as a result of new debt; however these expenses were planned for and funded with the base rate increase. The Water Fund has large capital projects planned, particularly for the Lake Alan Henry pipeline and a water treatment plant, which have been funded through the issuance of debt. Future water rates are planned in a manner that will ultimately reduce net assets to policy levels, which is equal to 25 percent of operating revenues.

The Wastewater Fund unrestricted net assets increased by \$0.3 million compared to an increase of \$1.3 million in the prior year. Future wastewater rates are planned in a manner that will ultimately reduce net assets to policy levels, which is equal to 25 percent of operating revenues.

The WTMPA Fund unrestricted net assets decreased by \$0.1 million compared to an increase of \$0.3 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 increased by \$0.6 million compared to a \$1.6 million increase in the prior fiscal year. The FY 2011 rate change increased revenues \$4.1 million, which was necessary to cover additional debt service requirements.

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**General Fund Budgetary Highlights**

The Adopted Operating Budget for the General Fund, including transfers, was balanced and totaled \$127.1 million.

Revenue for FY 2011, including transfers in, totaled \$127.1 million, which included an amendment to increase the transfer from LP&L by \$0.3 million. The original operating expenditure budget for the General Fund, including transfers out, totaled \$126.8 million. During FY 2011, an amendment was passed to increase the Health Department appropriation in the amount of \$0.3 million. In addition, there were approximately \$0.02 million of encumbered expenses from FY 2010 carried forward to FY 2011 as authorized in the FY 2010 budget ordinance. After supplements, the final General Fund expenditure budget totaled \$127.1 million.

Revenue and transfers-in to the General Fund were over budget by \$4.0 million. Property tax was over budget by \$0.6 million while sales tax was over budget by \$2.8 million. Budget projections were conservative as the City experienced several years of limited growth in sales tax as the nation faced a three-year recession. Franchise fee revenues were under budget by \$1.5 million, which was primarily attributed to the City's acquisition of distribution assets from SPS. The below budget franchise fees were offset by a transfer from the Electric Fund in the amount of \$1.9 million for payment in lieu of franchise fees related to the SPS acquisition.

The City ended the fiscal year with expenditures and transfers out totaling \$0.2 million more than budgeted. The City budgets on a basis other than Generally Accepted Accounting Principles (GAAP), with the main difference being that capital lease proceeds and related capital outlay are not budgeted.

**Capital Assets and Debt Administration**

**Capital assets:** The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities at September 30, 2011 totaled \$1.4371 billion, a \$240.6 million increase over the prior fiscal year's balance of \$1.1965 billion. The investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

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(Net of Accumulated Depreciation)  
**September 30**  
(in thousands)

	Governmental Activities		Business- type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 18,391	\$ 15,959	\$ 57,604	\$ 40,730	\$ 75,995	\$ 56,689
Buildings	31,650	25,673	65,954	68,352	97,604	94,025
Improvements other than buildings	220,519	192,669	640,301	581,814	860,820	774,483
Machinery and equipment	23,703	22,573	83,479	82,511	107,182	105,084
Construction in progress	15,435	35,674	280,076	130,576	295,511	166,250
Total	\$ 309,698	\$ 292,548	\$ 1,127,414	\$ 903,983	\$ 1,437,112	\$ 1,196,531

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

- SPS electrical distribution system, totaling \$87.8 million
- Transformers, and overhead and underground electric lines for LP&L, totaling \$6.8 million
- Lake Alan Henry Water Treatment Plant, totaling \$23.4 million
- Lake Alan Henry pipeline and raw water line, totaling \$85.4 million
- Southeast Water Reclamation Plant, totaling \$2.4 million
- Extension of Airport Runway 08/26 and Taxiway J, totaling \$12.1 million
- Airport loading bridges, totaling \$3.5 million
- Various road improvement projects, totaling \$15.8 million
- Replacement of strip paving on a T-2 thoroughfare on Quaker Avenue, totaling \$1.5 million
- Fire Station No. 16, totaling \$1.0 million
- Renovations to Mahon Library, totaling \$1.4 million

At the end of the fiscal year, the City had construction commitments of \$309.2 million. The largest construction commitment is a 65-mile water transmission line that will extend to Lake Alan Henry along with the newly constructed Water Treatment Plant.

Additional information about the City's capital assets can be found on pages 68-70 of the CAFR.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 278,937	\$ 259,634	\$ 682,353	\$ 578,026	\$ 961,290	\$ 837,660
Revenue bonds	-	-	107,586	51,992	107,586	51,992
Total	\$ 278,937	\$ 259,634	\$ 789,939	\$ 630,018	\$ 1,068,876	\$ 889,652

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

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maximum tax rate for general obligation bonds debt service. The FY 2010 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.09377, which is significantly below the maximum allowable tax rate.

As of September 30, 2011, the City's total outstanding debt has increased by \$179.2 million, or 20.1 percent over the prior fiscal year. The increase in outstanding debt is attributed to the issuance of \$257.0 million in debt, offset by the payment of scheduled principal payment totaling \$61.3 million and refunded debt of \$16.5 million.

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

- \$41.0 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2010C. These certificates were issued for the construction of a raw water transmission line, a pump station, and water treatment plant improvements to enable Lake Alan Henry to serve as a water supply for the City.
- \$73.3 million Electric Light and Power System Revenue Bonds, Series 2010. These bonds were issued for the construction of capital improvements and the acquisition of the distribution system of Southwestern Public Service Company (SPS).
- \$14.1 million General Obligation Bonds, Series 2011. These certificates were issued for various public improvements and purposes including Municipal Court renovations, street improvements, and traffic signal upgrades.
- \$112.2 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2011. These certificates were issued for various public improvements including solid waste, drainage, water, streets, parks, city fuel system upgrade, and airport projects.
- \$16.3 million General Obligation Refunding Bonds, Series 2011. These bonds were used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The bonds refunded \$16.5 million in outstanding debt, which resulted in a decrease of \$1.1 million in total debt service requirements.

In March 2011, all three rating agencies reaffirmed the City's bond rating of Aa2 from Moody's Investor Service, AA+ from Fitch Ratings, Inc., and AA+ from Standard and Poor's. All three rating agencies also characterize the City's rating outlook as stable.

In February 2011, Fitch Ratings, Inc. upgraded LP&L's bond rating from A- with a positive outlook to A+ with a stable outlook. The rating upgrade was related to the completed acquisition of the distribution assets from SPS, which strengthened LP&L's credit profile.

Additional information about the City's long-term debt can be found on pages 79-85 of the CAFR.

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

- In September 2011, the unemployment rate for the Lubbock area was 6.5 percent compared to the rate of 5.8 percent in September of the previous year. However, the rate does compare favorably to the state's unemployment rate of 8.4 percent and the national rate of 8.8 percent for September 2011.

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- Taxable retail sales figures reflected a 5.2 percent increase in FY 2011, compared to FY 2010. Sales tax revenue was \$53.7 million in 2011.
- The total number of new residential permits through September 2011 decreased 28 percent from 2010 levels, and valuation amounts were \$119.8 million which is 33.1 percent lower than the same time period in 2010.
- Lodging tax receipts increased to \$4.9 million in FY 2011 from \$4.3 million in FY 2010.

The above factors were considered in preparing the City's budget for FY 2012.

- The City has adopted an increased tax rate of \$0.47400 for FY 2012. The property tax rate will increase \$.01783 per \$100 valuation to fund projects authorized in the 2009 Bond Election. The bond election authorized \$50.6 million in streets, traffic control, and fire station projects. The property tax rate is broken down as follows: General Fund \$0.34200; Debt Service Fund \$0.10200; and Economic Development Fund \$0.03000. Property tax revenues are expected to increase by 5.8 percent for FY 2012 related to the tax rate increase.
- Sales tax revenues in FY 2012 are expected to increase 1.5 percent, which is a conservative estimate based on the large increase in sales tax revenue witnessed in FY 2011.
- Payments in lieu of franchise fees are expected to increase \$2.3 million. The majority of the increase can be attributed to the transfer from LP&L as a result of the acquisition of the distribution assets from SPS. The increase is also related to the FY 2012 rate increases in the Water, Wastewater, and Storm Water Enterprise Funds.
- Compensation costs are expected to increase 2.7 percent in FY 2012. Of the total \$1.8 million compensation increase for the City, the increase for the Fire and Police Departments is expected to be \$1.7 million and is due to the addition of 15 firefighters for the newly constructed Station No. 16, the full-year impact of the compensation increase for all firefighters and sworn police officers, and step increases for all firefighters and eligible police officers.
- The City's Health Benefits costs are expected to increase 18.3 percent, or \$4.5 million, for FY 2012 based on significant increases in medical and prescription costs.
- Pension costs are projected to increase \$0.7 million due to the FY 2011 salary increases for full time employees, the increase in the contribution rate from 19.26 percent to 19.95 percent of payroll for Police and non-Civil Service employees, and the increase in the contribution rate from 22.83 percent to 23.42 percent of payroll for firefighters. The increase in the contribution rate is related to the restructuring of the Texas Municipal Retirement System funds.
- Dental benefits are expected to decrease \$0.5 million, or 74.8 percent, in FY 2012. This decrease is due to the elimination of the City's contribution for dental benefits, effective January 1, 2012.

**City of Lubbock, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

- The master lease program is expected to increase General Fund expenditures by \$0.6 million.

**Requests for Information**

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

**City of Lubbock, Texas**  
**Statement of Net Assets**  
**September 30, 2011**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,336,502	\$ 11,979,947	\$ 16,316,449	\$ 4,063,253
Investments	42,899,040	136,763,759	179,662,799	847,184
Receivables (net of allowance for uncollectibles)	12,099,738	42,243,779	54,343,517	1,353,755
Internal balance	(804,639)	804,639	-	-
Due from other governments	5,288,543	2,013,841	7,302,384	-
Due from others	2,219,983	280,033	2,500,016	-
Inventories	130,593	3,032,872	3,163,465	138,397
Investment in property	182,828	-	182,828	-
Prepaid expenses	641,561	344,003	985,564	18,030
Restricted assets:				
Cash and cash equivalents	-	-	-	715,741
Investments	54,335,637	223,860,572	278,196,209	-
Incentive advances	-	-	-	2,000,000
Pledges and leases receivable	3,410,639	-	3,410,639	-
Mortgage receivables	4,799,949	-	4,799,949	-
Deferred charges and goodwill	-	4,802,110	4,802,110	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	33,826,047	337,680,027	371,506,074	22,759,502
Depreciable	275,871,627	789,733,612	1,065,605,239	238,645
Total assets	<u>439,238,048</u>	<u>1,553,539,194</u>	<u>1,992,777,242</u>	<u>32,134,507</u>
<b>LIABILITIES</b>				
Accounts payable	9,355,399	43,299,414	52,654,813	1,302,151
Accrued liabilities	2,549,821	2,166,248	4,716,069	155,792
Accrued interest payable	1,804,045	6,313,227	8,117,272	108,892
Customer deposits	2,517,008	5,296,272	7,813,280	-
Unearned revenue	4,105,668	7,239	4,112,907	2,312,436
Noncurrent liabilities due within one year:				
Compensated absences	7,631,831	3,230,604	10,862,435	-
Accrued insurance claims	1,586,870	1,998,202	3,585,072	-
Contracts and leases payable	4,500,176	6,537,687	11,037,863	1,998,933
Bonds and notes payable	15,101,532	43,586,212	58,687,744	1,539,000
Noncurrent liabilities due in more than one year:				
Compensated absences	15,040,750	2,564,056	17,604,806	-
Post employment benefits	14,002,944	7,006,445	21,009,389	-
Net pension obligation	6,888,017	4,231,724	11,119,741	-
Accrued insurance claims	157,903	2,413,003	2,570,906	-
Landfill closure and postclosure care	-	5,067,018	5,067,018	-
Contracts and leases payable	14,347,630	12,296,257	26,643,887	2,466,201
Bonds and notes payable	270,786,579	764,280,091	1,035,066,670	4,191,924
Total liabilities	<u>370,376,173</u>	<u>910,293,699</u>	<u>1,280,669,872</u>	<u>14,075,329</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	54,813,182	492,010,927	546,824,109	20,174,585
Restricted for:				
Passenger facility charges	-	1,255,050	1,255,050	-
Debt service	4,984,215	31,307,987	36,292,202	-
Capital projects and special revenue	12,249,507	-	12,249,507	-
Primary government agreement	-	-	-	100,000
Unrestricted	(3,185,029)	118,671,531	115,486,502	(2,215,407)
Total net assets	<u>\$ 68,861,875</u>	<u>\$ 643,245,495</u>	<u>\$ 712,107,370</u>	<u>\$ 18,059,178</u>

See accompanying Notes to Basic Financial Statements

**City of Lubbock, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
Administrative services and general government	\$ 11,786,924	\$ 29,727	\$ -	\$ 5,290
Community services	10,707,989	-	8,992,822	-
Cultural and recreation	16,832,528	1,286,773	672,112	1,987,796
Economic and business development	15,944,038	913,237	1,080,000	2,048,346
Fire	39,619,927	21,850	-	-
Health	6,332,178	578,731	2,014,273	-
Police	56,537,522	156,324	156,987	193,014
Other public safety	5,919,681	6,316,394	918,429	-
Streets and traffic	21,244,252	102,074	-	4,162,673
Interest on long-term debt	13,290,050	-	-	-
Total governmental activities	<u>198,215,089</u>	<u>9,405,110</u>	<u>13,834,623</u>	<u>8,397,119</u>
Business-type activities:				
Electric	197,364,239	209,076,452	-	-
Water	46,456,413	74,184,937	2,441,327	1,099,656
Wastewater	18,078,035	29,942,844	195,378	950,959
Solid Waste	16,742,968	18,807,531	14,249	-
Storm Water	10,891,537	16,195,959	32,862	51,173
Transit	11,335,385	4,809,766	4,667,548	1,440,586
Airport	11,192,345	7,483,750	2,035,879	12,518,547
Civic Centers	3,920,726	693,467	-	-
Cemetery	699,852	438,741	-	-
Lake Alan Henry	386,160	458,303	-	-
Total business-type activities	<u>317,067,660</u>	<u>362,091,750</u>	<u>9,387,243</u>	<u>16,060,921</u>
Total primary government	<u>\$ 515,282,749</u>	<u>\$ 371,496,860</u>	<u>\$ 23,221,866</u>	<u>\$ 24,458,040</u>
<b>Component units:</b>				
Civic Lubbock, Inc.	\$ 2,516,375	\$ 2,423,876	\$ 285,197	\$ -
Market Lubbock, Inc.	7,173,880	95,820	6,766,742	-
Lubbock Economic Development Alliance	2,862,838	-	7,162,684	-
Vintage Township Public Facilities Corporation	1,273,098	-	-	415,492
Total component units	<u>\$ 13,826,191</u>	<u>\$ 2,519,696</u>	<u>\$ 14,214,623</u>	<u>\$ 415,492</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				

See accompanying Notes to Basic Financial Statements

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (11,751,907)	\$ -	\$ (11,751,907)	\$ -
(1,715,167)	-	(1,715,167)	-
(12,885,847)	-	(12,885,847)	-
(11,902,455)	-	(11,902,455)	-
(39,598,077)	-	(39,598,077)	-
(3,739,174)	-	(3,739,174)	-
(56,031,197)	-	(56,031,197)	-
1,315,142	-	1,315,142	-
(16,979,505)	-	(16,979,505)	-
<u>(13,290,050)</u>	<u>-</u>	<u>(13,290,050)</u>	<u>-</u>
<u>(166,578,237)</u>	<u>-</u>	<u>(166,578,237)</u>	<u>-</u>
-	11,712,213	11,712,213	-
-	31,269,507	31,269,507	-
-	13,011,146	13,011,146	-
-	2,078,812	2,078,812	-
-	5,388,457	5,388,457	-
-	(417,485)	(417,485)	-
-	10,845,831	10,845,831	-
-	(3,227,259)	(3,227,259)	-
-	(261,111)	(261,111)	-
-	72,143	72,143	-
<u>-</u>	<u>70,472,254</u>	<u>70,472,254</u>	<u>-</u>
<u>(166,578,237)</u>	<u>70,472,254</u>	<u>(96,105,983)</u>	<u>-</u>
-	-	-	192,698
-	-	-	(311,318)
-	-	-	4,299,846
-	-	-	<u>(857,606)</u>
-	-	-	<u>3,323,620</u>
57,534,225	-	57,534,225	-
53,672,769	-	53,672,769	-
4,860,489	-	4,860,489	-
1,305,151	-	1,305,151	-
8,307,268	-	8,307,268	-
239,542	430,806	670,348	1,546
5,614,852	3,696,582	9,311,434	(2,220)
22,844,004	(22,844,004)	-	-
<u>154,378,300</u>	<u>(18,716,616)</u>	<u>135,661,684</u>	<u>(674)</u>
<u>(12,199,937)</u>	<u>51,755,638</u>	<u>39,555,701</u>	<u>3,322,946</u>
<u>81,061,812</u>	<u>591,489,857</u>	<u>672,551,669</u>	<u>14,736,232</u>
<u>\$ 68,861,875</u>	<u>\$ 643,245,495</u>	<u>\$ 712,107,370</u>	<u>\$ 18,059,178</u>

**City of Lubbock, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2011**

	<u>General Fund</u>	<u>Governmental Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,516,299	\$ 485,643	\$ 1,860,574	\$ 3,862,516
Investments	14,398,647	4,935,132	19,064,336	38,398,115
Taxes receivable (net)	10,062,310	-	1,126,609	11,188,919
Accounts receivable (net)	829,251	-	72,030	901,281
Interest receivable	3,571	-	4,916	8,487
Due from other funds	2,858,988	-	-	2,858,988
Due from other governments	-	52,009	5,236,534	5,288,543
Due from others	577,118	-	1,534,166	2,111,284
Investment in property	-	-	182,828	182,828
Prepaid expenses	38,213	-	-	38,213
Inventory	116,866	-	-	116,866
Restricted investments	-	27,208,844	27,126,793	54,335,637
Pledges and leases receivable	-	-	3,410,639	3,410,639
Mortgage receivables	-	-	4,799,949	4,799,949
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$ 30,401,263</u>	<u>\$ 32,681,628</u>	<u>\$ 64,419,374</u>	<u>\$ 127,502,265</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 4,396,441	\$ 543,109	\$ 3,576,048	\$ 8,515,598
Accrued liabilities	2,334,344	1,826	63,901	2,400,071
Accrued interest payable	-	-	106,392	106,392
Customer deposits	-	-	2,517,008	2,517,008
Due to other funds	-	-	4,430,039	4,430,039
Deferred revenue	1,800,597	94,647	4,392,086	6,287,330
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total liabilities	<u>8,531,382</u>	<u>639,582</u>	<u>15,085,474</u>	<u>24,256,438</u>
<b>FUND BALANCES</b>				
Nonspendable	155,079	-	-	155,079
Restricted	-	27,208,844	39,376,300	66,585,144
Committed	-	4,833,202	12,877,478	17,710,680
Unassigned	21,714,802	-	(2,919,878)	18,794,924
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total fund balances	<u>21,869,881</u>	<u>32,042,046</u>	<u>49,333,900</u>	<u>103,245,827</u>
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total liabilities and fund balances	<u>\$ 30,401,263</u>	<u>\$ 32,681,628</u>	<u>\$ 64,419,374</u>	<u>\$ 127,502,265</u>

**City of Lubbock, Texas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**September 30, 2011**

Total fund balance - governmental funds \$ 103,245,827

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. 309,697,674

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	2,953,708
Net book value of capital assets	(2,722,750)
Capital leases payable	826,705
Compensated absences	626,438
Post employment benefits	448,231
Net pension obligation	326,788
Amounts due from business-type ISFs for amounts undercharged	766,412

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	(278,937,174)
Capital leases payable	(18,847,806)
Compensated absences	(22,672,581)
Post employment benefits	(14,002,944)
Net pension obligation	(6,888,017)
Accrued interest on general obligation bonds	(1,696,619)
Rebatable arbitrage	(1,376)
Environmental remediation	(75,577)

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. (6,950,937)

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. 584,211

Revenue earned but unavailable in the funds is deferred. 2,181,662

Net assets of governmental activities \$ 68,861,875

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, 2011**

	<u>General Fund</u>	<u>Governmental Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 90,355,175	\$ -	\$ 27,267,062	\$ 117,622,237
Franchise taxes	4,986,937	-	3,320,331	8,307,268
Special assessments	-	-	787,732	787,732
Fees and fines	2,996,315	-	371,010	3,367,325
Licenses and permits	2,076,776	-	-	2,076,776
Intergovernmental	451,684	213,804	14,571,976	15,237,464
Charges for services	3,114,280	-	-	3,114,280
Interest	25,379	46,579	45,200	117,158
Miscellaneous	2,311,429	92,236	3,008,662	5,412,327
Total revenues	<u>106,317,975</u>	<u>352,619</u>	<u>49,371,973</u>	<u>156,042,567</u>
<b>EXPENDITURES</b>				
Current:				
Administrative services and general government	10,214,049	-	-	10,214,049
Community services	-	153,655	9,698,257	9,851,912
Cultural and recreation	11,835,432	274,338	604,832	12,714,602
Economic and business development	911,739	-	13,321,334	14,233,073
Health	3,568,300	-	1,922,831	5,491,131
Fire	33,831,932	-	404	33,832,336
Police	47,799,452	-	737,263	48,536,715
Other public safety	4,291,114	75,592	741,027	5,107,733
Streets and traffic	6,162,640	190,621	41,859	6,395,120
Intergovernmental	-	-	121,469	121,469
Debt service:				
Principal	3,694,466	-	13,181,921	16,876,387
Interest and other charges	590,386	253,919	13,127,081	13,971,386
Capital outlay	5,749,537	24,214,254	11,691,590	41,655,381
Total expenditures	<u>128,649,047</u>	<u>25,162,379</u>	<u>65,189,868</u>	<u>219,001,294</u>
Revenues under expenditures	<u>(22,331,072)</u>	<u>(24,809,760)</u>	<u>(15,817,895)</u>	<u>(62,958,727)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	24,899,446	11,990,738	36,890,184
Bond premium	-	1,104,895	849,569	1,954,464
Payment to the refunded bond escrow agent	-	-	(4,594,201)	(4,594,201)
IRS Build America Bond Subsidy	-	-	702,370	702,370
Capital leases issued	3,588,154	-	-	3,588,154
Transfers in	24,741,193	2,192,748	18,996,032	45,929,973
Transfers out	(3,938,993)	(43,905)	(14,307,351)	(18,290,249)
Net other financing sources	<u>24,390,354</u>	<u>28,153,184</u>	<u>13,637,157</u>	<u>66,180,695</u>
Net change in fund balances	2,059,282	3,343,424	(2,180,738)	3,221,968
Fund balances - beginning of year	<u>19,810,599</u>	<u>28,698,622</u>	<u>51,514,638</u>	<u>100,023,859</u>
Fund balances - end of year	<u>\$ 21,869,881</u>	<u>\$ 32,042,046</u>	<u>\$ 49,333,900</u>	<u>\$ 103,245,827</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, 2011**

Net change in fund balances - total governmental funds	\$ 3,221,968
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 \$41,655,381 exceeded depreciation of \$26,024,553 in the current period.	15,630,828
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 \$36,890,184 exceeded debt repayments of \$13,181,921, and debt defeasance of \$4,405,000.	(19,303,263)
Capital lease transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. This is the amount by which proceeds of \$3,588,154 was less than repayments of \$3,694,466.	106,312
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 \$1,954,465 exceeded deferred refunding charges of \$189,201, and amortization of \$461,751.	(1,303,513)
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	281,032
Compensated absences	(1,671,340)
Post retirement benefits	(3,924,018)
Net pension obligation	(2,595,951)
Environmental remediation	158,774
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.	(190,606)
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.	(82,523)
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.	(3,995,578)
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.	(51,393)
Capital assets transactions include \$5,914,279 developer donated streets and parks, less \$4,795,720 capital asset transfers out to business-type activities and \$400,775 disposition of assets and use of property.	<u>1,519,334</u>
Change in net assets of governmental activities	<u>\$ (12,199,937)</u>

See accompanying Notes to Basic Financial Statements.

**City of Lubbock, Texas**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2011**

	<b>Enterprise Funds</b>			
<b>ASSETS</b>	<b>LP&amp;L</b>	<b>Water</b>	<b>Wastewater</b>	<b>WTMPA</b>
Current assets:				
Cash and cash equivalents	\$ 6,733,193	\$ 923,353	\$ 925,414	\$ 567,306
Investments	63,937,829	35,568,944	10,734,986	403,078
Accounts receivable	23,335,246	9,189,296	3,200,128	1,324,621
Interest receivable	11,945	27,315	3,000	-
Due from others	-	58,305	29,377	-
Due from other funds	-	-	-	11,941,774
Due from other governments	-	22,078	69,368	-
Prepaid expenses	25,000	192,450	-	-
Inventories	208,335	145,434	-	-
Total current assets	<u>94,251,548</u>	<u>46,127,175</u>	<u>14,962,273</u>	<u>14,236,779</u>
Noncurrent assets:				
Restricted investments	14,177,135	123,337,401	60,953,267	-
Goodwill	2,391,000	-	-	-
Deferred charges	2,411,110	-	-	-
	<u>18,979,245</u>	<u>123,337,401</u>	<u>60,953,267</u>	<u>-</u>
Capital assets:				
Land	16,471,824	19,062,367	12,976,784	-
Construction in progress	9,067,641	164,294,292	69,822,000	-
Buildings	8,005,610	26,831,154	24,059,440	-
Improvements other than buildings	285,131,087	342,769,467	148,489,017	-
Machinery and equipment	64,033,540	38,116,554	19,242,691	-
Less accumulated depreciation	<u>(153,479,169)</u>	<u>(133,610,420)</u>	<u>(88,824,039)</u>	<u>-</u>
Total capital assets	<u>229,230,533</u>	<u>457,463,414</u>	<u>185,765,893</u>	<u>-</u>
Total noncurrent assets	<u>248,209,778</u>	<u>580,800,815</u>	<u>246,719,160</u>	<u>-</u>
Total assets	<u>\$ 342,461,326</u>	<u>\$ 626,927,990</u>	<u>\$ 261,681,433</u>	<u>\$ 14,236,779</u>

See accompanying Notes to Basic Financial Statements

**Enterprise Funds**

<b>Storm Water</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
\$ 496,968	\$ 1,317,558	\$ 10,963,792	\$ 1,490,141
2,559,675	13,909,916	127,114,428	14,150,256
1,647,102	3,498,214	42,194,607	-
-	4,675	46,935	3,288
-	184,283	271,965	116,767
-	2,918,893	14,860,667	-
-	1,922,395	2,013,841	-
-	126,553	344,003	19,137
-	730,336	1,084,105	1,962,494
<u>4,703,745</u>	<u>24,612,823</u>	<u>198,894,343</u>	<u>17,742,083</u>
10,538,324	14,579,014	223,585,141	275,431
-	-	2,391,000	-
-	-	2,411,110	-
<u>10,538,324</u>	<u>14,579,014</u>	<u>228,387,251</u>	<u>275,431</u>
2,323,794	6,768,963	57,603,732	65,343
2,488,930	34,403,432	280,076,295	-
64,580	68,094,331	127,055,115	1,697,054
113,836,489	135,655,814	1,025,881,874	842,855
5,603,914	77,234,128	204,230,827	10,513,337
<u>(17,898,036)</u>	<u>(174,729,173)</u>	<u>(568,540,837)</u>	<u>(9,289,206)</u>
<u>106,419,671</u>	<u>147,427,495</u>	<u>1,126,307,006</u>	<u>3,829,383</u>
<u>116,957,995</u>	<u>162,006,509</u>	<u>1,354,694,257</u>	<u>4,104,814</u>
<u>\$121,661,740</u>	<u>\$ 186,619,332</u>	<u>\$ 1,553,588,600</u>	<u>\$ 21,846,897</u>

**City of Lubbock, Texas**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2011**

	<b>Enterprise Funds</b>			
	<b>LP&amp;L</b>	<b>Water</b>	<b>Wastewater</b>	<b>WTMPA</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 870,525	\$ 21,295,903	\$ 3,423,204	\$ 12,568,836
Accrued liabilities	1,263,217	137,983	99,667	-
Accrued interest payable	2,168,721	2,207,335	1,052,726	-
Due to other funds	11,941,774	-	-	-
Customer deposits	5,077,019	150,648	-	-
Deferred revenue	-	-	-	-
Compensated absences	1,460,583	493,769	303,768	-
Accrued insurance claims	-	-	-	-
Leases payable	659,153	726,638	205,517	-
Bonds payable	10,709,760	19,160,073	7,644,113	-
Total current liabilities	<u>34,150,752</u>	<u>44,172,349</u>	<u>12,728,995</u>	<u>12,568,836</u>
Noncurrent liabilities:				
Accrued insurance claims	-	-	-	-
Landfill closure and post closure care	-	-	-	-
Compensated absences	1,264,585	427,509	263,005	-
Post employment benefits	2,548,040	1,369,405	635,116	-
Net pension obligation	1,984,527	705,368	441,461	-
Leases payable	208,070	2,378,996	987,401	-
Bonds payable	131,750,276	374,513,443	134,921,260	-
Total noncurrent liabilities	<u>137,755,498</u>	<u>379,394,721</u>	<u>137,248,243</u>	<u>-</u>
Total liabilities	<u>171,906,250</u>	<u>423,567,070</u>	<u>149,977,238</u>	<u>12,568,836</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	89,040,422	173,916,647	97,242,550	-
Restricted for:				
Passenger facility charges	-	-	-	-
Debt service	11,039,987	10,105,018	5,718,319	-
Unrestricted	70,474,667	19,339,255	8,743,326	1,667,943
Total net assets	<u>\$ 170,555,076</u>	<u>\$ 203,360,920</u>	<u>\$ 111,704,195</u>	<u>\$ 1,667,943</u>

See accompanying Notes to Basic Financial Statements

**Enterprise Funds**

<b>Storm Water</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
\$ 473,699	\$ 4,207,678	\$ 42,839,845	\$ 1,299,370
32,327	611,493	2,144,687	94,358
549,025	332,409	6,310,216	4,045
-	1,347,842	13,289,616	-
-	68,605	5,296,272	-
-	7,239	7,239	-
92,680	838,571	3,189,371	252,098
-	-	-	3,585,072
403,485	4,542,894	6,537,687	154,242
<u>2,680,274</u>	<u>3,388,062</u>	<u>43,582,282</u>	<u>3,930</u>
<u>4,231,490</u>	<u>15,344,793</u>	<u>123,197,215</u>	<u>5,393,115</u>
-	-	-	2,570,906
-	5,067,018	5,067,018	-
80,243	493,014	2,528,356	451,273
307,701	1,868,963	6,729,225	725,451
162,551	816,796	4,110,703	447,809
2,257,182	6,464,608	12,296,257	672,463
<u>84,356,701</u>	<u>38,474,543</u>	<u>764,016,223</u>	<u>263,868</u>
<u>87,164,378</u>	<u>53,184,942</u>	<u>794,747,782</u>	<u>5,131,770</u>
<u>91,395,868</u>	<u>68,529,735</u>	<u>917,944,997</u>	<u>10,524,885</u>
25,092,712	105,612,441	490,904,772	3,002,201
-	1,255,050	1,255,050	-
2,167,641	2,268,911	31,299,876	8,111
<u>3,005,519</u>	<u>8,953,195</u>	<u>112,183,905</u>	<u>8,311,700</u>
<u>\$ 30,265,872</u>	<u>\$ 118,089,597</u>	<u>\$ 635,643,603</u>	<u>\$ 11,322,012</u>



**City of Lubbock, Texas**  
**Reconciliation of the Statement of Net Assets - Proprietary Funds**  
**To the Statement of Net Assets**  
**September 30, 2011**

Total net assets - proprietary funds \$ 635,643,603

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	8,368,304
Amounts due to governmental ISFs for amounts overcharged	<u>(766,412)</u>
Net assets of business-type activities	<u><u>\$ 643,245,495</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, 2011**

	<b>Enterprise Funds</b>			
	<b>LP&amp;L</b>	<b>Water</b>	<b>Wastewater</b>	<b>WTMPA</b>
<b>OPERATING REVENUES</b>				
Charges for services (net)	\$ 201,459,258	\$ 74,184,937	\$ 29,942,844	\$ 141,100,082
Total operating revenues	<u>201,459,258</u>	<u>74,184,937</u>	<u>29,942,844</u>	<u>141,100,082</u>
<b>OPERATING EXPENSES</b>				
Personal services	16,204,193	7,234,575	4,332,366	-
Insurance and claims	-	-	-	-
Supplies	1,452,099	1,519,478	814,666	-
Materials	-	-	-	-
Maintenance	3,773,873	2,945,359	1,261,494	-
Purchase of fuel and power	133,813,410	-	-	141,039,183
Billing office expense	-	2,471,010	1,106,857	-
Other services and charges	7,581,748	9,848,720	3,732,769	504,586
Depreciation and amortization	<u>20,173,139</u>	<u>11,158,299</u>	<u>5,163,373</u>	<u>-</u>
Total operating expenses	<u>182,998,462</u>	<u>35,177,441</u>	<u>16,411,525</u>	<u>141,543,769</u>
Operating income (loss)	<u>18,460,796</u>	<u>39,007,496</u>	<u>13,531,319</u>	<u>(443,687)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	44,489	294,628	48,384	519
Passenger facility charges/Federal grants	-	-	116,497	-
Disposition of assets	57,668	(34,092)	9,197	-
Miscellaneous	1,061,349	168,096	79,586	-
IRS Build America Bond Subsidy	16,396	2,441,327	78,881	-
Interest expense	<u>(5,717,198)</u>	<u>(10,880,119)</u>	<u>(1,461,595)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(4,537,296)</u>	<u>(8,010,160)</u>	<u>(1,129,050)</u>	<u>519</u>
Income (loss) before contributions and transfers	13,923,500	30,997,336	12,402,269	(443,168)
Capital contributions	-	1,121,761	955,991	-
Transfers in	-	129,025	53,509	350,852
Transfers out	<u>(12,582,120)</u>	<u>(7,336,931)</u>	<u>(3,351,026)</u>	<u>-</u>
Change in net assets	1,341,380	24,911,191	10,060,743	(92,316)
Total net assets - beginning of year	<u>169,213,696</u>	<u>178,449,729</u>	<u>101,643,452</u>	<u>1,760,259</u>
Total net assets - ending	<u>\$ 170,555,076</u>	<u>\$ 203,360,920</u>	<u>\$ 111,704,195</u>	<u>\$ 1,667,943</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>
\$ 16,195,959	\$ 32,691,558	\$ 495,574,638	\$ 46,851,593
<u>16,195,959</u>	<u>32,691,558</u>	<u>495,574,638</u>	<u>46,851,593</u>
1,750,013	16,880,134	46,401,281	5,109,850
-	-	-	31,348,241
159,832	3,370,847	7,316,922	110,862
-	-	-	10,693,038
251,890	4,471,916	12,704,532	2,270,264
-	-	274,852,593	-
689,358	587,412	4,854,637	-
760,139	5,561,203	27,989,165	2,694,576
<u>3,157,348</u>	<u>12,007,706</u>	<u>51,659,865</u>	<u>691,964</u>
<u>6,768,580</u>	<u>42,879,218</u>	<u>425,778,995</u>	<u>52,918,795</u>
<u>9,427,379</u>	<u>(10,187,660)</u>	<u>69,795,643</u>	<u>(6,067,202)</u>
11,684	27,957	427,661	125,529
-	6,703,427	6,819,924	-
94,370	287,062	414,205	41,240
9,787	975,906	2,294,724	1,612,374
32,862	14,249	2,583,715	-
<u>(4,135,386)</u>	<u>(1,298,789)</u>	<u>(23,493,087)</u>	<u>(11,583)</u>
<u>(3,986,683)</u>	<u>6,709,812</u>	<u>(10,952,858)</u>	<u>1,767,560</u>
5,440,696	(3,477,848)	58,842,785	(4,299,642)
4,764,015	14,014,874	20,856,641	-
-	4,390,624	4,924,010	-
<u>(5,351,016)</u>	<u>(3,902,164)</u>	<u>(32,523,257)</u>	<u>(40,477)</u>
4,853,695	11,025,486	52,100,179	(4,340,119)
<u>25,412,177</u>	<u>107,064,111</u>	<u>583,543,424</u>	<u>15,662,131</u>
<u>\$ 30,265,872</u>	<u>\$ 118,089,597</u>	<u>\$ 635,643,603</u>	<u>\$ 11,322,012</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, 2011**

Net change in fund net assets - total enterprise funds \$ 52,100,179

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. (344,541)

Change in net assets of business-type activities \$ 51,755,638

See accompanying Notes to Basic Financial Statements.

**City Of Lubbock, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2011**

	<b>Enterprise Funds</b>			
	<b>LP&amp;L</b>	<b>Water</b>	<b>Wastewater</b>	<b>WTMPA</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 195,561,185	\$ 72,640,014	\$ 29,696,545	\$ 137,051,149
Payments to suppliers	(141,697,540)	(2,723,799)	(5,491,227)	(138,190,464)
Payments to employees	(16,204,193)	(7,372,559)	(4,432,034)	-
Other receipts	1,077,745	2,609,423	158,467	-
Net cash provided (used) by operating activities	<u>38,737,197</u>	<u>65,153,079</u>	<u>19,931,751</u>	<u>(1,139,315)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers in from other funds	-	129,025	53,509	350,852
Transfers out to other funds	(12,582,120)	(7,336,931)	(3,351,026)	-
Short-term interfund borrowings	-	-	-	-
Passenger facility charges and operating grants	-	-	116,497	-
Net cash provided (used) by noncapital and related financing activities	<u>(12,582,120)</u>	<u>(7,207,906)</u>	<u>(3,181,020)</u>	<u>350,852</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(98,507,219)	(126,398,649)	(16,697,494)	-
Sale of capital assets	238,654	133,235	9,197	-
Principal paid on capital leases	(999,377)	(793,974)	(433,453)	-
Principal paid on bonds	(21,903,562)	(21,618,813)	(7,937,248)	-
Issuance of capital leases	-	751,718	569,637	-
Issuance of bonds	82,461,384	86,837,715	47,499,270	-
Bond issuance costs	(133,867)	(680,140)	(455,921)	-
Interest paid on bonds and capital leases	(5,373,921)	(10,963,579)	(1,378,821)	-
Payment of rebatable arbitrage	(20,428)	(27,238)	(54,475)	-
Capital grants and contributions	-	602,327	281,705	-
Net cash provided (used) by capital and related financing activities	<u>(44,238,336)</u>	<u>(72,157,398)</u>	<u>21,402,397</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	111,284,812	118,390,390	9,416,723	-
Purchase of investments	(86,652,203)	(103,542,067)	(46,711,476)	(520)
Interest earnings on cash and investments	56,894	272,893	49,619	519
Net cash provided (used) by investing activities	<u>24,689,503</u>	<u>15,121,216</u>	<u>(37,245,134)</u>	<u>(1)</u>
Net increase (decrease) in cash and cash equivalents	6,606,244	908,991	907,994	(788,464)
Cash and cash equivalents - beginning of year	126,949	14,362	17,420	1,355,770
Cash and cash equivalents - end of year	<u>\$ 6,733,193</u>	<u>\$ 923,353</u>	<u>\$ 925,414</u>	<u>\$ 567,306</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 18,460,796	\$ 39,007,496	\$ 13,531,319	\$ (443,687)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	20,173,139	11,158,299	5,163,373	-
Other income	1,077,745	2,609,423	158,467	-
Change in current assets and liabilities:				
Accounts receivable	(5,898,073)	(1,544,923)	(246,299)	(674,424)
Inventory	14,380	150,731	-	-
Prepaid expenses	(25,000)	(192,450)	-	-
Due from other governments	-	(11,218)	18,024	-
Accounts payable	(66,376)	13,528,325	1,067,854	3,353,305
Due to/from other funds	3,374,509	(19,673)	(969)	(3,374,509)
Other accrued expenses	(487,004)	(206,471)	(132,799)	-
Customer deposits	550,231	12,470	-	-
Change in compensated absences and retirement benefits	1,562,850	661,070	372,781	-
Net cash provided (used) by operating activities	<u>\$ 38,737,197</u>	<u>\$ 65,153,079</u>	<u>\$ 19,931,751</u>	<u>\$ (1,139,315)</u>
<b>Supplemental cash flow information:</b>				
Noncash capital contributions and other charges	\$ -	\$ 519,434	\$ 674,286	\$ -

<b>Enterprise Funds</b>			
<b>Storm Water</b>	<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ 15,894,163	\$ 32,352,626	\$ 483,195,682	\$ 46,926,763
(1,408,683)	(11,352,964)	(300,864,677)	(48,094,001)
(1,782,341)	(17,051,125)	(46,842,252)	(4,930,482)
42,649	989,736	4,878,020	1,646,445
<u>12,745,788</u>	<u>4,938,273</u>	<u>140,366,773</u>	<u>(4,451,275)</u>
-	4,390,624	4,924,010	-
(5,351,016)	(3,902,164)	(32,523,257)	(40,477)
-	(299,267)	(299,267)	-
-	4,667,548	4,784,045	-
<u>(5,351,016)</u>	<u>4,856,741</u>	<u>(23,114,469)</u>	<u>(40,477)</u>
(2,150,272)	(27,880,467)	(271,634,101)	(559,220)
94,370	415,972	891,428	7,793
(386,153)	(4,198,879)	(6,811,836)	(160,628)
(4,396,765)	(4,312,515)	(60,168,903)	-
178,761	2,065,115	3,565,231	848,985
4,992,420	13,476,194	235,266,983	-
(124,733)	(178,949)	(1,573,610)	(2,252)
(4,042,099)	(1,324,757)	(23,083,177)	(9,582)
-	(20,428)	(122,569)	-
-	16,026,098	16,910,130	-
<u>(5,834,471)</u>	<u>(5,932,616)</u>	<u>(106,760,424)</u>	<u>125,096</u>
7,455,011	16,118,197	262,665,133	15,139,923
(8,534,548)	(18,707,803)	(264,148,617)	(9,439,104)
13,065	27,234	420,224	127,428
<u>(1,066,472)</u>	<u>(2,562,372)</u>	<u>(1,063,260)</u>	<u>5,828,247</u>
493,829	1,300,026	9,428,620	1,461,591
3,139	17,532	1,535,172	28,550
<u>\$ 496,968</u>	<u>\$ 1,317,558</u>	<u>\$ 10,963,792</u>	<u>\$ 1,490,141</u>
\$ 9,427,379	\$ (10,187,660)	\$ 69,795,643	\$ (6,067,202)
3,157,348	12,007,706	51,659,865	691,964
42,649	990,155	4,878,439	1,646,445
(301,796)	(338,932)	(9,004,447)	75,171
-	90,902	256,013	41,088
-	(69,782)	(287,232)	(19,137)
-	(1,006,512)	(999,706)	-
313,235	2,848,296	21,044,639	(847,083)
-	(21,276)	(41,918)	88,693
(52,592)	(243,766)	(1,122,632)	(474,757)
-	6,485	569,186	-
159,565	862,657	3,618,923	413,543
<u>\$ 12,745,788</u>	<u>\$ 4,938,273</u>	<u>\$ 140,366,773</u>	<u>\$ (4,451,275)</u>
\$ 4,764,015	\$ -	\$ 5,957,735	\$ -

**City of Lubbock, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2011**

**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 231,937. 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 include the following:

- The organization is legally separate (can sue and be sued in its own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit or burden on the City; or
- There is fiscal dependency by the organization on the City.

As required by GAAP, the BFS present the reporting entity which consists of the City (the primary government), organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion could cause the City's BFS to be misleading or incomplete.

**BLENDED COMPONENT 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 loans made to businesses and citizens of Lubbock using funds accumulated by the City of

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Lubbock community development program. The URA also oversees the acquisition and disposition of real property. As a manager of City of Lubbock community development loans and property, the URA provides services exclusively to benefit the City of Lubbock. 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 94.9 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 "majority in interest" relates to the following items: 1) WTMPA's operating budget or any budget amendment(s); 2) capital projects; 3) certain energy sales or sale or exchange or property with a value in excess of \$20,000; and 4) any amendments to WTMPA rules and regulations requiring a quorum of seven voting board members, an affirmative vote of six voting board members, and an affirmative vote of the "majority in interest". The "majority in interest" weighted vote is assigned according to kilowatt purchases by each city during the previous year. Lubbock has a 94.9 percent "majority in interest" vote since it accounts for 94.9 percent of WTMPA's electrical sales. WTMPA provides services almost exclusively to the City and is therefore presented as a blended enterprise fund. Separate audited financial statements may be obtained through the City.

**DISCRETELY PRESENTED COMPONENT UNITS**

The financial data for the Component Units are shown in the Government-Wide Financial Statements. The Component Units are reported in a separate column to emphasize that they are legally separate from the City. The following Component Units are included in the reporting entity because the primary government is financially accountable, is able to impose its will on the organization, or can significantly influence operations and/or activities of the organization.

**Civic Lubbock, Inc.** is a legally separate entity that was organized to foster and promote the presentation of wholesome educational, cultural, and entertainment programs for the general moral, intellectual, physical improvement, and welfare of the citizens of Lubbock and the surrounding area. The eleven-member board is appointed by the City Council. The City Council reviews and accepts the annual budget. Separate audited financial statements for Civic Lubbock may be obtained from Civic Lubbock, Inc. at 1501 6<sup>th</sup> Street, Lubbock, Texas.

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

**Lubbock Economic Development Alliance, Inc.** is a legally separate entity that was formed on June 1, 2004 by the City of Lubbock to create, manage and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the seven-member board and its operations are funded primarily through budgeted allocations of the City's sales and use taxes.

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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. The City Council reviews and accepts the annual budget. Separate audited financial statements are not available.

**RELATED ORGANIZATIONS**

The City Council is responsible for appointing the board members of some other organizations, but the City's accountability for these organizations do not extend beyond the board appointments. The City Council is not able to impose its will on these entities and there is no financial benefit or burden relationship. Bonds issued by these organizations do not constitute indebtedness of the City. The following related organizations are not included in the reporting entity:

The **Housing Authority of the City of Lubbock** is a legally separate entity. The Mayor appoints the five-member board.

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

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

The **North and East Lubbock Community Development Corporation (CDC)** was incorporated in February 2004 to effectuate change in North and East Lubbock. The North and East Lubbock CDC is a local entity that drives social change and promotes autonomy and empowerment by increasing the supply of quality and affordable housing, generating economic activity, and coordinating the efficient delivery of social services. The 12-member board is selected by a board appointed nominating committee.

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

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

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

Fund Financial Statements (FFS) for governmental and proprietary funds are also part of the BFS. The focus of the FFS is on major funds, as defined by GASB Statement No. 34. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, i.e., a percentage of assets, liabilities, revenue, or expenditures/expenses of fund category and of the governmental and enterprise funds combined. However, it also gives governments the option of displaying other funds as major funds. The City can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental

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

**Fund Financial Statements**

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

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

**Fund Accounting**

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

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

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

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

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

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

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

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

The **WTMPA Fund** accounts for the activities of power generation and power brokering to member cities. Member cities include Lubbock with 94.9 percent ownership, Tulia, Brownfield, and Floydada comprising the remaining 5.1 percent ownership.

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

The City also reports the following non-major funds:

**Governmental Funds**

**Special Revenue Funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The **Debt Service Fund** is used to account for and report financial resources that are restricted to expenditures for principal and interest (other than debt service payments made by proprietary funds).

**Capital Projects Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays (other than those recorded in the proprietary funds).

**Proprietary Funds** distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and

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services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Enterprise Funds** are used to account for services to outside users where the full cost of providing services, including capital, is to be recovered through fees and charges, e.g., Lubbock Preston Smith International Airport (Airport Fund), Citibus (Transit Fund), Solid Waste, Cemetery, Civic Centers and Lake Alan Henry Recreational Funds.

**Internal Service Funds** are used to account for services provided to other departments, agencies of the departments, or to other governments on a cost reimbursement basis (i.e., Fleet Maintenance, Print Shop and Warehouse, Information Technology, Risk Management, Health Benefits, and Investment Pool).

**D. BUDGETARY ACCOUNTING**

The City Manager submits a proposed operating budget and capital program to the City Council annually for the upcoming fiscal year. Annual budgets are adopted for the General Fund, Debt Service Fund, Enterprise Funds, Internal Service Funds, and certain Special Revenue Funds. Public hearings are conducted to obtain citizen comments, and the budget is legally enacted through passage of an ordinance by the Council. City Council action is also required for the approval of any supplemental appropriations. All budget amounts presented in the budget comparison statement reflect the original budget and the amended budget, which have been adjusted for legally authorized supplemental appropriations to the annual budget during the fiscal year. The operating budget is adopted on a basis 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, professional services/training, other charges, scheduled charges, and capital outlay/reimbursements. Management may make administrative transfers and increases or decreases between accounts below the department level without Council approval. However, to satisfy the legal level of control, any transfer of funds between departments shall be presented to the Council for approval by ordinance before such funds can be transferred between departments or expended. All annual operating appropriations lapse at the end of the fiscal year. Capital budgets and grant 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 Certificate of Obligation Debt Service) which, with cash and investments in the fund, is sufficient to pay all debt service due during the fiscal year.

**E. ENCUMBRANCES**

At the end of the fiscal year, encumbrances for goods and services that have not been received are canceled. However, by ordinance, management has authority to reappropriate any encumbrances that were open at the prior fiscal year end. At the beginning of the next fiscal year, management reviews all open encumbrances and approves needed encumbrances. In FY 2011 management appropriated \$20,939 of carry forward encumbrances. In FY 2012 management has not approved any reappropriation of 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.

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

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

At the GWFS level, property tax revenue is recognized upon levy. In governmental funds, the City records property taxes receivable upon levy and defers tax revenue until the taxes are collected or available. For each fiscal year, the City recognizes revenue in the amount of taxes collected during the year plus an estimate of taxes to be collected in the subsequent 45 days. The City allocates property tax revenue between the General, certain Special Revenue, and Debt Service Funds based on tax rates adopted for the year of levy. The Lubbock Central Appraisal District assesses property values, bills, collects, and remits the property taxes to the City. The City adjusts the allowance for uncollectible taxes and deferred tax revenue at fiscal year end based upon historical collection experience. To write off property taxes receivable, the City eliminates the receivable and reduces the allowance for uncollectible accounts.

**Enterprise Funds Receivables** - Within the LP&L, Water, Wastewater, Storm Water, and WTMPA Enterprise Funds, services rendered but not billed as of the close of the fiscal year are accrued. This amount is reflected in the accounts receivable balances of each fund. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts.

**Inventories** - Inventories consist of expendable supplies held for consumption. Inventories are valued using the average cost method of valuation, and are accounted for using the consumption method of accounting, i.e., inventory is expensed when used rather than when purchased.

**Prepaid Items** - Prepaid items are accounted for under the consumption method.

**Mortgage Receivables** - Mortgage receivables consist of loans made to Lubbock residents and businesses under the City's Community Development loan program. These loans are 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 life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Infrastructure/Improvements	10-60 years
Buildings	15-50 years
Equipment	3-15 years
Water Rights	85 years

**Interest Capitalization** - Because the City issues general-purpose capital improvement bonds, which are recorded within the proprietary funds, the City capitalizes interest costs for business-type activities and enterprise funds according to the FASB Accounting Standard 34 and 62, which was subsequently codified as FASB Codification 835 - Interest. The City capitalized interest of approximately \$11,173,000 net of interest earned, for the business-type activities and the enterprise funds during the current fiscal year.

**Classification of Fund Equity** - Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balance have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors, or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The proprietary funds and GWFS have three classifications of equity: 1) net assets invested in capital assets, net of related debt; 2) restricted net assets; and 3) unrestricted net assets. In the first category, capital assets are netted with bonded and capital lease debt. Restricted net assets include debt service, grantor, and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

The City Council has approved goals for the General Fund unrestricted fund balance, which is set at a minimum of an amount equal to twenty percent of operating revenues in order to meet unanticipated contingencies and fluctuations in revenue. Enterprise Funds also have appropriate 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.

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

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**G. REVENUES, EXPENSES AND EXPENDITURES**

**Interest Income** on pooled cash and investments is allocated monthly based on the percentage of a fund's pooled cash and investments monthly balance compared to the total City-wide monthly balance in pooled cash and investments. Bond funds and other separate nonpooled cash are distributed to the fund where the cash and investment is recorded.

**Sales Tax Revenue** for the City results from an allocation of 1.5 percent of the total sales tax levy of 8.25 percent, which is collected by the State of Texas and remitted to the City monthly. The tax is collected by the vendor and is required to be remitted to the State by the 20th of the month following collection. The tax is then paid to the City by the Friday following the second Wednesday of the subsequent month.

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

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

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

Sick leave for employees is accrued at 1 1/4 days per month with a maximum accrual status of 200 days. After 15 years of continuous full-time service for non-civil service personnel, vested sick leave is paid on retirement or termination at the current hourly rate for up to 90 days. Upon retirement or termination, Police Civil Service Personnel are paid for up to 90 days accrued sick leave regardless of reason for leaving or time with the City. Firefighter Civil Service Personnel are paid for up to 90 days of accrued sick leave upon retirement or termination. The Texas Civil Service laws dictate certain benefits and personnel policies above and beyond the policies of the City.

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

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

**Post Employment Benefits** for retirees of the City include the option to purchase health and life insurance with health insurance benefits at a subsidized premium. However, employees that retire with 15 or more years of service or Civil Service employees that retire who have a sick-leave balance in excess of 90 days will be able to elect to continue receiving medical coverage in full 30-day periods for the term of the balance of their sick leave. Amounts to cover premiums and administrative costs, with an incremental charge for reserve funding, are determined by the City's health care administrator. Employer contributions are funded on a pay-as-you-go basis and approximated \$4.8 million for FY 2011. These contributions are included in

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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. 61, "The Financial Reporting Entity: Omnibus" on October 1, 2012. This statement modified certain requirements for inclusion of Component Units in the financial reporting entity.

**I. CHANGE IN ACCOUNTING PRINCIPLES**

Effective October 1, 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement established new categories for reporting fund balance and revised the definitions for governmental fund types. Implementing this GASB changes the presentation of fund balance. As a result of the revised definitions of governmental fund types, one special revenue fund was closed and opened as an enterprise fund, which had an immaterial effect on overall financial statement presentation.

**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 2011 amended budgeted expenditures and transfers out were \$127,074,776, while actual budgetary basis expenditures and transfers out were \$127,212,960, a difference of \$138,184.

**NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS AND INVESTMENTS**

On September 30, 2011, the bank balance of the City's deposits was \$16,856,049. All bank balances are covered by federal depository insurance or are fully collateralized. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas Public Funds Investment Act.

State law requires federal depository insurance or collateralization with the value of eligible securities having an aggregate value at least equal to the amount of the deposits. In FY 2011, all deposits were covered by federal depository insurance. The City's Investment Policy requires the minimum collateral level to be 102.0 percent of the market value of principal and accrued interest.

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On September 30, 2011, bank balances were exposed to custodial credit risk as follows:

Insured	\$ 16,856,049
Uninsured and uncollateralized	-
Uninsured and collateral held by pledging financial institution in the City's name	-
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the City's name	-
	<u>\$ 16,856,049</u>

On September 30, 2011, the City had the following investments and maturities:

<u>Type</u>	September 30, 2011		
	Fair Value	Maturities in Years	
		Less Than 1	1-5
Money Markets	\$ 365,522	\$ 365,522	\$ -
Certificate of Deposit	599,527	599,527	-
Federal Home Loan Mortgage Corporation (FHLMC)	4,016,059	-	4,016,059
Federal National Mortgage Association (FNMA)	14,024,571	4,027,832	9,996,739
Farm Credit Note (FFCB)	4,026,084	-	4,026,084
State Investment Pools *	434,827,245	434,827,245	-
	<u>\$457,859,008</u>	<u>\$439,820,126</u>	<u>\$18,038,882</u>

\*State Investment Pools are considered investments for financial reporting purposes.

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

**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's policy allows investment in direct obligations of and other obligations guaranteed as to principal of the U.S. Treasury and U.S. agencies and instrumentalities with the exception of mortgage backed securities. It allows investment in obligations of the State of Texas or its agencies and obligations of states, agencies, counties, cities, and other political subdivisions rated not less than A or its equivalent. The City may also invest in fully collateralized repurchase agreements, fully collateralized certificates of deposit, commercial paper and bank acceptances with a stated maturity of 270 days or fewer from the date of issuance, AAA-rated, no-load money market mutual funds regulated by the Securities and Exchange Commission, and AAA-rated, constant dollar investment pools authorized by the City Council. On September 30, 2011, Standard & Poor's rated the investment pools and the money market mutual funds AAAM. The senior unsecured debt for investments in FNMA, FHLMC, and FFCB are rated AA+ by Standard & Poor's and Aaa by Moody's.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the market value. FFCB, FHLB, FHLMC, and FNMA investments are held in the City's name in third party safekeeping by a Federal Reserve

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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, 2011, the City's investments constituted the following percentages of total investments:

<u>Investment</u>	<u>Percentage</u>
State Investment Pools	94.97
Certificate of Deposit	.13
FFCB	.88
FNMA	3.06
FHLMC	.88
Money Markets	.08

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

**B. INTERFUND TRANSACTIONS**

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

Interfund balances, specifically, advances to and advances from other funds, are longer-term loans to cover Council directed internal financing of certain projects. On September 30, 2011 the City had \$17,719,655 of internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

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

<u>Interfund Payables: (in Thousands)</u>	<u>Interfund Receivables: (in Thousands)</u>				
	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		<u>Totals</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>WTMPA</u>	<u>Nonmajor Enterprise</u>	
<b>Governmental Funds:</b>					
Nonmajor Governmental	\$ 1,511	\$ -	\$ -	\$ 2,919	\$ 4,430
<b>Proprietary Funds:</b>					
LP&L	-	-	11,942	-	11,942
Nonmajor Enterprise	1,348	-	-	-	1,348
Totals	\$ 2,859	\$ -	\$ 11,942	\$ 2,919	\$ 17,720

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.

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The following interfund transfers are reflected in the fund financial statements (all amounts in thousands):

<b>Interfund Transfers Out: (in Thousands)</b>	<b>Interfund Transfers In: (in Thousands)</b>							
	<b>Governmental Funds</b>			<b>Proprietary Funds</b>				<b>Totals</b>
	<b>General</b>	<b>Govt. Capital</b>	<b>Nonmajor Govt.</b>	<b>Water</b>	<b>Waste- water</b>	<b>WTMPA</b>	<b>Nonmajor Enterprise</b>	
<b>Governmental Funds:</b>								
General Fund	\$ -	\$ 1,933	\$ 296	\$ -	\$ -	\$ -	\$ 1,710	\$ 3,939
Govt. Capital Projects	-	-	44	-	-	-	-	44
Nonmajor Governmental	-	-	11,627	-	-	-	2,680	14,307
<b>Proprietary Funds:</b>								
LP&L	8,431	-	3,800	-	-	351	-	12,582
Water	7,310	-	-	-	27	-	-	7,337
Wastewater	3,351	-	-	-	-	-	-	3,351
Stormwater	1,912	250	3,189	-	-	-	-	5,351
Nonmajor Enterprise	3,737	10	-	129	27	-	-	3,903
Internal Service Funds	-	-	40	-	-	-	-	40
Totals	\$24,741	\$ 2,193	\$18,996	\$ 129	\$ 54	\$ 351	\$ 4,390	\$ 50,854

Net transfers on the GWFS amounted to \$22,844,004 from governmental activities to business-type activities.

**C. DEFERRED CHARGES**

The total deferred charge of \$2,411,110 in the LP&L Enterprise Fund represents an advertising contract with the United Spirit Arena. The advertising (and amortization) began with the opening of the sports arena in FY 2000 and will continue for 30 years.

**D. GOODWILL**

The goodwill of \$2,391,000 in the LP&L Enterprise Fund represents the excess purchase price over the estimated value of capital assets related to the purchase of Southwestern Public Service Company (SPS). The goodwill is amortized over a 10-year period.

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**E. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011, was as follows:

**Primary Government:**

**Governmental Activities**

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 15,959,310	\$ 2,432,062	\$ -	\$ 18,391,372
Construction in Progress	35,673,957	34,688,419	54,927,701	15,434,675
Total Capital Assets Not Depreciated	<u>51,633,267</u>	<u>37,120,481</u>	<u>54,927,701</u>	<u>33,826,047</u>
<b>Capital Assets Depreciated:</b>				
Buildings	48,903,488	7,602,988	45,763	56,460,713
Improvements Other than Buildings	342,823,940	50,499,853	5,061,529	388,262,264
Machinery and Equipment	74,175,045	8,507,099	6,240,775	76,441,369
Total Capital Assets Depreciated	<u>465,902,473</u>	<u>66,609,940</u>	<u>11,348,067</u>	<u>521,164,346</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	23,231,092	1,625,075	45,763	24,810,404
Improvements Other than Buildings	150,154,688	17,939,844	350,943	167,743,589
Machinery and Equipment	51,602,467	7,294,918	6,158,659	52,738,726
Total Accumulated Depreciation	<u>224,988,247</u>	<u>26,859,837</u>	<u>6,555,365</u>	<u>245,292,719</u>
Total Capital Assets Depreciated, Net	<u>240,914,226</u>	<u>39,750,103</u>	<u>4,792,702</u>	<u>275,871,627</u>
Governmental Activities Capital Assets, Net	<u>\$ 292,547,493</u>	<u>\$ 76,870,584</u>	<u>\$ 59,720,403</u>	<u>\$ 309,697,674</u>

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

Governmental activities:

Administrative Services and General Government	\$ 561,819
Community Services	141,494
Cultural and Recreation Services	2,956,258
Economic and Business Development	1,599,447
Fire	2,615,967
Health	406,724
Other Public Safety	280,698
Police	3,214,789
Streets and Traffic	14,247,360
Internal Service Funds	613,394
Total Depreciation Expense - Governmental Activities	<u>26,637,950</u>
Transfer in of Accumulated Depreciation - Governmental Activities	221,887
Increase in Accumulated Depreciation - Governmental Activities	<u>\$ 26,859,837</u>

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**Business Type Activities**

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 40,730,288	\$ 16,873,444	\$ -	\$ 57,603,732
Construction in Progress	130,575,824	179,547,709	30,047,238	280,076,295
Total Capital Assets Not Depreciated	<u>171,306,112</u>	<u>196,421,153</u>	<u>30,047,238</u>	<u>337,680,027</u>
<b>Capital Assets Depreciated:</b>				
Buildings	127,781,760	1,111,378	229,405	128,663,733
Improvements Other than Buildings	938,633,353	92,958,384	5,709,863	1,025,881,874
Machinery and Equipment	195,066,431	16,511,025	6,018,990	205,558,466
Total Capital Assets Depreciated	<u>1,261,481,544</u>	<u>110,580,787</u>	<u>11,958,258</u>	<u>1,360,104,073</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	59,429,600	3,491,533	210,925	62,710,208
Improvements Other than Buildings	356,819,209	34,144,597	5,382,920	385,580,886
Machinery and Equipment	112,555,557	15,275,830	5,752,020	122,079,367
Total Accumulated Depreciation	<u>528,804,366</u>	<u>52,911,960</u>	<u>11,345,865</u>	<u>570,370,461</u>
Total Capital Assets Depreciated, Net	<u>732,677,178</u>	<u>57,668,827</u>	<u>612,393</u>	<u>789,733,612</u>
Business Type Activities Capital Assets, Net	<u>\$ 903,983,290</u>	<u>\$ 254,089,980</u>	<u>\$ 30,659,631</u>	<u>\$ 1,127,413,639</u>

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

Business-Type Activities:	
LP&L	\$ 19,773,824
Water	11,158,299
Wastewater	5,163,373
Stormwater	3,157,348
Solid Waste	4,325,003
Airport	5,285,956
Transit	1,329,579
Civic Centers	1,044,065
Cemetery	23,103
Internal Service	<u>78,570</u>
Total Depreciation Expense - Business-Type Activities	51,339,120
Transfer in of Accumulated Depreciation - Business-Type Activities	<u>1,572,840</u>
Increase in Accumulated Depreciation - Business-Type Activities	<u><u>\$ 52,911,960</u></u>

**Construction Commitments**

The City has active construction projects at fiscal year end. The Water Department is involved with three large projects to bring Lake Alan Henry on-line with the City's water system. The projects involve the construction of a raw water pipeline from Lake Alan Henry to the newly constructed South Lubbock Water Treatment Plant. The projects also involve the construction of two raw water booster pump stations located at Lake Alan Henry and Post, Texas. A treated water pipeline is being constructed from the South Lubbock

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Water Treatment Plant to the water distribution system with connections at three of the cities pump stations. Total expenditures on these three projects were \$108.8 million in FY 2011.

The airport is working on a project to extend Runway 08/26 and associated Taxiway J. In FY 2011, \$12.1 million was expended on the extension of the runway. The airport is also in the process of replacing all nine passenger loading bridges in the terminal building. Expenditures on the loading bridges totaled \$3.5 million in FY 2011.

Work continued on the construction of Fire Station #16 at 114<sup>th</sup> Street and Quaker. To help serve the area south of 98<sup>th</sup> Street between Slide Road and University Avenue, south to FM 1585, \$1.0 million was expended on this project.

Expenditures on renovations at Mahon Library totaled \$1.4 million. Renovations included a new roof and improvements to the elevator system.

Work began to replace the current strip paving on Quaker Avenue between 114<sup>th</sup> Street and FM 1585 with a T-2 thoroughfare with six travel lanes. In FY 2011, \$1.5 million was expended on this project.

<u>Projects</u>	<u>Original Commitments</u>	<u>Spent-to-Date</u>	<u>Remaining Commitments</u>
Governmental Capital Projects	\$ 121,080,539	\$ 90,958,661	\$ 30,121,878
TIF Capital Projects	27,703,560	25,641,869	2,061,691
Gateway Street Projects	58,214,814	37,920,741	20,294,073
LP&L	52,029,935	32,403,530	19,626,405
Water	300,089,741	191,656,238	108,433,503
Wastewater	116,192,389	64,844,442	51,347,947
Solid Waste	8,387,301	4,868,292	3,519,009
Airport	91,706,133	31,777,908	59,928,225
Civic Center	6,450,000	1,004,937	5,445,063
Storm Water	62,405,000	54,217,020	8,187,980
Internal Service Fund	267,300	-	267,300
Total	<u>\$ 844,526,712</u>	<u>\$ 535,293,638</u>	<u>\$ 309,233,074</u>

**F. CAPITAL LEASES**

In FY 2009, the City completed a \$23,662,637 construction project for a conference center that is joined to the Overton Hotel and Conference Center. The City is the lessor of the conference center to the developer of the North Overton Hotel in a sales-type lease agreement in which the conference center has an estimated life of 50 years and was leased for a term of 40 years with two optional 20-year renewals. The City expects the lessee to lease the entire 80-year term; therefore, there is no expected residual value of the conference center to the City. Lease terms include the greater of \$65,000 per year or 15 percent of the excess of the net annual project cash flow, and one percent of the total daily collected net hotel room revenue. For years 2030 through 2050, there will be no lease payments.

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

<b>Year</b>	<b>Fixed Lease</b>	<b>Variable Lease</b>	<b>Total Lease</b>
2012	\$ 65,000	\$ 111,833	\$ 176,833
2013	65,000	112,186	177,186
2014	65,000	108,915	173,915
2015	65,000	105,702	170,702
2016	65,000	102,579	167,579
2017-2021	325,000	380,777	705,777
2022-2026	325,000	490,964	815,964
2027-2029	195,000	327,683	522,683
Total	<u>\$ 1,170,000</u>	<u>\$1,740,639</u>	<u>\$2,910,639</u>

**G. RETIREMENT PLANS**

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

Summary of significant data for each retirement plan follows:

**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**

**Plan Description**

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

TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for TMRS. The report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained TMRS' website at [www.tmrs.com](http://www.tmrs.com).

Plan provisions for the City were as follows:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
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**

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2010 valuation is effective for rates beginning January 1, 2012). The annual pension cost and net pension obligation/ (asset) are as follows:

Annual Required Contribution	\$19,313,922
Interest on Net Pension Obligation	502,820
Adjustments to the ARC	<u>416,777</u>
Annual Pension Cost (APC)	20,233,519
Contributions Made	<u>(15,818,050)</u>
Increase in net pension obligation	4,415,469
Net Pension Obligation, beginning of year	<u>6,704,272</u>
Net Pension Obligation, end of year	<u><u>\$11,119,741</u></u>

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**Actuarial Assumptions**

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2010 actuarial valuations.

<u>Valuation Date</u>	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10 - Prior to Restructuring</u>	<u>12/31/10 - Restructured</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	29 years; closed period	28 years; closed period	27.1 years; closed period	27.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions: Investment Rate of Return	7.0%	7.5%	7.5%	7.5%
Projected Salary Increase	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%	2.1%

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/09	\$ 15,300,264	82.7	\$ 2,642,737
9/30/10	17,892,832	77.3	6,704,272
9/30/11	20,233,516	78.2	11,119,738

**Funded Status and Funding Progress**

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed as if restructuring had occurred on

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December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including effects on TMRS City rates and funding ratios, please see TMRS December 31, 2010 Comprehensive Annual Report (CAFR).

As of December 31, 2010, the most recent actuarial valuation date, the plan was 61.3 percent funded under the original fund structure and 78.9 percent funded under the new fund structure. The actuarial accrued liability for benefits was \$365.3 million under the original fund structure and \$505.6 million under the new fund structure, and the actuarial value of assets was \$224.0 million under the original fund structure and \$399.1 million under the new fund structure, resulting in an unfunded actuarial accrued liability (UAAL) of \$141.3 million under the original fund structure and \$106.5 million under the new fund structure. The covered payroll (annual payroll of active employees covered by the plan) was \$77.5 million, and the ratio of the UAAL to the covered payroll was 182.3 percent under the original fund structure and 137.4 percent under the new fund structure.

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

**LUBBOCK FIRE PENSION FUND (LFPF)**

**Plan Description**

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

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

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

There is no provision for automatic post-retirement benefit increases. LFPF has the authority to provide, and has periodically provided for in the past, ad hoc post-retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighter's Retirement Act (TLFFRA). TLFFRA provides the

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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 is used to amortize LFPF's unfunded actuarial accrued liability (UAAL), if any, and the number of years needed to amortize LFPF's unfunded actuarial liability, if any is determined using a level percentage of payroll method. The costs of administering the plan are financed by LFPF.

**Annual Pension Cost**

The City Annual Pension Cost (APC) for the LFPF was equal to \$4,887,067 as described in item 4 in the table below. Based on the results of the December 31, 2010 actuarial valuation, the most recent biennial actuarial valuation, the Board's actuary found that the fund had an adequate financing arrangement based on the current level of the firefighter contribution rates and on the assumed average of City contribution rates. The funding policy of the Fund requires firefighters to contribute 12.4 percent of pay. The City contributes based on a formula which causes the City's contribution rate to fluctuate from year to year. The December 31, 2010 actuarial valuation assumes that the City's contributions will average 22.83 percent of payroll in the future.

The Annual Required Contribution (ARC) by the City was based on the results of the actuarial valuations as of December 31, 2008 and December 31, 2010 using the entry age actuarial cost method and was determined to be in compliance with the GASB Statement No. 27 parameters. The actuarial methods and assumptions used for these two valuations were as follows:

<u>Valuation Date</u>	<u>12/31/2008</u>	<u>12/31/2010</u>
Actuarial Cost Method	Entry age	Entry age
Amortization Method	Level percent of payroll, open	Level percent of payroll, open
Amortization Period of ARC	30 years	30 years
Asset Valuation Method	5-year adjusted market value	5-year adjusted market value
Actuarial Assumptions:		
Investment Return	8.0%	8.0%
Projected Salary Increases	4% plus promotion and longevity	3% plus promotion and longevity
Inflation	4.0%	3.0%
Cost-of-Living Increase	0.0%	0.0%
Payroll Increases	4.0%	4.0%
ARC as Percent of Payroll	22.0%	21.04%

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

1.	Annual Required Contributions (ARC)	\$ 4,896,170
2.	Interest on NPO	(28,730)
3.	Adjustment to ARC	19,627
4.	Annual Pension Cost (APC)	4,887,067
5.	Actual City Contributions Made	(5,112,152)
6.	Increase (Decrease) in NPO/(asset)	(225,085)
7.	NPO/(asset) at September 30, 2010	(359,126)
8.	NPO/(asset) at September 30, 2011	\$ (584,211)

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

**Trend Information**

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/09	\$ 4,268,065	96.7%	\$(705,449)
9/30/10	4,921,485	93.0%	(359,126)
9/30/11	4,887,067	104.6%	(584,211)

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

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

**H. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

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

**Funding Policy**

The contribution requirements of plan members are established by the City and may be amended as needed. Retiree medical/dental coverage levels for retirees are the same as coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan. Employees who retire with 15 or more years of service or Civil Service employees that retire who have a balance in excess of 90 days sick leave are eligible to continue receiving medical coverage in full 30-day periods for the term of

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their sick leave balance. Plan members may purchase retiree health/dental care coverage for eligible spouses and dependents at their own expense and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. The plan has 571 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 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution (ARC)	\$10,821,181
Interest on Net OPEB Obligation	673,721
Adjustment to the ARC	<u>(624,196)</u>
Annual OPEB Cost	10,870,706
Total Annual Employer Contribution (pay-as-you-go)	<u>(4,832,905)</u>
Increase in Net OPEB Obligation	6,037,801
Net OPEB Obligation – Beginning of Year	<u>14,971,588</u>
Net OPEB Obligation – End of Year	<u><u>\$21,009,389</u></u>

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

Normal Cost	\$ 5,403,181
Amortization of Transition Obligation	<u>5,418,000</u>
ARC	<u><u>\$10,821,181</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
09/30/2009	\$6,850,415	45.5%	\$8,090,391
09/30/2010	10,532,764	34.7%	14,971,588
09/30/2011	10,870,706	44.5%	21,009,389

**Funded Status and Funding Progress:** As of October 01, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$126,167,945, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$126,167,945. The covered payroll was \$95,693,148, and the ratio of the UAAL to the covered payroll was 131.8 percent.

**Actuarial Methods and Assumptions:** In the October 01, 2009, actuarial valuation, the projected unit credit actuarial cost method was used to calculate the GASB ARC for the City's health care plan. Using the plan

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benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation rate	3.0% per annum
Investment rate of return	4.5% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Inflation assumption	3.0% per year
Healthcare trend	9.0% per year in 2010 decreasing by 0.5% per year to an ultimate rate of 4.5% in 2019

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time, relative to actuarial accrued liability for benefits.

**I. DEFERRED COMPENSATION**

The City offers its employees 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.

**J. SURFACE WATER SUPPLY**

**Canadian River Municipal Water Authority**

The Canadian River Municipal Water Authority (CRMWA) is a Conservation and Reclamation Authority established by the Texas Legislature to construct a dam, water reservoir, and aqueduct system for the purpose of supplying water to surrounding cities. The Authority was created in 1953 and is comprised of eleven cities, including Lubbock. The budget, financing, and operations of the Authority are governed by a Board of Directors selected by the governing bodies of each of the member cities, each city being entitled to one or two members dependent upon population. At September 30, 2011, 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 three contract revenue bonds to pay for the water rights. These assets and liabilities are recorded in the Water Enterprise Fund.

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**K. LONG-TERM DEBT**

**GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:**

Interest Rate%	Dated	Maturity Date	Amount Issued	Outstanding 09/30/11
5.39	10/01/93	02/15/14	\$ 2,550,000	\$ 390,000
4.68	02/15/02	02/15/22	9,400,000	915,000
4.71	02/15/02	02/15/22	6,450,000	630,000
4.70	02/15/02	02/15/22	1,545,000	155,000
4.62	07/01/02	02/15/22	2,605,000	1,700,000
4.42	07/15/03	02/15/23	11,855,000	1,060,000
4.47	07/15/03	02/15/24	9,765,000	2,935,000
4.48	07/15/03	02/15/24	680,000	205,000
4.47	07/15/03	02/15/24	3,590,000	1,080,000
4.87	07/15/03	02/15/34	40,135,000	1,755,000
4.47	07/15/03	02/15/24	3,795,000	1,140,000
4.60	08/15/03	04/15/23	8,900,000	6,030,000
4.60	08/15/03	04/15/23	13,270,000	1,195,000
4.37	06/30/04	08/01/12	1,000,000	125,000
4.09	09/15/04	02/15/24	2,025,000	1,355,000
4.08	09/28/04	02/15/24	3,100,000	2,020,000
3.58	09/28/04	02/15/20	22,620,000	11,890,000
3.89	02/15/05	04/15/25	23,055,000	13,065,000
3.94	06/15/05	02/15/21	49,615,000	42,425,000
4.26	08/15/05	02/15/25	46,525,000	36,400,000
4.82	07/01/05	02/15/21	43,080,000	30,170,000
4.27	07/15/05	02/15/25	7,265,000	5,655,000
4.58	04/15/06	02/15/26	76,950,000	65,245,000
4.58	04/15/06	02/15/26	2,740,000	2,330,000
4.84	05/15/06	02/15/31	18,830,000	18,665,000
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	22,580,000
4.88	08/15/07	08/15/27	1,155,000	1,015,000
4.88	08/15/07	08/15/27	60,820,000	52,160,000
6.45	12/15/07	08/15/27	11,805,000	10,665,000
4.22	01/15/08	08/15/27	52,900,000	47,410,000
4.80	04/15/08	08/15/27	2,035,000	1,850,000
4.42	04/15/08	08/15/27	80,485,000	68,850,000
2.45	06/01/08	08/15/27	22,615,000	19,675,000
3.12	03/01/09	08/15/19	20,540,000	14,085,000
4.67	03/01/09	08/15/29	2,645,000	2,510,000
4.53	03/01/09	08/15/29	58,705,000	54,620,000
<b>2.16</b>	<b>01/01/10</b>	<b>02/15/30</b>	<b>19,945,000</b>	<b>19,205,000</b>
3.27	02/15/10	02/15/30	8,840,000	8,395,000
5.69	02/15/10	02/15/30	15,320,000	15,320,000
2.70	02/15/10	02/15/30	48,955,000	45,945,000
5.67	02/15/10	02/15/30	96,540,000	96,540,000
1.93	10/05/10	02/15/30	41,000,000	39,425,000
3.85	03/15/11	02/15/22	16,320,000	16,320,000
3.85	03/15/11	02/15/31	14,135,000	14,135,000
3.94	03/15/11	02/15/31	112,230,000	112,230,000
Total			\$ 1,177,610,000	\$ 961,290,000(A)

(A) Excludes (\$18,030,882) net deferred losses on advance refunding, net bond premiums and discounts, and bond issuance costs – (\$11,079,945) business-type and (\$6,950,937) governmental. Additionally, this amount includes \$682,352,825 of bonds used to finance enterprise fund activities.

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At September 30, 2011, management of the City believes. The City was in compliance with all financial bond covenants on outstanding general obligation bonded debt, certificates of obligation, electric revenue bonded debt, and water 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 09/30/11</u>
4.00 to 5.25	07/01/01	04/15/21	\$ 9,200,000	\$ 4,600,000
2.45	10/15/10	04/15/20	73,295,000	65,720,000
Total			<u>\$ 82,495,000</u>	<u>\$ 70,320,000</u> *

\* Balance outstanding excludes (\$6,056,909) of net deferred losses on advance refundings, bond premiums and discounts, and bond issuance costs.

**CONTRACT REVENUE BONDS**

<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 09/30/11</u>
5.25	09/30/05	09/30/25	\$ 17,960,000	\$ 14,167,500
4.25 to 5.00	04/30/06	02/15/27	18,573,906	15,733,414
3.50 to 5.00	10/30/09	02/15/29	7,821,091	7,365,277
Total			<u>\$ 44,354,997</u>	<u>\$ 37,266,191</u> *

\*Balance outstanding excludes (\$790,432) 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, 2011 are as follows:

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>			
	<b>General Obligation Bonds</b>		<b>General Obligation Bonds</b>		<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 15,101,531	\$ 13,489,299	\$ 35,233,467	\$ 31,703,916	\$ 8,352,745	\$ 4,977,100
2013	16,051,573	12,221,259	37,923,427	28,418,258	8,673,859	4,635,945
2014	16,739,632	11,488,210	38,350,369	26,832,597	9,010,801	4,281,099
2015	16,624,361	10,731,290	37,690,638	25,262,297	9,365,021	3,907,295
2016	17,131,571	9,965,975	37,553,430	23,684,960	9,759,670	3,489,712
2017-2021	85,704,793	38,197,449	193,925,210	93,326,564	46,958,046	8,773,555
2022-2026	73,747,274	18,866,823	174,597,726	51,725,171	13,194,265	1,655,657
2027-2031	37,836,440	3,732,899	120,193,558	13,666,654	2,271,784	29,529
2032-2036	-	-	6,885,000	473,963	-	-
Totals	<u>\$ 278,937,175</u>	<u>\$ 118,693,204</u>	<u>\$ 682,352,825</u>	<u>\$ 295,094,380</u>	<u>\$ 107,586,191</u>	<u>\$ 31,749,892</u>

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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, 2011, including interest payments of \$3,793,117 are as follows:

<b>Fiscal Year</b>	<b>Governmental Capital Lease Minimum Payment</b>	<b>Business-type Capital Lease Minimum Payment</b>	<b>Total Capital Lease Minimum Payment</b>
2012	\$ 4,588,481	\$ 7,107,081	\$ 11,695,562
2013	4,074,452	4,696,870	8,771,322
2014	3,882,732	2,704,726	6,587,458
2015	2,726,273	1,604,298	4,330,571
2016	1,896,822	1,316,348	3,213,170
2017-2021	3,192,686	3,184,098	6,376,784
Less interest	(2,013,640)	(1,779,477)	(3,793,117)
Total	<u>\$ 18,347,806</u>	<u>\$ 18,833,944</u>	<u>\$ 37,181,750</u>

The carrying values on the leased assets of the City as of September 30, 2011 are as follows:

	<b>Gross Value</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Governmental Activities	\$ 30,554,873	\$ 3,754,467	\$ 26,800,406
Business-Type Activities	42,026,611	6,004,903	36,021,708
Total Leased Assets	<u>\$ 72,581,484</u>	<u>\$ 9,759,370</u>	<u>\$ 62,822,114</u>

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Long-term obligations (net of discounts and premiums) for governmental and business-type activities for the year ended September 30, 2011 are as follows:

	<b>Debt Payable</b> <b>09/30/10</b>	<b>Additions</b>	<b>Deletions</b>	<b>Debt Payable</b> <b>09/30/11</b>	<b>Due in</b> <b>one year</b>
<b>Governmental activities:</b>					
Tax-Supported -					
Obligation Bonds	\$ 259,633,911	\$ 36,890,184	\$ 17,586,921	\$ 278,937,174	\$ 15,101,532
Bond Premiums/Deferred Charges	5,647,424	1,765,264	461,751	6,950,937	-
Capital Leases	18,023,376	4,166,211	3,841,781	18,347,806	4,000,176
Contracts Payable	1,580,000	-	1,080,000	500,000	500,000
Compensated Absences	20,924,791	9,592,658	7,844,868	22,672,581	7,631,831
Post Employment Benefits	9,965,786	7,283,372	3,246,214	14,002,944	-
Net Pension Obligation	4,160,415	12,544,781	9,817,179	6,888,017	-
Insurance Claim Payable	1,598,524	27,204,210	27,057,961	1,744,773	1,586,870
<b>Total Governmental activities</b>	<b>\$ 321,534,227</b>	<b>\$ 99,446,680</b>	<b>\$ 70,936,675</b>	<b>\$ 350,044,232</b>	<b>\$ 28,820,409</b>
<b>Business-type activities:</b>					
Self-Supported -					
Obligation Bonds	\$ 578,026,089	\$ 146,794,816	\$ 42,468,079	\$ 682,352,826	\$ 35,233,467
Revenue Bonds	51,992,015	73,295,000	17,700,824	107,586,191	8,352,745
Bond Premiums/Deferred Charges	5,334,962	13,872,235	1,279,911	17,927,286	-
Capital Leases	22,093,861	3,565,230	6,825,147	18,833,944	6,537,687
Closure/Post Closure	4,886,726	180,292	-	5,067,018	-
Compensated Absences	5,956,254	2,851,342	3,012,936	5,794,660	3,230,604
Post Employment Benefits	5,005,802	3,587,334	1,586,691	7,006,445	-
Net Pension Obligation	2,543,859	7,688,737	6,000,872	4,231,724	-
Insurance Claim Payable	4,899,132	4,144,031	4,631,958	4,411,205	1,998,202
<b>Total Business-type activities</b>	<b>\$ 680,738,700</b>	<b>\$ 255,979,017</b>	<b>\$ 83,506,418</b>	<b>\$ 853,211,299</b>	<b>\$ 55,352,705</b>

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

The Risk Management Internal Service Fund will liquidate the net other postemployment benefit obligation that pertains to governmental activities. The net pension obligation that pertains to the governmental activities will be liquidated mainly by the General Fund.

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

Long-Term Debt - Governmental Activities	\$ 350,044,232	
Long-Term Debt - Business-Type Activities	853,211,299	
Interest	445,537,476	
Total Amount of Debt	\$ 1,648,793,007	
Less: Bond Discounts/Premiums	(24,878,223)	
Less: Capital Leases	(37,181,750)	
Less: Contracts Payable	(500,000)	
Less: Closure/Post Closure	(5,067,018)	
Less: Compensated Absences	(28,467,241)	
Less: Post Employment Benefits	(21,009,389)	
Less: Net Pension Obligation	(11,119,741)	
Less: Insurance Claims Payable	(6,155,978)	
Total Other Debt	(134,379,340)	
Total Future Bonded Debt Requirements	\$ 1,514,413,667	

**New Bond Issuances**

In October 2010, the City issued \$41,000,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2010C (Certificates). This was a direct placement with the Texas Water Development Board for the purpose of constructing a raw water transmission line, a pump station, and water treatment plant improvements to enable Lake Alan Henry to serve as a water supply for the City. The proceeds of the debt are recorded in the Water Capital Projects Fund.

In October 2010, the City issued \$73,295,000 Electric Light and Power System revenue Bonds, Series 2010. The bonds were issued for the purpose of financing the construction of capital improvements and acquiring the distribution system of Southwestern Public Service Company (SPS) located in the City. The Bonds were issued at a premium of \$7,097,245 and incurred issuance costs of \$180,284.

In April 2011, the City issued \$14,135,000 General Obligation Bonds, Series 2011. Proceeds from the sale of the Bonds will be used for various public improvements and purposes that included street and traffic, signal work, and to pay costs associated with the issuance of the Bonds. The Bonds were issued at a premium of \$215,957 and incurred issuance costs of \$54,440.

In April 2011, the City issued \$112,230,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2011. Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for various public improvements including solid waste, drainage, water, streets, parks, city fuel system upgrade, airport, and professional services rendered in connection therewith, as well as to pay costs of issuance of the Certificates. The Certificates were issued at a premium of \$9,268,063 and incurred \$1,009,948 in issuance costs. The proceeds of the debt are recorded in various Capital Projects Funds.

**Advance Refunding**

The City issued advance refundings to retire a portion of the City's outstanding debt in order to lower the debt service requirements. The net proceeds from the issuance of the Refunding Bonds were deposited with

**City of Lubbock, Texas**  
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the Escrow Agent in an amount necessary to accomplish, on their scheduled redemption date, the discharge and final payment of the Refunded Bonds. These funds will be held by the Escrow Agent in a special escrow fund and used to purchase direct obligations of the United States of America. Under the escrow agreements, between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunded Bonds.

In April 2011, the City issued \$16,320,000 General Obligation Refunding Bonds, Series 2011 (Bonds). The bond proceeds were used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The bonds were issued at a premium of \$821,296 and incurred \$94,447 in issuance costs. The bonds refunded \$16,475,000 in outstanding debt. The entire \$16,475,000 was outstanding as of September 30, 2011. The debt will be legally defeased on April 15, 2012. As a result of the refunding, the City decreased total debt service requirements by \$1,104,533, which resulted in an accounting loss of \$770,036 and an economic gain of \$891,872.

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

**L. CONDUIT DEBT**

In the past, the City has approved the issuance of Health Facilities Development Corporation Bonds, Housing Finance Corporation Bonds, and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of public facilities. The bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2011 there were five series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$224,105,000. The bonds were issued between 2001 and 2008. As of September 30, 2011 there were two series of Lubbock Housing Finance Corporation Bonds outstanding with an aggregate principal amount payable of \$21,850,000. The bonds were issued between 2002 and 2006. Also as of September 30, 2011, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$21,505,000. The bonds were issued in 2007.

**M. SPECIAL ASSESSMENT DEBT**

In FY 2008, the Vintage Township Public Facilities Corporation (PFC), a discretely presented component unit of the City, issued special assessment debt for the acquisition and construction of certain public facilities benefiting Vintage Township. The PFC issued \$3,472,000 in special assessment debt and had \$3,394,000 outstanding special assessment debt as of September 30, 2011. 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, 2011, \$4,231,346 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.

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**N. FUND BALANCE**

The City classified governmental fund balances as follows:

<b>Fund Balances</b>	<b>General Fund</b>	<b>Governmental Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>				
Inventory	\$ 116,866	\$ -	\$ -	\$ 116,866
Prepays	38,213	-	-	38,213
<b>Restricted:</b>				
Debt Service	-	-	4,913,863	4,913,863
Urban Renewal Services	-	-	4,982,777	4,982,777
Cemetery Maintenance	-	-	71,376	71,376
Economic and Business Development	-	-	43,371	43,371
Tourism, Convention Centers, Arts	-	-	1,683,784	1,683,784
Tax Improvement Financing Areas	-	-	807,583	807,583
Public Improvement Districts	-	-	346,928	346,928
Community Services Grants	-	-	306,780	306,780
Heath Grants	-	-	95,622	95,622
Police Grants	-	-	175,419	175,419
Cultural and Recreation Grants	-	-	16,009	16,009
Law Enforcement Purposes	-	-	1,119,082	1,119,082
Court Technology	-	-	493,292	493,292
Donations for Community Services	-	-	253,484	253,484
Donations for Animal Services	-	-	271,867	271,867
Donations for Museums	-	-	89,805	89,805
Donations for Parks and Recreational	-	-	48,886	48,886
Donations for Fire Services	-	-	25,352	25,352
Donations for Other Programs	-	-	3,266	3,266
Street Capital Projects	-	21,654,394	21,650,587	43,304,981
General Facility Capital Projects	-	2,546,213	-	2,546,213
Public Safety Capital Projects	-	1,314,043	-	1,314,043
Parks Capital Projects	-	1,694,194	-	1,694,194
TIF Capital Projects	-	-	1,977,167	1,977,167
<b>Committed:</b>				
Gateway Street Capital Projects	-	-	12,877,478	12,877,478
Street Capital Projects	-	4,833,202	-	4,833,202
Unassigned	21,714,802	-	(2,919,878)	18,794,924
<b>Total Fund Balances</b>	<b>\$ 21,869,881</b>	<b>\$ 32,042,046</b>	<b>\$ 49,333,900</b>	<b>\$ 103,245,827</b>

The North Overton TIF Special Revenue Fund has an unassigned deficit fund balance of \$2,919,878. Fund model projects that this TIF will have a deficit until FY 2021. It is expected that the growth in property tax assessments in the TIF fund will eventually eliminate this deficit.

**O. RISK MANAGEMENT**

The Risk Management Fund was established to account for liability claims, workers' compensation claims, and premiums for property/casualty insurance coverage. The Risk Management Fund generates its revenue through charges to other departments, which are based on costs.

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In April 1999, the City purchased workers' compensation coverage, with no deductible, from Texas Municipal League Intergovernmental Risk Pool (TML-IRP) with continuous coverage through September 30, 2009. Effective October 1, 2009 the City purchased workers' compensation coverage from Texas Political Subdivisions Joint Self-Insurance Fund (TPS). TPS operates as a self-insurance pool offering coverage to municipalities and other political subdivisions in accordance with the local government code and the terms of interlocal agreements among members. The City obtains workers' compensation coverage through a guaranteed-cost plan. Guaranteed-cost members combine their contributions to cover pooled losses and expenses. As required by interlocal agreement, TPS obtains specific excess of loss coverage over and above the self-insured retention stated in the agreement so that members will not have joint and several liabilities beyond their required contribution. Prior to April 1999 the City was self-insured for workers' compensation claims. Any claims outstanding prior to April 1999 continue to be the City's responsibility.

The City's self-insurance liability program is funded on a cash flow basis, which means that the servicing contractor processes, adjusts, and pays claims from a deposit account provided by the City. The City accounts for the liability program by charging premiums to replenish funds based upon losses, administrative fees, premiums, and reserve requirements. In order to control the risks associated with liability claims, the City purchases excess liability coverage with an \$18 million annual aggregate limit and is subject to a \$500,000 deductible per claim.

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

Additionally, property and boiler coverage is accounted for in the Risk Management Fund. The property insurance policy was purchased from an outside insurance carrier. The policy has a \$250,000 deductible per occurrence, and the boiler coverage insurance deductible is up to \$500,000, dependent upon the unit. Premiums are charged to funds based upon estimated premiums for the upcoming year.

Other small insurance policies, such as surety bond coverage and miscellaneous floaters, are also accounted for in the Risk Management Fund. Funds are charged based on premium amounts and administrative charges. Settlements in the current year and preceding two years have not exceeded insurance coverage. The City accounts for all insurance activity in the Internal Service Funds.

**P. HEALTH INSURANCE**

The City provides medical and dental insurance for all full-time employees and accounts for these activities in the Health Benefits Fund. Revenue for the health insurance program is generated from each cost center, based upon the number of active full-time employees. The City's plan is self-insured under an Administrative Services Only (ASO) Agreement. The City purchases excess coverage of \$350,000 per covered individual annually with an aggregate cap of \$25,049,970. The insurance vendor, based on medical trend, claims history, and utilization, determines the aggregate deductible. The actuarially determined calculation of the claim liability was \$1.58 million at September 30, 2011 for all health coverages including medical, prescription drugs and dental.

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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.

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

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

	<u>FY 2011</u>	<u>FY 2010</u>
Workers' Compensation and Liability Reserves at Beginning of Fiscal Year	\$ 4,899,132	\$ 3,371,451
Claims Expenses	4,144,031	6,798,991
Claims Payments	<u>(4,631,958)</u>	<u>(5,271,310)</u>
Workers' Compensation and Liability Reserves at End of Fiscal Year	<u>4,411,205</u>	<u>4,899,132</u>
Medical and Dental Claims Liability at Beginning of Fiscal Year	1,598,524	1,509,846
Claims Expenses	27,204,210	23,795,792
Claims Payments	<u>(27,057,961)</u>	<u>(23,707,114)</u>
Medical and Dental Claims Liability at End of Fiscal Year	<u>1,744,773</u>	<u>1,598,524</u>
Total Self-Insurance Liability at End of Fiscal Year	<u>\$ 6,155,978</u>	<u>\$ 6,497,656</u>
Total Assets to Pay Claims at End of Fiscal Year	<u>\$ 13,760,994</u>	<u>\$ 17,901,460</u>
Accrued Insurance Claims Payable - Current	\$ 3,585,072	\$ 3,617,718
Accrued Insurance Claims Payable - Noncurrent	<u>2,570,906</u>	<u>2,879,938</u>
Total Accrued Insurance Claims	<u>\$ 6,155,978</u>	<u>\$ 6,497,656</u>

**Q. LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the City to place final covers on its landfill sites at closure and to perform certain maintenance and monitoring functions for 30 years thereafter. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and postclosure costs as operating expenses (and recognizes a corresponding liability) in each period based on landfill capacity used as of each balance sheet date.

The \$5,067,018 included in landfill closure and postclosure care liability at September 30, 2011, 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 94.7 percent of the estimated capacity of Landfill 69 has been used, with \$616,285 remaining to be recognized over the remaining closure period. Approximately 4.7 percent of the estimated capacity of Landfill 2252 has been used to date, with \$25,810,352 remaining to be recognized over the remaining closure period, estimated at over 200 years. Postclosure care costs are based on prior estimates and have

**City of Lubbock, Texas**  
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been adjusted for inflation. Actual costs may differ due to inflation, deflation, changes in technology, or other regulatory changes.

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

**R. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS**

<b>Accounts Receivable Summary</b>					
	<b>Court Fines</b>	<b>Property Damage</b>	<b>Paving</b>	<b>Misc.</b>	<b>Balance at 09/30/11</b>
<b>Governmental Funds:</b>					
General Fund	\$ 3,461,017	\$ 330,548	\$ 170,342	\$ -	\$ 3,961,907
Nonmajor	-	-	-	72,030	72,030
Total	\$ 3,461,017	\$ 330,548	\$ 170,342	\$ 72,030	\$ 4,033,937

<b>Accounts Receivable Summary</b>				
	<b>General Consumer</b>	<b>Credit Card</b>	<b>Misc.</b>	<b>Balance at 09/30/11</b>
<b>Proprietary Funds:</b>				
LP&L	\$ 25,681,338	\$ -	\$ 238,850	\$ 25,920,188
Water	9,817,231	-	340,459	10,157,690
Wastewater	3,595,437	-	-	3,595,437
WTMPA	1,324,621	-	-	1,324,621
Storm Water	1,859,006	-	-	1,859,006
Nonmajor	4,048,679	2,008	19,856	4,070,543
Total	\$ 46,326,312	\$ 2,008	\$ 599,165	\$ 46,927,485

**Allowance for Doubtful Accounts Summary**

	<b>Balance at 09/30/11</b>
<b>Governmental Funds:</b>	
General Fund	\$ 3,132,656
<b>Proprietary Funds:</b>	
LP&L	2,584,942
Water	968,394
Wastewater	395,309
Storm Water	211,904
Nonmajor	572,329
Total	\$ 7,865,534

**City of Lubbock, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2011**

<b>Accounts Payable Summary</b>				
	<b>Vouchers</b>	<b>Accounts</b>	<b>Miscellaneous</b>	<b>Balance at 09/30/11</b>
<b>Governmental Funds:</b>				
General Fund	\$ 1,086,883	\$ 3,309,558	\$ -	\$ 4,396,441
Govt. Capital Projects	391,451	151,658	-	543,109
Nonmajor	1,602,450	1,110,859	862,739	3,576,048
<b>Proprietary Funds:</b>				
LP&L	716,192	154,333	-	870,525
Water	7,814,841	8,371,527	5,109,535	21,295,903
Wastewater	688,106	405,863	2,329,235	3,423,204
WTMPA	-	12,568,836	-	12,568,836
Storm Water	297,349	161,900	14,450	473,699
Nonmajor	1,540,879	1,349,437	1,317,362	4,207,678
Internal Service	473,138	683,999	142,233	1,299,370
Total	\$ 14,611,289	\$ 28,267,970	\$ 9,775,554	\$ 52,654,813

**S. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE**

<b>Net Receivables</b>					
	<b>Accounts Receivable</b>	<b>Interest Receivable</b>	<b>Taxes Receivable</b>	<b>Internal Service Receivables</b>	<b>Balance at 09/30/11</b>
<b>Governmental Activities</b>	\$ 901,281	\$ 8,487	\$ 11,188,919	\$ 1,051	\$ 12,099,738
<b>Business-Type Activities</b>	42,194,607	46,935	-	2,237	42,243,779
Total	\$ 43,095,888	\$ 55,422	\$ 11,188,919	\$ 3,288	\$ 54,343,517

<b>Accounts Payable</b>			
	<b>Accounts Payable</b>	<b>Internal Service Payables</b>	<b>Balance at 09/30/11</b>
<b>Governmental Activities</b>	\$ 8,515,598	\$ 839,801	\$ 9,355,399
<b>Business-Type Activities</b>	42,839,845	459,569	43,299,414
Total	\$ 51,355,443	\$ 1,299,370	\$ 52,654,813

**T. FUND CLOSURES**

The Lake Alan Henry Special Revenue Fund was closed and opened as an Enterprise Fund.

**City of Lubbock, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2011**

**NOTE IV. CONTINGENT LIABILITIES**

**A. FEDERAL GRANTS**

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

**B. LITIGATION**

The City is involved in various legal proceedings related to alleged personal and property damages, breach of contract and civil rights cases, some of which involve claims against the City that exceed \$500,000. State law limits municipal liability for personal injury to \$250,000 per person/\$500,000 per occurrence and property damage to \$100,000 per claim. 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, 2011, the City has \$2,206,676 reserved on general liability claims, as determined by an actuarial calculation.

**AAG/ ICON, et al. 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 other claims against the City for disparagement, harassment, performing an inappropriate audit, seeking confidential information, and other allegations which the City believes are not actionable have been dropped. AAG/ICON has recently amended its pleading and has made a more specific allegation asserting that the City disclosed confidential information to a stop loss carrier.

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.

Discovery is proceeding in the case and trial is scheduled for July 2012.

**Ellerbrook v. City of Lubbock**

Plaintiff filed a suit against the City, claiming she was not hired for a position because she had helped her husband, who is also a City employee, with his lawsuit against the City. A jury awarded Ellerbrook \$243,000 but the jury decision was reversed by the court. The Plaintiff is appealing this case.

**City of Lubbock, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2011**

**Brumley v. City of Lubbock**

Plaintiff, a police officer, was injured while off duty. Plaintiff was riding his bicycle and was struck by a driver that left the scene of the accident. Plaintiff is suing the City, as well as the City's excess carrier, for uninsured motorist benefits.

**Heinsch v. City of Lubbock**

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

**Hennsley v. City of Lubbock**

This is a civil service case in which the Plaintiff, a police officer, appealed his termination to a hearing examiner pursuant to Texas civil service law.

**Mladenka v. City of Lubbock**

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

**Republic Power Partners v. City of Lubbock**

The City has received a Demand for Payment letter from Republic Power Partners. Republic is seeking payment pursuant to a Development Agreement it had entered into with West Texas Municipal Power Agency (WTMPA) to develop a power project. Republic is claiming damages as a result of an alleged breach of representations of WTMPA per the Development Agreement.

**C. SITE REMEDIATION**

The City accounts for pollution remediation obligations in accordance with Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The City contracts with an engineering firm to perform the necessary remediation activities and cost estimates.

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

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.

**City of Lubbock, Texas**  
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**September 30, 2011**

As of September 30, 2011 the City recorded pollution remediation obligations for two locations in the enterprise funds as follows:

- LP&L Plant 1 \$10,000 – obligation is equally shared by both the City and LP&L
- LP&L Cooke Plant \$249,000

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

- LP&L Plant 1 \$10,000 – obligation is equally shared by both the City and LP&L
- Fire Training Academy \$65,577

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

During FY 2011, 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 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 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. On October 26, 2011, TCEQ issued the discharge permit amendment. After the final issuance of the permit, the City will work with TCEQ to formally close the Agreed Order. The Agreed Order should be closed before the end of FY 2012. 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**

The Canadian River Municipal Authority issued a new Revenue Bond, Series 2011 in December 2011 in the amount of \$81,630,000. The City of Lubbock shared in the issue for \$30,594,108. The Bond was issued for the purchase of water rights.

**City of Lubbock, Texas**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**For the Year Ended September 30, 2011**

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

Actuarial Valuation		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio as a Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a)/c)
Date	Plan	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/05	TMRS	\$ 195,046,632	\$ 261,430,108	\$ 66,383,476	74.6	\$ 65,424,918	101.5
12/31/06	TMRS	199,865,768	271,368,756	71,502,988	73.7	68,775,777	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
12/31/09	TMRS	215,364,273	354,093,030	138,728,757	60.8	75,989,719	182.6
12/31/10 <sup>2</sup>	TMRS	224,046,370	365,372,379	141,326,009	61.3	77,519,460	182.3
12/31/10 <sup>3</sup>	TMRS	399,082,717	505,579,279	106,496,562	78.9	77,519,460	137.4
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	78.3	19,703,429	203.1
12/31/10	LFPF	156,812,670	197,495,395	40,682,725	79.4	21,561,187	188.7
10/1/07	OPEB	-	81,918,738	81,918,738	-	88,185,412	92.9
10/1/09	OPEB	-	126,167,945	126,167,945	-	95,693,148	131.8

<sup>1</sup>Health/Dental Care Insurance Plan

<sup>2</sup>Actuarial valuation performed under the original fund structure

<sup>3</sup>Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects of TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

**City of Lubbock, Texas**  
**Required Supplementary Information**  
**Schedule of Funding Progress (Continued)**  
**For the Year Ended September 30, 2011**

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

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

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

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

**City of Lubbock, Texas**  
**Required Supplementary Information**  
**Budget Comparison Schedule**  
**General Fund**  
**For the Year Ended September 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Taxes				
Property Tax	\$ 38,554,486	\$ 38,554,486	\$ 38,820,278	\$ 265,792
Delinquent Taxes	731,846	731,846	1,029,708	297,862
Sales Tax	46,379,418	46,379,418	49,200,038	2,820,620
Mixed Beverage Tax	970,000	970,000	978,651	8,651
Bingo Tax	298,924	298,924	326,501	27,577
Suddenlink	1,064,832	1,064,832	1,077,399	12,567
Xcel Energy	1,660,472	1,660,472	209,967	(1,450,505)
South Plains Electric Cooperative	519,224	519,224	566,846	47,622
West Texas Gas Company	-	-	4,670	4,670
Atmos	1,534,166	1,534,166	1,440,115	(94,051)
Telecom Right of Way	1,824,127	1,824,127	1,687,940	(136,187)
Development Services	135,000	135,000	142,378	7,378
General Government	76,500	76,500	75,813	(687)
Public Safety	1,156,770	1,156,770	1,060,681	(96,089)
Public Works	58,800	58,800	101,353	42,553
Health	592,560	592,560	597,972	5,412
Cultural/Recreational	1,120,768	1,120,768	1,183,414	62,646
Licenses and Permits	2,404,350	2,404,350	2,076,146	(328,204)
Intergovernmental	450,608	450,608	297,802	(152,806)
Fines and Forfeitures	2,807,247	2,807,247	2,940,613	133,366
Interest Earnings	154,503	154,503	25,379	(129,124)
Rental	17,443	17,443	4,595	(12,848)
Recoveries of Expenditures	732,679	732,679	907,400	174,721
Other	1,025,000	1,025,000	1,562,316	537,316
Transfers from Electric Fund	6,199,644	6,503,498	8,431,721	1,928,223
Transfers from Water Fund	7,310,010	7,310,010	7,310,010	-
Transfers from Sewer Fund	3,351,026	3,351,026	3,351,026	-
Transfers from Solid Waste	2,291,602	2,291,602	2,291,602	-
Transfers from Airport Fund	1,444,949	1,444,949	1,444,949	-
Transfers from Stormwater	1,911,885	1,911,885	1,911,885	-
Other Transfers	-	-	-	-
<b>Total Revenue</b>	<b>\$ 126,778,839</b>	<b>\$ 127,082,693</b>	<b>\$ 131,059,168</b>	<b>\$ 3,976,475</b>
<b>EXPENDITURES</b>				
<u>Administrative Services</u>				
City Attorney	\$ 1,741,282	\$ 1,741,282	\$ 1,700,248	\$ 41,034
City Council	447,183	447,183	442,234	4,949
City Manager	662,992	662,992	656,115	6,877
City Secretary	667,133	667,133	680,246	(13,113)
Facilities Management	2,997,355	2,997,355	3,018,425	(21,070)
Finance	2,278,169	2,278,169	2,178,699	99,470
Human Resources	428,343	428,343	341,763	86,580
Internal Audit	236,697	240,197	235,439	4,758
Non-departmental	5,351,149	5,351,149	5,423,718	(72,569)
Total Administrative Services	14,810,303	14,813,803	14,676,887	136,916

**City of Lubbock, Texas**  
**Required Supplementary Information**  
**Budget Comparison Schedule (Continued)**  
**General Fund**  
**For the Year Ended September 30, 2011**

<b>EXPENDITURES (Continued)</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<u>Community Services</u>				
Building Inspection	\$ 1,489,064	\$ 1,495,439	\$ 1,464,572	\$ 30,867
Planning	955,866	955,866	911,739	44,127
Total Community Services	<u>2,444,930</u>	<u>2,451,305</u>	<u>2,376,311</u>	<u>74,994</u>
<u>Cultural and Recreation Services</u>				
Library	3,287,620	3,287,620	3,205,142	82,478
Parks	8,408,347	8,419,411	8,279,033	140,378
Museums	764,299	764,299	746,619	17,680
Total Cultural and Recreation Services	<u>12,460,266</u>	<u>12,471,330</u>	<u>12,230,794</u>	<u>240,536</u>
<u>Public Works</u>				
Engineering	1,146,475	1,146,475	1,112,468	34,007
Streets	2,886,973	2,886,973	2,323,862	563,111
Traffic	2,715,144	2,715,144	2,726,310	(11,166)
Total Public Works	<u>6,748,592</u>	<u>6,748,592</u>	<u>6,162,640</u>	<u>585,952</u>
<u>Public Safety and Health Services</u>				
Animal Services	1,473,406	1,473,406	1,461,771	11,635
Fire	33,815,294	33,815,294	33,831,932	(16,638)
Health	1,953,783	2,228,783	2,106,530	122,253
Municipal Court	1,515,801	1,515,801	1,470,863	44,938
Police	49,924,232	49,924,232	48,956,239	967,993
Total Public Safety and Health Services	<u>88,682,516</u>	<u>88,957,516</u>	<u>87,827,335</u>	<u>1,130,181</u>
Transfers	3,984,836	3,984,836	3,938,993	45,843
Payroll Accrual/Other	(2,352,606)	(2,352,606)	-	(2,352,606)
<b>Total Expenditures</b>	<u><u>\$ 126,778,837</u></u>	<u><u>\$ 127,074,776</u></u>	<u><u>\$ 127,212,960</u></u>	<u><u>\$ (138,184)</u></u>

**City of Lubbock, Texas**  
**Required Supplementary Information**  
**Budget Comparison Schedule (Continued)**  
**General Fund**  
**For the Year Ended September 30, 2011**

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 \$131,059,168

Adjustments:

Proceeds from the issuance of capital leases are classified as other financing sources for GAAP reporting, but are not included in total revenue on the budget basis 3,588,154

Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds \$134,647,322

**Expenditures and Other Financing Uses**

Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule \$127,212,960

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 5,375,080

Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds \$132,588,040



## CITY OF LUBBOCK, TEXAS

### Special Revenue Funds

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

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

**Municipal Court Fund** – Accounts for certain revenues from municipal court fees collected to be used on court technology and juvenile case managers.

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

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

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

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

**Lake Alan Henry Fund** – This fund has been closed and has opened as a Nonmajor Enterprise Fund.

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

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

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

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

**Lubbock Business Park Tax Increment Finance (TIF) Fund** – Accounts for incremental property tax funds dedicated to the development of the Lubbock Business Park.

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

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

## CITY OF LUBBOCK, TEXAS

### Special Revenue Funds (Continued)

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

**Quincy Park Public Improvement District (PID) Fund** – Accounts for dedicated assessments, which are used to maintain the Quincy Park area. This includes maintaining common areas, landscaping on the boulevard and entrances, and the park at 91st and Quitman.

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

**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 a board appointed 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.

## **CITY OF LUBBOCK, TEXAS**

### **Debt Service Fund**

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

### **Capital Project Funds**

The Capital Projects Funds account for all capital improvements, except for those accounted for in proprietary funds, which are financed by the City's general obligation bond issues, certain sales taxes, certain Federal capital grants, and other specific receipts.

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

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

**City of Lubbock, Texas**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2011**

	<b>Special Revenue Funds</b>			
	<b>Criminal Investigation</b>	<b>Municipal Court</b>	<b>Abandoned Motor Vehicle</b>	<b>Economic Development Incentive</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 121,834	\$ 47,696	\$ 61,158	\$ -
Investments	1,156,929	452,919	580,753	-
Taxes receivable (net)	-	-	-	99,853
Accounts receivable (net)	-	-	-	71,865
Interest receivable	288	113	145	-
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Investment in property	-	-	-	-
Restricted investments	-	-	-	-
Pledges and leases receivable	-	-	-	-
Mortgage receivables	-	-	-	-
Total assets	<u>\$ 1,279,051</u>	<u>\$ 500,728</u>	<u>\$ 642,056</u>	<u>\$ 171,718</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 638,236	\$ 4,659	\$ 163,789	\$ 1,282
Accrued liabilities	-	2,777	-	1,314
Accrued interest payable	-	-	-	-
Customer deposits	-	-	-	-
Due to other funds	-	-	-	37,406
Deferred revenue	-	-	-	88,345
Total liabilities	<u>638,236</u>	<u>7,436</u>	<u>163,789</u>	<u>128,347</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	640,815	493,292	478,267	43,371
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>640,815</u>	<u>493,292</u>	<u>478,267</u>	<u>43,371</u>
Total liabilities and fund balances	<u>\$ 1,279,051</u>	<u>\$ 500,728</u>	<u>\$ 642,056</u>	<u>\$ 171,718</u>

**Special Revenue Funds**

<b>Donations</b>	<b>Hotel/Motel Tax</b>	<b>Lake Alan Henry</b>	<b>Cemetery Maintenance</b>	<b>Lubbock Economic Development Alliance</b>	<b>North Overton TIF</b>	<b>Central Business District TIF</b>
\$ 66,910	\$ 77,768	\$ -	\$ 6,799	\$ 2,403	\$ -	\$ 79,354
635,369	738,476	-	64,561	22,816	-	753,539
-	-	-	-	789,472	-	-
-	-	-	-	-	-	-
158	190	-	16	6	227	198
-	-	-	-	-	-	-
-	1,148,797	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,009,969	45,459
-	-	-	-	-	2,910,639	-
-	-	-	-	-	-	-
<u>\$ 702,437</u>	<u>\$ 1,965,231</u>	<u>\$ -</u>	<u>\$ 71,376</u>	<u>\$ 814,697</u>	<u>\$ 3,920,835</u>	<u>\$ 878,550</u>
\$ 9,777	\$ 281,447	\$ -	\$ -	\$ 814,697	\$ 177	\$ 38,137
-	-	-	-	-	1,035	778
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,918,893	-
-	-	-	-	-	2,910,639	-
<u>9,777</u>	<u>281,447</u>	<u>-</u>	<u>-</u>	<u>814,697</u>	<u>5,830,744</u>	<u>38,915</u>
-	-	-	-	-	-	-
692,660	1,683,784	-	71,376	-	1,009,969	839,635
-	-	-	-	-	-	-
-	-	-	-	-	(2,919,878)	-
<u>692,660</u>	<u>1,683,784</u>	<u>-</u>	<u>71,376</u>	<u>-</u>	<u>(1,909,909)</u>	<u>839,635</u>
<u>\$ 702,437</u>	<u>\$ 1,965,231</u>	<u>\$ -</u>	<u>\$ 71,376</u>	<u>\$ 814,697</u>	<u>\$ 3,920,835</u>	<u>\$ 878,550</u>

**City of Lubbock, Texas**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2011**

	<b>Special Revenue Funds</b>			
	<b>Lubbock Business Park TIF</b>	<b>North Overton PID</b>	<b>North Point PID</b>	<b>Vintage Township PID</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,277	\$ 13,212	\$ 22,223	\$ -
Investments	12,127	125,455	211,027	-
Taxes receivable (net)	-	-	-	-
Accounts receivable (net)	-	-	-	-
Interest receivable	3	31	52	-
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Investment in property	-	-	-	-
Restricted investments	-	-	-	-
Pledges and leases receivable	-	-	-	-
Mortgage receivables	-	-	-	-
Total assets	<u>\$ 13,407</u>	<u>\$ 138,698</u>	<u>\$ 233,302</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 35,781	\$ 960	\$ -
Accrued liabilities	-	-	51	-
Accrued interest payable	-	-	-	-
Customer deposits	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>35,781</u>	<u>1,011</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	13,407	102,917	232,291	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>13,407</u>	<u>102,917</u>	<u>232,291</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 13,407</u>	<u>\$ 138,698</u>	<u>\$ 233,302</u>	<u>\$ -</u>

**Special Revenue Funds**

<b>Quincy Park PID</b>	<b>Gateway Streets</b>	<b>Community Development</b>	<b>Urban Renewal Agency (URA)</b>	<b>Community Services</b>	<b>Health</b>	<b>Library</b>
\$ 1,116	\$ 1,190,316	\$ 10,058	\$ -	\$ -	\$ -	\$ -
10,601	11,303,137	365,522	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3	3,374	3	-	-	-	-
-	-	2,890,141	-	1,250,095	342,317	102,353
-	380,651	-	-	-	-	-
-	-	-	182,828	-	-	-
-	2,529,392	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	4,799,949	-	-	-
<u>\$ 11,720</u>	<u>\$ 15,406,870</u>	<u>\$ 3,265,724</u>	<u>\$ 4,982,777</u>	<u>\$ 1,250,095</u>	<u>\$ 342,317</u>	<u>\$ 102,353</u>
\$ -	\$ -	\$ 61,176	\$ -	\$ 334,664	\$ 927	\$ 32,286
-	-	20,026	-	9,560	13,018	5,086
-	-	-	-	-	-	-
-	-	2,517,008	-	-	-	-
-	-	-	-	697,168	290,358	64,981
-	-	478,302	-	208,703	-	-
-	-	3,076,512	-	1,250,095	304,303	102,353
-	-	-	-	-	-	-
11,720	2,529,392	189,212	4,982,777	-	38,014	-
-	12,877,478	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,720</u>	<u>15,406,870</u>	<u>189,212</u>	<u>4,982,777</u>	<u>-</u>	<u>38,014</u>	<u>-</u>
<u>\$ 11,720</u>	<u>\$ 15,406,870</u>	<u>\$ 3,265,724</u>	<u>\$ 4,982,777</u>	<u>\$ 1,250,095</u>	<u>\$ 342,317</u>	<u>\$ 102,353</u>

**City of Lubbock, Texas**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2011**

	<b>Special Revenue Funds</b>			
	<b>Police</b>	<b>Other Grants</b>	<b>Total Special Revenue Funds</b>	<b>Debt Service Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,799	\$ -	\$ 1,718,923	\$ -
Investments	159,527	-	16,592,758	-
Taxes receivable (net)	-	-	889,325	237,284
Accounts receivable (net)	-	165	72,030	-
Interest receivable	39	-	4,846	70
Due from other governments	785	650,843	5,236,534	-
Due from others	-	-	1,529,448	-
Investment in property	-	-	182,828	-
Restricted investments	-	-	3,584,820	1,399,394
Pledges and leases receivable	-	-	2,910,639	-
Mortgage receivables	-	-	4,799,949	-
<b>Total assets</b>	<b>\$ 177,150</b>	<b>\$ 651,008</b>	<b>\$ 37,522,100</b>	<b>\$ 1,636,748</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 28,298	\$ 2,446,293	\$ -
Accrued liabilities	317	6,922	60,884	-
Accrued interest payable	-	-	-	106,392
Customer deposits	-	-	2,517,008	-
Due to other funds	-	421,233	4,430,039	-
Deferred revenue	1,414	3,370	3,690,773	201,313
<b>Total liabilities</b>	<b>1,731</b>	<b>459,823</b>	<b>13,144,997</b>	<b>307,705</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	175,419	191,185	14,419,503	1,329,043
Committed	-	-	12,877,478	-
Unassigned	-	-	(2,919,878)	-
<b>Total fund balances</b>	<b>175,419</b>	<b>191,185</b>	<b>24,377,103</b>	<b>1,329,043</b>
<b>Total liabilities and fund balances</b>	<b>\$ 177,150</b>	<b>\$ 651,008</b>	<b>\$ 37,522,100</b>	<b>\$ 1,636,748</b>

**Capital Projects Funds**

<b>TIF Capital Projects</b>	<b>Gateway Streets Projects</b>	<b>Total Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ 141,651	\$ 141,651	\$ 1,860,574
-	2,471,578	2,471,578	19,064,336
-	-	-	1,126,609
-	-	-	72,030
-	-	-	4,916
-	-	-	5,236,534
4,718	-	4,718	1,534,166
-	-	-	182,828
2,003,355	20,139,224	22,142,579	27,126,793
500,000	-	500,000	3,410,639
-	-	-	4,799,949
<u>\$ 2,508,073</u>	<u>\$ 22,752,453</u>	<u>\$ 25,260,526</u>	<u>\$ 64,419,374</u>
\$ 30,906	\$ 1,098,849	\$ 1,129,755	\$ 3,576,048
-	3,017	3,017	63,901
-	-	-	106,392
-	-	-	2,517,008
-	-	-	4,430,039
500,000	-	500,000	4,392,086
<u>530,906</u>	<u>1,101,866</u>	<u>1,632,772</u>	<u>15,085,474</u>
-	-	-	-
1,977,167	21,650,587	23,627,754	39,376,300
-	-	-	12,877,478
-	-	-	(2,919,878)
<u>1,977,167</u>	<u>21,650,587</u>	<u>23,627,754</u>	<u>49,333,900</u>
<u>\$ 2,508,073</u>	<u>\$ 22,752,453</u>	<u>\$ 25,260,526</u>	<u>\$ 64,419,374</u>

**City of Lubbock, Texas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2011**

	<b>Special Revenue Funds</b>			
	<b>Criminal Investigation</b>	<b>Municipal Court</b>	<b>Abandoned Motor Vehicle</b>	<b>Economic Development Incentive</b>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 3,596,569
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	-	-	-	-
Fees and fines	-	371,010	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	112	131	150	-
Miscellaneous	285,316	-	495,622	-
Total revenues	<u>285,428</u>	<u>371,141</u>	<u>495,772</u>	<u>3,596,569</u>
<b>EXPENDITURES</b>				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	-	-	-	3,605,372
Health	-	-	-	-
Fire	-	-	-	-
Police	152,714	-	351,302	-
Other public safety	-	260,537	-	-
Streets and traffic	-	-	-	-
Intergovernmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
Total expenditures	<u>152,714</u>	<u>260,537</u>	<u>351,302</u>	<u>3,605,372</u>
Excess (deficiency) of revenues over (under) expenditures	<u>132,714</u>	<u>110,604</u>	<u>144,470</u>	<u>(8,803)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Bond premium (discount)	-	-	-	-
Payment to the refunded bond escrow agent	-	-	-	-
IRS Build America Bond Subsidy	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	132,714	110,604	144,470	(8,803)
Fund balances - beginning of year	<u>508,101</u>	<u>382,688</u>	<u>333,797</u>	<u>52,174</u>
Fund balances - end of year	<u>\$ 640,815</u>	<u>\$ 493,292</u>	<u>\$ 478,267</u>	<u>\$ 43,371</u>

**Special Revenue Funds**

<b>Donations</b>	<b>Hotel/Motel Tax</b>	<b>Lake Alan Henry</b>	<b>Cemetery Maintenance</b>	<b>Lubbock Economic Development Alliance</b>	<b>North Overton TIF</b>	<b>Central Business District TIF</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,529,595	\$ 544,018
-	-	-	-	4,472,731	-	-
-	4,860,489	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
769	1,682	-	-	-	1,051	1,709
449,874	-	-	-	-	61,427	-
<u>450,643</u>	<u>4,862,171</u>	<u>-</u>	<u>-</u>	<u>4,472,731</u>	<u>2,592,073</u>	<u>545,727</u>
87,948	-	-	54,274	-	-	-
63,411	-	-	-	-	-	-
7,357	2,784,924	-	-	4,472,731	56,895	483,457
58,599	-	-	-	-	-	-
404	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,471	-
131,412	-	-	-	-	-	342,619
<u>349,131</u>	<u>2,784,924</u>	<u>-</u>	<u>54,274</u>	<u>4,472,731</u>	<u>61,366</u>	<u>826,076</u>
<u>101,512</u>	<u>2,077,247</u>	<u>-</u>	<u>(54,274)</u>	<u>-</u>	<u>2,530,707</u>	<u>(280,349)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	365,905	-
-	(2,080,255)	(500,075)	-	-	(3,237,113)	(16,911)
-	(2,080,255)	(500,075)	-	-	(2,871,208)	(16,911)
101,512	(3,008)	(500,075)	(54,274)	-	(340,501)	(297,260)
591,148	1,686,792	500,075	125,650	-	(1,569,408)	1,136,895
<u>\$ 692,660</u>	<u>\$ 1,683,784</u>	<u>\$ -</u>	<u>\$ 71,376</u>	<u>\$ -</u>	<u>\$ (1,909,909)</u>	<u>\$ 839,635</u>

**City of Lubbock, Texas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2011**

	<b>Special Revenue Funds</b>			
	<b>Lubbock Business Park TIF</b>	<b>North Overton PID</b>	<b>North Point PID</b>	<b>Vintage Township PID</b>
<b>REVENUES</b>				
Property taxes	\$ 19,074	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	-	443,853	76,792	251,887
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	251	301	-
Miscellaneous	-	-	-	-
Total revenues	<u>19,074</u>	<u>444,104</u>	<u>77,093</u>	<u>251,887</u>
<b>EXPENDITURES</b>				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	5,662	411,690	32,393	251,887
Health	-	-	-	-
Fire	-	-	-	-
Police	-	-	-	-
Other public safety	-	-	-	-
Streets and traffic	-	-	-	-
Intergovernmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	5	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>5,667</u>	<u>411,690</u>	<u>32,393</u>	<u>251,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,407</u>	<u>32,414</u>	<u>44,700</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Bond premium (discount)	-	-	-	-
Payment to the refunded bond escrow agent	-	-	-	-
IRS Build America Bond Subsidy	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	13,407	32,414	44,700	-
Fund balances - beginning of year	-	70,503	187,591	-
Fund balances - end of year	<u>\$ 13,407</u>	<u>\$ 102,917</u>	<u>\$ 232,291</u>	<u>\$ -</u>

**Special Revenue Funds**

<b>Quincy Park PID</b>	<b>Gateway Streets</b>	<b>Community Development</b>	<b>Urban Renewal Agency (URA)</b>	<b>Community Services</b>	<b>Health</b>	<b>Library</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,320,331	-	-	-	-	-
15,200	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,081,104	-	4,911,719	1,350,133	539,329
-	-	-	-	-	-	-
-	1,981	189	-	-	-	-
-	-	314,946	-	100	116,573	-
<u>15,200</u>	<u>3,322,312</u>	<u>4,396,239</u>	<u>-</u>	<u>4,911,819</u>	<u>1,466,706</u>	<u>539,329</u>
-	-	3,941,051	159,656	5,019,444	-	-
-	-	-	-	-	-	539,329
3,476	13,222	-	-	-	-	-
-	-	-	-	-	1,270,504	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4	-	-	-	-	-	-
-	-	341,379	-	-	167,468	-
<u>3,480</u>	<u>13,222</u>	<u>4,282,430</u>	<u>159,656</u>	<u>5,019,444</u>	<u>1,437,972</u>	<u>539,329</u>
<u>11,720</u>	<u>3,309,090</u>	<u>113,809</u>	<u>(159,656)</u>	<u>(107,625)</u>	<u>28,734</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,799,547	-	-	-	-	-
-	(7,742,497)	(137,187)	-	-	-	-
-	(3,942,950)	(137,187)	-	-	-	-
11,720	(633,860)	(23,378)	(159,656)	(107,625)	28,734	-
-	16,040,730	212,590	5,142,433	107,625	9,280	-
<u>\$ 11,720</u>	<u>\$ 15,406,870</u>	<u>\$ 189,212</u>	<u>\$ 4,982,777</u>	<u>\$ -</u>	<u>\$ 38,014</u>	<u>\$ -</u>

**City of Lubbock, Texas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2011**

	<u>Special Revenue Funds</u>			
	<u>Police</u>	<u>Other Grants</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 6,689,256	\$ 11,244,586
Sales taxes	-	-	4,472,731	-
Occupancy taxes	-	-	4,860,489	-
Franchise taxes	-	-	3,320,331	-
Special assessments	-	-	787,732	-
Fees and fines	-	-	371,010	-
Intergovernmental	314,912	3,374,779	14,571,976	-
Charges for services	-	-	-	-
Interest	489	-	8,815	6,300
Miscellaneous	-	50,804	1,774,662	-
Total revenues	<u>315,401</u>	<u>3,425,583</u>	<u>36,857,002</u>	<u>11,250,886</u>
<b>EXPENDITURES</b>				
Current:				
Community services	-	435,884	9,698,257	-
Cultural and recreation	-	2,092	604,832	-
Economic and business development	-	-	12,129,066	-
Health	-	593,728	1,922,831	-
Fire	-	-	404	-
Police	233,247	-	737,263	-
Other public safety	-	480,490	741,027	-
Streets and traffic	-	-	-	-
Intergovernmental	121,469	-	121,469	-
Debt Service:				
Principal	-	-	-	13,181,921
Interest and other charges	-	-	4,480	13,042,630
Capital outlay	52,209	2,217,271	3,252,358	-
Total expenditures	<u>406,925</u>	<u>3,729,465</u>	<u>29,211,987</u>	<u>26,224,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,524)</u>	<u>(303,882)</u>	<u>7,645,015</u>	<u>(14,973,665)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	4,360,000
Bond premium (discount)	-	-	-	219,415
Payment to the refunded bond escrow agent	-	-	-	(4,594,201)
IRS Build America Bond Subsidy	-	-	-	702,370
Transfers in	47,537	288,942	4,501,931	14,494,101
Transfers out	-	-	(13,714,038)	(563,230)
Net other financing sources (uses)	<u>47,537</u>	<u>288,942</u>	<u>(9,212,107)</u>	<u>14,618,455</u>
Net change in fund balances	(43,987)	(14,940)	(1,567,092)	(355,210)
Fund balances - beginning of year	<u>219,406</u>	<u>206,125</u>	<u>25,944,195</u>	<u>1,684,253</u>
Fund balances - end of year	<u>\$ 175,419</u>	<u>\$ 191,185</u>	<u>\$ 24,377,103</u>	<u>\$ 1,329,043</u>

**Capital Projects Funds**

<b>TIF Capital Projects</b>	<b>Gateway Streets Projects</b>	<b>Total Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 17,933,842
-	-	-	4,472,731
-	-	-	4,860,489
-	-	-	3,320,331
-	-	-	787,732
-	-	-	371,010
-	-	-	14,571,976
-	-	-	-
1,586	28,499	30,085	45,200
<u>1,080,000</u>	<u>154,000</u>	<u>1,234,000</u>	<u>3,008,662</u>
<u>1,081,586</u>	<u>182,499</u>	<u>1,264,085</u>	<u>49,371,973</u>
-	-	-	9,698,257
-	-	-	604,832
1,192,268	-	1,192,268	13,321,334
-	-	-	1,922,831
-	-	-	404
-	-	-	737,263
-	-	-	741,027
-	41,859	41,859	41,859
-	-	-	121,469
-	-	-	13,181,921
22,533	57,438	79,971	13,127,081
<u>172,991</u>	<u>8,266,241</u>	<u>8,439,232</u>	<u>11,691,590</u>
<u>1,387,792</u>	<u>8,365,538</u>	<u>9,753,330</u>	<u>65,189,868</u>
<u>(306,206)</u>	<u>(8,183,039)</u>	<u>(8,489,245)</u>	<u>(15,817,895)</u>
1,404,380	6,226,358	7,630,738	11,990,738
115,975	514,179	630,154	849,569
-	-	-	(4,594,201)
-	-	-	702,370
-	-	-	18,996,032
<u>(1,585)</u>	<u>(28,498)</u>	<u>(30,083)</u>	<u>(14,307,351)</u>
<u>1,518,770</u>	<u>6,712,039</u>	<u>8,230,809</u>	<u>13,637,157</u>
1,212,564	(1,471,000)	(258,436)	(2,180,738)
<u>764,603</u>	<u>23,121,587</u>	<u>23,886,190</u>	<u>51,514,638</u>
<u>\$ 1,977,167</u>	<u>\$ 21,650,587</u>	<u>\$ 23,627,754</u>	<u>\$ 49,333,900</u>



## CITY OF LUBBOCK, TEXAS

### Nonmajor Enterprise Funds

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

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

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

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

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

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

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

**City of Lubbock, Texas**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**September 30, 2011**

ASSETS	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
Current assets:				
Cash and cash equivalents	\$ 424,937	\$ 727,201	\$ -	\$ 27,636
Investments	4,458,497	7,880,606	-	262,430
Accounts receivable	419,966	1,826,945	1,117,408	46,555
Interest receivable	1,213	1,512	-	73
Due from others	172,658	-	-	-
Due from other funds	-	2,918,893	-	-
Due from other governments	884,756	-	1,037,639	-
Prepaid expenses	-	-	126,553	-
Inventories	-	-	730,336	-
	<u>6,362,027</u>	<u>13,355,157</u>	<u>3,011,936</u>	<u>336,694</u>
Total current assets				
Noncurrent assets:				
Restricted investments	<u>5,181,605</u>	<u>3,509,536</u>	<u>-</u>	<u>18,158</u>
	<u>5,181,605</u>	<u>3,509,536</u>	<u>-</u>	<u>18,158</u>
Capital assets:				
Land	3,589,941	1,607,932	318,539	14,097
Construction in progress	26,265,749	5,432,958	1,150,759	-
Buildings	39,198,274	1,634,574	4,554,055	846,652
Improvements other than buildings	103,549,363	27,425,771	1,846,921	77,858
Machinery and equipment	14,247,179	32,847,493	24,283,543	481,529
Less accumulated depreciation	<u>(85,981,889)</u>	<u>(45,401,233)</u>	<u>(20,513,406)</u>	<u>(409,121)</u>
Total capital assets	<u>100,868,617</u>	<u>23,547,495</u>	<u>11,640,411</u>	<u>1,011,015</u>
Total noncurrent assets	<u>106,050,222</u>	<u>27,057,031</u>	<u>11,640,411</u>	<u>1,029,173</u>
Total assets	<u><u>\$112,412,249</u></u>	<u><u>\$ 40,412,188</u></u>	<u><u>\$ 14,652,347</u></u>	<u><u>\$ 1,365,867</u></u>

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 94,062	\$ 43,722	\$ 1,317,558
893,207	415,176	13,909,916
87,340	-	3,498,214
1,774	103	4,675
11,625	-	184,283
-	-	2,918,893
-	-	1,922,395
-	-	126,553
-	-	730,336
<u>1,088,008</u>	<u>459,001</u>	<u>24,612,823</u>
<u>5,869,715</u>	<u>-</u>	<u>14,579,014</u>
<u>5,869,715</u>	<u>-</u>	<u>14,579,014</u>
1,238,454	-	6,768,963
1,553,966	-	34,403,432
21,860,776	-	68,094,331
2,755,901	-	135,655,814
5,248,171	126,213	77,234,128
<u>(22,321,967)</u>	<u>(101,557)</u>	<u>(174,729,173)</u>
<u>10,335,301</u>	<u>24,656</u>	<u>147,427,495</u>
<u>16,205,016</u>	<u>24,656</u>	<u>162,006,509</u>
<u>\$ 17,293,024</u>	<u>\$ 483,657</u>	<u>\$ 186,619,332</u>

**City of Lubbock, Texas**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**September 30, 2011**

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,691,661	\$ 1,596,784	\$ 646,726	\$ 11,316
Accrued liabilities	56,863	188,293	328,968	7,109
Accrued interest payable	109,364	183,110	-	3,633
Due to other funds	-	-	1,347,842	-
Customer deposits	-	8,672	-	-
Deferred revenue	4,019	-	-	3,220
Compensated absences	125,218	307,612	269,146	30,587
Leases payable	30,408	4,512,486	-	-
Bonds payable	2,268,815	851,732	-	26,309
	<u>4,286,348</u>	<u>7,648,689</u>	<u>2,592,682</u>	<u>82,174</u>
Total current liabilities				
Noncurrent liabilities:				
Landfill closure and post closure care	-	5,067,018	-	-
Compensated absences	108,415	266,334	-	26,483
Post employment benefits	442,746	1,050,970	-	82,027
Net pension obligation	206,276	473,857	-	35,109
Leases payable	182,844	6,281,764	-	-
Bonds payable	13,188,443	18,628,202	-	564,713
	<u>14,128,724</u>	<u>31,768,145</u>	<u>-</u>	<u>708,332</u>
Total noncurrent liabilities				
	<u>18,415,072</u>	<u>39,416,834</u>	<u>2,592,682</u>	<u>790,506</u>
Total liabilities				
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	87,683,747	(3,893,815)	11,640,411	420,663
Restricted for passenger facility charges	1,255,050	-	-	-
Restricted for debt service	1,440,915	676,662	-	17,488
Unrestricted	3,617,465	4,212,507	419,254	137,210
	<u>3,617,465</u>	<u>4,212,507</u>	<u>419,254</u>	<u>137,210</u>
Total net assets	<u>\$ 93,997,177</u>	<u>\$ 995,354</u>	<u>\$ 12,059,665</u>	<u>\$ 575,361</u>

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 249,027	\$ 12,164	\$ 4,207,678
26,793	3,467	611,493
36,302	-	332,409
-	-	1,347,842
59,933	-	68,605
-	-	7,239
106,008	-	838,571
-	-	4,542,894
241,206	-	3,388,062
<u>719,269</u>	<u>15,631</u>	<u>15,344,793</u>
-	-	5,067,018
91,782	-	493,014
293,220	-	1,868,963
101,554	-	816,796
-	-	6,464,608
6,093,185	-	38,474,543
<u>6,579,741</u>	<u>-</u>	<u>53,184,942</u>
<u>7,299,010</u>	<u>15,631</u>	<u>68,529,735</u>
9,736,779	24,656	105,612,441
-	-	1,255,050
133,846	-	2,268,911
123,389	443,370	8,953,195
<u>\$ 9,994,014</u>	<u>\$ 468,026</u>	<u>\$ 118,089,597</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, 2011**

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
<b>OPERATING REVENUES</b>				
Charges for services (net)	\$ 7,483,750	\$ 18,807,531	\$ 4,809,766	\$ 438,741
Total operating revenues	<u>7,483,750</u>	<u>18,807,531</u>	<u>4,809,766</u>	<u>438,741</u>
<b>OPERATING EXPENSES</b>				
Personal services	2,362,081	5,823,897	6,487,149	400,968
Supplies	106,599	1,603,313	1,518,542	53,701
Maintenance	736,885	2,274,266	1,033,843	42,499
Billing office expense	-	587,412	-	-
Other services and charges	2,189,432	1,375,680	966,272	153,538
Depreciation and amortization	<u>5,285,956</u>	<u>4,325,003</u>	<u>1,329,579</u>	<u>23,103</u>
Total operating expenses	<u>10,680,953</u>	<u>15,989,571</u>	<u>11,335,385</u>	<u>673,809</u>
Operating income (loss)	<u>(3,197,203)</u>	<u>2,817,960</u>	<u>(6,525,619)</u>	<u>(235,068)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	7,561	9,134	-	3,004
Passenger facility charges/Federal grants	2,035,879	-	4,667,548	-
Disposition of assets	7,953	256,618	-	22,491
Miscellaneous	704,468	271,019	-	-
IRS Build America Bond Subsidy	-	14,249	-	-
Interest expense	<u>(420,668)</u>	<u>(799,871)</u>	<u>-</u>	<u>(29,888)</u>
Net nonoperating revenues (expenses)	<u>2,335,193</u>	<u>(248,851)</u>	<u>4,667,548</u>	<u>(4,393)</u>
Income (loss) before contributions and transfers	(862,010)	2,569,109	(1,858,071)	(239,461)
Capital contributions	12,549,633	-	1,440,586	-
Transfers in	-	-	752,297	288,159
Transfers out	<u>(1,444,949)</u>	<u>(2,328,190)</u>	<u>-</u>	<u>-</u>
Change in net assets	10,242,674	240,919	334,812	48,698
Total net assets - beginning	<u>83,754,503</u>	<u>754,435</u>	<u>11,724,853</u>	<u>526,663</u>
Total net assets - ending	<u>\$ 93,997,177</u>	<u>\$ 995,354</u>	<u>\$ 12,059,665</u>	<u>\$ 575,361</u>

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 693,467	\$ 458,303	\$ 32,691,558
<u>693,467</u>	<u>458,303</u>	<u>32,691,558</u>
1,580,276	225,763	16,880,134
78,363	10,329	3,370,847
372,385	12,038	4,471,916
-	-	587,412
738,251	138,030	5,561,203
<u>1,044,065</u>	<u>-</u>	<u>12,007,706</u>
<u>3,813,340</u>	<u>386,160</u>	<u>42,879,218</u>
<u>(3,119,873)</u>	<u>72,143</u>	<u>(10,187,660)</u>
8,080	178	27,957
-	-	6,703,427
-	-	287,062
419	-	975,906
-	-	14,249
<u>(48,362)</u>	<u>-</u>	<u>(1,298,789)</u>
<u>(39,863)</u>	<u>178</u>	<u>6,709,812</u>
(3,159,736)	72,321	(3,477,848)
-	24,655	14,014,874
2,850,093	500,075	4,390,624
-	(129,025)	(3,902,164)
<u>(309,643)</u>	<u>468,026</u>	<u>11,025,486</u>
<u>10,303,657</u>	<u>-</u>	<u>107,064,111</u>
<u>\$ 9,994,014</u>	<u>\$ 468,026</u>	<u>\$ 118,089,597</u>

**City Of Lubbock, Texas**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2011**

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 7,510,648	\$ 18,630,247	\$ 4,584,281	\$ 438,301
Payments to suppliers	(2,355,863)	(4,077,674)	(3,598,541)	(218,215)
Payments to employees	(2,403,907)	(5,915,710)	(6,487,149)	(408,077)
Other receipts	704,468	285,268	-	-
Net cash provided (used) by operating activities	<u>3,455,346</u>	<u>8,922,131</u>	<u>(5,501,409)</u>	<u>(187,991)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers in from other funds	-	-	752,297	288,159
Transfers out to other funds	(1,444,949)	(2,328,190)	-	-
Short-term interfund borrowings (repayments)	-	(347,109)	47,842	-
Passenger facility charges and operating grants	-	-	4,667,548	-
Net cash provided (used) by noncapital and related financing activities	<u>(1,444,949)</u>	<u>(2,675,299)</u>	<u>5,467,687</u>	<u>288,159</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(18,463,612)	(6,871,695)	(1,438,916)	(717)
Sale of capital assets	7,953	385,528	-	22,491
Principal paid on capital leases	(28,071)	(4,170,808)	-	-
Principal paid on bonds	(1,866,259)	(2,295,278)	-	(25,037)
Issuance of capital leases	41,175	2,023,940	-	-
Issuance of bonds	4,984,485	8,491,709	-	-
Bond issuance costs	(42,474)	(136,475)	-	-
Interest paid on bonds and capital leases	(437,470)	(788,381)	-	(30,211)
Payment of rebatable arbitrage	(20,428)	-	-	-
Capital grants and contributions	14,585,512	-	1,440,586	-
Net cash provided (used) for capital and related financing activities	<u>(1,239,189)</u>	<u>(3,361,460)</u>	<u>1,670</u>	<u>(33,474)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	5,920,253	5,244,930	31,871	140,467
Purchase of investments	(6,281,411)	(7,421,723)	-	(182,829)
Interest earnings on cash and investments	8,201	9,405	-	2,992
Net cash provided (used) for investing activities	<u>(352,957)</u>	<u>(2,167,388)</u>	<u>31,871</u>	<u>(39,370)</u>
Net increase (decrease) in cash and cash equivalents	418,251	717,984	(181)	27,324
Cash and cash equivalents - beginning of year	6,686	9,217	181	312
Cash and cash equivalents - end of year	<u>\$ 424,937</u>	<u>\$ 727,201</u>	<u>\$ -</u>	<u>\$ 27,636</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (3,197,203)	\$ 2,817,960	\$ (6,525,619)	\$ (235,068)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	5,285,956	4,325,003	1,329,579	23,103
Other income	704,468	285,268	-	-
Change in current assets and liabilities:				
Accounts receivable	26,898	(177,284)	(225,485)	(440)
Inventory	-	-	90,902	-
Prepaid expenses	-	-	(69,782)	-
Due from other governments	(429,431)	-	(577,081)	-
Accounts payable	991,853	1,265,153	410,495	3,935
Other accrued expenses	(96,672)	(156,386)	60,640	(10,828)
Due to/from other funds	(9,651)	-	-	-
Customer deposits	-	-	-	-
Change in compensated absences and retirement benefits	179,128	562,417	4,942	31,307
Net cash provided (used) by operating activities	<u>\$ 3,455,346</u>	<u>\$ 8,922,131</u>	<u>\$ (5,501,409)</u>	<u>\$ (187,991)</u>
<b>Supplemental cash flow information:</b>				
Noncash capital contributions and other charges	\$ -	\$ -	\$ -	\$ -

<u>Civic Centers</u>	<u>Lake Alan Henry</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 730,846	\$ 458,303	\$ 32,352,626
(961,372)	(141,299)	(11,352,964)
(1,607,052)	(229,230)	(17,051,125)
-	-	989,736
<u>(1,837,578)</u>	<u>87,774</u>	<u>4,938,273</u>
2,850,093	500,075	4,390,624
-	(129,025)	(3,902,164)
-	-	(299,267)
-	-	4,667,548
<u>2,850,093</u>	<u>371,050</u>	<u>4,856,741</u>
(1,105,526)	(1)	(27,880,467)
-	-	415,972
-	-	(4,198,879)
(125,941)	-	(4,312,515)
-	-	2,065,115
-	-	13,476,194
-	-	(178,949)
(68,695)	-	(1,324,757)
-	-	(20,428)
-	-	16,026,098
<u>(1,300,162)</u>	<u>(1)</u>	<u>(5,932,616)</u>
4,780,676	-	16,118,197
(4,406,664)	(415,176)	(18,707,803)
6,561	75	27,234
<u>380,573</u>	<u>(415,101)</u>	<u>(2,562,372)</u>
92,926	43,722	1,300,026
1,136	-	17,532
<u>\$ 94,062</u>	<u>\$ 43,722</u>	<u>\$ 1,317,558</u>
\$ (3,119,873)	\$ 72,143	\$ (10,187,660)
1,044,065	-	12,007,706
419	-	990,155
37,379	-	(338,932)
-	-	90,902
-	-	(69,782)
-	-	(1,006,512)
164,696	12,164	2,848,296
(43,987)	3,467	(243,766)
(11,625)	-	(21,276)
6,485	-	6,485
84,863	-	862,657
<u>\$ (1,837,578)</u>	<u>\$ 87,774</u>	<u>\$ 4,938,273</u>
\$ -	\$ -	\$ -



## CITY OF LUBBOCK, TEXAS

### Internal Service Funds

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

**Fleet Maintenance Fund** – Accounts for vehicle service operations.

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

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

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

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

**Investment Pool Fund** – Accounts for the operations of centralizing the activities relative to the City's investment portfolio.

**City of Lubbock, Texas**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**September 30, 2011**

	<b>Business-type Activities</b>			
	<b>Fleet Maintenance</b>	<b>Print Shop and Warehouse</b>	<b>Risk Management</b>	<b>Total Business- type Activities</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 75,831	\$ 921	\$ 939,403	\$ 1,016,155
Investments	720,087	8,749	8,920,495	9,649,331
Interest receivable	-	18	2,219	2,237
Due from others	-	1,281	6,787	8,068
Prepaid expenses	-	-	-	-
Inventories	210,753	1,738,014	-	1,948,767
Total current assets	<u>1,006,671</u>	<u>1,748,983</u>	<u>9,868,904</u>	<u>12,624,558</u>
Noncurrent assets:				
Restricted investments	<u>275,431</u>	<u>-</u>	<u>-</u>	<u>275,431</u>
Capital assets:				
Land	-	-	-	-
Buildings	1,469,765	138,853	-	1,608,618
Improvements other than buildings	-	-	-	-
Machinery and equipment	1,167,908	142,504	17,227	1,327,639
Less accumulated depreciation	<u>(1,537,997)</u>	<u>(274,400)</u>	<u>(17,227)</u>	<u>(1,829,624)</u>
Total capital assets	<u>1,099,676</u>	<u>6,957</u>	<u>-</u>	<u>1,106,633</u>
Total noncurrent assets	<u>1,375,107</u>	<u>6,957</u>	<u>-</u>	<u>1,382,064</u>
Total assets	<u>\$ 2,381,778</u>	<u>\$ 1,755,940</u>	<u>\$ 9,868,904</u>	<u>\$ 14,006,622</u>

**Governmental Activities**

<b>Information Technology</b>	<b>Health Benefits</b>	<b>Investment Pool</b>	<b>Total Governmental Activities</b>	<b>Total Internal Service Funds</b>
\$ 111,014	\$ 362,019	\$ 953	\$ 473,986	\$ 1,490,141
1,054,177	3,437,701	9,047	4,500,925	14,150,256
196	855	-	1,051	3,288
17,184	91,515	-	108,699	116,767
19,137	-	-	19,137	19,137
13,727	-	-	13,727	1,962,494
<u>1,215,435</u>	<u>3,892,090</u>	<u>10,000</u>	<u>5,117,525</u>	<u>17,742,083</u>
-	-	-	-	275,431
65,343	-	-	65,343	65,343
88,436	-	-	88,436	1,697,054
842,855	-	-	842,855	842,855
9,180,130	5,568	-	9,185,698	10,513,337
(7,454,014)	(5,568)	-	(7,459,582)	(9,289,206)
<u>2,722,750</u>	<u>-</u>	<u>-</u>	<u>2,722,750</u>	<u>3,829,383</u>
<u>2,722,750</u>	<u>-</u>	<u>-</u>	<u>2,722,750</u>	<u>4,104,814</u>
<u>\$ 3,938,185</u>	<u>\$ 3,892,090</u>	<u>\$ 10,000</u>	<u>\$ 7,840,275</u>	<u>\$ 21,846,897</u>

**City of Lubbock, Texas**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**September 30, 2011**

	<b>Business-type Activities</b>			
	<b>Fleet Maintenance</b>	<b>Print Shop and Warehouse</b>	<b>Risk Management</b>	<b>Total Business- type Activities</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 268,911	\$ 186,323	\$ 4,335	\$ 459,569
Accrued liabilities	12,130	3,669	5,762	21,561
Accrued interest payable	3,011	-	-	3,011
Compensated absences	21,862	13,881	5,490	41,233
Accrued insurance claims	-	-	1,998,202	1,998,202
Leases payable	-	-	-	-
Bonds payable	3,930	-	-	3,930
Total current liabilities	<u>309,844</u>	<u>203,873</u>	<u>2,013,789</u>	<u>2,527,506</u>
Noncurrent liabilities:				
Accrued insurance claims	-	-	2,413,003	2,413,003
Compensated absences	18,928	12,019	4,753	35,700
Post employment benefits	173,115	62,265	41,840	277,220
Net pension obligation	75,234	22,145	23,642	121,021
Leases payable	-	-	-	-
Bonds payable	263,868	-	-	263,868
Total noncurrent liabilities	<u>531,145</u>	<u>96,429</u>	<u>2,483,238</u>	<u>3,110,812</u>
Total liabilities	<u>840,989</u>	<u>300,302</u>	<u>4,497,027</u>	<u>5,638,318</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,099,199	6,957	-	1,106,156
Restricted for debt service	8,111	-	-	8,111
Unrestricted	433,479	1,448,681	5,371,877	7,254,037
Total net assets	<u>\$ 1,540,789</u>	<u>\$ 1,455,638</u>	<u>\$ 5,371,877</u>	<u>\$ 8,368,304</u>

**Governmental Activities**

<b>Information Technology</b>	<b>Health Benefits</b>	<b>Investment Pool</b>	<b>Total Governmental Activities</b>	<b>Total Internal Service Funds</b>
\$ 142,067	\$ 697,734	\$ -	\$ 839,801	\$ 1,299,370
69,218	3,579	-	72,797	94,358
1,034	-	-	1,034	4,045
207,571	3,294	-	210,865	252,098
-	1,586,870	-	1,586,870	3,585,072
154,242	-	-	154,242	154,242
-	-	-	-	3,930
<u>574,132</u>	<u>2,291,477</u>	<u>-</u>	<u>2,865,609</u>	<u>5,393,115</u>
-	157,903	-	157,903	2,570,906
409,081	6,492	-	415,573	451,273
411,031	37,200	-	448,231	725,451
303,974	16,794	6,020	326,788	447,809
672,463	-	-	672,463	672,463
-	-	-	-	263,868
<u>1,796,549</u>	<u>218,389</u>	<u>6,020</u>	<u>2,020,958</u>	<u>5,131,770</u>
<u>2,370,681</u>	<u>2,509,866</u>	<u>6,020</u>	<u>4,886,567</u>	<u>10,524,885</u>
1,896,045	-	-	1,896,045	3,002,201
-	-	-	-	8,111
<u>(328,541)</u>	<u>1,382,224</u>	<u>3,980</u>	<u>1,057,663</u>	<u>8,311,700</u>
<u>\$ 1,567,504</u>	<u>\$ 1,382,224</u>	<u>\$ 3,980</u>	<u>\$ 2,953,708</u>	<u>\$ 11,322,012</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, 2011**

	<b>Business-type Activities</b>			
	<b>Fleet Maintenance</b>	<b>Print Shop and Warehouse</b>	<b>Risk Management</b>	<b>Total Business- type Activities</b>
<b>OPERATING REVENUES</b>				
Charges for services (net)	\$ 9,088,614	\$ 3,114,736	\$ 5,597,066	\$ 17,800,416
Total operating revenues	<u>9,088,614</u>	<u>3,114,736</u>	<u>5,597,066</u>	<u>17,800,416</u>
<b>OPERATING EXPENSES</b>				
Personal services	875,314	274,141	294,952	1,444,407
Insurance and claims	-	-	4,144,031	4,144,031
Supplies	54,491	5,905	5,272	65,668
Materials	7,725,760	2,743,722	-	10,469,482
Maintenance	90,555	13,530	1,387	105,472
Other services and charges	189,637	185,886	135,641	511,164
Depreciation and amortization	66,384	12,186	-	78,570
Total operating expenses	<u>9,002,141</u>	<u>3,235,370</u>	<u>4,581,283</u>	<u>16,818,794</u>
Operating income (loss)	<u>86,473</u>	<u>(120,634)</u>	<u>1,015,783</u>	<u>981,622</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	499	-	2,646	3,145
Disposition of assets	34,071	-	-	34,071
Miscellaneous	5,558	-	1,434,606	1,440,164
Interest expense	<u>(1,249)</u>	<u>(281)</u>	<u>-</u>	<u>(1,530)</u>
Net nonoperating revenues (expenses)	<u>38,879</u>	<u>(281)</u>	<u>1,437,252</u>	<u>1,475,850</u>
Income (loss) before transfers	125,352	(120,915)	2,453,035	2,457,472
Transfers Out	<u>-</u>	<u>-</u>	<u>(40,477)</u>	<u>(40,477)</u>
Change in net assets	125,352	(120,915)	2,412,558	2,416,995
Total net assets - beginning of year	<u>1,415,437</u>	<u>1,576,553</u>	<u>2,959,319</u>	<u>5,951,309</u>
Total net assets - end of year	<u>\$ 1,540,789</u>	<u>\$ 1,455,638</u>	<u>\$ 5,371,877</u>	<u>\$ 8,368,304</u>

**Governmental Activities**

<b>Information Technology</b>	<b>Health Benefits</b>	<b>Investment Pool</b>	<b>Total Governmental Activities</b>	<b>Total Internal Service Funds</b>
\$ 7,497,941	\$ 21,553,236	\$ -	\$ 29,051,177	\$ 46,851,593
<u>7,497,941</u>	<u>21,553,236</u>	<u>-</u>	<u>29,051,177</u>	<u>46,851,593</u>
3,433,742	193,211	38,490	3,665,443	5,109,850
-	27,204,210	-	27,204,210	31,348,241
38,356	6,658	180	45,194	110,862
223,556	-	-	223,556	10,693,038
2,164,792	-	-	2,164,792	2,270,264
1,983,750	123,161	76,501	2,183,412	2,694,576
613,394	-	-	613,394	691,964
<u>8,457,590</u>	<u>27,527,240</u>	<u>115,171</u>	<u>36,100,001</u>	<u>52,918,795</u>
<u>(959,649)</u>	<u>(5,974,004)</u>	<u>(115,171)</u>	<u>(7,048,824)</u>	<u>(6,067,202)</u>
673	4,488	117,223	122,384	125,529
7,169	-	-	7,169	41,240
2,005	170,205	-	172,210	1,612,374
<u>(10,053)</u>	<u>-</u>	<u>-</u>	<u>(10,053)</u>	<u>(11,583)</u>
<u>(206)</u>	<u>174,693</u>	<u>117,223</u>	<u>291,710</u>	<u>1,767,560</u>
(959,855)	(5,799,311)	2,052	(6,757,114)	(4,299,642)
-	-	-	-	(40,477)
(959,855)	(5,799,311)	2,052	(6,757,114)	(4,340,119)
<u>2,527,359</u>	<u>7,181,535</u>	<u>1,928</u>	<u>9,710,822</u>	<u>15,662,131</u>
<u>\$ 1,567,504</u>	<u>\$ 1,382,224</u>	<u>\$ 3,980</u>	<u>\$ 2,953,708</u>	<u>\$ 11,322,012</u>

**City of Lubbock, Texas**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended September 30, 2011**

	<b>Business-type Activities</b>			<b>Total Business-type Activities</b>
	<b>Fleet Maintenance</b>	<b>Print Shop and Warehouse</b>	<b>Risk Management</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 9,088,613	\$ 3,114,736	\$ 5,597,066	\$ 17,800,415
Payments to suppliers	(8,153,311)	(3,087,546)	(4,710,015)	(15,950,872)
Payments to employees	(836,681)	(257,584)	(283,914)	(1,378,179)
Other receipts	39,629	-	1,434,606	1,474,235
Net cash provided (used) by operating activities	<u>138,250</u>	<u>(230,394)</u>	<u>2,037,743</u>	<u>1,945,599</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers out to other funds	-	-	(40,477)	(40,477)
Net cash provided (used) by noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>(40,477)</u>	<u>(40,477)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(287,183)	-	-	(287,183)
Sale of capital assets	-	-	-	-
Principal paid on capital leases	-	(13,312)	-	(13,312)
Bond issuance costs	(2,252)	-	-	(2,252)
Issuance of capital leases	270,927	-	-	270,927
Interest paid on bonds and capital leases	885	(385)	-	500
Net cash provided (used) by capital and related financing activities	<u>(17,623)</u>	<u>(13,697)</u>	<u>-</u>	<u>(31,320)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	601,787	250,269	4,741,088	5,593,144
Purchase of investments	(648,671)	(5,701)	(5,812,521)	(6,466,893)
Interest earnings on cash and investments	742	85	2,436	3,263
Net cash provided (used) by investing activities	<u>(46,142)</u>	<u>244,653</u>	<u>(1,068,997)</u>	<u>(870,486)</u>
Net increase in cash and cash equivalents	74,485	562	928,269	1,003,316
Cash and cash equivalents - beginning of year	1,346	359	11,134	12,839
Cash and cash equivalents - end of year	<u>\$ 75,831</u>	<u>\$ 921</u>	<u>\$ 939,403</u>	<u>\$ 1,016,155</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 86,473	(120,634)	\$ 1,015,783	981,622
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	66,384	12,186	-	78,570
Other income	39,629	-	1,434,606	1,474,235
Change in current assets and liabilities:				
Accounts receivable	-	-	-	-
Inventory	51,685	(12,129)	-	39,556
Prepaid expenses	-	-	-	-
Accounts payable	(121,013)	(126,136)	(2,485)	(249,634)
Due from others	-	2,684	58,919	61,603
Other accrued expenses	(29,770)	(9,765)	(493,120)	(532,655)
Change in compensated absences	(22,935)	(1,639)	2,448	(22,126)
Change in post retirement benefits	38,633	16,557	11,038	66,228
Change in net pension obligation	29,164	8,482	10,554	48,200
Net cash provided (used) by operating activities	<u>\$ 138,250</u>	<u>\$ (230,394)</u>	<u>\$ 2,037,743</u>	<u>\$ 1,945,599</u>

**Governmental Activities**

<b>Information Technology</b>	<b>Health Benefits</b>	<b>Investment Pool</b>	<b>Total Governmental Activities</b>	<b>Total Internal Service Funds</b>
\$ 7,497,941	\$ 21,628,407	\$ -	\$ 29,126,348	\$ 46,926,763
(4,439,940)	(27,624,456)	(78,733)	(32,143,129)	(48,094,001)
(3,328,881)	(184,932)	(38,490)	(3,552,303)	(4,930,482)
2,005	170,205	-	172,210	1,646,445
<u>(268,875)</u>	<u>(6,010,776)</u>	<u>(117,223)</u>	<u>(6,396,874)</u>	<u>(4,451,275)</u>
-	-	-	-	(40,477)
-	-	-	-	(40,477)
(272,037)	-	-	(272,037)	(559,220)
7,793	-	-	7,793	7,793
(147,316)	-	-	(147,316)	(160,628)
-	-	-	-	(2,252)
578,058	-	-	578,058	848,985
(10,082)	-	-	(10,082)	(9,582)
<u>156,416</u>	<u>-</u>	<u>-</u>	<u>156,416</u>	<u>125,096</u>
947,199	8,592,746	6,834	9,546,779	15,139,923
(726,338)	(2,239,978)	(5,895)	(2,972,211)	(9,439,104)
803	6,139	117,223	124,165	127,428
<u>221,664</u>	<u>6,358,907</u>	<u>118,162</u>	<u>6,698,733</u>	<u>5,828,247</u>
109,205	348,131	939	458,275	1,461,591
1,809	13,888	14	15,711	28,550
<u>\$ 111,014</u>	<u>\$ 362,019</u>	<u>\$ 953</u>	<u>\$ 473,986</u>	<u>\$ 1,490,141</u>
(959,649)	(5,974,004)	(115,171)	(7,048,824)	(6,067,202)
613,394	-	-	613,394	691,964
2,005	170,205	-	172,210	1,646,445
-	75,171	-	75,171	75,171
1,532	-	-	1,532	41,088
(19,137)	-	-	(19,137)	(19,137)
(158,912)	(438,537)	-	(597,449)	(847,083)
27,090	-	-	27,090	88,693
(79,967)	141,383	(3,518)	57,898	(474,757)
76,641	(191)	-	76,450	54,324
104,861	8,279	-	113,140	179,368
123,267	6,918	1,466	131,651	179,851
<u>\$ (268,875)</u>	<u>\$ (6,010,776)</u>	<u>\$ (117,223)</u>	<u>\$ (6,396,874)</u>	<u>\$ (4,451,275)</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, 2011**

	<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>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,667,001	\$ 990,802	\$ 1,405,450	\$ -	\$ 4,063,253
Investments	-	382,842	464,342	-	847,184
Accounts receivable, net	122,773	416,286	814,696	-	1,353,755
Inventories	75,643	62,754	-	-	138,397
Prepaid expenses	18,030	-	-	-	18,030
Restricted assets:					
Cash and cash equivalents	398,663	-	-	317,078	715,741
Incentives advances	-	2,000,000	-	-	2,000,000
Capital assets (net of accumulated depreciation):					
Non-depreciable	439,636	872,087	21,447,779	-	22,759,502
Depreciable	24,861	106,373	107,411	-	238,645
Total assets	<u>2,746,607</u>	<u>4,831,144</u>	<u>24,239,678</u>	<u>317,078</u>	<u>32,134,507</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	1,243,067	38,245	20,839	-	1,302,151
Accrued liabilities	-	96,737	59,055	-	155,792
Accrued interest payable	-	-	-	108,892	108,892
Unearned revenue	312,436	2,000,000	-	-	2,312,436
Noncurrent liabilities due within one year:					
Contracts and leases payable	-	18,489	1,980,444	-	1,998,933
Bonds and notes payable	-	-	1,450,000	89,000	1,539,000
Noncurrent liabilities due in more than one year:					
Contracts and leases payable	-	30,800	2,435,401	-	2,466,201
Bonds payable	-	-	1,327,924	2,864,000	4,191,924
Total liabilities	<u>1,555,503</u>	<u>2,184,271</u>	<u>7,273,663</u>	<u>3,061,892</u>	<u>14,075,329</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	464,497	932,822	18,777,266	-	20,174,585
Restricted for:					
Primary government agreement	100,000	-	-	-	100,000
Unrestricted	626,607	1,714,051	(1,811,251)	(2,744,814)	(2,215,407)
Total net assets	<u>\$ 1,191,104</u>	<u>\$ 2,646,873</u>	<u>\$ 16,966,015</u>	<u>\$ (2,744,814)</u>	<u>\$ 18,059,178</u>

**City of Lubbock, Texas**  
**Combining Statement of Activities**  
**Nonmajor Component Units**  
**For the Year Ended September 30, 2011**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Civic Lubbock, Inc.</b>				
Cultural and recreation	\$ 2,516,375	\$ 2,423,876	\$ 285,197	\$ -
<b>Market Lubbock, Inc.</b>				
Economic and business development	7,173,880	95,820	6,766,742	-
<b>Lubbock Economic Development Alliance</b>				
Economic and business development	2,862,838	-	7,162,684	-
<b>Vintage Township Public Facilities Corporation</b>				
Economic and business development	<u>1,273,098</u>	<u>-</u>	<u>-</u>	<u>415,492</u>
Total nonmajor component units	<u>\$ 13,826,191</u>	<u>\$ 2,519,696</u>	<u>\$ 14,214,623</u>	<u>\$ 415,492</u>

General revenues:  
    Investment earnings  
    Miscellaneous  
        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**

<b>Civic Lubbock, Inc.</b>	<b>Market Lubbock, Inc.</b>	<b>Lubbock Economic Development Alliance</b>	<b>Vintage Township Public Facilities Corporation</b>	<b>Total</b>
\$ 192,698	\$ -	\$ -	\$ -	\$ 192,698
-	(311,318)	-	-	(311,318)
-	-	4,299,846	-	4,299,846
<u>192,698</u>	<u>(311,318)</u>	<u>4,299,846</u>	<u>(857,606)</u>	<u>(857,606)</u>
<u>192,698</u>	<u>(311,318)</u>	<u>4,299,846</u>	<u>(857,606)</u>	<u>3,323,620</u>
1,546	-	-	-	1,546
-	(2,220)	-	-	(2,220)
<u>1,546</u>	<u>(2,220)</u>	<u>-</u>	<u>-</u>	<u>(674)</u>
194,244	(313,538)	4,299,846	(857,606)	3,322,946
996,860	2,960,411	12,666,169	(1,887,208)	14,736,232
<u>\$ 1,191,104</u>	<u>\$ 2,646,873</u>	<u>\$ 16,966,015</u>	<u>\$ (2,744,814)</u>	<u>\$ 18,059,178</u>

**City of Lubbock, Texas**  
**Statement of Net Assets**  
**Discretely Presented Component Unit**  
**Vintage Township Public Facilities Corporation**  
**September 30, 2011**

<b>ASSETS</b>	
Restricted assets:	
Cash and cash equivalents	<u>317,078</u>
Total assets	<u><u>\$ 317,078</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued interest payable	\$ 108,892
Bonds payable	<u>89,000</u>
Total current liabilities	<u>197,892</u>
Noncurrent liabilities:	
Bonds payable	<u>2,864,000</u>
Total noncurrent liabilities	<u>2,864,000</u>
Total liabilities	<u>3,061,892</u>
<b>NET ASSETS</b>	
Unrestricted	<u>(2,744,814)</u>
Total net assets	<u><u>\$ (2,744,814)</u></u>

**City of Lubbock, Texas**  
**Statement of Revenues, Expenses and**  
**and Changes in Fund Net Assets**  
**Discretely Presented Component Unit**  
**Vintage Township Public Facilities Corporation**  
**For Fiscal Year Ended September 30, 2011**

<b>OPERATING EXPENSES</b>	
Other services and charges	36,648
Total operating expenses	<u>36,648</u>
Operating loss	<u>(36,648)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Grants	415,492
Disposition of assets	(1,002,404)
Interest expense	<u>(234,046)</u>
Net nonoperating revenues (expenses)	<u>(820,958)</u>
Change in net assets	(857,606)
Total net assets - beginning	<u>(1,887,208)</u>
Total net assets - ending	<u><u>\$ (2,744,814)</u></u>



**City of Lubbock, Texas**  
**Statistical Section**  
**(Unaudited – for Analytical Purposes Only)**  
**September 30, 2011**

The following portion of the City of Lubbock Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information regarding the City’s overall financial health.

**TABLE** **CONTENTS**

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

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

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

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

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

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

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

- P Demographic statistics, last ten years
- Q Principal employers, current year and nine years ago

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

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

**Sources:** Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant years.

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 54,813	\$ 52,476	\$ 62,414	\$ 96,275	\$ 102,925	\$ 76,483	\$ 82,330	\$ 74,433	\$ 78,474	\$ 78,256
Restricted	17,234	17,147	11,540	11,956	5,128	10,148	8,770	20,339	4,391	25,580 <sup>(1)</sup>
Unrestricted	(3,185)	11,439	26,954	31,701	33,676	26,090	19,529	9,569	18,819	6,305
Total governmental activities net assets	68,862	81,062	100,908	139,932	141,729	112,721	110,629	104,341	101,684	110,141
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	492,011	435,249	424,165	400,552	384,516	380,149	363,227	355,816	371,427	332,050
Restricted	32,563	28,247	21,631	21,275	17,730	18,916	26,277	45,417	43,389	74,062 <sup>(1)</sup>
Unrestricted	118,671	127,994	117,250	104,709	96,011	71,730	45,345	41,190	32,928	37,987
Total business-type activities net assets	643,245	591,490	563,046	526,536	498,257	470,795	434,849	442,423	447,744	444,099
<b>Primary Government</b>										
Invested in capital assets, net of related debt	546,824	487,725	486,579	496,827	487,441	456,632	445,557	430,249	343,467	410,306
Restricted	49,797	45,394	33,171	33,231	22,858	29,064	35,047	65,756	154,214	99,642
Unrestricted	115,486	139,433	144,204	136,410	129,687	97,820	64,874	50,759	51,747	44,292
Total Primary government net assets	\$ 712,107	\$ 672,552	\$ 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).

FY 2011 Governmental activities had additional restricted net assets due to implementation of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

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

<b>EXPENSES</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Governmental activities:</b>										
Administrative services and general government	\$ 11,786,924	\$ 12,005,910	\$ 11,078,376	\$ 12,372,316	\$ 12,154,972	\$ 15,116,701	\$ 14,473,020	\$ 10,869,588	\$ 12,799,968	\$ 12,308,092
Community services	10,707,989	12,231,817	7,037,569	6,874,065	6,951,069	6,112,193	6,145,415	6,776,483	6,334,504	8,642,903
Cultural and recreation	16,832,528	16,590,119	15,039,074	16,660,378	19,671,474	18,915,265	17,744,986	17,101,568	16,796,442	16,297,171
Economic and business development	15,944,038	15,335,806	37,221,152	12,378,335	11,619,989	10,283,007	9,739,417	4,610,380	4,535,348	4,399,424
Fire	39,619,927	36,803,080	33,097,947	31,789,223	27,337,834	26,711,389	23,516,586	22,074,369	20,450,558	19,431,533
Health	6,332,178	5,599,276	5,818,547	6,141,386	5,898,588	5,013,691	5,040,447	4,585,175	4,342,584	4,173,168
Police	56,537,522	54,171,638	48,342,376	46,849,826	43,022,202	42,063,023	38,451,808	36,542,720	33,986,064	31,862,250
Other public safety	5,919,681	6,343,372	6,325,692	6,677,751	5,886,199	5,239,386	4,976,882	4,210,884	3,601,598	3,458,940
Streets and traffic	21,244,252	28,180,967	30,138,853	16,357,025	14,370,197	11,849,496	12,466,517	10,570,274	16,370,747	9,912,806
Intergovernmental	-	-	-	-	12,500,000	-	-	-	-	-
Interest on long-term debt	13,290,050	12,207,377	9,840,431	8,367,167	6,968,480	4,326,128	3,195,182	4,876,723	3,373,104	3,492,931
<b>Total governmental activities</b>	<b>198,215,089</b>	<b>199,469,362</b>	<b>203,940,017</b>	<b>164,467,472</b>	<b>166,381,004</b>	<b>145,630,279</b>	<b>135,750,260</b>	<b>122,218,164</b>	<b>122,590,917</b>	<b>113,979,218</b>
<b>Business-type activities:</b>										
Electric	197,364,239	135,633,692	117,977,960	153,108,050	145,831,415	213,026,628	192,902,041	110,591,149	105,216,078	89,803,676
Water	46,456,413	39,864,139	39,789,705	38,424,263	32,124,957	32,830,002	28,737,866	27,879,343	27,461,215	26,760,680
Wastewater	18,078,035	18,747,033	19,056,052	19,000,488	18,047,434	21,273,796	17,804,487	17,020,092	17,247,936	17,766,514
Solid Waste	16,742,968	20,034,944	18,262,805	16,260,630	14,454,403	14,971,421	14,695,193	17,661,438	19,558,444	14,105,518
Storm Water	10,891,537	7,927,175	8,208,206	7,676,456	3,933,340	5,174,635	5,585,577	5,356,649	3,315,261	3,749,298
Transit	11,335,385	12,166,089	11,389,555	11,338,463	11,004,429	9,349,206	9,003,610	10,565,159	9,163,091	-
Airport	11,192,345	10,873,761	10,084,828	9,465,392	8,524,086	7,996,692	8,150,815	6,852,874	6,478,728	7,024,286
Civic Centers	3,920,726	4,049,027	4,293,789	4,098,873	619,389	-	-	-	-	-
Cemetery	699,852	693,689	680,123	722,393	-	-	-	-	20,711	61,192
Lake Alan Henry	386,160	-	-	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>317,067,660</b>	<b>249,989,549</b>	<b>229,743,023</b>	<b>260,095,008</b>	<b>234,539,453</b>	<b>304,622,380</b>	<b>276,879,589</b>	<b>195,926,704</b>	<b>188,461,464</b>	<b>159,271,164</b>
<b>Total primary government expenses</b>	<b>\$ 515,282,749</b>	<b>\$ 449,458,911</b>	<b>\$ 433,683,040</b>	<b>\$ 424,562,480</b>	<b>\$ 400,920,457</b>	<b>\$ 450,252,659</b>	<b>\$ 412,629,849</b>	<b>\$ 318,144,868</b>	<b>\$ 311,052,381</b>	<b>\$ 273,250,382</b>
<b>PROGRAM REVENUES</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Cultural and recreation	\$ 1,286,773	\$ 1,633,944	\$ 1,586,591	\$ 1,589,515	\$ 2,294,764	\$ 2,590,241	\$ 2,846,058	\$ 3,418,857	\$ 3,734,915	\$ 2,519,486
Other public safety	6,316,394	6,509,356	6,493,905	7,307,182	7,051,120	4,984,968	5,477,292	6,579,654	7,187,914	4,848,798
Other activities	1,801,943	1,846,533	1,584,953	3,780,055	1,290,410	2,056,682	2,259,804	2,714,613	2,965,566	2,000,501
Operating grants and contributions	13,834,623	13,665,834	8,525,602	9,231,749	10,323,209	10,203,463	13,295,582	9,643,439	12,137,101	7,006,815
Capital grants and contributions	8,397,119	8,137,579	11,766,248	15,921,953	4,322,182	844,930	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>31,636,852</b>	<b>31,793,246</b>	<b>29,957,299</b>	<b>37,830,454</b>	<b>25,281,685</b>	<b>20,680,284</b>	<b>23,878,736</b>	<b>22,356,563</b>	<b>26,025,496</b>	<b>16,375,600</b>
<b>Business-type activities</b>										
<b>Charges for services:</b>										
Electric	209,076,452	149,640,110	139,236,837	161,329,847	154,103,767	226,373,638	192,568,012	105,433,133	99,969,264	97,424,993
Water	74,184,937	59,474,560	51,989,393	42,527,445	35,454,426	37,330,953	33,306,786	31,907,893	32,770,781	32,727,207
Wastewater	29,942,844	26,720,757	24,479,551	21,095,745	19,841,503	21,087,364	19,829,430	18,889,095	17,894,203	18,492,113
Solid Waste	18,807,531	17,037,506	16,979,975	16,754,438	16,885,042	13,948,861	12,420,499	11,641,316	14,948,379	16,375,461
Storm Water	16,195,959	12,118,701	8,108,040	6,633,255	6,519,658	6,348,461	6,239,436	6,019,490	5,988,651	5,997,284
Transit	4,809,766	4,647,586	4,385,580	4,306,204	4,466,404	3,268,441	3,144,015	2,893,507	2,710,599	-
Airport	7,483,750	7,129,257	6,926,643	6,793,829	6,276,416	5,424,016	5,394,314	4,626,270	4,254,013	4,601,675
Civic Centers	693,467	640,228	693,798	717,494	287,622	-	-	-	-	-
Cemetery	438,741	436,534	462,333	335,884	-	-	-	-	-	-
Lake Alan Henry	458,303	-	-	-	-	-	-	-	-	-
Operating grants and contributions	9,387,243	5,854,918	6,431,052	5,133,092	5,812,969	8,351,605	8,156,015	6,738,797	5,218,995	-
Capital grants and contributions	16,060,921	11,995,639	11,573,283	5,952,837	8,792,317	17,624,811	5,205,541	9,269,306	7,909,581	-

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total business-type activities program revenues	\$ 387,539,914	\$ 295,695,796	\$ 271,266,485	\$ 271,580,070	\$ 258,440,124	\$ 339,758,150	\$ 286,264,048	\$ 197,418,807	\$ 191,664,466	\$ 175,618,733
Total primary government program revenues	\$ 419,176,766	\$ 327,489,042	\$ 301,223,784	\$ 309,410,524	\$ 283,721,809	\$ 360,438,434	\$ 310,142,784	\$ 219,775,370	\$ 217,689,962	\$ 191,994,333
<b>NET (EXPENSES) AND PROGRAM REVENUES</b>										
Governmental activities	\$ (166,578,237)	\$ (167,676,116)	\$ (173,982,718)	\$ (126,637,018)	\$ (141,099,319)	\$ (124,949,995)	\$ (111,871,524)	\$ (99,861,601)	\$ (96,565,421)	\$ (97,603,618)
Business-type activities	70,472,254	45,706,247	41,523,462	11,485,062	23,900,671	35,135,770	9,384,459	1,492,103	3,203,002	16,347,569
Total net (expenses) and program revenues	\$ (96,105,983)	\$ (121,969,869)	\$ (132,459,256)	\$ (115,151,956)	\$ (117,198,648)	\$ (89,814,225)	\$ (102,487,065)	\$ (98,369,498)	\$ (93,362,419)	\$ (81,256,049)
<b>GENERAL REVENUE, SPECIAL ITEMS, AND TRANSFERS</b>										
Governmental activities:										
Property taxes	57,534,225	55,064,777	52,598,485	50,330,322	47,007,067	42,770,826	39,748,464	44,496,973	42,303,280	40,408,067
Sales taxes	53,672,769	51,008,384	50,705,301	50,548,865	47,780,448	45,576,582	41,803,092	30,554,632	29,092,032	28,902,648
Occupancy taxes	4,860,489	4,238,675	4,179,036	4,190,376	3,828,854	3,410,920	3,260,040	2,853,205	2,862,719	2,860,785
Other taxes	1,305,151	1,219,092	1,272,278	1,180,332	1,080,098	1,036,283	982,327	939,456	848,816	820,507
Franchise taxes	8,307,268	11,702,985	10,765,289	12,977,686	12,378,389	13,348,364	11,153,641	9,654,447	6,612,822	6,998,085
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	(25,027)
Investment earnings	239,542	432,819	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	5,614,852	4,293,491	3,434,985	4,810,900	3,668,589	6,898,288	4,109,474	3,123,572	2,589,886	4,200,103
Special items: gain or (loss) on sale of property	-	-	-	-	-	-	-	-	-	(687,016)
Transfers, net	22,844,004	19,869,774	10,039,415	(4,703,317)	10,571,943	9,607,211	15,468,765	9,745,250	2,553,927	15,667,795
Total governmental activities	\$ 154,378,300	\$ 147,829,997	\$ 134,958,237	\$ 124,840,550	\$ 132,433,068	\$ 127,042,256	\$ 118,159,115	\$ 102,519,155	\$ 88,107,504	\$ 101,173,460
Business-type activities:										
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	258,736	3,881,473
Investment earnings	430,806	477,365	3,593,675	8,284,058	7,145,670	6,140,436	3,758,240	2,859,344	2,336,454	3,303,341
Miscellaneous	3,696,582	2,130,124	1,431,840	3,806,864	6,004,379	4,277,297	1,387,914	72,870	399,783	2,694,661
Special items: gain or (loss) on sale of property	-	-	-	-	-	-	-	-	-	34,176
Termination of interest rate swap	-	-	-	-	-	-	(6,637,093)	-	-	-
Transfers, net	(22,844,004)	(19,869,774)	(10,039,415)	4,703,317	(10,571,943)	(9,607,211)	(15,468,765)	(9,745,250)	(2,553,927)	(15,667,795)
Total business-type activities	\$ (18,716,616)	\$ (17,262,285)	\$ (5,013,900)	\$ 16,794,239	\$ 2,578,106	\$ 810,522	\$ (16,959,704)	\$ (6,813,036)	\$ 441,046	\$ (5,754,144)
Total primary government	\$ 135,661,684	\$ 130,567,712	\$ 129,944,337	\$ 141,634,789	\$ 135,011,174	\$ 127,852,778	\$ 101,199,411	\$ 95,706,119	\$ 88,548,550	\$ 95,419,316
<b>CHANGES IN NET ASSETS</b>										
Governmental activities	\$ (12,199,937)	\$ (19,846,119)	\$ (39,024,481)	\$ (1,796,468)	\$ (8,666,251)	\$ 2,092,261	\$ 6,287,591	\$ 2,657,554	\$ (8,457,917)	\$ 3,569,842
Business-type activities	51,755,638	28,443,962	36,509,562	28,279,301	26,478,777	35,946,292	(7,575,245)	(5,320,933)	3,644,048	10,593,425
Total primary government	\$ 39,555,701	\$ 8,597,843	\$ (2,514,919)	\$ 26,482,833	\$ 17,812,526	\$ 38,038,553	\$ (1,287,654)	\$ (2,663,379)	\$ (4,813,869)	\$ 14,163,267

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

	<b>Pre-GASB 54</b>									
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	
General Fund										
Reserved	\$ 128,880	\$ 124,955	\$ 168,657	\$ 171,580	\$ 168,964	\$ 107,828	\$ 566,556	\$ 1,037,277	\$ 1,255,041	
Unreserved	19,681,719	19,756,460	19,793,618	18,954,068	19,755,747	17,268,592	12,127,969	8,380,069	17,357,316	
Total general fund	<u>\$ 19,810,599</u>	<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>	
All other governmental funds										
Reserved	\$ 60,166,524	\$ 64,351,061	\$ 88,823,575	\$ 66,196,650	\$ 56,894,363	\$ 59,161,246	\$ 33,383,928	\$ 38,684,611	\$ 42,039,178	
Unreserved, reported in:										
Capital project funds	-	-	-	-	-	-	(76,784)	(62,358)	-	
Permanent fund	-	-	6,876	4,684	-	-	-	-	-	
Special revenue funds	20,046,736	20,738,359	21,740,729	24,850,726	20,010,148	8,663,088	1,734,312	2,290,624	4,793,446	
Total all other governmental funds	<u>\$ 80,213,260</u>	<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>	

	<b>Post-GASB 54</b>
	<b>2011</b>
General Fund	
Nonspendable	\$ 155,079
Spendable	-
Restricted	-
Committed	-
Assigned	-
Unassigned	21,714,802
Total general fund	<u>\$ 21,869,881</u>
All other governmental funds	
Nonspendable	-
Spendable	-
Restricted	66,585,144
Committed	17,710,680
Assigned	-
Unassigned	(2,919,878)
Total all other governmental funds	<u>\$ 81,375,946</u>

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>REVENUES</b>										
Taxes	\$ 117,622,237	\$ 111,534,008	\$ 108,737,498	\$ 106,316,678	\$ 99,433,228	\$ 92,693,847	\$ 86,475,846	\$ 78,044,387	\$ 75,069,631	\$ 72,259,571
Franchise taxes	8,307,268	11,702,985	10,765,289	12,977,686	12,378,389	13,348,364	11,153,641	9,654,447	6,612,822	6,998,046
Special assessments	787,732	761,550	515,597	296,482	243,129	171,682	38,210	-	-	-
Fees and fines	3,367,325	3,393,410	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	2,076,776	2,493,594	2,213,041	2,663,139	2,531,032	2,250,635	1,953,666	1,982,281	1,875,118	1,475,451
Intergovernmental	15,237,464	15,565,962	10,718,849	17,479,413	10,993,027	11,048,393	13,295,581	9,643,439	12,137,101	7,074,786
Charges for services	3,114,280	3,381,047	3,399,510	6,095,439	4,896,438	6,088,205	4,614,082	5,316,877	5,541,745	4,756,001
Interest	117,158	236,957	1,446,200	4,688,349	5,367,651	3,874,940	1,154,339	739,349	810,443	1,329,884
Miscellaneous	5,412,327	6,394,870	3,357,849	4,967,913	4,083,255	6,966,257	4,774,596	3,055,475	4,200,523	4,397,491
Total revenues	156,042,567	155,464,383	144,734,925	159,286,401	143,638,328	140,424,301	127,475,363	112,112,112	109,919,892	101,360,592
<b>EXPENDITURES</b>										
Current:										
Administrative services and general government	10,214,049	10,572,200	9,848,596	11,110,736	11,560,733	9,356,059	7,534,080	7,491,548	6,753,811	6,927,630
Community services	9,851,912	11,324,436	6,621,943	6,586,711	6,820,895	5,932,820	5,817,388	6,590,727	6,169,025	8,493,322
Cultural and recreation	12,714,602	13,176,905	12,484,184	13,276,408	16,250,714	15,396,277	13,966,159	14,429,876	14,416,392	14,145,784
Economic and business development	14,233,073	13,951,887	12,686,636	11,879,265	11,353,894	10,120,183	9,558,868	4,484,673	4,423,363	4,298,198
Fire	33,832,336	31,913,521	31,007,703	29,733,309	26,831,503	24,638,814	21,927,251	20,899,441	19,403,885	18,485,419
Health	5,491,131	4,958,573	5,348,942	5,804,988	5,760,386	4,647,413	4,567,766	4,278,037	4,068,973	3,925,844
Police	48,536,715	46,745,951	44,096,012	43,865,272	41,148,206	38,376,991	34,818,579	33,874,159	31,608,803	29,713,382
Other public safety	5,107,733	5,472,089	5,608,495	6,104,913	5,497,661	4,647,862	4,553,950	3,839,497	3,270,752	3,159,880
Streets and traffic	6,395,120	9,092,438	8,292,113	8,493,312	7,874,791	7,966,790	8,620,209	7,740,722	13,850,069	7,634,302
Intergovernmental	121,469	8,042,288	13,586,131	123,852	12,500,000	4,258,780	5,665,487	2,523,093	5,284,536	4,692,014
Debt services:										
Principal	16,876,387	14,634,941	11,966,304	10,009,329	7,953,207	7,333,408	6,336,036	4,498,304	4,347,143	4,113,177
Interest and other charges	13,971,386	12,494,750	10,015,365	8,332,280	6,411,639	4,141,421	3,031,751	4,749,272	3,259,565	3,390,300
Capital outlay	41,655,381	41,300,518	65,424,779	46,683,372	27,654,063	35,645,649	21,715,538	16,666,136	17,696,468	13,306,971
Total expenditures	219,001,294	223,680,497	236,987,203	202,003,747	187,617,692	172,462,467	148,113,062	132,065,485	134,552,785	122,286,223
Deficiency of revenues under expenditures	(62,958,727)	(68,216,114)	(92,252,278)	(42,717,346)	(43,979,364)	(32,038,166)	(20,637,699)	(19,953,373)	(24,632,893)	(20,925,631)
<b>OTHER FINANCING SOURCES (USES)</b>										
Long-term debt issued	36,890,184	38,381,773	45,791,118	46,605,151	54,199,285	27,526,113	45,110,000	27,745,000	15,650,000	9,400,000
Refunded bonds issued	-	-	-	-	-	-	-	-	-	7,252,985
Due escrow agent	(4,594,201)	-	-	-	-	-	-	(22,620,000)	-	(7,117,270)
IRS Build America Bond subsidy	702,370	-	-	-	-	-	-	-	-	-
Retirement of refunded debt	-	-	(3,206,295)	-	(11,562,672)	-	(7,215,000)	-	-	-
Bond premium (discount)	1,954,464	871,742	1,460,474	1,844,019	398,032	620,860	725,586	1,179,722	-	-
Capital leases issued	3,588,154	4,015,386	8,714,556	3,357,019	3,721,262	5,119,980	3,534,016	1,535,075	2,023,414	-
Transfers in	45,929,973	38,679,233	30,508,238	26,142,942	22,720,904	18,677,088	22,688,009	37,559,808	40,603,098	43,709,066
Transfers out	(18,290,249)	(18,678,996)	(16,578,433)	(14,876,038)	(12,148,961)	(8,277,407)	(6,740,171)	(28,040,474)	(36,744,270)	(28,263,106)
Net other financing sources (uses)	66,180,695	63,269,138	66,689,658	63,073,093	57,327,850	43,666,634	58,102,440	17,359,131	21,532,242	24,981,675
Net change in fund balances	\$ 3,221,968	\$ (4,946,976)	\$ (25,562,620)	\$ 20,355,747	\$ 13,348,486	\$ 11,628,468	\$ 37,464,741	\$ (2,594,242)	\$ (3,100,651)	\$ 4,056,044
Debt service as a percentage of noncapital expenditures	17.39%	14.88%	12.81%	11.81%	8.98%	8.39%	7.41%	8.01%	6.51%	6.89%

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

<b>Fiscal Year</b>	<b>Property Tax Revenues <sup>(1)</sup></b>	<b>Sales Tax Revenues</b>	<b>Hotel and Motel Tax Revenues</b>	<b>Other Tax Revenues <sup>(2)</sup></b>	<b>Total Tax Revenues <sup>(3)</sup></b>
2002	\$ 39,675,630	\$ 28,902,649	\$ 2,860,785	\$ 820,507	\$ 72,259,571
2003	42,266,064	29,092,032	2,862,719	848,816	75,069,631
2004	43,697,094	30,554,632	2,853,205	939,456	78,044,387
2005	40,430,387	41,803,092	3,260,040	982,327	86,475,846
2006	42,670,062	45,576,582	3,410,920	1,036,283	92,693,847
2007	46,743,828	47,780,448	3,828,854	1,080,098	99,433,228
2008	50,397,105	50,548,865	4,190,376	1,180,332	106,316,678
2009	52,580,883	50,705,301	4,179,036	1,272,278	108,737,498
2010	55,067,857	51,008,384	4,238,675	1,219,092	111,534,008
2011	57,783,828	53,672,769	4,860,489	1,305,151	117,622,237

Notes:

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

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

Fiscal Year Ending	<u>Real Property</u>		<u>Personal Property</u>		<u>Exemptions</u>	<u>Total</u>		Ratio of total assessed value to total estimated actual value	Total Direct Rate
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	All Property	Assessed value	Estimated actual value		
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%	0.57000
2003	6,272,520,622	6,549,915,885	1,312,595,182	1,376,481,654	341,281,735	7,585,115,804	7,926,397,539	95.7%	0.57000
2004	6,807,625,178	7,089,613,963	1,297,211,385	1,361,574,461	346,351,861	8,104,836,563	8,451,188,424	95.9%	0.54570
2005	7,302,459,231	7,439,097,767	1,332,535,631	1,523,670,626	327,773,531	8,634,994,862	8,962,768,393	96.3%	0.45970
2006	7,918,495,863	8,258,879,156	1,428,118,088	1,446,021,583	358,286,788	9,346,613,951	9,704,900,739	96.3%	0.44720
2007	8,576,644,664	8,902,986,625	1,426,080,973	1,468,737,133	368,998,121	10,002,725,637	10,371,723,758	96.4%	0.46199
2008	9,386,423,964	9,701,182,183	1,510,786,599	1,569,131,516	373,103,136	10,897,210,563	11,270,313,699	96.7%	0.45505
2009	9,999,003,791	10,302,954,536	1,674,070,341	1,719,807,066	349,687,470	11,673,074,132	12,022,761,602	97.1%	0.44640
2010	10,337,645,420	10,810,721,017	1,664,970,760	1,680,501,668	488,606,505	12,002,616,180	12,491,222,685	96.1%	0.44640
2011	10,595,561,504	11,026,452,390	1,692,799,194	1,701,604,691	439,696,383	12,288,360,698	12,728,057,081	96.5%	0.45617

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 2011			FYE 2002		
		Taxable Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Macerich Lubbock LTD Partnership	Regional Shopping Mall	\$ 120,571,839	1	0.98%	\$ 111,202,071	1	1.57%
United Supermarkets	Food Wholesale	57,270,781	2	0.47%			
Southwestern Bell Telephone Co.	Telephone Utility	50,680,387	3	0.41%	70,703,934	2	1.00%
Plains Co-op Oil Mill, Inc.	Agricultural Processing	48,275,640	4	0.39%			
Southwestern Public Service	Electric Utility	44,873,388	5	0.37%	56,941,488	3	0.80%
1859 Management PTRS LP	Hotel	41,413,068	6	0.34%			
Wal-Mart Stores	Discount Retail Store	39,429,338	7	0.32%	34,337,581	5	0.48%
Atmos Energy	Natural Gas Utility	38,853,520	8	0.32%			
Tyco Fire Products LP	Fire Suppression Manufacturer	30,780,090	9	0.25%			
TTUC LLC	Apartments	30,105,912	10	0.24%			
PYCO Industries, Inc.	Cottonseed Oil Mill				55,647,910	4	0.78%
Noble Construction Equipment	Construction Equipment Manufacturer				24,863,482	6	0.35%
US Distribution Center LLC	Grocery Distribution Center				23,906,084	7	0.34%
Fleming Companies, Inc.	Wholesale Grocers				22,689,744	8	0.32%
Energas	Natural Gas Utility				22,177,765	9	0.31%
Cox Communications West Texas	Telecommunications Company				20,500,010	10	0.29%
		<u>\$ 502,253,963</u>		<u>4.09%</u>	<u>\$ 442,970,069</u>		<u>6.24%</u>

Source: Lubbock Central Appraisal District

**CITY OF LUBBOCK, TEXAS**  
**Table H - Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ending</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2002	\$ 39,391,179	\$ 38,446,405	97.6%	\$ 689,353	\$ 39,135,758	99.4%
2003	42,275,272	41,112,173	97.2%	696,594	41,808,767	98.9%
2004	43,236,263	42,358,381	98.0%	974,749	43,333,130	100.2%
2005	39,777,866	38,797,152	97.5%	569,177	39,366,329	99.0%
2006	41,968,431	41,000,877	97.7%	478,558	41,479,435	98.8%
2007	46,068,744	45,092,834	97.9%	536,702	45,629,536	99.0%
2008	49,195,247	48,411,785	98.4%	478,211	48,889,996	99.4%
2009	51,616,589	50,472,997	97.8%	545,735	51,018,732	98.8%
2010	53,455,322	52,485,686	98.2%	471,334	52,957,020	99.1%
2011	55,783,339	54,819,823	98.3%	-	54,819,823	98.3%

Source: Lubbock Central Appraisal District

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

Fiscal Year Ending	City Direct Rates				Overlapping Rates			
	General	Economic	Interest	Total	Lubbock	Lubbock	High Plains	Lubbock
	Fund	Development	& Sinking Fund	Direct	Independent School District (LISD)	County (County)	Underground Water District (High Plains)	County Hospital District (Hospital)
2002	\$ 0.42844	\$ 0.03000	\$ 0.11156	\$ 0.57000	\$ 1.60620	\$ 0.19170	\$ 0.00830	\$ 0.09905
2003	0.43204	0.03000	0.10796	0.57000	1.60560	0.19110	0.00840	0.10435
2004	0.41504	0.03000	0.10066	0.54570	1.60560	0.25954	0.00830	0.10896
2005	0.33474	0.03000	0.09496	0.45970	1.60560	0.25587	0.00830	0.10742
2006	0.35626	0.03000	0.06094	0.44720	1.65890	0.26162	0.00830	0.11034
2007	0.36074	0.03000	0.07125	0.46199	1.56500	0.28576	0.00830	0.11420
2008	0.35380	0.03000	0.07125	0.45505	1.23500	0.30615	0.00794	0.11661
2009	0.32540	0.03000	0.09100	0.44640	1.23500	0.32620	0.00794	0.12067
2010	0.33240	0.03000	0.08400	0.44640	1.23500	0.32946	0.00794	0.12084
2011	0.33240	0.03000	0.09377	0.45617	1.23500	0.32946	0.00785	0.12081

Source: Lubbock Central Appraisal District

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

<b>Governmental</b>							
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>		<b>Capital Leases</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>	
2002	\$	58,505,346	\$ -	\$ 58,505,346	0.85%	\$	290
2003		69,808,204	996,477	70,804,681	0.96%		346
2004		70,221,217	1,360,957	71,582,174	0.90%		347
2005		102,720,269	3,954,885	106,675,154	1.24%		510
2006		124,457,280	7,530,559	131,987,839	1.41%		625
2007		160,388,370	10,916,970	171,305,340	1.71%		807
2008		199,053,653	12,222,506	211,276,159	1.94%		983
2009	*	232,159,988	18,005,903	250,165,891	2.14%		1,146
2010	*	259,633,912	18,023,375	277,657,287	2.31%		1,209
2011	*	278,937,175	18,347,806	297,284,981	2.42%		1,282

<b>Business-type</b>							
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>		<b>Revenue Bonds</b>	<b>Capital Leases</b>	<b>Total</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2002	\$	164,122,724	\$ 110,535,112	\$ -	\$ 274,657,836	4.40%	\$ 1,360
2003		229,946,617	95,978,781	1,941,223	327,866,621	5.03%	1,601
2004		215,663,783	94,605,000	1,393,207	311,661,990	4.50%	1,511
2005		286,749,731	42,800,000	1,354,576	330,904,307	4.50%	1,582
2006		323,567,720	58,079,322	8,388,968	390,036,010	5.06%	1,847
2007		352,486,630	54,208,174	13,049,379	419,744,183	4.98%	1,977
2008		457,126,347	50,430,844	18,582,396	526,139,587	5.97%	2,449
2009		451,090,013	47,413,911	23,709,725	522,213,649	5.87%	2,392
2010		578,026,089	51,992,015	22,093,860	652,111,964	8.13%	2,841
2011		682,352,825	107,586,191	18,833,944	808,772,960	8.58%	3,487

\* Includes HUD 108 Debt

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

<b>Fiscal year</b>	<b>Popu- lation*</b>	<b>Assessed Value (in thousands)</b>	<b>Gross Bonded Debt<sup>(1)</sup></b>	<b>Debt Service Monies Available</b>	<b>Debt Payable from Other Government Revenues<sup>(2)</sup></b>	<b>Debt Payable from Enterprise Revenues<sup>(3)</sup></b>	<b>Net Bonded Debt<sup>(4)</sup></b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2002	202,000	\$ 6,910,577	\$ 217,269,682	\$ 1,697,046	\$ -	\$ 158,764,335	58,505,347	0.85%	\$ 289.63
2003	204,737	7,342,345	295,935,000	1,993,891	-	226,126,796	69,808,204	0.95%	340.97
2004	206,290	7,921,590	285,885,000	2,641,020	-	215,663,783	70,221,217	0.89%	340.40
2005	209,120	8,634,995	389,470,000	2,624,340	15,745,000	286,749,731	86,975,269	1.01%	415.91
2006	211,187	9,346,614	448,025,000	3,081,539	17,895,597	323,567,720	106,561,683	1.14%	504.58
2007	212,365	10,002,726	512,875,000	2,830,584	42,474,527	352,486,630	117,913,843	1.18%	555.24
2008	214,847	10,897,211	656,180,000	2,104,697	61,321,732	457,126,347	137,731,921	1.26%	641.07
2009	218,327	11,673,074	683,250,001	1,498,275	91,426,295	451,090,013	140,733,693	1.21%	644.60
2010	229,573	12,002,616	837,660,001	1,684,253	98,987,524	578,026,089	160,646,388	1.34%	699.76
2011	231,937	12,288,361	961,290,000	1,329,043	99,313,180	677,112,181	184,864,639	1.50%	797.05

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

Note: (1) Includes all long-term general obligation debt. (2) Includes debt paid for from HUD loans and franchise fees.  
(3) Excludes Civic Center debt which is paid for from governmental funds (4) Includes TIF debt.

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total Taxable Property Value	\$ 12,288,360,698	\$ 12,002,616,180	\$ 11,673,074,132	\$ 10,897,210,563	\$ 10,002,725,637
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	184,325,410	180,039,243	175,096,112	163,458,158	150,040,885
General Obligation & Certificate Obligation principal payments	(43,580,000)	(35,190,000)	(30,435,000)	(26,535,000)	(2,516,000)
Capital lease principal payments	(10,666,928)	(10,356,147)	(7,099,497)	(5,218,128)	(3,187,580)
Margin of Indebtedness Available	<b>\$ 130,078,482</b>	<b>\$ 134,493,096</b>	<b>\$ 137,561,615</b>	<b>\$ 131,705,030</b>	<b>\$ 144,337,305</b>
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Total Taxable Property Value	\$ 9,346,613,951	\$ 8,634,994,862	\$ 8,104,836,563	\$ 7,585,115,804	\$ 6,914,375,308
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	140,199,209	129,524,923	121,572,548	113,776,737	103,715,630
General Obligation & Certificate Obligation principal payments	(23,395,000)	(20,305,000)	(16,130,000)	(14,590,000)	(24,444,812)
Capital lease principal payments	(3,401,402)	(2,668,648)	(2,685,282)	(3,563,217)	(2,388,853)
Margin of Indebtedness Available	<b>\$ 113,402,807</b>	<b>\$ 106,551,275</b>	<b>\$ 102,757,266</b>	<b>\$ 95,623,520</b>	<b>\$ 76,881,965</b>

\*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 <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2010	143,222,344	111,975,325	31,247,019	1,715,000	700,945	2,415,945	12.93
2011	201,459,258	162,825,323	38,633,935	8,035,000	1,875,990	9,910,990	3.90

**WATER BONDS:**

Fiscal Year	Net Revenue <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2010	59,474,560	22,582,295	36,892,265	1,527,987	1,935,692	3,463,679	10.65
2011	74,184,937	24,019,142	50,165,795	1,680,824	1,871,941	3,552,765	14.12

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

(2) Direct Operating expenses exclude depreciation. For Water, it includes CRMWA debt payment in years 2005-2006, 2006-2007, 2007-2008, 2008-2009 AND 2009-2010.

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

Last Ten Fiscal Years						Percentage of Debt Service to Total General Expenditures
Fiscal Year	Principal	Interest	Total Debt Service <sup>(1)</sup>	Total General Expenditures <sup>(2)</sup>		
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%	
2010	6,986,147	5,190,324	12,176,471	177,316,661	6.9%	
2011	8,360,106	6,382,594	14,742,700	184,085,585	8.0%	

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

<sup>(2)</sup> Includes General, Special Revenue, and Debt Service Funds.

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

	<b>Funded Debt Outstanding at 09/30/2011</b>	<b>Percentage Applicable to City of Lubbock</b>	<b>Amount Applicable to City of Lubbock</b>
City of Lubbock	\$ 278,937,175 <sup>(1)</sup>	100.00%	\$ 278,937,175
Subtotal Directs	278,937,175		278,937,175
Lubbock County	69,715,000	91.65%	63,893,798
Lubbock Independent School District	147,050,714	99.68%	146,580,152
Lubbock- Cooper Independent School District	123,859,959	63.45%	78,589,144
Frenship Independent School District	166,581,801	77.32%	128,801,049
Idalou Independent School District	15,185,000	4.05%	614,993
Roosevelt Independent School District	<u>11,545,000</u>	4.13%	<u>476,809</u>
Subtotal Overlapping	533,937,474		418,955,945
Total	<u>\$ 812,874,649</u>		<u>\$ 697,893,120</u>

<sup>(1)</sup> General Purpose funded debt payable from ad valorem taxes in governmental activities(Also, includes all self-supporting debt. HUD 108 general obligation debt excluded).

<sup>(2)</sup> "Texas Municipal Reports" published by the Municipal Advisory Council of Texas.

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

<b>Year</b>	<b>Population</b> <sup>(1)</sup>	<b>Personal Income</b> <b>(in thousands)</b> <sup>(2)</sup>	<b>Per Capita Income</b> <sup>(3)</sup>	<b>Median Age</b> <sup>(1)</sup>	<b>Education Level in Years of Formal Schooling Completed</b> <sup>(1)</sup>	<b>School Enrollment</b> <sup>(3)</sup>	<b>Unemployment Rate</b> <sup>(4)</sup>
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	7,702,000	19,747	30.9	12.4	28,209	4.00%
2007	212,365	8,426,000	19,747	30.4 *	12.4	28,639	3.70%
2008	214,847	8,812,000	20,310	30.8 **	12.5	28,976	3.80%
2009	218,327	8,899,000	21,233	30.6 **	12.5	28,682	5.40%
2010	229,573 <sup>(5)</sup>	8,018,680	23,310 <sup>(5)</sup>	30.7 <sup>(5)</sup>	12.5	28,808	6.20%
2011	231,937	9,428,347	34,079 <sup>(5)</sup>	31.5 <sup>(5)</sup>	12.7	28,728	6.50%

Sources:

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

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>2011</u>			<u>2002</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	4,994	1	3.59%	4,426	2	3.51%
Covenant Health System	4,900	2	3.52%	5,270	1	4.17%
TTU Health Sciences Center	3,656	3	2.63%	2,520	4	2.00%
Lubbock Independent School District	3,268	4	2.35%	4,233	3	3.35%
United Supermarkets (Corporate)	2,873	5	2.06%	1,956	7	1.55%
University Medical Center	2,816	6	2.02%	2,141	6	1.70%
City of Lubbock	2,221	7	1.60%	2,217	5	1.76%
G Boren Services	2,012	8	1.45%			
Lubbock County	1,062	9	0.76%			
Convergys Corporation	1,050	10	0.75%	1,100	9	0.87%
AT & T Communications/Cingular				1,700	8	1.35%
Lubbock State School				931	10	0.74%
Total	<u>28,852</u>		<u>20.73%</u>	<u>26,494</u>		<u>21.00%</u>

Source: Survey performed by City of Lubbock economic analyst based on Lubbock MSA.

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

<b>Function</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Governmental activities:</b>										
Administrative services and general government	82	80	76	86	84	86	89	83	91	91
Community services	22	22	18	18	18	18	21	21	23	22
Cultural and recreation	132	132	132	132	158	157	159	178	180	186
Economic and business development	15	15	15	15	15	15	13	11	17	17
Fire	358	355	355	355	330	321	309	289	280	269
Health	61	59	73	81	79	76	74	73	75	75
Police	535	535	535	535	538	499	424	421	416	403
Other public safety	75	76	73	78	78	73	63	46	38	36
Streets and traffic	89	89	92	94	86	87	98	119	117	115
Intergovernmental	-	-	-	-	-	7	5	6	6	9
Internal service	45	43	43	45	8	8	11	28	30	29
<b>Total governmental activities</b>	<b>1,414</b>	<b>1,406</b>	<b>1,412</b>	<b>1,439</b>	<b>1,394</b>	<b>1,347</b>	<b>1,266</b>	<b>1,275</b>	<b>1,273</b>	<b>1,252</b>
<b>Business-type activities:</b>										
Electric	284	258	245	237	233	221	191	189	252	260
Water	166	155	156	156	150	152	138	135	137	134
Sewer	72	72	77	77	78	78	71	75	73	72
Solid waste	110	110	110	110	106	106	91	89	90	93
Storm water	34	33	34	35	24	18	18	18	18	17
Transit	151	142	129	129	119	116	117	99	105	100
Airport	48	48	48	48	49	49	50	52	51	48
Cemetery	7	7	7	7	7	-	-	-	-	-
Civic Centers	27	30	30	31	-	-	-	-	-	-
Internal service	28	28	28	27	61	61	71	77	76	74
<b>Total business-type activities</b>	<b>927</b>	<b>883</b>	<b>864</b>	<b>857</b>	<b>827</b>	<b>801</b>	<b>747</b>	<b>734</b>	<b>802</b>	<b>798</b>
<b>Total</b>	<b>2,341</b>	<b>2,289</b>	<b>2,276</b>	<b>2,296</b>	<b>2,221</b>	<b>2,148</b>	<b>2,013</b>	<b>2,009</b>	<b>2,075</b>	<b>2,050</b>

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Cultural and Recreation Services</b>										
Civic Center number of events with greater than 500 attendees	160	151	129	129	105	120	123	128	330	359
Library Visits	566,462	583,932	539,738	547,595	554,864	601,947	721,847	704,784	736,695	647,489
Softball Team Registrations	365	372	372	344	401	438	442	465	420	431
Community Center Attendance	122,432	134,724	173,787	113,969	119,781	123,487	109,029	122,311	N/A	N/A
Senior Center Attendance	106,986	108,085	92,085	83,319	70,419	68,420	70,849	79,546	N/A	N/A
Garden and Arts Attendance	42,707	46,738	60,544	35,894	47,024	58,981	51,114	53,074	41,576	43,100
<b>Other Public Safety</b>										
Construction Permits	2,471	3,521	4,748	2,648	2,764	3,717	5,151	3,583	3,663	6,049
Building Department Inspections	31,475	33,158	34,530	29,381	34,647	36,775	50,735	44,432	43,863	34,601
<b>Police</b>										
Police Reports Processed	78,648	79,810	81,772	84,980	92,788	90,144	82,346	89,493	89,000	86,178
Police Crime/Incident Reports	39,242	38,385	41,328	45,539	47,994	47,992	45,551	46,074	45,200	44,838
Police Calls	332,425	352,791	316,049	235,697	244,671	317,571	268,855	281,367	293,644	289,153
<b>Fire</b>										
Public Fire Safety Education Presentations	188	183	221	192	176	163	166	150	150	207
Fire/Arson Investigations Conducted	265	136	177	169	116	118	88	85	175	139
Inspection Activities Performed	2,193	2,457	2,416	2,170	2,074	1,860	1,521	1,845	800	967
<b>LP&amp;L</b>										
Average daily consumption (kwh)	7,089,091	4,736,004	4,516,842	4,475,348	4,162,753	4,259,994	3,956,904	3,658,402	3,836,652	3,731,289
<b>Water</b>										
Average daily consumption (gal)	41,207,000	31,630,000	32,700,000	31,220,000	37,280,000	35,087,000	33,050,000	38,380,000	36,570,000	38,350,000
<b>Airport</b>										
Number of airline passengers enplaned (annual projection)	525,000	531,504	547,333	581,655	582,836	564,967	547,435	539,372	510,319	536,670
Daily average of airplane departures and landings	200	220	212	223	266	239	255	221	264	247
Number of major airlines	4	4	4	3	3	3	3	4	4	4
Number of scheduled daily flights	25	34	54	33	54	54	54	68	70	60

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Streets and Traffic Engineering</b>										
Miles of Streets Paved	1,080	1,076	1,071	1,058	1,030	1,030	1,004	975	965	947
Miles of Streets Unpaved	60	60	60	60	72	72	72	74	76	79
<b>Fire</b>										
Number of stations	16	16	16	15	15	15	15	14	14	14
Number of fire fighters and officers (civil service)	335	335	335	355	335	300	290	269	260	251
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of authorized police officers	423	422	422	422	422	422	380	320	310	310
<b>Culture and Recreation Services</b>										
Number of parks and playgrounds	140	140	138	138	137	137	137	134	125	125
Number of recreation centers	9	9	9	9	9	9	9	9	9	9
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Number of swimming pools	4	4	4	4	4	4	4	4	4	4
Number of auditoriums/coliseums	2	2	2	2	2	2	2	2	2	2
Number of amphitheaters	2	2	2	2	2	2	2	1	1	1
Number of civic centers	1	1	1	1	1	1	1	1	1	1
Number of libraries (excl. education)	4	4	3	4	4	4	4	4	4	4
<b>LP&amp;L</b>										
Number of meters	99,399	75,975	74,930	72,949	71,489	68,709	66,227	63,076	62,325	65,135
Number of sub-stations	38	14	14	14	14	14	14	14	13	12
Number of steam turbines	6	6	6	6	6	6	6	6	6	6
Number of diesel engines	2	2	2	2	2	2	2	2	2	2
Number of gas turbine engines	5	5	5	5	5	5	5	5	5	5
Miles of distribution lines	2,202	1,062	1,054	1,042	1,023	1,013	1,005	997	975	969
Miles of transmission lines	85	85	90	85	85	85	85	85	80	79
<b>Water</b>										
Number of meters	79,740	79,200	78,312	77,608	77,147	75,876	74,026	72,505	70,990	71,046
Miles of distribution lines	1,508	1,471	1,452	1,427	1,408	1,373	1,341	1,323	1,293	1,264
Number of fire hydrants	5,766	5,527	5,442	4,636	4,536	4,356	4,220	4,121	3,996	3,882
Number of water wells (active)	164	164	150	150	150	166	166	146	248	248
Acres of water rights	232,270	182,656	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)	8,453	9,660	9,660	10,300	10,868	11,268	9,915	14,007	14,007	12,438
<b>Sewer</b>										
Miles of sanitary sewer lines	1,105	1,016	1,007	996	986	960	941	924	901	877

**City of Lubbock, Texas**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2011**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>Grant/ Contract Number</b>	<b>Total Federal 9/30/2011</b>
<b>U. S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
<b>Direct Programs:</b>			
ARRA-CDBG Recovery 2009	14.253	B-09MY-48-0022	\$ 285,790
Total CFDA 14.253			<u>285,790</u>
Community Development Block Grant 10-11	14.218	B-10-MC-48-0022	1,812,143
Community Development Block Grant 09-10	14.218	B-09-MC-48-0022	176,379
Community Development Block Grant 08-09	14.218	B-08-MC-48-0022	25,860
Community Development Block Grant 07-08	14.218	B-07-MC-48-0022	169,071
Community Development Block Grant 06-07	14.218	B-06-MC-48-0022	2,794
Total CFDA 14.218			<u>2,186,247</u>
Emergency Shelter Grant 10-11	14.231	S-10-MC-48-0007	99,918
Emergency Shelter Grant 09-10	14.231	S-09-MC-48-0007	969
Total CFDA 14.231			<u>100,887</u>
ARRA-HPRP 2009	14.257	S-09-MY-48-0007	204,549
Total CFDA 14.257			<u>204,549</u>
HOME Program 10-11	14.239	M-10-MC-48-0205	223,814
HOME Program 09-10	14.239	M-09-MC-48-0205	529,162
HOME Program 08-09	14.239	M-08-MC-48-0205	532,559
HOME Program 07-08	14.239	M-07-MC-48-0205	92,496
HOME Program 06-07	14.239	M-06-MC-48-0205	22,097
Total CFDA 14.239			<u>1,400,128</u>
Section 108 Loan Guarantee Program	14.248	B-01-MC-48-0022	17,699
Total CFDA 14.248			<u>17,699</u>
<b>Passed through Texas Department of Housing &amp; Comm. Affairs:</b>			
HERA NSP 2009	14.228	77090000160	143,871
Total CFDA 14.228			<u>143,871</u>
<b>Total U. S. Department of Housing &amp; Urban Development</b>			<b>4,339,171</b>
<b>U. S. DEPARTMENT OF JUSTICE</b>			
Federal Equitable Sharing - Justice	N/A	N/A	118,486
<b>Passed through Office of Justice Programs:</b>			
Byrne Memorial (JAG 09)	16.738	2009-DJ-BX-1341	473
Byrne Memorial (JAG 10)	16.738	2010-DJ-BX-1082	144,784
Total CFDA 16.738			<u>145,257</u>
Internet Crimes Against Children Task Force	16.800	2010-MC-CX-K037	5,000
Total CFDA 16.800			<u>5,000</u>
ARRA-Byrne Memorial (JAG)	16.804	2009-SB-B9-1571	37,163
Total CFDA 16.804			<u>37,163</u>
<b>Total U. S. Department of Justice</b>			<b>305,906</b>

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>Grant/ Contract Number</b>	<b>Total Federal 9/30/2011</b>
<b>U. S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Federal Aviation Administration:</b>			
Rwy 8/26 Improvements-Design Only	20.106	3-48-0138-031-2008	\$ 332,924
Phase II Rwy 8/26 Improvements	20.106	3-48-0138-034-2010	12,074,563
Phase I Rwy 8/26 Improvements	20.106	3-48-0138-033-2009	372,548
Wildlife Hazard Assessment	20.106	3-48-0138-035-2011	12,539
Phase III Rwy 8/26 Improvements	20.106	3-48-0138-036-2011	3,772
Total CFDA 20.106			<u>12,796,346</u>
<b>Federal Transit Administration:</b>			
5307 Funds - Capital, Operating and Planning 08-09	20.507	TX-90-X876-00	798,262
5307 Funds - Capital, Operating and Planning 09-10	20.507	TX-90-X887-01	79,203
5307 Funds - Capital, Operating and Planning 10-11	20.507	TX-90-X920	2,268,953
Total CFDA 20.507			<u>3,146,418</u>
<b>Federal Transit Administration:</b>			
5310 Funds Bus Replacement 10-11	20.509	TX-04-0069	251,535
Total CFDA 20.509			<u>251,535</u>
<b>Federal Transit Administration:</b>			
5316 Funds Job Access-Reverse Commute FY 10	20.516	TX-37-X082-00	183,441
5317 Funds Job Access-Reverse Commute FY 11	20.516	TX-37-X088-00	183,165
Total CFDA 20.516			<u>366,606</u>
<b>Federal Transit Administration:</b>			
5317 Funds New Freedom Mobility Management FY10	20.521	TX-57-X029-00	72,456
5317 Funds New Freedom Mobility Management FY11	20.521	TX-57-X031-00	52,521
Total CFDA 20.521			<u>124,977</u>
<b>Passed through Texas Department of Transportation:</b>			
5311 Funds - FY 11 DTP Renovations	20.509	51105F7050	261,063
Total CFDA 20.509			<u>261,063</u>
5310 Funds - FY 11 State Preventive Maintenance	20.513	51105F7263	36,384
5310 Funds - FY 10 State Preventive Maintenance	20.513	51005F7279	50,156
Total CFDA 20.513			<u>86,540</u>
5304 Funds - FY 11 State Planning	20.515	51151F7128	18,602
5304 Funds - FY 10 State Planning	20.515	510XX7005	29,593
Total CFDA 20.515			<u>48,195</u>
<b>Passed through Texas Department of Transportation: Under the Unified Planning Work Program:</b>			
Lubbock Metropolitan Planning Organization 10-11	20.505	51-74-108-0105-11-810	93,789
Total CFDA 20.505			<u>93,789</u>
<b>Federal Highway Administration: Passed through Texas Department of Transportation: Under the Unified Planning Work Program:</b>			
Lubbock Metropolitan Planning Organization 10-11	20.205	50-72-2-11-1105-70-806	342,095
Total CFDA 20.205			<u>342,095</u>
<b>Passed through Texas Department of Transportation:</b>			
STEP Comprehensive 10-11	20.600	2011-Lubbock-S-1YG-0004	47,538
Total CFDA 20.600			<u>47,538</u>
STEP Click It or Ticket Mobilization 2011	20.602	2011-Lubbock PD-CIOT-00017	5,945
Total CFDA 20.602			<u>5,945</u>
<b>Total U. S. Department of Transportation</b>			<b><u>17,571,047</u></b>

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>Grant/ Contract Number</b>	<b>Total Federal 9/30/2011</b>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
<b>Passed through Texas State Library and Archives Commission:</b>			
Interlibrary Loan Center 11-12	45.310	771-12005	\$ 13,709
Interlibrary Loan Center 10-11	45.310	771-11034	103,581
Library Systems Operation 11-12	45.310	470-12004	10,711
Library Systems Operation 10-11	45.310	470-11030	186,705
Library Technical Assistance 11-12	45.310	476-12009	8,874
Library Technical Assistance 10-11	45.310	476-11026	99,156
Total CFDA 45.310			<u>422,736</u>
<b>Total U. S. Department of Education</b>			<b>422,736</b>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
<b>Direct Programs:</b>			
Canyon Lakes Water Reuse Project	66.202	N/A	<u>116,497</u>
<b>Total U. S. Environmental Protection Agency</b>			<b>116,497</b>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<b>Direct Programs:</b>			
ARRA-Energy Efficiency and Conservation Block Grant Program	81.128	EE0000968	<u>1,927,796</u>
Total CFDA 81.128			1,927,796
<b>Passed through Texas Department of Housing and Community Affairs:</b>			
DOE/Oil Overcharge Weathization Assistance Program 2010	81.042	56100000956	61,700
ARRA-DOE County 2009	81.042	16090000668	1,017,780
ARRA-DOE City 2009	81.042	16090000708	223,621
Total CFDA 81.042			<u>1,303,101</u>
<b>Total U. S. Department of Energy</b>			<b>3,230,897</b>
<b>U. S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
<b>Passed through Texas Department of Aging &amp; Disability Services:</b>			
Special Program for the Aging Title III B 10-11	93.044	A100	<u>19,668</u>
Total CFDA 93.044			19,668
Special Program for the Aging Title III C 10-11	93.045	A100	<u>183,303</u>
Total CFDA 93.045			183,303
<b>Passed through Texas Department of State Health Services:</b>			
Immunization / Locals 11-12	93.268	2012-039518	15,552
Immunization / Locals 10-11	93.268	2011-035423	297,029
Total CFDA 93.268			<u>312,581</u>
Public Health Emergency Preparedness (PHER-Focus Area 1)	93.069	2011-037492	159,739
Public Health Emergency Preparedness 11-12	93.069	2011-038944	29,428
Public Health Emergency Preparedness 10-11	93.069	2010-035685	240,009
Public Health Emergency Preparedness 09-10	93.069	2009-031829	46,671
Public Health Emergency Preparedness-Lab 11-12	93.069	2011-038576	13,330
Public Health Emergency Preparedness-Lab 10-11	93.069	2010-035497	178,912
Public Health Emergency Preparedness-Lab 09-10	93.069	2009-032180	44,858
Total CFDA 93.069			<u>712,947</u>

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>Grant/ Contract Number</b>	<b>Total Federal 9/30/2011</b>
National Bioterrorism Hospital Preparedness Program (HPP) 11-12	93.889	2011-038401	\$ 14,808
National Bioterrorism Hospital Preparedness Program (HPP) 10-11	93.889	2010-035151	32,347
Total CFDA 93.889			<u>47,155</u>
Preventive Health & Health Services Block Grant (RLSS/LPHS) 10-11	93.991	2011-035549	22,555
Total CFDA 93.991			<u>22,555</u>
<b>Passed through Texas Department of Housing &amp; Comm. Affairs:</b>			
Comprehensive Energy Assistance Program (CEAP) 2011	93.568	58110001086	1,432,873
Comprehensive Energy Assistance Program (CEAP) 2010	93.568	58090000429	1,000,315
LIHEAP Weatherization Assistance Program 2010	93.568	81100000913	893,814
Total CFDA 93.568			<u>3,327,002</u>
Community Services Block Grant 2011	93.569	611100001133	184,376
Community Services Block Grant 2010	93.569	61090000069	204,965
Total CFDA 93.569			<u>389,341</u>
<b>Total U. S. Department of Health &amp; Human Services</b>			<b>5,014,552</b>
<b>U. S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Passed through Governor's Division of Emergency Management:</b>			
FEMA Public Assistance Grant - Hurricane Alex	97.036	FEMA 1931-DR-TX	242,272
Total CFDA 97.036			<u>242,272</u>
Emergency Management Performance Grant 10-11	97.042	11-TX-EMPG-0944	116,432
Total CFDA 97.042			<u>116,432</u>
MMRS 2009	97.071	2009-SS-T9-0064	135,248
MMRS 2008	97.071	2008-GE-T8-0034	255,484
Total CFDA 97.071			<u>390,732</u>
<b>Total U. S. Department of Homeland Security</b>			<b>749,436</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 31,750,242</u></b>

**CITY OF LUBBOCK, TEXAS**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2011**

**(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 172.

**(4) Relationship to Federal and State Financial Reports**

Grant expenditure reports as of September 30, 2011, 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 \$2,459,773.

<u>Program</u>	<u>CFDA Number</u>	<u>Sub-recipient</u>	<u>Amount</u>
CDBG	14.218	Various	\$ 341,369
ARRA – CDBG	14.253	Various	30,740
ESG	14.231	Various	95,521
Home	14.239	Various	209,241
ARRA – HPRP	14.257	Various	171,564
Byrne Memorial	16.738	Lubbock County	121,469
CEAP	93.568	Various	1,138,110
CSBG	93.569	Various	325,849
Emergency Management	97.042	Lubbock County	25,910
Total Federal Assistance			<u>\$2,459,773</u>

**(6) Outstanding Loans**

The City has provided loans through its various housing programs. The outstanding balance of loans at September 30, 2011 was \$4,899,154.

**(7) Outstanding Debt Balance**

The Schedule of Expenditures of Federal Awards includes \$137,188 of HUD Section 108 debt service. Of this debt service, \$134,671 is recorded in the Community Development Block Grant 09-10 & 10-11 and \$2,517 is recorded in the Section 108 Loan Guarantee Program Grant. As of September 30, 2011, the HUD Section 108 Fund had an outstanding debt balance of \$125,000.

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

The Honorable Mayor and City Council  
City of Lubbock, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (the City) as of and for the year ended September 30, 2011, which collectively comprise its basic financial statements and have issued our report thereon dated February 21, 2012, which contained a reference to the reports of other accountants and an explanatory paragraph regarding a change in accounting principle. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other accountants audited the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, as described in our report on the City's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of the Civic Lubbock, Inc., a discretely presented component unit, and West Texas Municipal Power Agency, a major 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

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

## **Compliance and Other Matters**

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

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 21, 2012

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

The Honorable Mayor and City Council  
City of Lubbock, Texas

### **Compliance**

We have audited the compliance of City of Lubbock, Texas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lubbock, Texas based on our audit.

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

In our opinion, the City of Lubbock, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

### **Internal Control Over Compliance**

The management of the City of Lubbock, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the governing body, management and others within the City and 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 21, 2012



**City of Lubbock, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2011**

7. The City's major programs were:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106
Comprehensive Energy Assistance Program (CEAP)	93.568
ARRA – Energy Efficiency and Conservation Block Grant	81.128
ARRA – Weatherization Assistance Program	81.042

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$952,507 .

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, 2011**

***Findings Required to be Reported by Government Auditing Standards***

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

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

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

**City of Lubbock, Texas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2011**

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

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.

**City of Lubbock, Texas  
Schedule of Expenditures of State Awards  
For the Year Ended September 30, 2011**

<b>FEDERAL GRANTOR/  PASS-THROUGH GRANTOR/  PROGRAM TITLE</b>	<b>Grant/  Contract  Number</b>	<b>Total  State  9/30/2011</b>
<b>Texas State Library and Archives Commission:</b>		
Lone Star Library 10-11	442-11689	\$ 33,020
<b>Total Texas State Library and Archives Commission</b>		<b>33,020</b>
<b>Texas Department of State Health Services</b>		
Infectious Disease Control Unit/FLU-LAB 10-11	2011-036347	4,945
Milk & Dairy Supplies 10-11	2011-035295	13,800
Milk & Dairy Products Division 10-11	2011-035202	9,865
Milk & Dairy Products Division 09-10	2010-031640	20,873
Preventive Health & Health Services Block Grant (RLSS/LPHS) 11-12	2012-039501	8,699
Preventive Health & Health Services Block Grant (RLSS/LPHS) 10-11	2011-035549	75,511
STD Syphilis Elimination 11-12	2012-039674	12,935
STD Syphilis Elimination 10-11	2011-035269	196,107
<b>Total Department of State Health Services</b>		<b>342,735</b>
<b>Texas Department of Transportation</b>		
5304 Funds - FY 11 State Planning	51151F7128	4,651
5304 Funds - FY 10 State Planning	510XX7005	7,398
5307 Funds - FY 11 State Operation	51105F7064	622,763
<b>Total Texas Department of Transportation</b>		<b>634,812</b>
<b>Texas Forest Service</b>		
Potter County Evacuation		4,422
TIFMAS		4,771
TIFMAS -- Merkel		47,886
Bastrop Deployment		23,866
<b>Total Texas Forest Service</b>		<b>80,945</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ 1,091,512</b>

**CITY OF LUBBOCK, TEXAS**  
**Notes to Schedule of Expenditures of State Awards**  
**For the Year Ended September 30, 2011**

(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, 2011, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

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

The Honorable Mayor and City Council  
City of Lubbock, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (the City) as of and for the year ended September 30, 2011, which collectively comprise its basic financial statements and have issued our report thereon dated February 21, 2012, which contained a reference to the reports of other accountants and an explanatory paragraph regarding a change in accounting principle. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State of Texas *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Management of the State of Texas. Other accountants audited the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, as described in our report on the City's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of the Civic Lubbock, Inc., a discretely presented component unit, and West Texas Municipal Power Agency, a major fund, were not audited in accordance with *Government Auditing Standards* or the State of Texas *Uniform Grant Management Standards*. The financial statements of Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance were not audited in accordance with the State of Texas *Uniform Grant Management Standards*.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

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

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

**BKD, LLP**

February 21, 2012

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

The Honorable Mayor and City Council  
City of Lubbock, Texas

**Compliance**

We have audited the compliance of City of Lubbock, Texas (the City) with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on its major state program for the year ended September 30, 2011. The City's major state program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state program is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lubbock, Texas, based on our audit.

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

In our opinion, the City of Lubbock, Texas, complied, in all material respects, with the compliance requirements referred to above that are applicable to its major state program for the year ended September 30, 2011.

**Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

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

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

BKD, LLP

February 21, 2012



**City of Lubbock, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2011**

7. The City's major state program was:

<b>Cluster/Program</b>	<b>State Agency</b>	<b>Grant Number</b>
5307 Funds—FY11 State Operations	Texas Department of Transportation	51105F7064

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

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

**City of Lubbock, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2011**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Questioned Costs</b>
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No matters are reportable

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

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Questioned Costs</b>
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No matters are reportable

**City of Lubbock, Texas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2011**

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

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.

