

City of Lubbock, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2010





Comprehensive Annual Financial Report

List of Elected and Appointed Officials

For the Fiscal Year Ended September 30, 2010

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 Cruz, 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, 2010

TABLE OF CONTENTS

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

Combining Fund Statements and Schedules:

Nonmajor Governmental Funds

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

Nonmajor Enterprise Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	118
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	122
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	124

Internal Service Funds

Combining Statement of Net Assets – Internal Service Funds.....	128
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	132
Combining Statement of Cash Flows – Internal Service Funds	134

Nonmajor Component Units

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

Discretely Presented Component Unit

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

STATISTICAL SECTION (unaudited)

Table A: <i>Net Assets by Component</i>	144
Table B: <i>Changes in Net Assets</i>	145
Table C: <i>Fund Balance of Governmental Funds</i>	147
Table D: <i>Changes in Fund Balances of Governmental Funds</i>	148
Table E: <i>Tax Revenues by Source</i>	149
Table F: <i>Assessed and Estimated Actual Value of Taxable Property</i>	150
Table G: <i>Principal Taxpayers</i>	151
Table H: <i>Property Tax Levies and Collections</i>	152
Table I: <i>Property Tax Rates – Direct and Overlapping Governments</i>	153
Table J: <i>Ratio of Outstanding Debt by Type</i>	154
Table K: <i>Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita</i>	155
Table L: <i>Computation of Legal Debt Margin</i>	156
Table M: <i>Revenue Bond Coverage – LP&L and Water Bonds</i>	157
Table N: <i>Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures</i>	158
Table O: <i>Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds</i>	159
Table P: <i>Demographic Statistics</i>	160
Table Q: <i>Principal Employers</i>	161
Table R: <i>Full-time Equivalents City Government Employees by Function</i> ...	162
Table S: <i>Operating Indicators by Function/Program</i>	163
Table T: <i>Capital Assets Statistics by Function/Program</i>	164

COMPLIANCE REPORTS

Schedule of Expenditures of Federal Awards.....	165
Independent Accountants' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	170
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on Schedule of Expenditures of Federal Awards.....	172
Schedule of Findings and Questioned Costs.....	174
Summary Schedule of Prior Audit Findings.....	177
Schedule of Expenditures of State Awards.....	178
Independent Accountants' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the State of Texas <i>Uniform Grants Management Standards</i>	180
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major State Program and on Internal Control Over Compliance in Accordance with the State of Texas <i>Uniform Grants Management Standards</i> and on Schedule of Expenditures of State Awards	182
Schedule of Findings and Questioned Costs	184
Summary Schedule of Prior Audit Findings.....	187



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(806) 775-0000 • Fax (806) 775-0001**

February 16, 2011

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, 2010. The purpose of the CAFR is to provide accurate and meaningful information concerning the City's financial condition and performance. In addition, independent auditors have verified that the City has fairly presented its financial position, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 16, 2011

The independent accountant has concluded that the City's financial statements are in conformity with GAAP, are fairly presented, and there is a reasonable basis for providing an unqualified opinion. The independent 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 separately issued Single Audit Report. The standards governing Single Audit engagements require the independent auditor to report on several facets of the City's financial processes and controls:

- Fair presentation of the financial statements,
- Internal controls over financial reporting and the administration of federal awards, 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 2000 Census population for the City was 199,564; the estimated 2010 population is 219,643.¹ 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.

¹ 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 45 new police officers in FY 2009-10 (FY 2010). As of September 30, 2010, the department was staffed with 381 sworn officers. In FY 2010, the Police Department responded to 234,000 calls for service with an average response time of 4.15 minutes.

The Lubbock Fire Department is dedicated to providing unparalleled emergency response and life safety services for the City. As of September 30, 2010, 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 plans for Fire Stations 16 and 18 have been completed and the construction of Fire Station 16 began in January 2011. The construction of Fire Station 18 should begin in December 2011, and Fire Station 19 is tentatively scheduled for construction beginning in December 2012. The Fire Department added three new dispatcher positions to the Communications Center for emergency call processing in FY 2010 and established an Incident Management Team, which has achieved statewide recognition.

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 budget, approval of rates for electric service, eminent domain, and approval of debt financing.

For FY 2010, electric service in the City was provided by LP&L, Xcel Energy, and South Plains Electric Cooperative. LP&L is the municipally-owned electric company with 75,975 meters, an average daily consumption of 4,661 megawatt (MW), 15 substations, over 1,030 miles of distribution lines, and approximately 87 miles of transmission lines. On November 12, 2009 LP&L and Xcel Energy reached a mutually beneficial agreement that allowed LP&L to purchase Xcel Energy's electric distribution system within the City and to serve all of Xcel Energy's Lubbock retail electric customers. The purchase of the assets occurred on October 29, 2010, and totaled \$87 million. The acquisition has increased LP&L's meter count to 97,212. LP&L now has a forecast average daily consumption of approximately 6,633 MW, 33 substations, over 2,000 miles of distribution lines, and approximately 87 miles of transmission lines.

LP&L is associated with the West Texas Municipal Power Agency (WTMPA). In 1983, the cities of Lubbock, Brownfield, Floydada, and Tulia, created WTMPA as a joint power agency. WTMPA is a municipal power agency that was created to enhance the negotiating strength of the individual cities in obtaining favorable electric power contracts and in coordinating joint planning for additional generation. On August 1, 2008, WTMPA entered into a development agreement with Republic Power Partners, LP for the two parties to promote and develop renewable and traditional energy resources in the high plains area of Texas. The agreement with Republic Power Partners required WTMPA to form a local government corporation that would own and operate any project developed pursuant to the agreement. WTMPA incorporated High Plains Diversified Energy Corporation (HPDEC), a public nonprofit corporation and local government corporation organized under the Texas Transportation Corporation Act, on September 25, 2008. On October 9, 2009, WTMPA assigned HPDEC all of its rights and interests in the development agreement with Republic Power, LP. HPDEC is a separate legal entity with seven board

members. City Council appoints one board member and WTMPA appoints three board members. The purpose of HPDEC is to issue bonds, notes, and other forms of debt to acquire, maintain, lease, and sell property to promote and develop public generation and transmission systems within the state of Texas in order to generate and transport electric energy. WTMPA has no management or budgetary oversight and is not able to impose its will on HPDEC. In 2019, if WTMPA decides to take an option of power purchases from HPDEC, and/or if HPDEC generates surplus revenues, the benefit to WTMPA may change and may create a financial benefit.

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 31.6 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 9.6 billion gallons of its annual water supply from CRMWA in FY 2010. 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. CRMWA has 265,999 acres of ground water rights with an estimated 15 million acre feet of water within those rights. Conservative projections, using current secured water rights, indicate CRMWA will be able to provide groundwater supplies utilizing existing infrastructure for many decades into the future. CRMWA recently completed the expansion of the Roberts County Well Field to increase the production capacity of the well field beginning in 2011. The project includes 12-miles of 54-inch pipe to transport the well water to the existing transmission pipeline. Fifteen new water wells have been installed that are capable of producing approximately 2,500 gallons per minute for each well. In addition, electrical supply lines and infrastructure have been installed to provide power to the pumps in the wells. This expansion will allow CRMWA to deliver up to 65,000 acre-feet of water to its member cities each year. The volume from this expansion will replace a portion of the declining volume from Lake Meredith.

The Bailey County Well Field contains 150 active water wells with 83,305 acres of water rights, providing 2.3 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 mid 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 1,016 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 2010, 34 percent of the wastewater was used to irrigate crops at the Lubbock Land Application Site and 33 percent was used to irrigate crops at the Hancock Land Application Site. In addition, Jones Power Plant used 19 percent of the treated wastewater and 14 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 has begun construction of Phase II of a four phase project to upgrade the Southeast Water Reclamation Plant. Phase I included upgrades and improvements to the influent lift station. Phase II construction includes upgrades to Plant 3, for filtration, and ultraviolet disinfection, and Plant 4 for biological nutrient removal, filtration, and ultraviolet disinfection. Phase III includes design and construction improvements to anaerobic digesters and solids handling. Design is 90 percent complete for the digester improvement portion of this Phase. Additionally, a solids handling evaluation has been performed to determine the necessary improvements needed to optimize the processing and disposal of solids. 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.

Additionally, 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. As a result, preliminary design has begun on the South Lubbock Sanitary Sewer System Expansion Phase I. 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 currently underway. 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 should 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 1,132 linear 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 and street cleaning is funded through storm water fees.

During FY 2010, a primary focus of the Storm Water Utility was beginning 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.

Other areas of activity within the Storm Water Utility during FY 2010 included:

- completion of the Master Drainage Plan Update;
- completion of park improvements at Leftwich and Clapp Parks;
- completion and approval of maps from FEMA for Systems C1 and C3 of the Flood Insurance Restudy;
- completion of the construction of drainage improvements at Mose Hood and Stumpy Hamilton Parks;
- continuation of repair, replacement, and cleaning of storm sewer inlets and drainage ways throughout the City; and
- continuation of funding for the 10-year Street Maintenance Program.

Solid Waste Utility: The City provides garbage collection and disposal services to 67,000 residential customers and 2,700 commercial customers. One of the City's two landfill sites is designated as the Caliche Canyon Landfill and includes a citizens' transfer station. The next phase of cell construction will begin in FY 2010-11. The second site is the West Texas Regional Disposal 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 more than 110 years. Construction of the next cell will begin in FY 2010-11.

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 \$62.7 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 2010, the City has completed work on over 159 houses through the use of CDBG and HOME funds, and has assisted 2,410 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 2010, 128 individuals received assistance in weatherizing their home to make their home more energy efficient; 1,830 households received utility assistance; 54 individuals graduated from the Self-Sufficiency Program;

and approximately 27,000 residents received referral assistance through the Information and Referral Hotline.

Cultural and Recreational Activities: Cultural and recreational services are provided by the City through four libraries, 80 parks, and 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.

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 through 40 percent of franchise fees, opens areas of the City for development through thoroughfare construction. The Gateway Streets Program consists of the Northwest Passage, which includes City thoroughfare streets and Texas Department of Transportation (TxDOT) improvements in northwest Lubbock, as well as other thoroughfare improvements in other parts of the City.

The City thoroughfare streets that have recently been completed as part of the Northwest Passage 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. The construction of the Slide Road overpass at West Loop 289 is being funded by the City of Lubbock, and is currently under construction. TxDOT is in contract for this overpass construction as part of a larger West Loop 289 improvement project.

Other major street projects in the Gateway Fund include: Indiana Avenue from 103rd Street to FM 1585, currently under construction; Quaker Avenue from 114th Street to FM 1585, scheduled for construction in 2011; and Frankford Avenue from 98th Street to 114th Street, scheduled for construction in 2011.

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

- Reconstruction with concrete pavement of University Avenue from South Loop 289 to 82nd Street and 82nd Street from University Avenue to Elgin Avenue,
- Reconstruction with concrete pavement of the 82nd Street and University Avenue intersection,
- Paving of Quaker Avenue from 98th Street to 114th Street (2009 Bond Election), and
- Implementation of City-wide 10-year Street Maintenance Program.

Annual Budget Process

The annual operating budget serves as the foundation of the City's financial planning and control. All City departments submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing the proposed Operating Budget and Capital Program. The City Manager then presents the proposed Operating Budget and Capital Program to the City Council for review, as required by City Charter. The City Council is required to hold a public

hearing on the proposed Operating Budget and Capital Program and to adopt it no later than September 30, the close of the City's fiscal year. The adopted Operating Budget and Capital Program appropriates funding at the departmental level in the General Fund, at the fund level in the other funds, and at the project level in the Capital Program.

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

ECONOMIC CONDITION AND OUTLOOK

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

Local Economy

Lubbock has a stable economy with historically consistent and steady growth. Over the past 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 2010, 24.4 percent of the nation's upland cotton crop and 50.4 percent of the state's upland cotton crop were produced by farmers in the Southern High Plains District. Southern High Plains production was 4.49 million bales, up 60.9 percent from the 2.79 million bales produced in 2009.²

The City has strong manufacturing, wholesale and retail trade, services, and government sectors. Manufacturing includes a diverse group of employers who support approximately 4,900 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.³

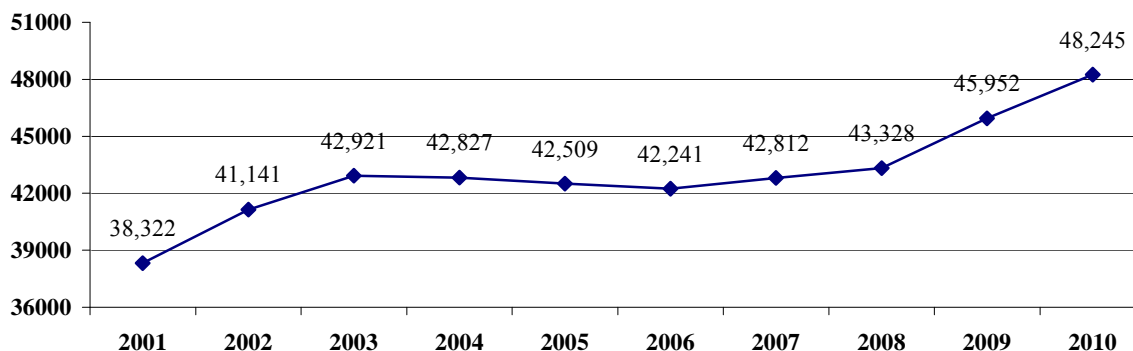
Two major components of the local economy include education and health care services. Lubbock is home to three universities and one community college: Texas Tech University, Lubbock Christian University, Wayland Baptist University – Lubbock Center, and South Plains College. Fall 2010 enrollment for all higher education institutions in Lubbock was 48,245. Texas Tech has set a goal to reach enrollment of 40,000 students by 2020. Fall 2010 enrollment was 5.0 percent over the enrollment

² 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.

³ Texas Workforce Commission, *MSA Employment and Unemployment Data*, retrieved from <http://www.tracer2.com>.

for fall of 2009. 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.⁴

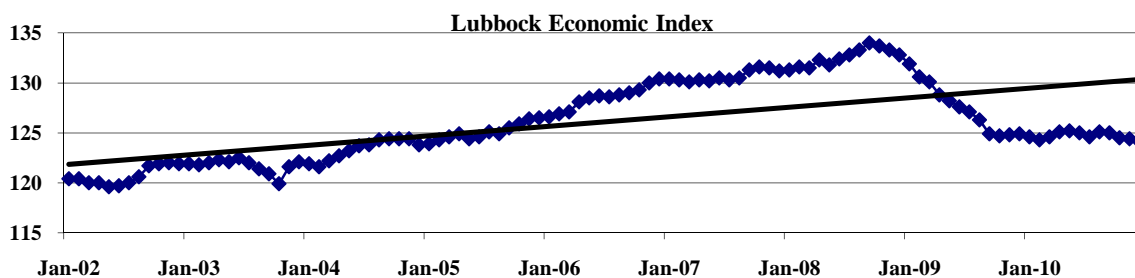
Higher Education Fall Enrollments 2001-2010



The health care and social services sector is also a vital component of the Lubbock economy, with more than 20,948 employees and payroll of more than \$817.5 million.⁵ 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 December 2010 was 124.1, which represents a decrease of 0.6 percent from the December 2009 level of 124.9.

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 do indicate that the recession is coming to an end in Lubbock, while other sectors are still showing declines, such as the modest decline in general consumer spending and employment sectors, coupled with larger declines in existing home sales.⁶ However, some sectors of the Lubbock economy have seen positive gains as well. Auto sales, construction permits, and new home permits have all seen significant increases compared to last year. In addition, the large increase in cotton, oil, and cattle prices should have a positive impact on the local economy as well.

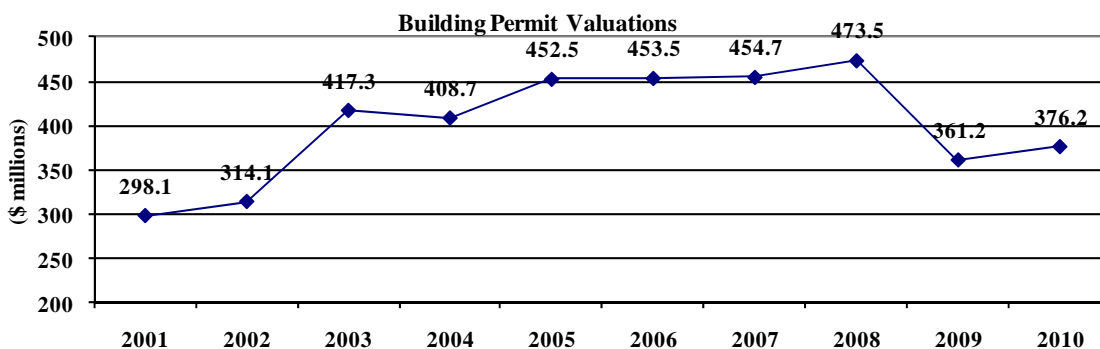


⁴ City of Lubbock Business Development survey of enrollments at higher education facilities.

⁵ U.S. Census Bureau, 2007 County Business Patterns, retrieved from <http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl> (2-year delay in publication).

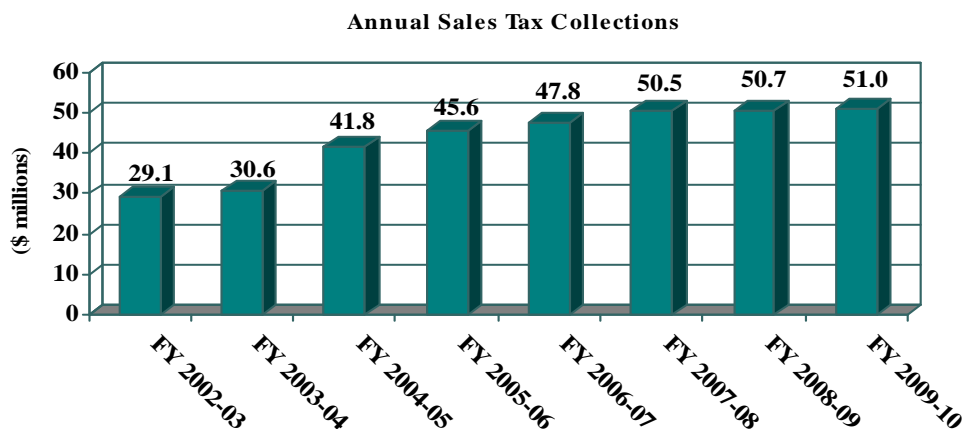
⁶ Ingham Economic Reporting, December-2010, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham.

Building Permit Valuations: The construction sector is rebounding from the national economic downturn, with the value of all building permits issued through 2010 up 4.2 percent from the same period in 2009. The \$376.2 million in building permits issued in 2010 is slightly higher than the \$361.2 million issued in the prior year.



The total number of new residential permits issued through 2010 increased 8.3 percent from 2009 levels, and valuation amounts were \$211.8 million, which is 25.8 percent higher than the same time period in 2009.⁷ The average home sales price, in 2010, has increased 9.7 percent from 2009.⁸

Sales Tax Collections: Sales tax collections for FY 2010 totaling \$51,008,384, were 0.60 percent higher than collections through the same period in FY 2009.⁹



⁷ City of Lubbock Building Inspection Department, December 2010 and December 2009, *Building Inspection Statistical Report*.

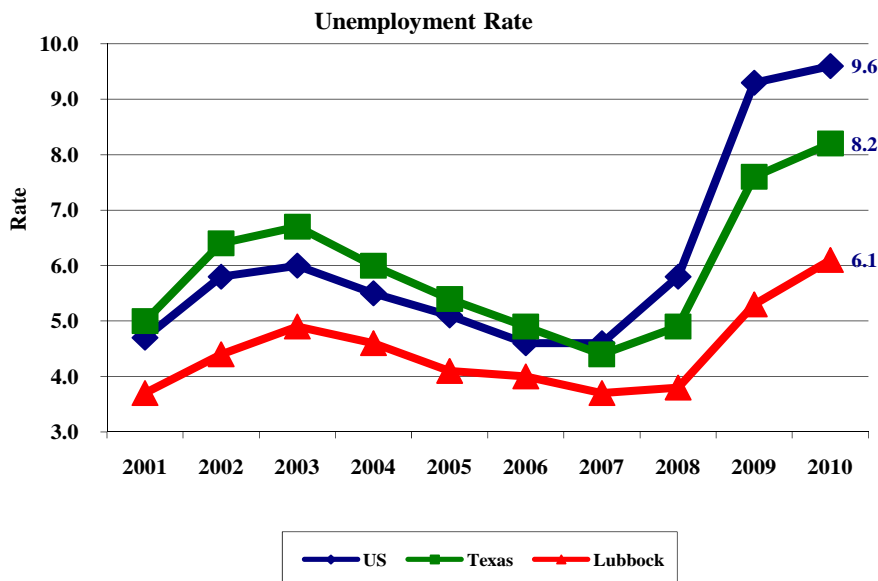
⁸ Texas A&M University Real Estate Center, *Lubbock Residential Housing Activity Report*, retrieved from <http://recenter.tamu.edu/data/dataahs.html>.

⁹ City of Lubbock Finance Department, Historic Schedule of Sales Tax Receipts, October 2002 through July 2010.

Tourism and Visitor Related Indicators: Lodging tax receipts increased from \$4.18 million in 2009 to \$4.21 million in 2010, a 0.7 percent increase. Airline boardings at Lubbock Preston Smith International Airport decreased 4.6 percent from 2009 to 2010.¹⁰ Currently, improvements to Runway 8/26 are underway that will enhance safety and allow for increased traffic.

Employment:

The total non-agricultural employment estimate for December 2010 was 130,800. This is a 0.9 percent increase from December 2009. There were 1,100 more people employed in December 2010 than in December 2009. The unemployment rate for the Lubbock Metropolitan Statistical Area in December 2010 was 5.8 percent, the third 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.¹¹



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 2010 were \$7,549,660. During the last year, through their business retention, expansion, and attraction programs, LEDA assisted nine companies in the creation of 197 new jobs with an annual payroll of \$9.9 million and capital investment of \$31.6 million.

The City's Business Development Department works closely with LEDA to provide assistance in their economic development projects. Business Development is responsible for tracking and maintaining economic and demographic information for the City, assisting with city-related business issues, the

¹⁰ Ingham Economic Reporting, December 2010, Lubbock Economic Index and Consumer Price Index. Amarillo, Texas: Karr Ingham.

¹¹ (Texas Workforce Commission, LMCI Economic Profiles, retrieved from: <http://www.tracer2.com/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce>). Note: The methodology for calculating the unemployment rate was changed in 2005 and the last four years were recalculated based on the new method. The Lubbock MSA also changed in 2005 to include both Lubbock and Crosby Counties.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 16, 2011

enterprise zone and tax abatement programs, three Tax Increment Financing Reinvestment Zones, and all Public Improvement Districts.

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

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District have participated in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that has funded the replacement of the 80-year old infrastructure. According to the latest Project and Finance Plan for the North Overton Tax Increment Financing Reinvestment Zone (Zone), there are planned expenditures of approximately \$40.4 million for public infrastructure improvements, which will result in an increase of taxable value of approximately \$373.9 million over the Zone's 30-year life. The 2010 appraised value of the North Overton TIF was \$305.1 million, which is a \$278.2 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 sixty-five families into scattered site developments, with an additional seven being recently approved. At the end of 2010, the NELCDC has originated \$2.5 million in mortgages for King's Dominion and an additional \$4.0 million for scattered site developments.

Downtown Redevelopment: The City of Lubbock Central Business District (CBD) has developed over the years with traditional office, retail, and governmental agency uses. As with many cities in the last ten to twenty years, retail has moved to shopping areas and other areas outside the CBD, and office development has stagnated. In an effort to reverse that trend and to stimulate further development downtown, the City established the CBD Tax Increment Finance Reinvestment Zone. A new Revitalization Action Plan for downtown Lubbock was completed in FY 2008. The Plan has been approved by the 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. In addition, the City Council approved a master zoning case for the downtown area on December 15, 2010. The zone case will assist in implementing design standards for exterior renovation 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

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 16, 2011

and are continually monitored and updated throughout the year. The rates in the models are calculated to provide financially sound net asset reserves, as established by City Council Policy.

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

Utility funds, excluding LP&L, make payments in lieu of taxes to the General Fund. LP&L did not make a payment in lieu of franchise fees (franchise fee equivalent, "FFE") to the General Fund from FY 2003 to FY 2007, and has not made a payment in lieu of property taxes since FY 2003. In FY 2008, LP&L paid \$1.0 million as a FFE to the General Fund. In FY 2009 LP&L paid approximately \$3.7 million as a FFE to the General Fund and approximately \$1.3 million to the Gateway Fund. In FY 2010 LP&L 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 will pay a FFE, totaling approximately \$4.0 million, to the General Fund and \$2.7 million to the Gateway Fund. In addition, LP&L will resume a payment in lieu of property taxes, totaling approximately \$1.5 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, 2009. 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 Senior Accountants, Accountants, and Senior Financial Analysts for their countless hours of work on this financial report. We express our appreciation to all members of City departments who assisted with and contributed to the preparation of this report. Credit is also given to the City Council and the Audit Committee for their interest and support in planning and conducting the operations of the City in a responsible manner.

Respectfully submitted,



Lee Ann Dumbauld
City Manager



Andy Burcham
Chief Financial Officer



Pamela Moon, CPA
Director of Accounting

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, 2009

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



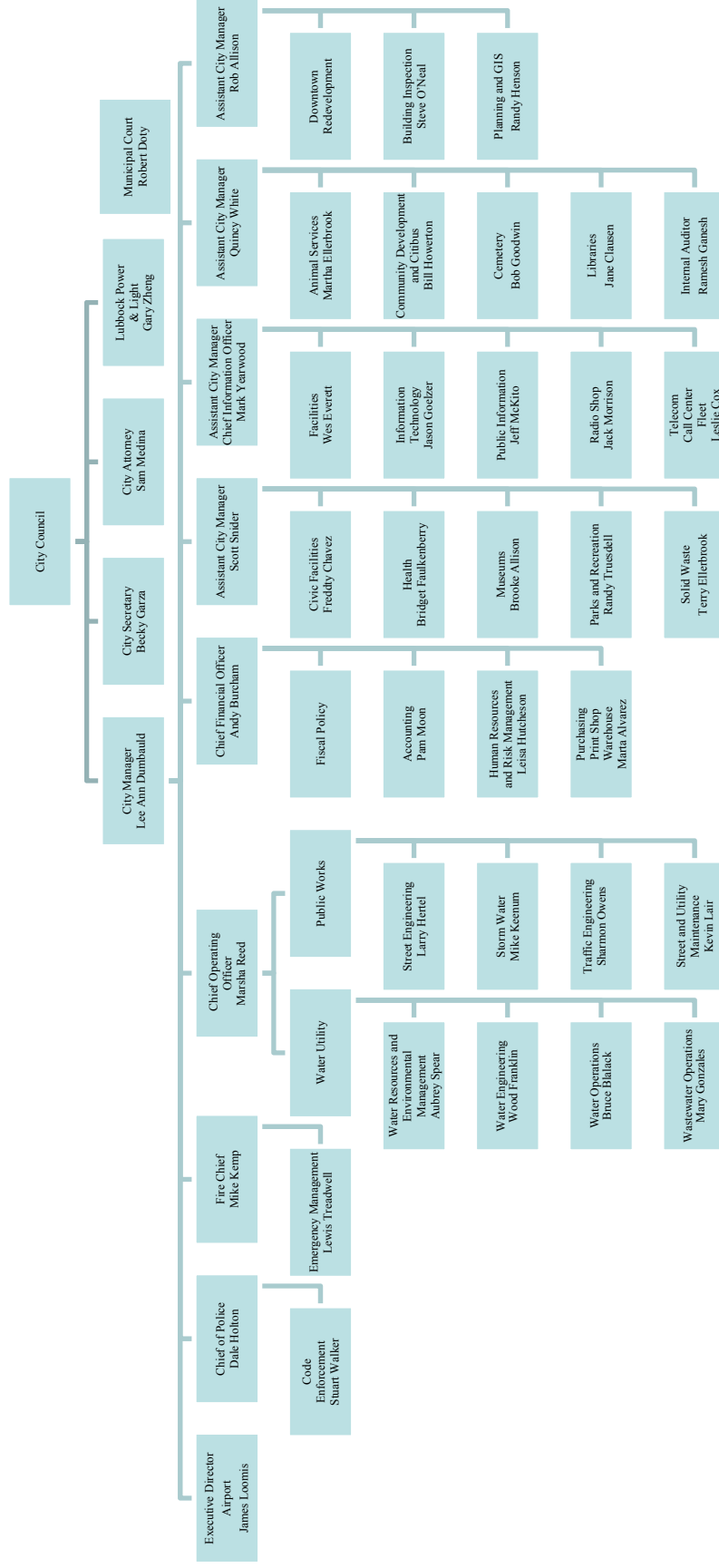
A stylized, handwritten signature in black ink, likely belonging to the President of the GFOA.

President

A handwritten signature in black ink that reads 'Jeffrey R. Emer'.

Executive Director

City of Lubbock - Organization Chart



Revised November 23, 2010



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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, component units of the City, which statements reflect total assets and program revenues of \$30,906,935 and \$14,480,589, respectively, and represent 95% and 96% of the aggregate discretely presented component units' total assets and program revenues, respectively, at September 30, 2010 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

BKD, LLP

February 16, 2011

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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, 2010.

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, 2010, by \$672.6 million (net assets), of which \$145.7 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 \$8.6 million as a result of operations during the fiscal year.
- The ending unreserved fund balance for the General Fund was \$19.7 million, or 18.7 percent of total General Fund revenues; a decrease of \$74,741 from the prior year.
- The City's governmental funds reported combined ending fund balances of \$100.0 million, of which \$19.7 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net assets of \$583.5 million, of which \$120.9 million is available for spending at the City's discretion.
- During FY 2010, the City issued \$197.4 million in bonded debt for capital projects.

Overview of the Financial Statements

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

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

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

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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

The City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund 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 25 governmental funds are combined into a single, aggregated presentation.

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

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

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

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

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Government-Wide Financial Analysis

As noted earlier, net assets serve as a useful indicator of the City's financial position. Assets exceeded liabilities by \$672.6 million (*net assets*) at the close of the fiscal year, compared to assets exceeding liabilities by \$664.0 million (*net assets*) at the end of the prior fiscal year. As a result of operations, total net assets increased by \$8.6 million during the period.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 132,573	\$ 142,889	\$ 403,558	\$ 282,867	\$ 536,131	\$ 425,756
Capital assets	292,548	267,997	903,983	850,454	1,196,531	1,118,451
Total assets	425,121	410,886	1,307,541	1,133,321	1,732,662	1,544,207
Current liabilities	49,070	47,709	86,181	64,601	135,251	112,310
Noncurrent liabilities	294,989	262,269	629,870	505,674	924,859	767,943
Total liabilities	344,059	309,978	716,051	570,275	1,060,110	880,253
Net assets:						
Invested in capital assets, net of related debt	52,476	62,414	435,249	424,165	487,725	486,579
Restricted	10,830	11,540	28,247	21,631	39,077	33,171
Unrestricted	17,756	26,954	127,994	117,250	145,750	144,204
Total net assets	\$ 81,062	\$ 100,908	\$ 591,490	\$ 563,046	\$ 672,552	\$ 663,954

Approximately 72.5 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 5.8 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 grant programs restricted for specific purposes. The remaining balance of unrestricted net assets of \$145.8 million may be used to meet the City's ongoing obligations.

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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

	Governmental Activities		Business- type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 9,990	\$ 9,665	\$ 277,845	\$ 253,262	\$ 287,835	\$ 262,927
Operating grants and contributions	13,666	8,526	5,855	6,431	19,521	14,957
Capital grants and contributions	8,137	11,766	11,996	11,573	20,133	23,339
General Revenues:						
Property taxes	55,065	52,599	-	-	55,065	52,599
Sales taxes	51,008	50,705	-	-	51,008	50,705
Other taxes	5,458	5,451	-	-	5,458	5,451
Franchise fees	11,703	10,765	-	-	11,703	10,765
Investment earnings	433	1,964	477	3,594	910	5,558
Other	4,293	3,435	2,131	1,432	6,424	4,867
Total revenues	159,753	154,876	298,304	276,292	458,057	431,168
Expenses:						
Administrative services/general govt.	12,006	11,078	-	-	12,006	11,078
Community services	12,232	7,038	-	-	12,232	7,038
Cultural and recreation	16,590	15,039	-	-	16,590	15,039
Economic and business development	15,336	37,221	-	-	15,336	37,221
Fire	36,803	33,098	-	-	36,803	33,098
Health	5,599	5,819	-	-	5,599	5,819
Police	54,172	48,342	-	-	54,172	48,342
Other public safety	6,343	6,326	-	-	6,343	6,326
Streets and traffic	28,181	30,139	-	-	28,181	30,139
Interest on long-term debt	12,207	9,840	-	-	12,207	9,840
Electric	-	-	135,634	117,978	135,634	117,978
Water	-	-	39,864	39,790	39,864	39,790
Wastewater	-	-	18,747	19,056	18,747	19,056
Solid Waste	-	-	20,035	18,263	20,035	18,263
Storm Water	-	-	7,927	8,208	7,927	8,208
Transit	-	-	12,166	11,390	12,166	11,390
Airport	-	-	10,874	10,085	10,874	10,085
Civic Centers	-	-	4,049	4,293	4,049	4,293
Cemetery	-	-	694	680	694	680
Total expenses	199,469	203,940	249,990	229,743	449,459	433,683
Change in net assets before transfers	(39,716)	(49,064)	48,314	46,549	8,598	(2,515)
Transfers	19,870	10,039	(19,870)	(10,039)	-	-
Change in net assets	(19,846)	(39,025)	28,444	36,510	8,598	(2,515)
Net assets - beginning of year	100,908	139,933	563,046	526,536	663,954	666,469
Net assets - end of year	\$ 81,062	\$ 100,908	\$ 591,490	\$ 563,046	\$ 672,552	\$ 663,954

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

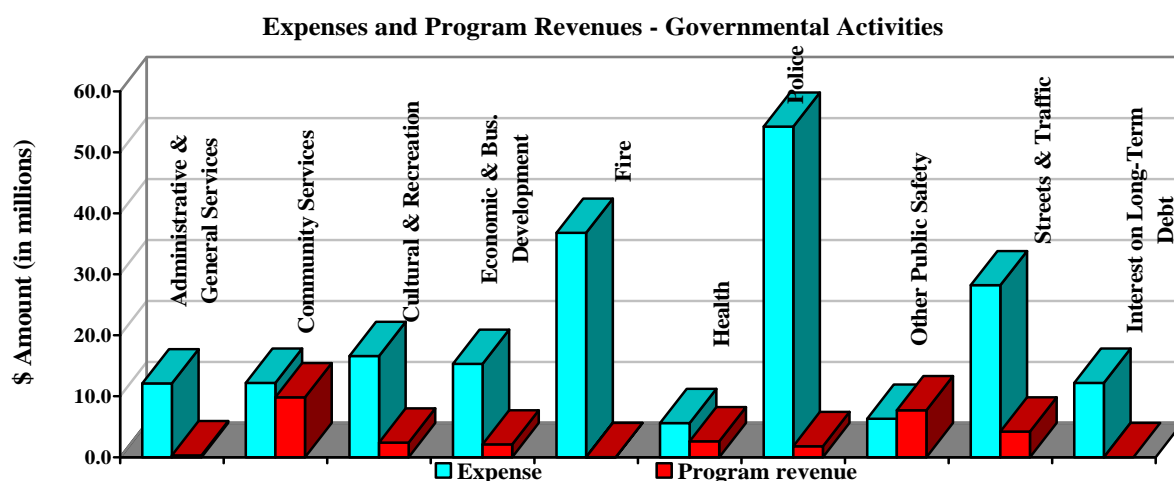
Governmental activities: The City's governmental activities experienced a decrease in net assets of \$19.8 million, compared to a decrease of \$39.0 million during the prior fiscal year. Key elements of the operational decrease include:

- Revenues increased \$4.9 million, from \$154.9 million in FY 2009 to \$159.8 million in FY 2010.
 - Operating grants and contributions increased from \$8.5 million to \$13.7 million in FY 2010, an increase of \$5.2 million. Federal grants increase significantly due to infusion of American Recovery and Reinvestment Act Funds in the amount of \$6.0 million.
 - Capital grants and contributions decreased from \$11.8 million to \$8.1 million, a decrease of \$3.7 million. This is primarily due to less private developer donations of infrastructure in FY 2010. In FY 2009 private developers donated \$9.6 million in streets, alley ways, and parks, compared to \$3.8 in FY 2010. Vintage Township development was nearing completion in FY 2009, which accounted for most of this change. The City received a \$1 million donation for the animal shelter in FY 2010.
 - Property taxes increased from \$52.6 million in FY 2009 to \$55.1 million in FY 2010. The property tax rate was \$0.44640 per \$100 of assessed value in both fiscal years. Taxable assessed values increased from \$11.7 billion in FY 2009 to \$12.1 billion in FY 2010.
 - Sales tax revenue totaled \$51.0 million, an increase of \$0.3 million from the prior year. The national economy entered into a recession in December 2007, and the Lubbock economy entered into recession in October 2008. However, Lubbock's diverse economy, comprised of agricultural, educational, and medical sectors was minimally affected by the recession.
 - Franchise fees increased from \$10.8 to \$11.7 million, primarily as a result of increases in natural gas prices and increased electric utility rates.
 - Investment earnings decreased from \$2.0 million to \$0.4 million. This was due to the use of bond funds and dramatically lower interest rates.
- Total expenses decreased \$4.4 million from the prior year, from \$203.9 million to \$199.5 million.
 - Various governmental functions had shifts in costs amongst the various line items. Employee compensation was flat to the prior year due to no raises or merit increases being approved in FY 2010. Benefit costs increased due to an increase in the Texas Municipal Retirement System (TMRS) contribution rate, government wide entries for net pension obligation, and government wide entries for other post employment benefits. To offset a portion of the benefit increases, the City eliminated 6 positions through the reorganization of the Health Department. The City controlled other operational expenses throughout the year and achieved large savings through fuel and utility costs.
 - Economic and business development accounted for an overall decrease in expenses, from \$37.2 million in FY 2009 to \$15.3 million in FY 2010. In FY 2009 economic and business development included a \$23.7 million City owned conference center that was constructed at the Overton Hotel. The City leased the conference center to the hotel for a 40-year period with two optional 20-year renewals. The lease meets the criteria for a sales-type capital lease, and as a result the asset was removed from the City books and charged to economic and business development.
 - Community services increased by \$5.2 million to \$12.2 million, primarily due to federal stimulus funds received.
 - Fire services increased by \$3.7 million to \$36.8 million. The majority of increased expenditures were a result of the full year impact of the firefighter compensation plan that was implemented in April 2009 and the full year funding of 15 firefighters at Station No. 17. Fire benefits increased due to a higher contribution rate to of the Lubbock Fire Pension Fund and increases in other post

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

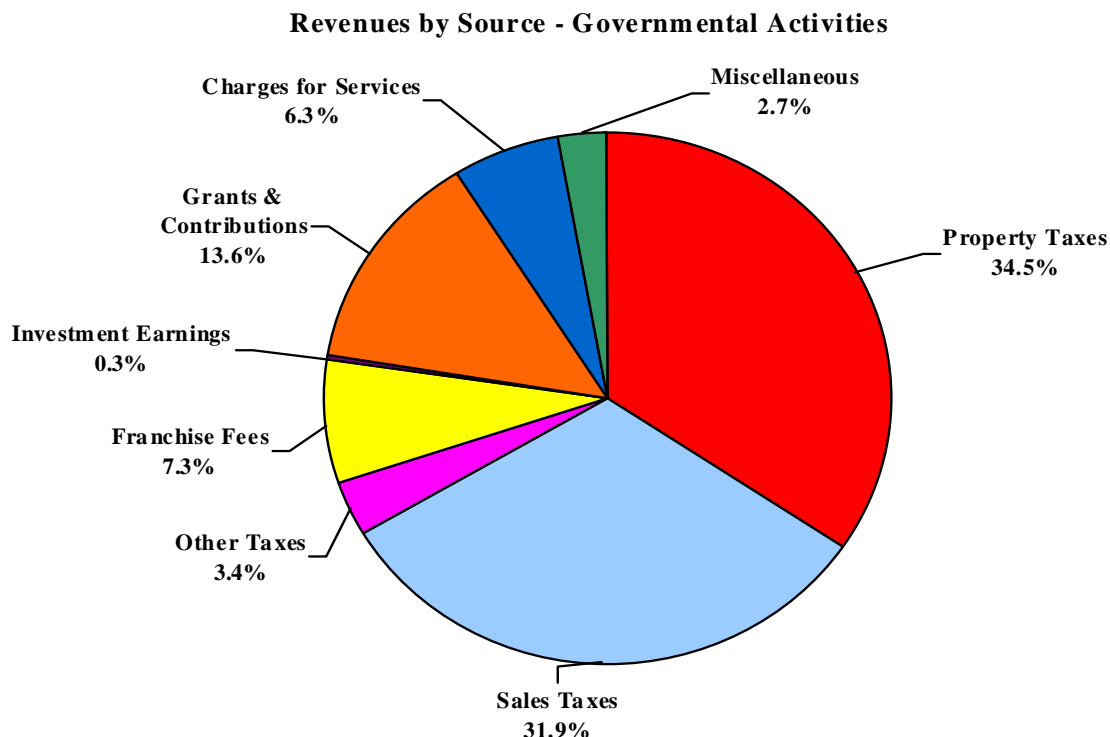
- employment benefits. Depreciation increased with the addition of a new fire station and purchase of new fire trucks.
- Police services increased by \$5.9 million to \$54.2 million. In FY 2010 the police department spent over \$1.0 in technology upgrades using federal stimulus money grants. The increased expenditures were also related to the TMRS contribution rate increase, increase in other post employment benefits, and net pension obligations. Depreciation expense increased due to the ongoing fleet replacement program.
 - Streets and traffic decreased by \$1.9 million to \$28.2 million. In FY 2009, the City contributed \$13.6 million to the Texas Department of Transportation under a funding agreement with the State to share in payment of the interchange at North Loop 289 and Slide Road. City owned streets are capitalized, but since these are State owned streets, the cost was charged to streets and traffic. In FY 2010, the City contributed another \$7.6 million to complete the advance funding agreement with the State for road projects. Exclusive of State intergovernmental street expenditures, expenses increased in streets and traffic due to government wide depreciation related to new roadways.
 - Interest expense increased \$2.4 million to \$12.2 million from the prior year as a result of additional bonded indebtedness and capital leases.
- Transfers from business-type activities during FY 2010 increased governmental activities' net assets by \$19.9 million. During the prior fiscal year, the transfers increased governmental activities' net assets by \$10.0 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. The Storm Water Fund funded \$2.2 million in debt service expenditures relating to streets, which is a governmental activity. All the business-type activities had increases in their payment in lieu of taxes, franchise fees, and indirect costs, but the most notable was LP&L's increased payment in lieu of franchise fees by \$1.1 million in FY 2010. At the same time there were decreases from payments of governmental activities to business-type activities. The most notable was a \$1.2 million reduction in transfer to the Civic Centers Fund.

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



**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010**

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 \$298.3 million, compared to \$276.3 million in FY 2009, an increase of \$22.0 million. Key elements of the revenue increase from operations include:

- Charges for services for business-type activities totaled \$277.8 million in FY 2010, an increase of \$24.6 million from the prior year.
- Electric operations, which include LP&L and WTMPA, totaled \$149.6 million in FY 2010, an increase of \$10.4 million. The increase in charges for services was primarily due to increased fuel related revenues. LP&L charges a base rate for electric service, which remained consistent between FY 2010 and FY 2009, but they also charge a fuel cost adjustment rate for electric service, which increased in FY 2010.
- Water operations totaled \$59.5 million in FY 2010, an increase of \$7.5 million. Wastewater operations totaled \$26.7 million in FY 2010, an increase of \$2.2 million. Water and wastewater rates increased in April 2009 and the full-year impact of the rate increase was experienced. The rate increases were necessary to pay for higher debt service payments for certificates of obligation that have been issued to replace aging infrastructure and to construct the Lake Alan Henry pipeline.
- Operating grants, capital grants, and contributions continued to be a significant revenue source for business-type activities during FY 2010, producing \$17.9 million in revenue. This is a \$0.1 million decrease from the prior year. Transit and Airport received an additional \$2.3 million in

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010**

federal and state grant revenues; however, this was offset by decreases in developer and private donations to Water, Wastewater, Storm Water, and Civic Centers.

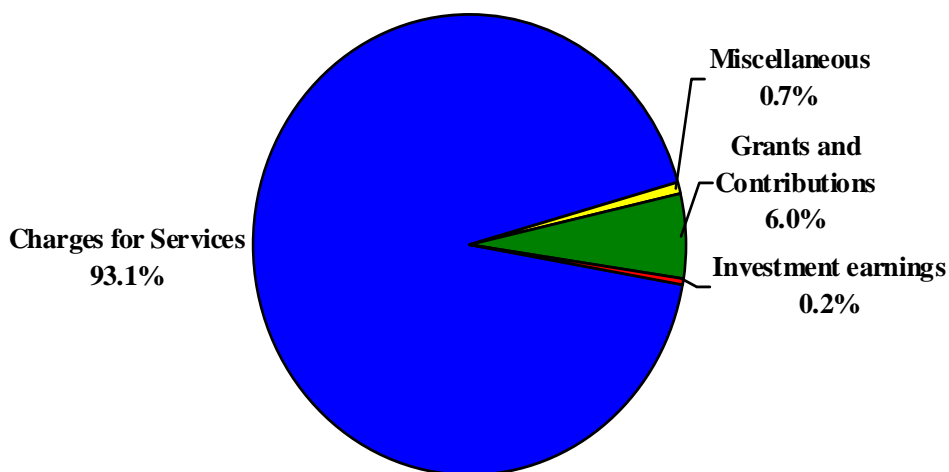
- Investment earnings were down \$3.1 million due to lower interest rates and lower average outstanding investment balances.

Expenses for business-type activities were \$250.0 million in FY 2010, an increase of \$20.3 million.

- Electric operating expenses were \$135.6 million, an increase of \$17.7 million from the prior year. Higher fuel related energy costs accounted for the increase. Fuel purchases, after eliminating interfund activity between LP&L and WTMPA, increased to \$94.8 million in FY 2010 from \$82.9 million in FY 2009.
- Expenses in Water and Wastewater Funds were \$39.9 million and \$18.7 million, respectively. Both water and wastewater expenses were relatively flat when compared to prior year. The increase in Water expenses is largely due to additional interest expense on increasing debt and an increase in depreciation expense as a result of increased capital improvements on infrastructure and facility improvements.
- Expenses in the Solid Waste Fund were \$20.0 million, an increase of \$1.7 million from the prior year. The increase is due to higher estimates on closure and post-closure costs on the landfills.
- Expenses in Storm Water were \$7.9 million, a decrease of \$0.3 million from the prior year. Expenses for Transit, Airport, Civic Centers and Cemetery were \$27.8 million, an increase of \$1.3 million over prior year. Most of the increase was in additional depreciation and interest expense at the Airport.

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

Revenues by Source – Business-type Activities



City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Financial Analysis of the City's Funds

Governmental funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year.

At the end of the year, the City's governmental funds reported combined ending fund balances of \$100.0 million, compared to \$104.9 million at the end of the prior fiscal year. The decrease was primarily in reserved fund balances. \$52.6 million in fund balances reserved for capital projects decreased by \$2.2 million from the prior year. \$5.9 million in fund balances reserved for special revenue funds decreased by \$2.1 million. The decrease in capital projects is primarily due to the timing of debt issuances and the related expenditures in the capital projects funds.

Unreserved, undesignated fund balance in the General Fund, which is available for spending at the City's discretion, was \$19.7 million in FY 2010 compared to \$19.8 million in FY 2009. This is 19.7 percent of the ending governmental fund balance, compared to 18.8 percent of ending governmental fund balance, at the end of the prior fiscal year. The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund revenues. Unreserved fund balance represented 18.7 percent of total General Fund revenues compared to 19.3 percent of total General Fund revenue in the prior year.

Proprietary funds: The City's proprietary fund statements provide essentially the same type of information found in the GWFS, but in more detail. Unrestricted net assets of the major proprietary funds at the end of September 30, 2010 and 2009 are as follows with amounts presented in thousands:

	2010	2009
LP&L	\$ 87,413	\$ 79,791
Water Fund	12,431	5,685
Wastewater Fund	8,409	7,137
WTMPA	1,760	1,420
Storm Water	2,416	4,037
	<u>\$ 112,429</u>	<u>\$ 98,070</u>

The LP&L Fund increased unrestricted net assets by \$7.6 million, compared to an increase of \$17.3 million during the prior year. The increase is due to the City Council and LP&L Board decision to increase reserves in order to have contingency funds and to improve bond ratings. Also, funds have been accumulated to cash fund a portion of the purchase of Southwestern Public Service assets, an event which occurred subsequent to year end.

The Water Fund unrestricted net assets increased by \$6.7 million compared to an increase of \$2.9 million in the prior year. In both years the change in net assets was part of a long-term rate structure plan. The FY 2010 adopted budget planned to return \$5.8 million to unrestricted net assets and the FY 2009 adopted budget planned to include \$2.3 million utilization of net assets in an effort to smooth rate increases over a five-year period. The Water Fund has large capital projects planned, particularly for the Lake Alan Henry pipeline and a water treatment plant, which will be funded through the issuance of debt.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

Net assets are being accumulated and utilized to act as a rate stabilizer for future debt service requirements. Future water rates are planned in a manner that ultimately leaves the fund with sufficient net assets in accordance with policy levels.

The Wastewater Fund unrestricted net assets increased by \$1.3 million which was the same increase as the prior year. The FY 2010 adopted budget planned to return \$1.5 million to net assets. Net assets were planned to be utilized as a rate stabilizer, while future rates were planned in a manner that ultimately leaves the fund with sufficient net assets in accordance with policy levels.

The WTMPA Fund unrestricted net assets increased by \$0.3 million compared to a decrease of \$0.5 million during the prior fiscal year. This fund has very little fluctuation in net assets since operating revenues are set to break even with operating expenses.

The Storm Water Fund unrestricted net assets decreased by \$1.6 million compared to a \$2.3 million decrease in the prior fiscal year. The FY 2010 adopted budget planned to utilize \$2.3 million of net assets. Unrestricted net assets are in excess of policy levels, and will continue to act as a rate stabilizer as rate increases are implemented to bring revenues in line with operational expenses and debt service expenditures.

General Fund Budgetary Highlights

The Adopted Operating Budget for the General Fund, including transfers, was balanced and totaled \$124.2 million. There were no supplements to the budget during FY 2010.

Revenues and transfers in the General Fund were over budget by \$0.7 million. Property tax and sales tax were each over budget by \$0.2 million. Budget projections continued to be conservative with the recession and both property tax and sales tax revenue experienced slight increases over the prior year. Franchise fees also were over budget by \$0.3 million, which was primarily attributed to a slight increase in natural gas prices.

The City ended the fiscal year with expenditures and transfers out totaling \$0.6 million more than budgeted. The City budgets on a basis other than Generally Accepted Accounting Principles (GAAP), with the main difference being that capital lease proceeds and related capital outlay are not budgeted.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business-type activities at September 30, 2010, totaled \$1.1197 billion net of accumulated depreciation, a \$78.1 million increase over the prior fiscal year's balance of \$1.1184 billion net of accumulated depreciation. The investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

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

	Governmental Activities		Business- type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 15,959	\$ 9,019	\$ 40,730	\$ 33,426	\$ 56,689	\$ 42,445
Buildings	25,673	22,595	68,352	70,666	94,025	93,261
Improvements other than buildings	192,669	128,915	581,814	552,527	774,483	681,442
Machinery and equipment	22,573	22,286	82,511	86,240	105,084	108,526
Construction in progress	35,674	85,182	130,576	107,595	166,250	192,777
Total	<u>\$ 292,548</u>	<u>\$ 267,997</u>	<u>\$ 903,983</u>	<u>\$ 850,454</u>	<u>\$ 1,196,531</u>	<u>\$ 1,118,451</u>

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

- Various street improvements, totaling \$28.3 million
- Southeast Water Reclamation Plant, totaling \$13.9 million
- Transformers, and overhead and underground electric lines for LP&L, totaling \$7.0 million
- Lake Alan Henry Water Treatment Plant, totaling \$10.2 million
- Lake Alan Henry Pipeline, totaling \$16.3 million

At the end of the fiscal year, the City had construction commitments of \$251.1 million. The largest construction commitment is a 65 mile water transmission line that will extend to Lake Alan Henry. The City also has significant construction commitments involving a Lake Alan Henry Water Treatment Plant and Terminal Reservoir.

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

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

City of Lubbock Outstanding Debt
General Obligation and Revenue Bonds
September 30
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 259,634	\$ 232,160	\$ 578,026	\$ 451,090	\$ 837,660	\$ 683,250
Revenue bonds	-	-	51,992	47,414	51,992	47,414
Total	<u>\$ 259,634</u>	<u>\$ 232,160</u>	<u>\$ 630,018</u>	<u>\$ 498,504</u>	<u>\$ 889,652</u>	<u>\$ 730,664</u>

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

valuation. The Attorney General of the State of Texas permits an allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation bonds debt service. The FY 2010 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.084, which is significantly below the maximum allowable tax rate.

As of September 30, 2010, the City's total outstanding debt has increased by \$159.0 million, or 21.8 percent over the prior fiscal year. The increase in outstanding debt is attributed to the issuance of \$197.4 million in debt, offset by the payment of scheduled debt service totaling \$38.4 million.

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

- \$19.9 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2010 were issued. 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.
- \$8.8 million General Obligation Bonds, Series 2010A and \$15.3 million General Obligation Bonds, Taxable Series 2010B (Build America Bonds) were issued. These certificates were issued for various public improvements and public purposes including Municipal Auditorium renovation, Civic Center renovation, Mahon Library renovation, traffic signal upgrades, street improvements, and Fire Station #16.
- \$49.0 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2010 A and \$96.5 million Tax and Waterworks System Surplus Revenue Certifications of Obligation, Series 2010B (Build America Bonds) were issued. These certificates were issued for various public improvements including solid waste, drainage, water, streets, electric, airport, and wastewater projects.
- \$7.8 million Canadian River Municipal Water Authority Revenue Bonds, Series 2009 were issued for pro rata share of water rights.

In April 2010, Moody's Investor Service upgraded the City's bond rating from Aa3 to Aa2. In May 2010, Fitch Ratings, Inc. recalibrated the City's rating from AA to AA+. Both rating agencies characterize the City's rating outlook as stable.

In October 2010, Fitch Ratings, Inc. placed LP&L's bond rating on watch positive. Also in October 2010, Standard and Poor's boosted LP&L's rating from A- Stable to A- Positive, and shortly thereafter, upgraded LP&L to AA- Stable. Moody's Investor Service affirmed LP&L's rating of A1 Stable.

Additional information about the City's long-term debt can be found on pages 81-86 of the CAFR.

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

- In September 2010, the unemployment rate for the Lubbock area was 5.8 percent. This is a 1.8 percent increase over September of the previous year, and compares favorably to the state's unemployment rate of 7.9 percent and the national rate of 9.2 percent for September 2010.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010

- Taxable retail sales figures reflected a 0.5 percent increase in FY 2010, compared to FY 2009. Sales tax revenue was \$51.0 million in 2010.
- The total number of new residential permits through September 2010 increased 20.1 percent from 2009 levels, and valuation amounts were \$179.0 million which is 35.6 percent higher than the same time period in 2009.
- Total occupancy in local hotels and motels remained steady, and the local occupancy tax totaled nearly \$4.2 million as in the prior fiscal year.

The above factors were considered in preparing the City's budget for FY 2011.

- The City has adopted an increased tax rate of \$0.45617 for FY 2011. The property tax rate is increasing 0.977 cents per \$100 valuation, which is directly related to projects authorized in the 2009 Bond Election, and funded with bonds as of October 1, 2010. The bond election authorized \$50.6 million in streets, traffic control, and fire station projects, with a total projected tax rate increase of 3.425 cents per \$100 valuation. The property tax rate is broken down as follows: General Fund \$0.33240; Debt Service Fund \$0.09377; and Economic Development Fund \$0.03. The Economic Development Fund rate will remain at \$0.03. Property tax revenues are expected to increase by 0.9 percent due to increasing property valuations.
- Sales tax estimates are flat compared to FY 2010 due to uncertainty regarding the future of the local and national economy.
- The City's fuel costs are expected to increase for FY 2011 and are based on estimated fuel prices rising from \$2.5342 to \$2.6648 per gallon for unleaded fuel and from \$2.6507 to \$2.8404 per gallon for diesel fuel.
- Electric utility power costs will decrease \$1.6 million due to the elimination of electricity costs for street lighting. Electric costs for street lighting will be absorbed in the LP&L budget for FY 2011.
- The master lease program is expected to increase General Fund expenditures by \$1.7 million.
- The City Council approved a merit increase for all full-time, non-Civil Service employees, effective January 1, 2011. The General Fund merit increase is expected to raise expenditures by \$0.4 million.
- The Fire Department budget will increase \$1.9 million for FY 2011. The third year cost of the Firefighter compensation program, which will go into effect January 1, 2011, totals \$1.4 million. Additionally, higher pension contributions to the Lubbock Fire Pension Fund, higher fuel prices, the lease payment for new office space for the Fire Marshal's office, and increases to liability insurance contribute to the increased costs for the Fire Department.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2010**

- The Police Department budget will increase \$2.3 million for FY 2011. The Police Department will receive a cost of living adjustment, effective January 1, 2011. Promotions and step increases within the ranks, higher fuel prices, increased expenses for supplies related to investigations, and increases in liability insurance contribute to the increased costs for the Police Department.
- Retirement contributions are planned to increase \$0.8 million due to a change in the actuarial method used by the Texas Municipal Retirement System. The City's contribution is increasing from 18.3 percent to 19.3 percent of payroll. In FY 2011, the City will be in the third year of an eight year phase in of annual increases until the City reaches its full contribution rate. Corresponding increases for Fire Pension Fund were also included in the planned budget increases.
- In FY 2011, the Solid Waste Fund, the Storm Water Fund, the Water Fund, and the Wastewater Fund all experienced rate increases. The increases in fees are to offset additional costs associated with new equipment and infrastructure debt service requirements.

Requests for Information

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



City of Lubbock, Texas
Statement of Net Assets
September 30, 2010

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 99,299	\$ 1,548,011	\$ 1,647,310	\$ 3,296,864
Investments	60,257,512	141,307,278	201,564,790	1,191,553
Receivables (net of allowance for uncollectibles)	11,632,020	33,231,975	44,863,995	932,464
Internal balance	(3,266,908)	3,266,908	-	-
Due from other governments	2,796,084	1,010,371	3,806,455	-
Due from others	2,384,207	303,482	2,687,689	348,294
Inventories	134,374	3,328,441	3,462,815	142,267
Investment in property	223,928	-	223,928	-
Prepaid expenses	676,498	56,771	733,269	33,864
Restricted assets:				
Cash and cash equivalents	-	-	-	2,020,728
Investments	48,165,510	216,959,820	265,125,330	-
Incentive advances	-	-	-	3,000,000
Pledges and leases receivable	4,552,066	-	4,552,066	-
Mortgage receivables	4,918,505	-	4,918,505	-
Deferred charges	-	2,544,443	2,544,443	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	51,633,267	171,306,112	222,939,379	21,346,565
Depreciable	240,914,226	732,677,178	973,591,404	213,339
Total assets	425,120,588	1,307,540,790	1,732,661,378	32,525,938
LIABILITIES				
Accounts payable	8,830,299	22,504,409	31,334,708	1,297,987
Accrued liabilities	5,793,573	3,333,608	9,127,181	188,182
Accrued interest payable	1,646,289	4,621,341	6,267,630	-
Customer deposits	-	4,727,086	4,727,086	-
Unearned revenue	5,971,980	3,220	5,975,200	3,310,634
Noncurrent liabilities due within one year:				
Compensated absences	7,308,140	3,055,719	10,363,859	-
Accrued insurance claims	1,456,201	2,161,517	3,617,718	-
Contracts and leases payable	4,881,370	6,825,147	11,706,517	2,065,898
Bonds payable	13,181,921	38,948,902	52,130,823	3,130,924
Noncurrent liabilities due in more than one year:				
Compensated absences	13,616,651	2,900,535	16,517,186	-
Post employment benefits	9,965,786	5,005,802	14,971,588	-
Net pension obligation	4,160,415	2,543,859	6,704,274	-
Accrued insurance claims	142,323	2,737,615	2,879,938	-
Rebatable arbitrage	282,408	122,569	404,977	-
Landfill closure and postclosure care	-	4,886,726	4,886,726	-
Contracts and leases payable	14,722,006	15,268,714	29,990,720	1,541,708
Bonds payable	252,099,414	596,404,164	848,503,578	6,254,373
Total liabilities	344,058,776	716,050,933	1,060,109,709	17,789,706
NET ASSETS				
Invested in capital assets, net of related debt	52,476,223	435,249,576	487,725,799	12,174,607
Restricted for:				
Passenger facility charges	-	1,414,255	1,414,255	-
Debt service	4,932,069	26,832,353	31,764,422	-
Grant programs	5,897,459	-	5,897,459	-
Primary government agreement	-	-	-	100,000
Unrestricted	17,756,061	127,993,673	145,749,734	2,461,625
Total net assets	\$ 81,061,812	\$ 591,489,857	\$ 672,551,669	\$ 14,736,232

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2010

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Primary government:				
Governmental activities:				
Administrative services and general government	\$ 12,005,910	\$ 31,745	\$ -	\$ -
Community services	12,231,817	-	9,770,132	-
Cultural and recreation	16,590,119	1,633,944	769,551	15,000
Economic and business development	15,335,806	863,607	-	1,420,000
Fire	36,803,080	17,665	-	-
Health	5,599,276	738,487	1,871,528	1,000,000
Police	54,171,638	156,975	274,447	1,325,745
Other public safety	6,343,372	6,509,356	980,176	185,350
Streets and traffic	28,180,967	38,054	-	4,191,484
Interest on long-term debt	12,207,377	-	-	-
Total governmental activities	<u>199,469,362</u>	<u>9,989,833</u>	<u>13,665,834</u>	<u>8,137,579</u>
Business-type activities:				
Electric	135,633,692	149,640,110	-	341,948
Water	39,864,139	59,474,560	-	1,096,626
Wastewater	18,747,033	26,720,757	47,401	1,011,975
Solid Waste	20,034,944	17,037,506	-	-
Storm Water	7,927,175	12,118,701	-	1,721,950
Transit	12,166,089	4,647,586	3,764,297	3,566,769
Airport	10,873,761	7,129,257	2,043,220	4,256,371
Civic Centers	4,049,027	640,228	-	-
Cemetery	693,689	436,534	-	-
Total business-type activities	<u>249,989,549</u>	<u>277,845,239</u>	<u>5,854,918</u>	<u>11,995,639</u>
Total primary government	<u>\$ 449,458,911</u>	<u>\$ 287,835,072</u>	<u>\$ 19,520,752</u>	<u>\$ 20,133,218</u>
Component units:				
Civic Lubbock, Inc.	\$ 2,465,862	\$ 2,331,300	\$ 260,122	\$ -
Market Lubbock, Inc.	6,306,489	78,265	6,533,504	-
Lubbock Economic Development Alliance	5,697,071	-	5,277,398	-
Vintage Township Public Facilities Corporation	267,464	-	-	609,402
Total component units	<u>\$ 14,736,886</u>	<u>\$ 2,409,565</u>	<u>\$ 12,071,024</u>	<u>\$ 609,402</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**

Primary Government		Total	Component Units
Governmental Activities	Business-type Activities		
\$ (11,974,165)	\$ -	\$ (11,974,165)	\$ -
(2,461,685)	-	(2,461,685)	-
(14,171,624)	-	(14,171,624)	-
(13,052,199)	-	(13,052,199)	-
(36,785,415)	-	(36,785,415)	-
(1,989,261)	-	(1,989,261)	-
(52,414,471)	-	(52,414,471)	-
1,331,510	-	1,331,510	-
(23,951,429)	-	(23,951,429)	-
(12,207,377)	-	(12,207,377)	-
(167,676,116)	-	(167,676,116)	-
-	14,348,366	14,348,366	-
-	20,707,047	20,707,047	-
-	9,033,100	9,033,100	-
-	(2,997,438)	(2,997,438)	-
-	5,913,476	5,913,476	-
-	(187,437)	(187,437)	-
-	2,555,087	2,555,087	-
-	(3,408,799)	(3,408,799)	-
-	(257,155)	(257,155)	-
-	45,706,247	45,706,247	-
(167,676,116)	45,706,247	(121,969,869)	-
-	-	-	125,560
-	-	-	305,280
-	-	-	(419,673)
-	-	-	341,938
-	-	-	353,105
55,064,777	-	55,064,777	-
51,008,384	-	51,008,384	-
4,238,675	-	4,238,675	-
1,219,092	-	1,219,092	-
11,702,985	-	11,702,985	-
432,819	477,365	910,184	2,225
4,293,491	2,130,124	6,423,615	1,198,195
19,869,774	(19,869,774)	-	-
147,829,997	(17,262,285)	130,567,712	1,200,420
(19,846,119)	28,443,962	8,597,843	1,553,525
100,907,931	563,045,895	663,953,826	13,182,707
\$ 81,061,812	\$ 591,489,857	\$ 672,551,669	\$ 14,736,232

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 23,303	\$ 12,486	\$ 47,799	\$ 83,588
Investments	16,427,563	10,370,949	22,383,507	49,182,019
Taxes receivable (net)	9,630,178	-	1,116,216	10,746,394
Accounts receivable (net)	868,207	-	778	868,985
Interest receivable	5,515	2,253	6,041	13,809
Due from other funds	1,766,653	-	-	1,766,653
Due from other governments	-	-	2,796,084	2,796,084
Due from others	699,426	-	1,473,821	2,173,247
Investment in property	-	-	223,928	223,928
Prepaid expenses	9,764	-	-	9,764
Inventory	119,115	-	-	119,115
Restricted investments	-	20,571,936	27,593,574	48,165,510
Pledges and leases receivable	-	-	4,552,066	4,552,066
Mortgage receivables	-	-	4,918,505	4,918,505
Total assets	<u>\$ 29,549,724</u>	<u>\$ 30,957,624</u>	<u>\$ 65,112,319</u>	<u>\$ 125,619,667</u>
LIABILITIES				
Accounts payable	\$ 2,660,136	\$ 2,134,093	\$ 2,598,820	\$ 7,393,049
Due to other funds	-	-	3,038,437	3,038,437
Accrued liabilities	5,166,390	15,568	216,116	5,398,074
Deferred revenue	1,912,599	109,341	7,744,308	9,766,248
Total liabilities	<u>9,739,125</u>	<u>2,259,002</u>	<u>13,597,681</u>	<u>25,595,808</u>
FUND BALANCES				
Reserved for:				
Prepaid items/inventory	128,880	-	-	128,880
Debt service	-	-	1,684,253	1,684,253
Capital projects	-	28,698,622	23,886,190	52,584,812
Special revenue - grants	-	-	5,897,459	5,897,459
Unreserved, undesignated reported in:				
General fund	19,681,719	-	-	19,681,719
Special revenue funds	-	-	20,046,736	20,046,736
Total fund balances	<u>19,810,599</u>	<u>28,698,622</u>	<u>51,514,638</u>	<u>100,023,859</u>
Total liabilities and fund balances	<u>\$ 29,549,724</u>	<u>\$ 30,957,624</u>	<u>\$ 65,112,319</u>	<u>\$ 125,619,667</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
September 30, 2010

Total fund balance - governmental funds	\$ 100,023,859
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	292,547,493
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Internal service funds (ISF's) are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The portion of the assets and liabilities of the ISF's primarily serving governmental funds are included in governmental activities in the statement of net assets as follows:

Net assets	9,710,822
Net book value of capital assets	(3,064,731)
Capital leases payable	395,963
Compensated absences	549,988
Post employment benefits	335,091
Net pension obligation	195,137
Amounts due from business-type ISFs for amounts undercharged	(1,995,124)

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	(259,633,911)
Capital leases payable	(19,603,376)
Compensated absences	(20,924,791)
Post employment benefits	(9,965,786)
Net pension obligation	(4,160,415)
Accrued interest on general obligation bonds	(1,645,226)
Rebatable arbitrage	(282,408)
Environmental remediation	(234,351)

Bond premiums are recognized as an other financing source in the fund statements but the premiums are amortized over the life of the bonds in the government-wide statements.	(5,647,424)
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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.	666,734
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Revenue earned but unavailable in the funds is deferred.	<u>3,794,268</u>
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Net assets of governmental activities	<u><u>\$ 81,061,812</u></u>
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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, 2010

	General Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 86,888,762	\$ -	\$ 24,645,246	\$ 111,534,008
Franchise taxes	7,025,122	-	4,677,863	11,702,985
Special assessments	-	-	761,550	761,550
Fees and fines	3,047,293	-	346,117	3,393,410
Licenses and permits	2,493,594	-	-	2,493,594
Intergovernmental	484,543	265,423	14,815,996	15,565,962
Charges for services	2,964,001	-	417,046	3,381,047
Interest	48,895	83,257	104,805	236,957
Miscellaneous	2,158,723	44,824	4,191,323	6,394,870
Total revenues	<u>105,110,933</u>	<u>393,504</u>	<u>49,959,946</u>	<u>155,464,383</u>
EXPENDITURES				
Current:				
Administrative services and general government	10,572,200	-	-	10,572,200
Community services	-	-	11,324,436	11,324,436
Cultural and recreation	11,859,275	315,806	1,001,824	13,176,905
Economic and business development	982,508	-	12,969,378	13,951,886
Health	3,217,069	-	1,741,504	4,958,573
Fire	31,874,544	37,255	1,722	31,913,521
Police	45,018,594	-	1,727,357	46,745,951
Other public safety	4,690,621	-	781,468	5,472,089
Streets and traffic	8,904,450	102,825	85,163	9,092,438
Intergovernmental	-	-	8,042,288	8,042,288
Debt service:				
Principal	3,727,092	-	10,907,849	14,634,941
Interest and other charges	572,123	161,081	11,761,546	12,494,750
Capital outlay	4,135,290	21,260,353	15,904,875	41,300,518
Total expenditures	<u>125,553,766</u>	<u>21,877,320</u>	<u>76,249,410</u>	<u>223,680,496</u>
Revenues under expenditures	<u>(20,442,833)</u>	<u>(21,483,816)</u>	<u>(26,289,464)</u>	<u>(68,216,113)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	26,812,947	11,568,826	38,381,773
Bond premium (discount)	-	691,019	180,723	871,742
Capital leases issued	4,015,386	-	-	4,015,386
Transfers in	19,805,805	1,508,662	17,364,766	38,679,233
Transfers out	(3,449,174)	(13,210)	(15,216,613)	(18,678,997)
Net other financing sources	<u>20,372,017</u>	<u>28,999,418</u>	<u>13,897,702</u>	<u>63,269,137</u>
Net change in fund balances	<u>(70,816)</u>	<u>7,515,602</u>	<u>(12,391,762)</u>	<u>(4,946,976)</u>
Fund balances - beginning of year	<u>19,881,415</u>	<u>21,183,020</u>	<u>63,906,400</u>	<u>104,970,835</u>
Fund balances - end of year	<u>\$ 19,810,599</u>	<u>\$ 28,698,622</u>	<u>\$ 51,514,638</u>	<u>\$ 100,023,859</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, 2010

Net change in fund balances - total governmental funds	\$ (4,946,976)
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 \$41,300,518 exceeded depreciation of \$21,014,913 in the current period.	20,285,605
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 \$38,381,773 exceeded debt repayments of \$10,907,849.	(27,473,924)
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 \$4,015,386 exceeded repayments of \$3,727,092.	(288,294)
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 \$871,742 exceeded amortization of \$336,738.	(535,004)
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	114,709
Compensated absences	(1,373,929)
Post retirement benefits	(4,530,896)
Net pension obligation	(2,404,988)
Environmental remediation	238,521
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.	(42,846)
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.	(182,157)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(1,959,433)
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.	(148,343)
Capital assets transactions include \$3,817,449 developer donated streets and parks, less \$130,462 equipment transfers out to business-type activities and \$285,151 sales and trade-in.	3,401,836
Change in net assets of governmental activities	<u><u>\$ (19,846,119)</u></u>

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2010

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 126,949	\$ 14,362	\$ 17,420	\$ 1,355,770
Investments	89,653,972	17,177,713	9,824,014	402,558
Accounts receivable	17,437,173	7,644,373	2,953,829	650,197
Interest receivable	24,350	5,580	4,235	-
Due from others	-	2,405	68,399	-
Due from other funds	-	-	-	8,567,265
Due from other governments	-	47,087	47,401	-
Prepaid expenses	-	-	-	-
Inventories	222,715	296,165	-	-
Total current assets	<u>107,465,159</u>	<u>25,187,685</u>	<u>12,915,298</u>	<u>10,975,790</u>
Noncurrent assets:				
Restricted investments	13,093,601	156,576,955	24,569,486	-
Deferred charges	2,544,443	-	-	-
	<u>15,638,044</u>	<u>156,576,955</u>	<u>24,569,486</u>	<u>-</u>
Capital assets:				
Land	1,092,472	17,665,931	12,935,722	-
Construction in progress	9,586,902	47,652,174	56,330,026	-
Buildings	8,030,074	25,982,002	24,059,440	-
Improvements other than buildings	214,858,424	337,529,618	145,302,080	-
Machinery and equipment	57,651,799	35,960,469	18,761,888	-
Less accumulated depreciation	(137,884,565)	(122,919,237)	(83,831,670)	-
Total capital assets	<u>153,335,106</u>	<u>341,870,957</u>	<u>173,557,486</u>	<u>-</u>
Total noncurrent assets	<u>168,973,150</u>	<u>498,447,912</u>	<u>198,126,972</u>	<u>-</u>
Total assets	<u>\$ 276,438,309</u>	<u>\$ 523,635,597</u>	<u>\$ 211,042,270</u>	<u>\$ 10,975,790</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds			
Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,139	\$ 17,532	\$ 1,535,172	\$ 28,550
2,329,988	12,868,020	132,256,265	20,126,506
1,345,306	3,159,282	33,190,160	-
1,381	3,952	39,498	5,149
-	163,007	233,811	280,631
-	2,571,784	11,139,049	-
-	915,883	1,010,371	-
-	56,771	56,771	-
-	821,238	1,340,118	2,003,582
<u>3,679,814</u>	<u>20,577,469</u>	<u>180,801,215</u>	<u>22,444,418</u>
9,688,474	13,031,304	216,959,820	-
-	-	2,544,443	-
<u>9,688,474</u>	<u>13,031,304</u>	<u>219,504,263</u>	<u>-</u>
2,267,200	6,768,963	40,730,288	65,343
4,238,900	12,767,822	130,575,824	-
64,580	68,037,046	126,173,142	1,697,054
105,918,902	135,024,329	938,633,353	920,685
5,466,350	76,377,486	194,217,992	10,532,225
(15,293,200)	(167,316,657)	(527,245,329)	(9,252,556)
<u>102,662,732</u>	<u>131,658,989</u>	<u>903,085,270</u>	<u>3,962,751</u>
<u>112,351,206</u>	<u>144,690,293</u>	<u>1,122,589,533</u>	<u>3,962,751</u>
<u>\$ 116,031,020</u>	<u>\$ 165,267,762</u>	<u>\$ 1,303,390,748</u>	<u>\$ 26,407,169</u>

City of Lubbock, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2010

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 936,901	\$ 7,767,578	\$ 2,355,350	\$ 9,215,531
Accrued liabilities	1,750,221	344,454	232,466	-
Accrued interest payable	1,100,316	2,144,718	593,360	-
Due to other funds	8,567,265	-	-	-
Customer deposits	4,526,788	138,178	-	-
Deferred revenue	-	-	-	-
Compensated absences	1,342,413	460,479	272,082	-
Accrued insurance claims	-	-	-	-
Leases payable	999,376	793,974	433,453	-
Bonds payable	12,343,562	14,658,812	6,717,248	-
Total current liabilities	<u>31,566,842</u>	<u>26,308,193</u>	<u>10,603,959</u>	<u>9,215,531</u>
Noncurrent liabilities:				
Accrued insurance claims	-	-	-	-
Rebatable arbitrage	20,428	27,238	54,475	-
Landfill closure and post closure care	-	-	-	-
Compensated absences	1,394,840	478,462	282,707	-
Post employment benefits	1,791,935	952,719	452,989	-
Net pension obligation	1,165,697	443,321	262,791	-
Leases payable	867,224	2,353,916	623,281	-
Bonds payable	70,417,647	314,622,019	97,118,616	-
Total noncurrent liabilities	<u>75,657,771</u>	<u>318,877,675</u>	<u>98,794,859</u>	<u>-</u>
Total liabilities	<u>107,224,613</u>	<u>345,185,868</u>	<u>109,398,818</u>	<u>9,215,531</u>
NET ASSETS				
Invested in capital assets, net of related debt	75,923,264	154,323,145	88,960,590	-
Restricted for:				
Passenger facility charges	-	-	-	-
Debt service	5,877,634	11,696,047	4,273,783	-
Unrestricted	<u>87,412,798</u>	<u>12,430,537</u>	<u>8,409,079</u>	<u>1,760,259</u>
Total net assets	<u>\$ 169,213,696</u>	<u>\$ 178,449,729</u>	<u>\$ 101,643,452</u>	<u>\$ 1,760,259</u>

Enterprise Funds			
Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 160,464	\$ 1,359,382	\$ 21,795,206	\$ 2,146,453
84,919	855,259	3,267,319	227,437
535,178	247,703	4,621,275	1,129
-	1,300,000	9,867,265	-
-	62,120	4,727,086	-
-	3,220	3,220	-
80,694	851,470	3,007,138	240,669
-	-	-	3,617,718
386,153	4,198,879	6,811,835	160,628
2,496,765	2,732,515	38,948,902	-
3,744,173	11,610,548	93,049,246	6,394,034
-	-	-	2,879,938
-	20,428	122,569	-
-	4,886,726	4,886,726	-
83,845	610,203	2,850,057	408,378
216,637	1,380,530	4,794,810	546,083
102,434	496,795	2,471,038	267,958
2,481,906	8,942,387	15,268,714	248,647
83,989,848	30,256,034	596,404,164	-
86,874,670	46,593,103	626,798,078	4,351,004
90,618,843	58,203,651	719,847,324	10,745,038
19,807,552	95,350,317	434,364,868	3,553,476
-	1,414,255	1,414,255	-
3,188,983	1,795,906	26,832,353	-
2,415,642	8,503,633	120,931,948	12,108,655
<u>\$ 25,412,177</u>	<u>\$ 107,064,111</u>	<u>\$ 583,543,424</u>	<u>\$ 15,662,131</u>



City of Lubbock, Texas
Reconciliation of the Statement of Net Assets - Proprietary Funds
To the Statement of Net Assets
September 30, 2010

Total net assets - proprietary funds	\$ 583,543,424
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Amounts reported for business-type activities in the Statement of Net Assets are different because:

Internal service funds (ISFs) are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The portion of assets and liabilities of the ISFs primarily serving enterprise funds are included in business-type activities in the Statement of Net Assets as follows:

Net assets of business-type ISFs	5,951,309
Amounts due to governmental ISFs for amounts overcharged	<u>1,995,124</u>
Net assets of business-type activities	<u><u>\$ 591,489,857</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, 2010

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
OPERATING REVENUES				
Charges for services (net)	\$ 143,222,344	\$ 59,474,560	\$ 26,720,757	\$ 94,311,154
Total operating revenues	143,222,344	59,474,560	26,720,757	94,311,154
OPERATING EXPENSES				
Personal services	15,157,181	7,537,079	4,270,922	-
Insurance and claims	-	-	-	-
Supplies	1,116,411	1,430,719	852,697	-
Materials	-	-	-	-
Maintenance	2,775,986	2,322,316	1,225,653	-
Purchase of fuel and power	88,464,687	-	-	94,257,921
Billing office expense	-	2,232,839	1,145,930	-
Other services and charges	4,461,060	9,059,342	3,685,766	442,437
Depreciation and amortization	11,759,659	9,801,484	5,494,099	-
Total operating expenses	123,734,984	32,383,779	16,675,067	94,700,358
Operating income (loss)	19,487,360	27,090,781	10,045,690	(389,204)
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	92,511	294,344	1,676	765
Passenger facility charges/Federal grants	-	-	47,401	-
Disposition of assets	(645,380)	(119,751)	21,177	-
Miscellaneous	542,031	144,697	78,868	421,997
Interest expense	(3,677,970)	(7,054,238)	(1,926,806)	-
Net nonoperating revenues (expenses)	(3,688,808)	(6,734,948)	(1,777,684)	422,762
Income (loss) before contributions and transfers	15,798,552	20,355,833	8,268,006	33,558
Capital contributions	342,353	1,152,842	1,085,816	-
Transfers in	-	178,709	128,754	306,756
Transfers out	(7,174,775)	(7,074,136)	(3,155,984)	-
Change in net assets	8,966,130	14,613,248	6,326,592	340,314
Total net assets - beginning of year	160,247,566	163,836,481	95,316,860	1,419,945
Total net assets - ending	\$ 169,213,696	\$ 178,449,729	\$ 101,643,452	\$ 1,760,259

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			
Storm Water	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>\$ 12,118,701</u>	<u>\$ 29,891,111</u>	<u>\$ 365,738,627</u>	<u>\$ 46,896,013</u>
<u>12,118,701</u>	<u>29,891,111</u>	<u>365,738,627</u>	<u>46,896,013</u>
1,769,869	17,262,568	45,997,619	4,972,495
-	-	-	30,594,783
137,422	3,288,092	6,825,341	140,448
-	-	-	10,750,718
256,202	4,364,241	10,944,398	2,498,579
-	-	182,722,608	-
645,502	579,743	4,604,014	-
303,903	7,070,047	25,022,555	2,048,746
2,842,899	13,445,715	43,343,856	446,610
<u>5,955,797</u>	<u>46,010,406</u>	<u>319,460,391</u>	<u>51,452,379</u>
<u>6,162,904</u>	<u>(16,119,295)</u>	<u>46,278,236</u>	<u>(4,556,366)</u>
33,063	46,392	468,751	204,476
-	5,807,517	5,854,918	-
23,992	267,473	(452,489)	15,210
11,070	853,982	2,052,645	667,031
<u>(1,944,781)</u>	<u>(1,553,232)</u>	<u>(16,157,027)</u>	<u>(16,721)</u>
<u>(1,876,656)</u>	<u>5,422,132</u>	<u>(8,233,202)</u>	<u>869,996</u>
4,286,248	(10,697,163)	38,045,034	(3,686,370)
1,721,950	7,823,140	12,126,101	-
-	4,545,761	5,159,980	-
<u>(3,963,411)</u>	<u>(3,791,910)</u>	<u>(25,160,216)</u>	<u>-</u>
2,044,787	(2,120,172)	30,170,899	(3,686,370)
<u>23,367,390</u>	<u>109,184,283</u>	<u>553,372,525</u>	<u>19,348,501</u>
<u>\$ 25,412,177</u>	<u>\$ 107,064,111</u>	<u>\$ 583,543,424</u>	<u>\$ 15,662,131</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, 2010

Net change in fund net assets - total enterprise funds	\$ 30,170,899
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds (ISFs) are used by management to charge the costs of certain activities such as fleet services, central warehousing activities, management information activities, etc. to individual funds. The net revenue (expense) of certain ISFs is reported with business-type activities.	(1,726,937)
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Change in net assets of business-type activities	\$ 28,443,962
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See accompanying Notes to Basic Financial Statements.

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

	Enterprise Funds			
	LP&L	Water	Wastewater	WTMPA
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 140,427,236	\$ 59,407,282	\$ 26,836,406	\$ 91,448,846
Payments to suppliers	(91,574,681)	(9,958,459)	(5,455,671)	(91,572,577)
Payments to employees	(15,157,181)	(7,881,533)	(4,503,389)	-
Other receipts	542,031	144,697	78,868	421,997
Net cash provided (used) by operating activities	<u>34,237,405</u>	<u>41,711,987</u>	<u>16,956,214</u>	<u>298,266</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	-	178,709	128,754	306,756
Transfers out to other funds	(7,174,775)	(7,074,136)	(3,155,984)	-
Short-term interfund borrowings	-	-	-	-
Passenger facility charges and operating grants	-	-	47,401	-
Net cash provided (used) by noncapital and related financing activities	<u>(7,174,775)</u>	<u>(6,895,427)</u>	<u>(2,979,829)</u>	<u>306,756</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(10,328,939)	(45,246,993)	(21,487,785)	-
Sale of capital assets	50,831	31,399	21,177	-
Principal paid on capital leases	(1,109,282)	(865,000)	(529,470)	-
Principal paid on bonds	(5,333,846)	(11,096,823)	(6,252,636)	-
Issuance of capital leases	-	178,411	157,160	-
Issuance of bonds	6,294,380	142,539,508	4,313,868	-
Bond issuance costs	(30,828)	(910,312)	(29,316)	-
Interest paid on bonds and capital leases	(3,776,733)	(6,106,675)	(2,254,347)	-
Rebatable arbitrage	(18,027)	(40,759)	(42,677)	-
Capital grants and contributions	-	292,308	186,252	-
Net cash provided (used) for capital and related financing activities	<u>(14,252,444)</u>	<u>78,775,064</u>	<u>(25,917,774)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	-	15,414,135	-
Purchase of investments	(13,373,164)	(113,918,009)	(3,548,759)	(765)
Interest earnings on cash and investments	279,475	315,841	55,825	765
Net cash provided (used) for investing activities	<u>(13,093,689)</u>	<u>(113,602,168)</u>	<u>11,921,201</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(283,503)	(10,544)	(20,188)	605,022
Cash and cash equivalents - beginning of year	410,452	24,906	37,608	750,748
Cash and cash equivalents - end of year	<u>\$ 126,949</u>	<u>\$ 14,362</u>	<u>\$ 17,420</u>	<u>\$ 1,355,770</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 19,487,360	\$ 27,090,781	\$ 10,045,690	\$ (389,204)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	11,759,659	9,801,484	5,494,099	-
Other income (expense)	542,031	144,697	78,868	421,997
Change in current assets and liabilities:				
Accounts receivable	(2,795,108)	(67,278)	115,649	59,993
Inventory	11,255	(32,084)	-	-
Prepaid expenses	-	-	-	-
Due from other governments	-	(8,428)	(28,187)	-
Accounts payable	116,516	4,180,719	492,310	3,127,781
Due to/from other funds	2,922,301	78,556	342,657	(2,922,301)
Other accrued expenses	(9,199)	(35,225)	22,411	-
Customer deposits	460,695	18,986	-	-
Change in compensated absences and retirement benefits	1,741,895	539,779	392,717	-
Net cash provided (used) by operating activities	<u>\$ 34,237,405</u>	<u>\$ 41,711,987</u>	<u>\$ 16,956,214</u>	<u>\$ 298,266</u>
Supplemental cash flow information:				
Noncash capital contributions and other charges	\$ 342,353	\$ 860,534	\$ 899,564	\$ -

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			
Storm Water	Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 11,789,864	\$ 31,828,815	\$ 361,738,449	\$ 46,894,319
(864,918)	(12,636,451)	(212,062,757)	(44,082,373)
(2,900,456)	(17,791,351)	(48,233,910)	(4,764,363)
11,070	848,595	2,047,258	670,566
<u>8,035,560</u>	<u>2,249,608</u>	<u>103,489,040</u>	<u>(1,281,851)</u>
-	4,545,761	5,159,980	-
(3,963,411)	(3,791,910)	(25,160,216)	-
-	(2,259,160)	(2,259,160)	-
<u>-</u>	<u>3,764,297</u>	<u>3,811,698</u>	<u>-</u>
(3,963,411)	2,258,988	(18,447,698)	-
(4,136,546)	(12,488,595)	(93,688,858)	(1,390,894)
23,992	274,162	401,561	11,675
(333,914)	(3,391,666)	(6,229,332)	(399,721)
(2,338,883)	(2,502,949)	(27,525,137)	-
667,804	3,675,638	4,679,013	113,723
1,534,461	6,676,643	161,358,860	-
(11,469)	(45,278)	(1,027,203)	-
(1,862,322)	(1,621,250)	(15,621,327)	(18,248)
(16,184)	(21,264)	(138,911)	-
<u>-</u>	<u>9,866,360</u>	<u>10,344,920</u>	<u>-</u>
(6,473,061)	421,801	32,553,586	(1,683,465)
3,569,507	2,931,947	21,915,589	4,748,555
(1,240,078)	(8,022,864)	(140,103,639)	(2,124,327)
49,108	81,848	782,862	251,564
<u>2,378,537</u>	<u>(5,009,069)</u>	<u>(117,405,188)</u>	<u>2,875,792</u>
(22,375)	(78,672)	189,740	(89,524)
25,514	96,204	1,345,432	118,074
<u>\$ 3,139</u>	<u>\$ 17,532</u>	<u>\$ 1,535,172</u>	<u>\$ 28,550</u>
\$ 6,162,904	\$ (16,119,295)	\$ 46,278,236	\$ (4,556,366)
2,842,899	13,445,715	43,343,856	446,610
11,070	853,982	2,052,645	670,566
(328,837)	1,937,704	(1,077,877)	(35,863)
-	(144,770)	(165,599)	(374,832)
-	8,046	8,046	-
-	353,721	317,106	-
(796,441)	80,927	7,201,812	525,443
-	(45,678)	375,535	-
5,380	101,426	84,793	1,616,172
-	(5,829)	473,852	-
138,585	1,783,659	4,596,635	426,419
<u>\$ 8,035,560</u>	<u>\$ 2,249,608</u>	<u>\$ 103,489,040</u>	<u>\$ (1,281,851)</u>
\$ 1,721,950	\$ -	\$ 3,824,401	\$ -



City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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 219,643. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

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

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS

The **Urban Renewal Agency (URA)** has been included in the City's primary government financial reporting entity using the blended method because, although it is legally separate, the URA is an arm of the City. The URA is governed by State law and was formed to help eliminate slum and blight within the City. The URA board oversees acquisition and disposition of real property and also designates and approves Urban Renewal Plans. The URA Board is composed of nine members appointed by the City Council. There are no separate financial statements available for the URA.

West Texas Municipal Power Agency (WTMPA) is a legally separate municipal corporation, a political subdivision of Texas, and body politic and corporate, formed in 1983, governed by an eight member Board of Directors. The board consists of two directors from each participating city. One member is elected as the president who presides over monthly meetings. Directors serve without compensation. WTMPA has no employees and instead contracts for services to meet its general operating needs. WTMPA may engage in the business of generation, transmission, sale, and exchange of electric energy to the four participating public entities: Lubbock, Tulia, Brownfield, and Floydada. WTMPA may also participate in power pooling and power exchange agreements with other entities. WTMPA provides electricity to its four member cities with the City having a 92.9 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 92.9 percent "majority in interest" vote since it accounts for 92.9 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. They are reported in a separate column to emphasize that they are legally separate from the City. The following Component Units are included in the reporting entity because the primary government is financially accountable, is able to impose its will on the organization, or can significantly influence operations and/or activities of the organization.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

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

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

The Vintage Township Public Facilities Corporation is a legally separate entity that was formed on January 12, 2007 by the City Council to assist the City in financing, refinancing, providing, or otherwise assisting in the acquisition, construction and maintenance of certain public facilities benefiting the Vintage Township Public Improvement District. The three-member board is appointed by the City Council. 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 other organizations and the City's accountability for these organizations does not extend beyond board appointments. The City Council is not able to impose its will on these entities and there is no financial benefit or burden relationship. Bonds issued by these organizations do not constitute indebtedness of the City. The following related organizations are not included in the reporting entity:

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

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

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

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

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

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 and the City cannot significantly influence its operations. Separate audited financial statements may be obtained from the LFPF or from the City.

The **High Plains Diversified Energy Corporation (HPDEC)** is a public nonprofit corporation and is a local government corporation organized under the Texas Transportation Corporation Act. On August 1, 2008, WTMPA entered into a development agreement with Republic Power Partners, LP for the two parties to promote and develop renewable and traditional energy resources in the high plains area of Texas. The agreement with Republic Power Partners required WTMPA to form a local government corporation that would own and operate any project developed pursuant to the Agreement and HPDEC was incorporated on September 25, 2008. The purpose of HPDEC is to issue bonds, notes, and other forms of debt to acquire, maintain, lease, and sell property to promote and develop public generation and transmission systems within the WTMPA service area and the state of Texas in order to generate and transport electric energy. On October 9, 2009 WTMPA assigned HPDEC all of their rights and interests in the development agreement with Republic Power, LP. HPDEC is a separate legal entity with 7 board members. City Council appoints one board member and WTMPA appoints 3 board members. WTMPA has no management or budgetary oversight for HPDEC. The creation of HPDEC currently provides no financial benefit or burden relationship to WTMPA or the City; however, there is a potential future benefit to WTMPA if and when HPDEC generates surplus revenues and/or if WTMPA takes an option of power purchases in 2019 from HPDEC. Separate audited financial statements may be obtained from HPDEC.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 determination of major funds, i.e., a percentage of assets, liabilities, revenue, or expenditures/expenses of fund category and of the governmental and enterprise funds combined. However, it also gives governments the option of displaying other funds as major funds. The City can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the FFS. Other non-major funds are combined in a single column in the appropriate FFS.

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

The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary FFS. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Because the enterprise funds are combined into a single business-type activities column on the GWFS, certain interfund activities between these funds are eliminated in the consolidation for the GWFS, but are included in the fund columns in the proprietary FFS. The effect of interfund activity has been eliminated from the GWFS. For instance, 92.9 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.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

The **WTMPA Fund** accounts for the activities of power generation and power brokering to member cities. Member cities include Lubbock with 92.9 percent ownership, Tulia, Brownfield, and Floydada comprising the remaining 7.2 percent ownership.

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

The City reports the following non-major funds:

Governmental Funds

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

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

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

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

D. BUDGETARY ACCOUNTING

The City Manager submits a proposed operating budget and capital program to the City Council annually for the upcoming fiscal year. Public hearings are conducted to obtain citizen comments, and the budget is legally enacted through passage of an ordinance by City Council. City Council action is also required for the approval of any supplemental appropriations. All budget amounts presented in the budget comparison statement reflect the original budget and the amended budget, which have been adjusted for legally authorized supplemental appropriations to the annual budget during the fiscal year. The operating budget is adopted on a basis other than GAAP for the General Fund, with the main difference being that capital lease proceeds and related capital outlay are not budgeted. Budgetary control is maintained at the department level in the following expenditure categories: compensation, benefits, supplies, maintenance, other charges, and capital outlay/reimbursements. Management may make administrative transfers and increases or decreases between accounts below the department level without Council approval. However, any transfer of funds between departments, the legal level of control, shall be presented to Council for approval by ordinance before such funds can be transferred between departments or expended. All annual operating appropriations lapse at the end of the fiscal year. Capital budgets 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. At the beginning of the next fiscal year, management reviews all open encumbrances. On October 1, 2010, the General Fund had no significant amounts of open encumbrances.

F. ASSETS, LIABILITIES AND FUND BALANCE/NET ASSETS

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand and demand deposits.

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

Property Tax Receivable - The value of all real and business property located in the City is assessed annually on January 1 in conformity with Subtitle E of the Texas Property Code. Property taxes are levied on October 1 on those assessed values and the taxes are due on receipt of the tax bill. On the following January 1, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The taxes are considered delinquent if not paid before February 1. Therefore, at fiscal year end all property taxes receivable are delinquent, but are secured by a tax lien.

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

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

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

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

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

Capital Assets and Depreciation - Capital assets, including public domain infrastructure (streets, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. These capital assets are reported in the GWFS and the proprietary funds. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair value on the date of donation.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

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

Interest Capitalization – Because the City issues general-purpose capital improvement bonds, which are recorded within the proprietary funds, the City capitalizes interest costs for business-type activities and enterprise funds according to the FASB Accounting Standard Codification 835 - Interest. The City capitalized interest of approximately \$8,943,000 net of interest earned, for the business-type activities and the enterprise funds during the current fiscal year.

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

Restricted Net Assets - Certain governmental activities assets and business-type activities net assets are restricted for debt and federal requirements; consequently, net assets have been restricted for these amounts. The excess of other restricted assets over related liabilities are included as restricted net assets for bond indenture requirements and passenger facility charges.

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

G. REVENUES, EXPENSES AND EXPENDITURES

Interest Income on pooled cash and investments is allocated monthly based on the percentage of a fund's monthly balance in pooled cash and investments 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. REVENUES, EXPENSES AND EXPENDITURES (Continued)

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

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

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

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

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

Post Employment Benefits for retirees of the City include the option to purchase health and life insurance benefits at a subsidized premium. However, employees that retire with 15 years of service or Civil Service employees that retire who have a sick-leave balance in excess of 90 days will be able to elect to continue receiving medical coverage in full 30-day periods for the term of the balance of their sick leave. Amounts to cover premiums and administrative costs, with an incremental charge for reserve funding, are determined by the City’s health care administrator. Employer contributions are funded on a pay-as-you-go basis and approximated \$3.7 million for FY 2010. These contributions are included in the amount of insurance expense reflected in the financial activity reported in the Health Benefits Internal Service Fund.

H. NEW PRONOUNCEMENTS

The City will implement the new GASB financial accounting and reporting standards issued by the GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this statement are effective for FY 2011.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CHANGE IN ACCOUNTING PRINCIPLES

Effective October 1, 2009, the City implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." Implementing this GASB did not have a material effect on net assets.

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 2010 amended budgeted expenditures and transfers out were \$124,190,831 and actual budgetary basis expenditures and transfers out were \$124,779,997, a difference of \$589,166.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

On September 30, 2010, the bank balance of the City's deposits was \$2,389,650. All of the bank balances are covered by federal depository insurance or are fully collateralized. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas Public Funds Investment Act.

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

On September 30, 2010, bank balances were exposed to custodial credit risk as follows:

Insured	\$ 750,000
Uninsured and uncollateralized	-
Uninsured and collateral held by pledging financial institution in the City's name	1,639,650
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the City's name	-
	<u>\$ 2,389,650</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

A. DEPOSITS AND INVESTMENTS (Continued)

On September 30, 2010, the City had the following investments and maturities:

<u>Type</u>	<u>September 30, 2010</u>		
	<u>Fair Value</u>	<u>Maturities in Years</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Money Markets	\$ 5,557,904	\$ 5,557,904	\$ -
Federal Home Loan Banks (FHLB)	12,033,688	4,017,892	8,015,796
Federal Home Loan Mortgage Corporation (FHLMC)	3,996,676	-	3,996,676
Federal National Mortgage Association (FNMA)	12,054,100	-	12,054,100
Farm Credit Note (FFCB)	4,039,340	4,039,340	-
State Investment Pools *	429,008,412	429,008,412	-
	<u>\$466,690,120</u>	<u>\$442,623,548</u>	<u>\$24,066,572</u>

*State Investment Pools are considered investments for financial reporting.

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

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. It may also invest in fully collateralized repurchase agreements, fully collateralized certificates of deposit, commercial paper and bank acceptances with a stated maturity of 270 days or fewer from the date of issuance, AAA-rated, no-load money market mutual funds regulated by the Securities and Exchange Commission, and AAA-rated, constant dollar investments pools authorized by the City Council. On September 30, 2010, Standard & Poor's rated the investment pools and the money market mutual funds AAAm. The senior unsecured debt for investments in FNMA and FHLMC are rated AAA by Standard & Poor's and Aaa by Moody's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the market value. FFCB, FHLB, FHLMC, and FNMA investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a City depository. The City shall maintain a list of authorized broker/dealers and financial institutions, which are approved by the Audit and Investment Committee for investment purposes.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

A. DEPOSITS AND INVESTMENTS (Continued)

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, 2010, the City's investments constituted the following percentages of total investments:

<u>Investment</u>	<u>Percentage</u>
State Investment Pools	91.93
FHLB	2.58
FFCB	.86
FNMA	2.58
FHLMC	.86
Money Markets	1.19

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

B. INTERFUND TRANSACTIONS

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

Interfund balances, specifically advances to and from other funds, are longer-term loans to cover Council directed internal financing of certain projects. At September 30, 2010 the City had \$12,905,702 in internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

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

<u>Interfund Receivables (Thousands)</u>					
<u>Interfund Payables (Thousands)</u>	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		<u>Totals</u>
	<u>General</u>	<u>Nonmajor Government</u>	<u>WTMPA</u>	<u>Nonmajor Enterprise</u>	
Governmental Funds:					
Nonmajor Governmental	\$ 467	\$ -	\$ -	\$ 2,572	\$ 3,039
Proprietary Funds:					
LP&L	-	-	8,567	-	8,567
Nonmajor Enterprise	1,300	-	-	-	1,300
Totals	\$ 1,767	\$ -	\$ 8,567	\$ 2,572	\$ 12,906

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

B. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers Out: (Thousands)	Interfund Transfers In: (Thousands)							
	Governmental Funds			Proprietary Funds				
	General	Govt. Capital	Nonmajor Govt	Water	Waste- water	WTMPA	Nonmajor Enterprise	Totals
Governmental Funds:								
General Fund	\$ -	\$ 30	\$ 311	\$ -	\$ -	\$ -	\$ 3,108	\$ 3,449
Govt. Capital Projects	-	-	13	-	-	-	-	13
Nonmajor Governmental	1	1,154	12,446	179	-	-	1,437	15,217
Proprietary Funds:								
LP&L	4,444	-	2,424	-	-	307	-	7,175
Water	7,010	-	-	-	64	-	-	7,074
Wastewater	3,156	-	-	-	-	-	-	3,156
Stormwater	1,542	250	2,171	-	-	-	-	3,963
Nonmajor Enterprise	3,653	75	-	-	64	-	-	3,792
Totals	<u>\$ 19,806</u>	<u>\$ 1,509</u>	<u>\$ 17,365</u>	<u>\$ 179</u>	<u>\$ 128</u>	<u>\$ 307</u>	<u>\$ 4,545</u>	<u>\$ 43,839</u>

Net transfers on the GWFS amounted to \$19,869,774 from governmental activities to business-type activities.

C. DEFERRED CHARGES

The total deferred charge of \$2,544,443 in the LP&L Enterprise Fund represents an advertising contract with the United Spirit Arena. The advertising (and amortization) began with the opening of the sports arena in fiscal year 2000 and will continue for 30 years.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

Primary Government:
Governmental Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 9,018,644	\$ 6,940,666	\$ -	\$ 15,959,310
Construction in Progress	85,182,132	37,840,998	87,349,173	35,673,957
Total Capital Assets Not Depreciated	94,200,776	44,781,664	87,349,173	51,633,267
Capital Assets Depreciated:				
Buildings	44,773,038	4,791,957	661,507	48,903,488
Improvements Other than Buildings	265,448,641	77,535,765	160,466	342,823,940
Machinery and Equipment	71,457,357	7,199,798	4,482,110	74,175,045
Total Capital Assets Depreciated	381,679,036	89,527,520	5,304,083	465,902,473
Less Accumulated Depreciation:				
Buildings	22,178,319	1,471,942	419,169	23,231,092
Improvements Other than Buildings	136,534,067	13,743,716	123,095	150,154,688
Machinery and Equipment	49,170,478	6,806,040	4,374,051	51,602,467
Total Accumulated Depreciation	207,882,864	22,021,698	4,916,315	224,988,247
Total Capital Assets Depreciated, Net	173,796,172	67,505,822	387,768	240,914,226
Governmental Activities Capital Assets, Net	\$ 267,996,948	\$ 112,287,486	\$ 87,736,941	\$ 292,547,493

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

Governmental activities:	
Administrative Services and General Government	\$ 553,902
Community Services	130,030
Cultural and Recreation Services	2,342,236
Economic and Business Development	1,285,684
Fire	2,082,738
Health	324,044
Other Public Safety	404,416
Police	3,099,069
Streets and Traffic	10,792,794
Internal Service Funds	392,066
Total depreciation expense - governmental activities	21,406,979
Transfer in to accumulated depreciation - governmental activities	614,719
Increase in accumulated depreciation - governmental activities	<u>\$ 22,021,698</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

D. CAPITAL ASSETS (Continued)

Business Type Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 33,425,861	\$ 7,304,427	\$ -	\$ 40,730,288
Construction in Progress	107,594,855	79,514,530	56,533,561	130,575,824
Total Capital Assets Not Depreciated	141,020,716	86,818,957	56,533,561	171,306,112
Capital Assets Depreciated:				
Buildings	126,602,630	1,210,220	31,090	127,781,760
Improvements Other than Buildings	883,667,834	55,576,932	611,413	938,633,353
Machinery and Equipment	190,155,821	11,457,295	6,546,685	195,066,431
Total Capital Assets Depreciated	1,200,426,285	68,244,447	7,189,188	1,261,481,544
Less Accumulated Depreciation:				
Buildings	55,936,748	3,523,942	31,090	59,429,600
Improvements Other than Buildings	331,141,368	26,002,274	324,433	356,819,209
Machinery and Equipment	103,915,462	14,360,887	5,720,792	112,555,557
Total Accumulated Depreciation	490,993,578	43,887,103	6,076,315	528,804,366
Total Capital Assets Depreciated, Net	709,432,707	24,357,344	1,112,873	732,677,178
Business Type Activities Capital Assets, Net	\$ 850,453,423	\$ 111,176,301	\$ 57,646,434	\$ 903,983,290

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

Business-Type Activities:	
LP&L	\$ 11,626,326
Water	9,801,484
Wastewater	5,494,099
Stormwater	2,842,899
Solid Waste	5,352,122
Airport	5,322,652
Transit	1,581,641
Civic Centers	1,163,108
Cemetery	26,192
Internal Service	54,544
Total depreciation expense - business-type activities	43,265,067
Transfer in to accumulated depreciation - business-type activities	622,036
Increase in accumulated depreciation - business-type activities	\$ 43,887,103

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

D. CAPITAL ASSETS (Continued)

Construction Commitments

The City has active construction projects at fiscal year end. The City is in the process of purchasing right-of-way for 65 mile raw water and treated water transmission lines that will extend to Lake Alan Henry. The City spent \$2.3 million in acquiring right-of-way in the past fiscal year. The City is also constructing a 15-million gallon per day water treatment plant. The water treatment plant, along with the treated water line and pump stations, are necessary to transport water from Lake Alan Henry into the water distribution system. Cost of the transmission lines, pump stations, and the water treatment plant were \$22.3 million for FY 2010.

The City spent \$13.8 million in FY 2010 for plant improvements to the Southeast Water Reclamation Plant. Improvements included an upgrade in biological nutrient removal, filtration and UV disinfection. The improvements will help to produce a consistent supply of stream quality discharge into the North Fork of the Double Mountain Fork of the Brazos River.

Multiple large Gateway Street Projects took place in FY 2010. \$7.6 million was spent on the widening of the West Loop 289 to six lanes and reconfiguring the 19th Street Bridge on Loop 289. \$2.7 million was spent on construction of a boulevard on Yucca Lane east of North Elm to Martin Luther King Jr. Boulevard. Construction continued, with expenditures totaling \$3.1 million, on the east half of Indiana from 103rd Street to 114th Street to complete the full width paving of this 88-foot wide thoroughfare.

Projects	Original Commitments	Spent-to-Date	Remaining Commitments
Governmental Capital Projects	\$ 113,153,398	\$ 86,874,805	\$ 26,278,593
TIF Capital Projects	40,418,358	39,509,862	908,496
Gateway Street Projects	50,782,029	37,222,250	13,559,779
LP&L	37,624,935	23,792,178	13,832,757
Water	225,921,371	83,486,221	142,435,150
Wastewater	76,567,389	57,491,738	19,075,651
Solid Waste	4,605,860	1,945,983	2,659,877
Airport	34,036,914	14,481,246	19,555,668
Civic Center	6,450,000	375,348	6,074,652
Storm Water	60,329,500	53,767,814	6,561,686
Internal Service Fund	2,111,000	1,986,503	124,497
Total	<u>\$ 652,000,754</u>	<u>\$ 400,933,948</u>	<u>\$ 251,066,806</u>

E. CAPITAL LEASES

In FY 2009 the City completed a \$23,662,637 construction project for a conference center that is joined to the North Overton Hotel. The City is the lessor of the conference center to the developer of the North Overton Hotel in a sales-type lease agreement in which the conference center has an estimated life of 50 years and was leased for a term of 40 years with 2 optional 20 year renewals. The City expects the lessee to lease the entire 80 year term, and hence there is no expected residual value of the hotel to the City. Lease terms include for years 3 through 20 the greater of \$65,000 per year or 15 percent of the excess of the net

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

E. CAPITAL LEASES (Continued)

annual project cash flow, and years 1 through 20, one percent of the total daily collected net hotel room revenue. For years 21 through 40, there are no lease payments. On the government-wide statement of activities, the contribution of the asset from the primary government to the developer is recorded as part of the Economic and Business Development Expenses.

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

Year	Revenue Amount	1% of Revenue	Fixed \$65,000	Total	4% Rate Present Value
1	\$ 12,383,136	\$ 123,831	\$ -	\$ 123,831	\$ 114,489
2	13,391,287	133,913	65,000	198,913	176,833
3	14,228,242	142,282	65,000	207,282	177,186
4	14,659,401	146,594	65,000	211,594	173,915
5	15,099,183	150,992	65,000	215,992	170,702
6-10	82,568,523	825,685	325,000	1,150,685	808,356
11-15	95,719,548	957,195	325,000	1,282,195	740,295
16-19	93,969,579	939,696	260,000	1,199,696	610,290
Total	\$ 342,018,899	\$ 3,420,188	\$ 1,170,000	\$ 4,590,188	\$ 2,972,066

F. RETIREMENT PLANS

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

Summary of significant data for each retirement plan follows:

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Plan Description

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

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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on the TMRS website at www.tmrs.com.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

F. RETIREMENT PLANS (Continued)

Plan provisions for the City were as follows:

	<u>Plan Year 2009</u>	<u>Plan Year 2010</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

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, 2009 valuation is effective for rates beginning January 2011). The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution	\$17,533,257
Interest on Net Pension Obligation	198,206
Adjustments to the ARC	<u>161,369</u>
Annual Pension Cost (APC)	17,892,832
Contributions Made	<u>(13,831,295)</u>
Increase in net pension obligation	4,061,537
Net Pension Obligation, beginning of year	<u>2,642,737</u>
Net Pension Obligation, end of year	<u><u>\$ 6,704,274</u></u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

F. RETIREMENT PLANS (Continued)

Actuarial Assumptions

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2009 actuarial valuations.

Valuation Date	12/31/07	12/31/08	12/31/09
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	30 years; closed period	29 years; closed period	28 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions: Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increase	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/08	\$ 11,369,691	100.0	\$ -
9/30/09	15,300,264	82.7	2,642,737
9/30/10	17,892,832	77.3	6,704,272

As of December 31, 2009 the most recent actuarial valuation date, the plan was 60.8 percent funded. The actuarial accrued liability for benefits was \$354.1 million, and the actuarial value of assets was \$215.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$138.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$75.9 million, and the ratio of the UAAL to the covered payroll was 182.6 percent.

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

F. RETIREMENT PLANS (Continued)

LUBBOCK FIRE PENSION FUND (LFPF)

Plan Description

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

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

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

There is no provision for automatic 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 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

F. RETIREMENT PLANS (Continued)

Annual Pension Cost

The City Annual Pension Cost (APC) for the LFPF was equal to \$4,404,849 as described in item 4 in the table below. Based on the results of the December 31, 2008 actuarial valuation, the most recent biennial actuarial valuation, the Board's actuary found that the fund had an adequate financing arrangement based on the current level of the firefighter contribution rates and on the assumed average of City contribution rates. The funding policy of the Fund requires firefighters to contribute 12.4 percent of pay. The City contributes based on a formula which causes the City's contribution rate to fluctuate from year to year. The December 31, 2008 actuarial valuation assumes that the City's contributions will average 20.8 percent of payroll in the future.

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

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

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

1.	Annual Required Contributions (ARC)	\$ 4,426,366
2.	Interest on NPO	(67,911)
3.	Adjustment to ARC	46,394
4.	Annual Pension Cost (APC)	4,404,849
5.	Actual City contributions made	(4,222,692)
6.	Increase (Decrease) in NPO/(asset)	182,157
7.	NPO/(asset) at December 31, 2008	(848,891)
8.	NPO/(asset) at December 31, 2009	<u>\$ (666,734)</u>

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

F. RETIREMENT PLANS (Continued)

Year Ended	Trend Information		Net Pension Obligation (Asset)
	Annual Pension Cost (APC)	Percentage of APC Contributed	
9/30/07	\$ 3,530,944	98.4%	\$(862,311)
12/31/08	3,931,597	99.7%	(848,891)
12/31/09	4,404,849	95.9%	(666,734)

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

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

G. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

G. OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$10,506,001
Interest on net OPEB obligation	364,068
Adjustment to the ARC	<u>(337,305)</u>
Annual OPEB Cost	10,532,764
Total annual employer contribution (pay-as-you-go)	<u>(3,651,567)</u>
Increase in net OPEB obligation	6,881,197
Net OPEB obligation – beginning of year	<u>8,090,391</u>
Net OPEB obligation – end of year	<u>\$14,971,588</u>

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

Normal Cost	\$ 5,245,804
Amortization of transition obligation	<u>5,260,197</u>
ARC	<u>\$10,506,001</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2008	\$6,636,899	34.4%	\$4,355,520
09/30/2009	6,850,415	45.5%	8,090,391
09/30/2010	10,532,764	34.7%	14,971,588

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

G. OTHER POST EMPLOYMENT BENEFITS (Continued)

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 employee 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:

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
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 multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liability for benefits.

H. DEFERRED COMPENSATION

The City offers its employees five deferred compensation plans in accordance with Internal Revenue Code ("IRC") Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plans' assets are held in trust for the exclusive benefits of the participants and their beneficiaries. The City does not provide administrative services or have any fiduciary responsibilities for these plans; therefore, they are not presented in the BFS.

I. SURFACE WATER SUPPLY

Canadian River Municipal Water Authority

The Canadian River Municipal Water Authority (CRMWA) is a Conservation and Reclamation Authority established by the Texas Legislature to construct a dam, water reservoir, and aqueduct system for the purpose of supplying water to surrounding cities. The Authority was created in 1953 and is comprised of eleven cities, including Lubbock. The budget, financing, and operations of the Authority are governed by a Board of Directors selected by the governing bodies of each of the member cities, each city being entitled to one or two members dependent upon population. At September 30, 2010, 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 revenue bonds to pay for the water rights. These assets and liabilities are recorded in the Water Enterprise fund.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

J. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

<u>Interest Rate%</u>	<u>Dated</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding 09/30/10</u>
5.39	10/01/93	02/15/14	\$ 2,550,000	\$ 520,000
5.25	06/01/01	02/15/31	35,000,000	815,000
4.68	02/15/02	02/15/22	9,400,000	2,920,000
4.71	02/15/02	02/15/22	6,450,000	2,000,000
4.70	02/15/02	02/15/22	1,545,000	1,145,000
4.62	07/01/02	02/15/22	2,605,000	1,820,000
4.42	07/15/03	02/15/23	11,855,000	2,710,000
4.47	07/15/03	02/15/24	9,765,000	7,650,000
4.48	07/15/03	02/15/24	680,000	535,000
4.47	07/15/03	02/15/24	3,590,000	2,810,000
4.87	07/15/03	02/15/34	40,135,000	4,485,000
4.47	07/15/03	02/15/24	3,795,000	2,975,000
4.60	08/15/03	04/15/23	8,900,000	6,410,000
4.60	08/15/03	04/15/23	13,270,000	3,745,000
4.37	06/30/04	08/01/12	1,000,000	250,000
4.09	09/15/04	02/15/24	2,025,000	1,435,000
4.08	09/28/04	02/15/24	3,100,000	2,140,000
3.58	09/28/04	02/15/20	22,620,000	14,700,000
3.89	02/15/05	04/15/25	23,055,000	14,705,000
3.94	06/15/05	02/15/21	49,615,000	46,095,000
4.26	08/15/05	02/15/25	46,525,000	38,225,000
4.82	07/01/05	02/15/21	43,080,000	32,635,000
4.27	07/15/05	02/15/25	7,265,000	5,950,000
4.58	04/15/06	02/15/26	76,950,000	68,095,000
4.58	04/15/06	02/15/26	2,740,000	2,440,000
4.84	05/15/06	02/15/31	18,830,000	18,700,000
4.42	01/01/07	02/15/34	54,020,000	49,820,000
4.42	01/01/07	02/15/34	25,255,000	23,290,000
4.88	08/15/07	08/15/27	1,155,000	1,055,000
4.88	08/15/07	08/15/27	60,820,000	54,485,000
6.45	12/15/07	08/15/27	11,805,000	11,065,000
4.22	01/15/08	08/15/27	52,900,000	49,305,000
4.80	04/15/08	08/15/27	2,035,000	1,920,000
4.42	04/15/08	08/15/27	80,485,000	73,235,000
2.45	06/01/08	08/15/27	22,615,000	20,660,000
3.12	03/01/09	08/15/19	20,540,000	17,520,000
4.67	03/01/09	08/15/29	2,645,000	2,600,000
4.53	03/01/09	08/15/29	58,705,000	57,195,000
2.16	01/01/10	02/15/30	19,945,000	19,945,000
3.27	02/15/10	02/15/30	8,840,000	8,840,000
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	48,955,000
5.67	02/15/10	02/15/30	96,540,000	96,540,000
Total			<u>\$ 1,028,925,000</u>	<u>\$ 837,660,000(A)</u>

(A) Excludes (\$9,793,280) net deferred losses on advance refundings, net bond premiums and discounts, and bond issuance costs – (\$4,813,614) business-type and (\$4,979,666) governmental. Additionally, this amount includes \$578,026,088 of bonds used to finance enterprise fund activities.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

J. LONG-TERM DEBT (Continued)

At September 30, 2010, management of the City believes that it was in compliance with all financial bond covenants on outstanding general obligation bonded debt, certificates of obligation, electric revenue bonded debt, and water revenue bonded debt.

LP&L REVENUE BONDS

<u>Interest Rate(%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 09/30/10</u>
4.25 to 6.25	01/01/98	04/15/18	\$ 9,170,000	\$ 3,680,000
3.10 to 5.00	01/15/99	04/15/19	14,975,000	4,305,000
4.00 to 5.25	07/01/01	04/15/21	9,200,000	5,060,000
Total			<u>\$ 33,345,000</u>	<u>\$ 13,045,000 *</u>

* Balance outstanding excludes \$322,989 of net deferred losses on advance refundings, bond premiums and discounts, and bond issuance costs.

OTHER REVENUE BONDS

<u>Interest Rate(%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Balance Outstanding 09/30/10</u>
3.98	09/30/05	09/30/25	\$ 17,960,000	\$ 14,905,000
4.25 to 5.00	04/30/06	02/15/27	18,573,906	16,401,273
3.50 to 5.00	10/30/09	02/15/29	7,821,091	7,640,742
			<u>\$ 44,354,997</u>	<u>\$ 38,947,015 *</u>

*Balance outstanding excludes (\$844,337) 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, 2010 are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities			
	General Obligation Bonds		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 13,181,921	\$ 13,086,657	\$ 28,823,078	\$ 29,594,795	\$ 10,125,824	\$ 2,310,346
2012	14,049,974	11,559,904	31,385,026	24,949,759	2,212,745	2,032,049
2013	14,477,555	10,920,573	32,402,445	23,626,860	2,288,859	1,936,495
2014	15,101,924	10,230,671	32,663,076	22,185,578	2,370,800	1,837,049
2015	14,931,950	9,531,302	31,783,050	20,784,317	2,460,021	1,728,846
2016-2020	76,924,787	37,248,398	160,930,213	82,616,499	13,916,935	6,716,077
2021-2025	69,734,108	19,581,041	143,185,892	46,894,027	14,454,954	3,045,628
2026-2030	39,561,692	4,502,784	105,638,309	14,274,740	4,161,877	367,616
2031-2035	1,670,000	35,905	11,215,000	884,006	-	-
Totals	<u>\$ 259,633,911</u>	<u>\$ 116,697,235</u>	<u>\$ 578,026,089</u>	<u>\$ 265,810,581</u>	<u>\$ 51,992,015</u>	<u>\$ 19,974,106</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

J. LONG-TERM DEBT (Continued)

Capital leases were used to acquire equipment and vehicles. The interest rate on the leases ranged from 2.2 percent to 4.6 percent. The annual requirements on capital leases of the City as of September 30, 2010, including interest payments of \$4,232,960 are as follows:

Fiscal Year	Governmental Capital Lease Minimum Payment	Business-Type Capital Lease Minimum Payment	Total Capital Lease Minimum Payment
2011	\$ 4,400,479	\$ 7,428,771	\$ 11,829,250
2012	3,323,953	5,831,535	9,155,488
2013	3,786,705	4,379,173	8,165,878
2014	3,107,721	1,907,927	5,015,648
2015	1,949,351	1,352,149	3,301,500
2016-2020	3,654,470	3,227,963	6,882,433
Less:			
Interest	(2,199,303)	(2,033,657)	(4,232,960)
Total	<u>\$ 18,023,376</u>	<u>\$ 22,093,861</u>	<u>\$ 40,117,237</u>

The carrying values on the leased assets of the City as of September 30, 2010 are as follows:

	Gross Value	Accumulated Depreciation	Net Book Value
Governmental Activities	\$ 25,195,977	\$ 2,606,984	\$ 22,588,993
Business-type Activities	38,295,839	3,761,073	34,534,766
Total Leased Assets	<u>\$ 63,491,816</u>	<u>\$ 6,368,057</u>	<u>\$ 57,123,759</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

J. LONG-TERM DEBT (Continued)

Long-term obligations (net of discounts and premiums) for governmental and business-type activities for the year ended September 30, 2010 are as follows:

	Debt Payable 09/30/09	Additions	Deletions	Debt Payable 09/30/10	Due in one year
Governmental activities:					
Tax-Supported -					
Obligation Bonds	\$ 232,159,988	\$ 38,381,773	\$ 10,907,850	\$ 259,633,911	\$ 13,181,921
Bond Discounts/Premiums	5,112,419	871,742	336,737	5,647,424	-
Capital Leases	18,005,903	4,129,109	4,111,636	18,023,376	3,801,370
Contracts Payable	3,000,000	-	1,420,000	1,580,000	1,080,000
Compensated Absences	19,480,848	8,835,926	7,391,983	20,924,791	7,308,140
Post Employment Benefits	5,306,809	7,056,953	2,397,976	9,965,786	-
Net Pension Obligation	1,636,240	11,093,555	8,569,380	4,160,415	-
Insurance Claim Payable	1,509,846	23,795,792	23,707,114	1,598,524	1,456,201
Arbitrage Payable	397,117	-	114,709	282,408	-
Total Governmental activities	\$ 286,609,170	\$ 94,164,850	\$ 58,957,385	\$ 321,816,635	\$ 26,827,632
Business-type activities:					
Self-Supported -					
Obligation Bonds	\$ 451,090,013	\$ 151,218,227	\$ 24,282,151	\$ 578,026,089	\$ 28,823,078
Revenue Bonds	47,413,911	7,821,091	3,242,987	51,992,015	10,125,824
Bond Discounts/Premiums	4,304,601	1,291,339	260,978	5,334,962	-
Capital Leases	23,709,725	4,628,646	6,244,510	22,093,861	6,825,147
Closure/Post Closure	3,967,290	919,436	-	4,886,726	-
Compensated Absences	5,929,500	2,842,238	2,815,484	5,956,254	3,055,719
Post Employment Benefits	2,783,582	3,475,813	1,253,593	5,005,802	-
Net Pension Obligation	1,006,497	6,799,277	5,261,915	2,543,859	-
Insurance Claim Payable	3,371,451	6,798,991	5,271,310	4,899,132	2,161,517
Arbitrage Payable	261,480	-	138,911	122,569	-
Total Business-type activities	\$ 543,838,050	\$ 185,795,058	\$ 48,771,839	\$ 680,861,269	\$ 50,991,285

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

J. LONG-TERM DEBT (Continued)

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

Long-term debt - Governmental Activities	\$ 321,816,635
Long-term debt - Business-type Activities	680,861,269
Interest	402,481,922
Total amount of debt	\$ 1,405,159,826
Less: Bond discounts/premiums	(10,982,385)
Less: Capital leases	(40,117,237)
Less: Contracts Payable	(1,580,000)
Less: Closure/post closure	(4,886,726)
Less: Compensated absences	(26,881,045)
Less: Post employment benefits	(14,971,588)
Less: Net pension obligation	(6,704,274)
Less: Insurance claims payable	(6,497,656)
Less: Arbitrage payable	(404,977)
Total other debt	(113,025,888)
Total future bonded debt requirements	<u><u>\$ 1,292,133,938</u></u>

New Bond Issuances

In January 2010, the City issued \$19,945,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2010 (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 February 2010, the City issued \$8,840,000 General Obligation Bonds, Series 2010A and \$15,320,000 General Obligation Bonds, Taxable Series 2010B (Build America Bonds) (Bonds). Proceeds from the sale of the Bonds will be used for various public improvements and public purposes and to pay costs associated with the issuance of the Bonds. The Bonds were issued at premium/discount of \$155,411 and incurred issuance costs of \$80,723.

In February 2010, the City issued \$48,955,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2010A and \$96,540,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2010B (Build America Bonds) (Certificates). 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, electric, airport, and wastewater, 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 \$2,348,099 and incurred \$430,963 in issuance costs. The proceeds of the debt are recorded in various Capital Projects Funds.

In 2009 the Canadian River Municipal Water Authority issued Revenue Bonds to pay for water rights. The City of Lubbock's pro rated share was for \$7,891,091. CRMWA owns a total of 264,000 acres of water rights which the City of Lubbock own 37 percent.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

J. LONG-TERM DEBT (Continued)

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

K. CONDUIT DEBT

In the past, the City has approved the issuance of Health Facilities Development Corporation Bonds, and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of public facilities. The bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2010 there were five series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$237,075,000. The bonds were issued between 2001 and 2008. Also as of September 30, 2010, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$21,900,000. The bonds were issued in 2007.

L. SPECIAL ASSESSMENT DEBT

In FY 2008, the Vintage Township Public Facilities Corporation (PFC), a discretely presented component unit of the City, issued special assessment debt for acquisition and construction of certain public facilities benefiting Vintage Township. The PFC issued \$3,472,000 in special assessment debt and had \$3,394,000 outstanding special assessment debt as of September 30, 2010. 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, 2010, \$3,133,000 in completed construction costs was contributed to the City. The PFC has a deficit in net assets invested in capital assets, net of related debt which is a result of the debt held in the PFC name while the assets are donated to the City and held in the City name.

M. RISK MANAGEMENT

The Risk Management Fund was established to account for liability claims, 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.

In April 1999, the City purchased workers' compensation coverage, with no deductible, from a third party 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 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

M. RISK MANAGEMENT (Continued)

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 such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for liability coverage. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the period in which they are incurred.

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

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

N. HEALTH INSURANCE

The City provides medical and dental insurance for all full-time employees and accounts for these activities in the Health Benefits Fund. Revenue for the health insurance program is generated from each cost center based upon the number of active full-time employees. The City's plan is self-insured under an Administrative Services Only (ASO) Agreement. The City purchases excess coverage of \$350,000 per covered individual annually with an aggregate cap of \$24,945,725. The insurance vendor based on medical trend, claims history, and utilization determines the aggregate deductible. The actuarially determined calculation of the claim liability is \$1.42 million at September 30, 2010 for all health coverages including medical, prescription drugs and dental.

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

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

O. ACCRUED INSURANCE CLAIMS

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

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

	<u>FY 2010</u>	<u>FY 2009</u>
Workers' compensation and liability reserves at beginning of fiscal year	\$ 3,371,451	\$ 2,845,679
Claims expenses	6,798,991	5,682,283
Claims payments	<u>(5,271,310)</u>	<u>(5,156,511)</u>
Workers' compensation and liability reserves at end of fiscal year	<u>4,899,132</u>	<u>3,371,451</u>
Medical and dental claims liability at beginning of fiscal year	1,509,846	1,755,706
Claims expenses	23,795,792	21,088,133
Claims payments	<u>(23,707,114)</u>	<u>(21,333,993)</u>
Medical and dental claims liability at end of fiscal year	<u>1,598,524</u>	<u>1,509,846</u>
Total self-insurance liability at end of fiscal year	<u><u>\$ 6,497,656</u></u>	<u><u>\$ 4,881,297</u></u>
Total assets to pay claims at end of fiscal year	<u><u>\$ 17,901,460</u></u>	<u><u>\$ 19,035,852</u></u>
Accrued insurance claims payable - current	\$ 3,617,718	\$ 3,059,532
Accrued insurance claims payable - noncurrent	2,879,938	1,821,765
Total accrued insurance claims	<u><u>\$ 6,497,656</u></u>	<u><u>\$ 4,881,297</u></u>

P. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

The \$4,886,826 included in landfill closure and postclosure care liability at September 30, 2010, 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 94.2 percent of the estimated capacity of Landfill 69 has been used, with \$629,089 remaining to be recognized over the remaining closure period. Approximately 4.3 percent of the estimated capacity of Landfill 2252 has been used to date, with \$25,696,926 remaining to be recognized over the remaining closure period, estimated at over 91 years. Postclosure care costs are based on prior estimates and have been adjusted for inflation. Actual costs may differ due to inflation, deflation, changes in technology, or other regulatory changes.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

P. LANDFILL CLOSURE AND POSTCLOSURE CARE COST (Continued)

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

Q. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

Accounts Receivable Summary					
	Court Fines	Property Damage	Paving	Misc.	Balance at 09/30/10
Governmental Funds:					
General Fund	\$ 3,233,739	\$ 294,379	\$ 223,838	\$ 22,622	\$ 3,774,578
Non-major	-	-	-	778	778
Total	<u>\$ 3,233,739</u>	<u>\$ 294,379</u>	<u>\$ 223,838</u>	<u>\$ 23,400</u>	<u>\$ 3,775,356</u>

Accounts Receivable Summary				
	General Consumer	Credit Card	Misc.	Balance at 09/30/10
Proprietary Funds:				
LP&L	\$ 19,574,852	\$ -	\$ 123,621	\$ 19,698,473
Water	8,517,392	-	1,045	8,518,437
Wastewater	3,319,153	-	-	3,319,153
WTMPA	650,197	-	-	650,197
Storm Water	1,505,701	-	-	1,505,701
Nonmajor	3,670,928	1,746	8,565	3,681,239
Total	<u>\$ 37,238,223</u>	<u>\$ 1,746</u>	<u>\$ 133,231</u>	<u>\$ 37,373,200</u>

Allowance for Doubtful Accounts Summary

	Balance at 09/30/10
Governmental Funds:	
General Fund	\$ 2,906,371
Proprietary Funds:	
LP&L	2,261,300
Water	874,064
Wastewater	365,324
Storm Water	160,395
Nonmajor	521,957
Total	<u>\$ 7,089,411</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

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

	Accounts Payable Summary			Balance at 09/30/10
	Vouchers	Accounts	Miscellaneous	
Governmental Funds:				
General Fund	\$ 638,135	\$ 2,022,001	\$ -	\$ 2,660,136
Govt. Capital Projects	1,099,142	1,034,951	-	2,134,093
Nonmajor	1,315,268	1,095,670	187,882	2,598,820
Proprietary Funds:				
LP&L	259,744	133,123	544,034	936,901
Water	4,701,125	2,901,532	164,921	7,767,578
Wastewater	1,708,811	526,228	120,311	2,355,350
WTMPA	-	9,215,531	-	9,215,531
Storm Water	159,815	-	649	160,464
Nonmajor	658,630	595,240	105,512	1,359,382
Internal Service	745,876	1,152,770	247,807	2,146,453
Total	<u>\$ 11,286,546</u>	<u>\$ 18,677,046</u>	<u>\$ 1,371,116</u>	<u>\$ 31,334,708</u>

R. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

	Net Receivables				
	Accounts Receivable	Interest Receivable	Taxes Receivable	Internal Service Receivables	Balance at 09/30/10
Governmental Activities	\$ 868,985	\$ 13,809	\$ 10,746,394	\$ 2,832	\$ 11,632,020
Business-type Activities	33,190,160	39,498	-	2,317	33,231,975
Total	<u>\$ 34,059,145</u>	<u>\$ 53,307</u>	<u>\$ 10,746,394</u>	<u>\$ 5,149</u>	<u>\$ 44,863,995</u>

	Accounts Payable		
	Accounts Payable	Internal Service Payables	Balance at 09/30/10
Governmental Activities	\$ 7,393,049	\$ 1,437,250	\$ 8,830,299
Business-type Activities	21,795,206	709,203	22,504,409
Total	<u>\$ 29,188,255</u>	<u>\$ 2,146,453</u>	<u>\$ 31,334,708</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

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

S. FUND CLOSURES

There were no fund closures during FY 2010.

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, 2010, the City has \$3,564,897 reserved on general liability claims, as determined by an actuarial calculation.

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

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

Prior to a hearing scheduled in February 2008, the court referred matters to arbitration.

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

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

Discovery is proceeding in the case.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE IV. CONTINGENT LIABILITIES (Continued)

B. LITIGATION (Continued)

Robert Smith v. City of Lubbock

Robert Smith is an employee of the City of Lubbock who was involved in an auto accident with another vehicle while in the course and scope of his employment. Mr. Smith suffered injuries in this accident and filed a claim against the other driver. The other driver had only minimum limits of insurance as required by the State of Texas and the insurance company attempted to tender the policy limits to Mr. Smith. However, Smith claims this money was insufficient to cover his damages. Smith sued the City under the City's UM/UM motorist coverage claiming that the City owes him for his damages under that insurance. He asserts he is entitled to over \$600,000. The City filed a Motion for Summary Judgment asserting that the exclusivity rule of the Workers' Compensation Act and the City's self-insurance resolution precludes coverage. In December 2009, the court granted the City's Motion for Summary Judgment. The Plaintiff is appealing the case. Briefs are scheduled to be filed by March 2011.

Sarabia v. City of Lubbock and Sadie Hockenberry

The City and one of its police officers have been sued for violation of Plaintiff's civil rights due to the use of a taser by the police officer during an arrest. Plaintiff is claiming that the officer used excessive force. The Plaintiff suffered no lasting physical injuries from the arrest. The City filed a Motion for Summary Judgment. This case is set for trial in May 2011.

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

Plaintiff filed suit against the City, the City's contractor, and the contractor who constructed the building, for damage to the car wash. The plaintiff's building was damaged after a wind storm. It was damaged to the extent that the City believed that it constituted a hazard to the public and after giving notice to the plaintiff, hired an independent contractor to take down a portion of the building. Plaintiff does not seem to dispute that the building was damaged and that some work needed to be performed to alleviate any hazards. However, plaintiff contends that the City should not have had its contractor tear down as much of the building as it did. He claims about \$600,000 in damages. The City has filed a motion for summary judgment that has not been ruled upon by the district court.

Ellerbrook v. City of Lubbock

Plaintiff filed 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.

Powell v. City of Lubbock et. al.

Plaintiff is suing the City, the State of Texas, and a railroad company for not properly placing a warning sign in front of railroad crossing. The Plaintiff suffered extensive injuries from the train collision. The City does not believe it has any liability in this matter and is filing dispositive motions.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE IV. CONTINGENT LIABILITIES (Continued)

B. LITIGATION (Continued)

Williams v. City of Lubbock

Plaintiff was injured in an automobile accident when a police officer went through a red light at an intersection while on an emergency call, without proceeding with due caution. Lubbock police reports state that the police officer was at fault.

Morris v. City of Lubbock

Myra Gail Morris, a former City Health Department employee, filed an Equal Employment Opportunity Commission claim alleging the City terminated her because of her disabilities.

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 postremediation monitoring” benchmark discussed in GASB 49. In fact, the City has been monitoring and recording each of the obligations for at least five years.

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

As of September 30, 2010 the City recorded pollution remediation obligations for three locations in the enterprise funds as follows:

- LP&L Plant 1 \$13,702 – obligation is equally shared by both the City and LP&L
- LP&L Cooke Plant \$320,000
- WesTex Aircraft \$22,875

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

- LP&L Plant 1 \$13,703 – obligation is equally shared by both the City and LP&L
- CFR Training Facility \$128,555
- Fire Training Academy \$77,604
- South Fueling Facility \$14,489

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2010

NOTE IV. CONTINGENT LIABILITIES (Continued)

C. SITE REMEDIATION (Continued)

The City has identified elevated levels of nitrates in the ground water beneath the Lubbock Land Application Site (LLAS), which is attributed to the historical land application of treated wastewater effluent and also impacted by the activities of individuals and other entities. As a result, the 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 I of the project to construct additions and improvements to the City's wastewater reclamation plant that will treat the sewage to higher quality in the future and address the nitrate issue is complete. Phase II began in the spring of 2008 and will be complete by 2011.

During FY 2010, 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 renewal which is primarily for the on-going operations of the wastewater treatment system. The renewed permit will include the Remediation Plan for monitoring and remediation of the nitrate plume in the groundwater under the LLAS. Due to the likelihood of the termination of the Agreed Order, this issue does not meet the criteria for a pollution remediation obligation.

NOTE V. SUBSEQUENT EVENTS

On October 5, 2010, the City issued \$41,000,000 in Tax and Waterworks System Surplus Revenue Certifications of Obligation, Series 2010 C. This was a direct placement with the Texas Water Development Board for the purpose of constructing a raw water transmission line, pump station, and water treatment plant improvements to enable Lake Alan Henry to serve as a water supply for the City.

On October 28, 2010, LP&L issued \$73,295,000 in Electric Light and Power System Revenue Bonds, Series 2010, which was the first issuance of electric light and power revenue debt since 2002. The bonds were issued at a premium of \$7,478,713 and had accrued interest on the bonds of \$117,291, bringing total sources of funds to \$80,891,004. The bonds were issued for the purpose of: 1) \$6,000,000 to finance the construction of capital improvements to the system, 2) \$67,000,000 to acquire the Lubbock distribution system of Southwestern Public Service (SPS), 3) \$7,216,033 to fund a debt service reserve, and 4) \$674,971 to pay costs of issuance of the bonds and underwriters' discount.

Since 1942 Lubbock's electrical distribution service has been served by both LP&L and SPS. In November 2009 LP&L and SPS reached a mutually beneficial agreement that allowed LP&L to purchase SPS's electrical distribution system. The \$87,823,385 total purchase price of the SPS assets was funded with \$67,000,000 in bond proceeds and a \$20,823,385 contribution of LP&L unrestricted net assets. The purchase of SPS assets closed on October 29, 2010.

City of Lubbock, Texas
Required Supplementary Information
Schedule of Funding Progress
For the Year Ended September 30, 2010

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

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio as a Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a)/c)
12/31/07	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
12/31/04	LFPF	130,174,984	143,991,975	13,816,991	90.4	14,711,366	93.9
12/31/06	LFPF	138,098,239	164,396,183	26,297,944	84.0	17,290,674	152.1
12/31/08	LFPF	144,130,117	184,149,288	40,019,171	78.3	19,703,429	203.1
09/30/07	OPEB	-	81,918,738	81,918,378	-	88,185,412	92.9
09/30/09	OPEB	-	126,167,945	126,167,945	-	95,693,148	131.8

*Health/Dental Care Insurance Plan

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

The TMRS board of Trustees approved the following changes to actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2008:

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

A summary of actuarial assumptions and definitions can be found in the December 31, 2008 TMRS Comprehensive Annual Financial Report (CAFR). There have been no changes to the assumptions since the prior valuation.

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

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

City of Lubbock, Texas
Required Supplementary Information
Schedule of Funding Progress (Continued)
For the Year Ended September 30, 2010

percent assumed in the 2006 valuation. The portion of each year's increase attributable to overtime, longevity, merit and promotion was increased by 1.00 percent.

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

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

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

City of Lubbock, Texas
Required Supplementary Information
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Taxes				
Property Tax	\$ 37,830,379	\$ 37,830,379	\$ 38,047,133	\$ 216,754
Delinquent Taxes	885,633	885,633	864,852	(20,781)
Sales Tax	46,515,434	46,515,434	46,757,685	242,251
Mixed Beverage Tax	970,000	970,000	950,571	(19,429)
Bingo Tax	298,924	298,924	268,521	(30,403)
Suddenlink	1,110,000	1,110,000	1,049,886	(60,114)
Xcel Energy	1,688,187	1,688,187	1,604,314	(83,873)
South Plains Electric Cooperative	485,000	485,000	504,566	19,566
West Texas Gas Company	-	-	2,578	2,578
Atmos	1,485,894	1,485,894	1,843,188	357,294
Telecom Right of Way	1,932,259	1,932,259	2,020,590	88,331
Development Services	135,400	135,400	120,511	(14,889)
General Government	104,250	104,250	64,766	(39,484)
Public Safety	1,289,030	1,289,030	1,084,041	(204,989)
Public Works	96,300	96,300	141,938	45,638
Health	742,186	742,186	626,448	(115,738)
Cultural/Recreational	1,113,166	1,113,166	1,099,354	(13,812)
Licenses and Permits	2,103,504	2,103,504	2,498,204	394,700
Intergovernmental	404,399	404,399	360,932	(43,467)
Fines and Forfeitures	3,400,000	3,400,000	2,993,802	(406,198)
Interest Earnings	172,691	172,691	48,895	(123,796)
Rental	7,578	7,578	6,526	(1,052)
Recoveries of Expenditures	647,506	647,506	992,909	345,403
Other	1,018,548	1,018,548	1,158,723	140,175
Transfers from Electric Fund	4,443,771	4,443,771	4,443,771	-
Transfers from Water Fund	7,009,760	7,009,760	7,009,759	(1)
Transfers from Sewer Fund	3,155,984	3,155,984	3,155,984	-
Transfers from Solid Waste	2,463,220	2,463,220	2,463,219	(1)
Transfers from Airport Fund	1,189,314	1,189,314	1,189,314	-
Transfers from Stormwater	1,542,894	1,542,894	1,542,894	-
Other Transfers	-	-	864	864
Total Revenue	<u><u>\$ 124,241,211</u></u>	<u><u>\$ 124,241,211</u></u>	<u><u>\$ 124,916,738</u></u>	<u><u>\$ 675,527</u></u>
EXPENDITURES				
<u>Administrative Services</u>				
City Attorney	\$ 1,656,392	\$ 1,656,392	\$ 1,595,238	\$ 61,154
City Council	443,191	443,191	393,503	49,688
City Manager	654,812	654,812	652,877	1,935
City Secretary	676,621	676,621	663,367	13,254
Facilities Management	2,926,715	2,926,715	2,847,952	78,763
Finance	2,246,150	2,246,150	2,163,081	83,069
Human Resources	520,342	520,342	437,930	82,412
Internal Audit	233,022	233,022	223,262	9,760
Non-departmental	5,407,797	5,407,797	5,731,837	(324,040)
Total Administrative Services	<u>14,765,042</u>	<u>14,765,042</u>	<u>14,709,047</u>	<u>55,995</u>

City of Lubbock, Texas
Required Supplementary Information
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
EXPENDITURES (Continued)				
<u>Community Services</u>				
Building Inspection	\$ 1,497,590	\$ 1,497,590	\$ 1,490,841	\$ 6,749
Planning	997,246	997,246	987,627	9,619
Total Community Services	<u>2,494,836</u>	<u>2,494,836</u>	<u>2,478,468</u>	<u>16,368</u>
<u>Cultural and Recreation Services</u>				
Library	3,334,384	3,334,384	3,214,457	119,927
Parks	8,225,678	8,225,678	8,251,080	(25,402)
Museums	771,146	771,146	712,584	58,562
Total Cultural and Recreation Services	<u>12,331,208</u>	<u>12,331,208</u>	<u>12,178,121</u>	<u>153,087</u>
<u>Public Works</u>				
Engineering	1,172,344	1,172,344	957,336	215,008
Street Lighting	1,680,580	1,680,580	1,808,980	(128,400)
Streets	2,773,048	2,773,048	2,496,858	276,190
Traffic	2,587,573	2,587,573	2,568,279	19,294
Total Public Works	<u>8,213,545</u>	<u>8,213,545</u>	<u>7,831,453</u>	<u>382,092</u>
<u>Public Safety and Health Services</u>				
Fire	31,899,137	31,899,137	31,874,545	24,592
Health	3,256,237	3,256,237	3,217,069	39,168
Municipal Court	1,549,272	1,549,272	1,581,428	(32,156)
Police	47,619,883	47,619,883	46,387,696	1,232,187
Total Public Safety and Health Services	<u>84,324,529</u>	<u>84,324,529</u>	<u>83,060,738</u>	<u>1,263,791</u>
Transfers	4,561,671	4,561,671	4,522,170	39,501
Payroll Accrual/Other	(2,500,000)	(2,500,000)	-	(2,500,000)
Total Expenditures	<u><u>\$ 124,190,831</u></u>	<u><u>\$ 124,190,831</u></u>	<u><u>\$ 124,779,997</u></u>	<u><u>\$ (589,166)</u></u>

City of Lubbock, Texas
Required Supplementary Information
Budget Comparison Schedule
General Fund
For the Year Ended September 30, 2010

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

Revenues and Other Financing Sources

Actual amounts (budgetary basis) "Total Revenue" from the Budget Comparison Schedule

\$124,916,738

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

4,015,386

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

\$128,932,124

Expenditures and Other Financing Uses

Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule

\$124,779,997

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

4,222,943

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

\$129,002,940



CITY OF LUBBOCK, TEXAS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF LUBBOCK, TEXAS

Special Revenue Funds (Continued)

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

Community Development Fund - Accounts for the receipt and disbursement of Community Development Block Grant funds from the United States Department of Housing and Urban Development.

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

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

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

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

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

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

Debt Service Fund

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

CITY OF LUBBOCK, TEXAS

Capital Project Funds

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

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

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, 2010

	Special Revenue Funds			
	Criminal Investigation	Municipal Court	Abandoned Motor Vehicle	Economic Development Incentive
ASSETS				
Cash and cash equivalents	\$ 1,164	\$ 553	\$ 685	\$ 111
Investments	820,346	389,585	483,154	78,040
Taxes receivable (net)	-	-	-	113,532
Accounts receivable (net)	-	-	-	-
Interest receivable	210	100	124	20
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Investment in property	-	-	-	-
Restricted investments	-	-	-	-
Pledges and leases receivable	-	-	-	-
Mortgage receivables	-	-	-	-
Total assets	<u>\$ 821,720</u>	<u>\$ 390,238</u>	<u>\$ 483,963</u>	<u>\$ 191,703</u>
LIABILITIES				
Accounts payable	\$ 313,619	\$ -	\$ 150,166	\$ 22,967
Due to other funds	-	-	-	-
Accrued liabilities	-	7,550	-	11,965
Accrued interest payable	-	-	-	-
Deferred revenue	-	-	-	104,597
Total liabilities	<u>313,619</u>	<u>7,550</u>	<u>150,166</u>	<u>139,529</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Special revenue - grants	-	-	-	-
Unreserved, undesignated in:				
Special revenue funds	<u>508,101</u>	<u>382,688</u>	<u>333,797</u>	<u>52,174</u>
Total fund balances	<u>508,101</u>	<u>382,688</u>	<u>333,797</u>	<u>52,174</u>
Total liabilities and fund balances	<u>\$ 821,720</u>	<u>\$ 390,238</u>	<u>\$ 483,963</u>	<u>\$ 191,703</u>

Special Revenue Funds

Donations	Hotel/Motel Tax	Lake Alan Henry	Cemetery Maintenance	Lubbock Economic Development Alliance	North Overton TIF	Central Business District TIF
\$ 839	\$ 1,029	\$ 724	\$ 178	\$ 21	\$ -	\$ 1,645
591,289	725,417	510,657	125,440	14,835	-	1,159,623
-	-	-	-	732,895	-	-
-	-	-	-	-	-	-
151	186	131	32	4	257	299
-	-	-	-	-	-	-
-	1,012,417	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,003,997	8,000
-	-	-	-	-	2,972,066	-
-	-	-	-	-	-	-
<u>\$ 592,279</u>	<u>\$ 1,739,049</u>	<u>\$ 511,512</u>	<u>\$ 125,650</u>	<u>\$ 747,755</u>	<u>\$ 3,976,320</u>	<u>\$ 1,169,567</u>
\$ 874	\$ 52,257	\$ 1,969	\$ -	\$ 747,755	\$ -	\$ 31,512
-	-	-	-	-	2,571,784	-
257	-	9,468	-	-	1,878	1,160
-	-	-	-	-	-	-
-	-	-	-	-	2,972,066	-
<u>1,131</u>	<u>52,257</u>	<u>11,437</u>	<u>-</u>	<u>747,755</u>	<u>5,545,728</u>	<u>32,672</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>591,148</u>	<u>1,686,792</u>	<u>500,075</u>	<u>125,650</u>	<u>-</u>	<u>(1,569,408)</u>	<u>1,136,895</u>
<u>591,148</u>	<u>1,686,792</u>	<u>500,075</u>	<u>125,650</u>	<u>-</u>	<u>(1,569,408)</u>	<u>1,136,895</u>
<u>\$ 592,279</u>	<u>\$ 1,739,049</u>	<u>\$ 511,512</u>	<u>\$ 125,650</u>	<u>\$ 747,755</u>	<u>\$ 3,976,320</u>	<u>\$ 1,169,567</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2010

	Special Revenue Funds				
	North Overton PID	North Point PID	Vintage Township PID	Gateway Streets	Community Development
ASSETS					
Cash and cash equivalents	\$ 180	\$ 266	\$ -	\$ 18,869	\$ 21,170
Investments	127,113	187,421	-	13,301,396	1,704,148
Taxes receivable (net)	-	-	-	-	-
Accounts receivable (net)	-	-	-	-	75
Interest receivable	33	48	-	3,967	39
Due from other governments	-	-	-	-	1,305,150
Due from others	-	-	-	461,404	-
Investment in property	-	-	-	-	-
Restricted investments	-	-	-	2,260,778	-
Pledges and leases receivable	-	-	-	-	-
Mortgage receivables	-	-	-	-	-
Total assets	<u>\$ 127,326</u>	<u>\$ 187,735</u>	<u>\$ -</u>	<u>\$ 16,046,414</u>	<u>\$ 3,030,582</u>
LIABILITIES					
Accounts payable	\$ 56,823	\$ -	\$ -	\$ -	\$ 50,010
Due to other funds	-	-	-	-	-
Accrued liabilities	-	144	-	5,684	49,943
Accrued interest payable	-	-	-	-	-
Deferred revenue	-	-	-	-	2,718,039
Total liabilities	<u>56,823</u>	<u>144</u>	<u>-</u>	<u>5,684</u>	<u>2,817,992</u>
FUND BALANCES					
Reserved for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Special revenue - grants	-	-	-	-	212,590
Unreserved, undesignated in:					
Special revenue funds	<u>70,503</u>	<u>187,591</u>	<u>-</u>	<u>16,040,730</u>	<u>-</u>
Total fund balances	<u>70,503</u>	<u>187,591</u>	<u>-</u>	<u>16,040,730</u>	<u>212,590</u>
Total liabilities and fund balances	<u>\$ 127,326</u>	<u>\$ 187,735</u>	<u>\$ -</u>	<u>\$ 16,046,414</u>	<u>\$ 3,030,582</u>

Special Revenue Funds

Urban Renewal Agency (URA)	Community Services	Health	Library	Police	Other Grants	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 356	\$ -	\$ 47,790
-	-	-	-	250,898	-	20,469,362
-	-	-	-	-	-	846,427
-	-	-	-	-	703	778
-	-	-	-	-	-	5,601
-	734,579	248,376	105,092	15,239	387,648	2,796,084
-	-	-	-	-	-	1,473,821
223,928	-	-	-	-	-	223,928
-	-	-	-	-	-	3,272,775
-	-	-	-	-	-	2,972,066
4,918,505	-	-	-	-	-	4,918,505
<u>\$ 5,142,433</u>	<u>\$ 734,579</u>	<u>\$ 248,376</u>	<u>\$ 105,092</u>	<u>\$ 266,493</u>	<u>\$ 388,351</u>	<u>\$ 37,027,137</u>
\$ -	\$ 363,588	\$ 29,715	\$ 484	\$ 46	\$ 89,825	\$ 1,911,610
-	235,737	168,597	4,916	-	57,403	3,038,437
-	27,629	40,784	13,845	8,052	34,998	213,357
-	-	-	-	-	-	-
-	-	-	85,847	38,989	-	5,919,538
-	626,954	239,096	105,092	47,087	182,226	11,082,942
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,142,433	107,625	9,280	-	219,406	206,125	5,897,459
-	-	-	-	-	-	20,046,736
5,142,433	107,625	9,280	-	219,406	206,125	25,944,195
<u>\$ 5,142,433</u>	<u>\$ 734,579</u>	<u>\$ 248,376</u>	<u>\$ 105,092</u>	<u>\$ 266,493</u>	<u>\$ 388,351</u>	<u>\$ 37,027,137</u>

City of Lubbock, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2010

	Capital Projects Funds			
	Debt Service Fund	TIF Capital Projects	Gateway Streets Projects	Total Capital Projects Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 9	\$ -	\$ 9
Investments	-	7,320	1,906,825	1,914,145
Taxes receivable (net)	269,789	-	-	-
Accounts receivable (net)	-	-	-	-
Interest receivable	440	-	-	-
Due from other governments	-	-	-	-
Due from others	-	-	-	-
Investment in property	-	-	-	-
Restricted investments	1,659,294	765,703	21,895,802	22,661,505
Pledges and leases receivable	-	1,580,000	-	1,580,000
Mortgage receivables	-	-	-	-
	<u>\$ 1,929,523</u>	<u>\$ 2,353,032</u>	<u>\$ 23,802,627</u>	<u>\$ 26,155,659</u>
Total assets				
LIABILITIES				
Accounts payable	\$ 500	\$ 8,429	\$ 678,281	\$ 686,710
Due to other funds	-	-	-	-
Accrued liabilities	-	-	2,759	2,759
Accrued interest payable	-	-	-	-
Deferred revenue	244,770	1,580,000	-	1,580,000
	<u>245,270</u>	<u>1,588,429</u>	<u>681,040</u>	<u>2,269,469</u>
Total liabilities				
FUND BALANCES				
Reserved for:				
Debt service	1,684,253	-	-	-
Capital projects	-	764,603	23,121,587	23,886,190
Special revenue - grants	-	-	-	-
Unreserved, undesignated in:				
Special revenue funds	-	-	-	-
	<u>1,684,253</u>	<u>764,603</u>	<u>23,121,587</u>	<u>23,886,190</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 1,929,523</u>	<u>\$ 2,353,032</u>	<u>\$ 23,802,627</u>	<u>\$ 26,155,659</u>

**Total Nonmajor
Governmental
Funds**

\$ 47,799
22,383,507
1,116,216
778
6,041
2,796,084
1,473,821
223,928
27,593,574
4,552,066
4,918,505

\$ 65,112,319

\$ 2,598,820
3,038,437
216,116
-
7,744,308

13,597,681

1,684,253
23,886,190
5,897,459
20,046,736

51,514,638

\$ 65,112,319

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2010

	Special Revenue Funds			
	Criminal Investigation	Municipal Court	Abandoned Motor Vehicle	Economic Development Incentive
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 3,511,719
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	-	-	-	-
Fees and fines	-	346,117	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	117	-	1	-
Miscellaneous	275,108	-	450,994	-
Total revenues	<u>275,225</u>	<u>346,117</u>	<u>450,995</u>	<u>3,511,719</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	-	-	-	3,477,377
Health	-	-	-	-
Fire	-	-	-	-
Police	140,841	-	300,242	-
Other public safety	-	339,699	-	-
Streets and traffic	-	-	-	-
Intergovernmental	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>140,841</u>	<u>339,699</u>	<u>300,242</u>	<u>3,477,377</u>
Excess (deficiency) of revenues over (under) expenditures	<u>134,384</u>	<u>6,418</u>	<u>150,753</u>	<u>34,342</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Bond premium (discount)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	134,384	6,418	150,753	34,342
Fund balances - beginning of year	373,717	376,270	183,044	17,832
Fund balances - end of year	<u>\$ 508,101</u>	<u>\$ 382,688</u>	<u>\$ 333,797</u>	<u>\$ 52,174</u>

Special Revenue Funds

Donations	Hotel/Motel Tax	Lake Alan Henry	Cemetery Maintenance	Lubbock Economic Development Alliance	North Overton TIF	Central Business District TIF
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,282,646	\$ 530,830
-	-	-	-	4,250,699	-	-
-	4,238,675	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	417,046	-	-	-	-
4,298	2,616	657	17	-	-	819
1,308,753	-	-	-	-	39,315	-
<u>1,313,051</u>	<u>4,241,291</u>	<u>417,703</u>	<u>17</u>	<u>4,250,699</u>	<u>2,321,961</u>	<u>531,649</u>
124,506	-	-	16,666	-	-	-
33,398	-	328,647	-	-	-	-
11,700	2,497,057	-	-	4,250,699	51,944	370,247
26,806	-	-	-	-	-	-
1,722	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	3,725	-
-	-	-	-	-	31,539	58,101
<u>198,132</u>	<u>2,497,057</u>	<u>328,647</u>	<u>16,666</u>	<u>4,250,699</u>	<u>87,208</u>	<u>428,348</u>
<u>1,114,919</u>	<u>1,744,234</u>	<u>89,056</u>	<u>(16,649)</u>	<u>-</u>	<u>2,234,753</u>	<u>103,301</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	322,504	-
<u>(1,005,237)</u>	<u>(2,006,480)</u>	<u>(178,709)</u>	<u>-</u>	<u>-</u>	<u>(3,119,858)</u>	<u>-</u>
<u>(1,005,237)</u>	<u>(2,006,480)</u>	<u>(178,709)</u>	<u>-</u>	<u>-</u>	<u>(2,797,354)</u>	<u>-</u>
109,682	(262,246)	(89,653)	(16,649)	-	(562,601)	103,301
481,466	1,949,038	589,728	142,299	-	(1,006,807)	1,033,594
<u>\$ 591,148</u>	<u>\$ 1,686,792</u>	<u>\$ 500,075</u>	<u>\$ 125,650</u>	<u>\$ -</u>	<u>\$ (1,569,408)</u>	<u>\$ 1,136,895</u>

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2010

	Special Revenue Funds				
	North Overton PID	North Point PID	Vintage Township PID	Gateway Streets	Community Development
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Occupancy taxes	-	-	-	-	-
Franchise taxes	-	-	-	4,677,863	-
Special assessments	408,771	74,735	278,044	-	-
Fees and fines	-	-	-	-	-
Intergovernmental	-	-	-	-	4,523,059
Charges for services	-	-	-	-	-
Interest	-	186	-	16,023	835
Miscellaneous	-	-	-	-	331,028
Total revenues	<u>408,771</u>	<u>74,921</u>	<u>278,044</u>	<u>4,693,886</u>	<u>4,854,922</u>
EXPENDITURES					
Current:					
Community services	-	-	-	-	5,002,574
Cultural and recreation	-	-	-	-	-
Economic and business development	362,078	18,682	279,055	101,710	-
Health	-	-	-	-	-
Fire	-	-	-	-	-
Police	-	-	-	-	-
Other public safety	-	-	-	-	-
Streets and traffic	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	30	-	-	-	-
Capital outlay	-	-	-	-	185,495
Total expenditures	<u>362,108</u>	<u>18,682</u>	<u>279,055</u>	<u>101,710</u>	<u>5,188,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>46,663</u>	<u>56,239</u>	<u>(1,011)</u>	<u>4,592,176</u>	<u>(333,147)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Bond premium (discount)	-	-	-	-	-
Transfers in	-	-	-	2,424,248	-
Transfers out	-	-	-	(8,705,891)	(142,900)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,281,643)</u>	<u>(142,900)</u>
Net change in fund balances	46,663	56,239	(1,011)	(1,689,467)	(476,047)
Fund balances - beginning of year	23,840	131,352	1,011	17,730,197	688,637
Fund balances - end of year	<u>\$ 70,503</u>	<u>\$ 187,591</u>	<u>\$ -</u>	<u>\$ 16,040,730</u>	<u>\$ 212,590</u>

Special Revenue Funds						
Urban Renewal Agency (URA)	Community Services	Health	Library	Police	Other Grants	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,325,195
-	-	-	-	-	-	4,250,699
-	-	-	-	-	-	4,238,675
-	-	-	-	-	-	4,677,863
-	-	-	-	-	-	761,550
-	-	-	-	-	-	346,117
-	5,247,073	1,379,409	639,779	1,515,369	1,511,307	14,815,996
-	-	-	-	-	-	417,046
-	-	-	-	2,267	-	27,836
-	-	134,476	-	-	52,753	2,592,427
-	5,247,073	1,513,885	639,779	1,517,636	1,564,060	38,453,404
460,994	5,140,978	-	-	-	578,718	11,324,436
-	-	-	639,779	-	-	1,001,824
-	-	-	-	-	-	11,420,549
-	-	1,297,977	-	-	416,721	1,741,504
-	-	-	-	-	-	1,722
-	-	-	-	1,101,857	184,417	1,727,357
-	-	-	-	-	441,769	781,468
-	-	-	-	-	-	-
-	-	-	-	427,877	-	427,877
-	-	-	-	-	-	-
-	-	-	-	-	-	3,755
-	-	255,050	-	63,534	160,300	754,019
460,994	5,140,978	1,553,027	639,779	1,593,268	1,781,925	29,184,511
(460,994)	106,095	(39,142)	-	(75,632)	(217,865)	9,268,893
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	89,387	221,400	3,057,539
-	-	-	-	-	-	(15,159,075)
-	-	-	-	89,387	221,400	(12,101,536)
(460,994)	106,095	(39,142)	-	13,755	3,535	(2,832,643)
5,603,427	1,530	48,422	-	205,651	202,590	28,776,838
\$ 5,142,433	\$ 107,625	\$ 9,280	\$ -	\$ 219,406	\$ 206,125	\$ 25,944,195

City of Lubbock, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2010

	Capital Projects Funds			
	Debt Service Fund	TIF Capital Projects	Gateway Streets Projects	Total Capital Projects Funds
REVENUES				
Property taxes	\$ 9,830,677	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Occupancy taxes	-	-	-	-
Franchise taxes	-	-	-	-
Special assessments	-	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	19,430	-	57,539	57,539
Miscellaneous	118,896	1,420,000	60,000	1,480,000
Total revenues	<u>9,969,003</u>	<u>1,420,000</u>	<u>117,539</u>	<u>1,537,539</u>
EXPENDITURES				
Current:				
Community services	-	-	-	-
Cultural and recreation	-	-	-	-
Economic and business development	-	1,548,829	-	1,548,829
Health	-	-	-	-
Fire	-	-	-	-
Police	-	-	-	-
Other public safety	-	-	-	-
Streets and traffic	-	-	85,163	85,163
Intergovernmental	-	-	7,614,411	7,614,411
Debt Service:				-
Principal	10,907,849	-	-	-
Interest and other charges	11,670,534	17,021	70,236	87,257
Capital outlay	-	3,063,263	12,087,593	15,150,856
Total expenditures	<u>22,578,383</u>	<u>4,629,113</u>	<u>19,857,403</u>	<u>24,486,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,609,380)</u>	<u>(3,209,113)</u>	<u>(19,739,864)</u>	<u>(22,948,977)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	2,200,021	9,368,805	11,568,826
Bond premium (discount)	-	34,368	146,355	180,723
Transfers in	12,795,358	-	1,511,869	1,511,869
Transfers out	-	-	(57,538)	(57,538)
Net other financing sources (uses)	<u>12,795,358</u>	<u>2,234,389</u>	<u>10,969,491</u>	<u>13,203,880</u>
Net change in fund balances	185,978	(974,724)	(8,770,373)	(9,745,097)
Fund balances - beginning of year	1,498,275	1,739,327	31,891,960	33,631,287
Fund balances - end of year	<u>\$ 1,684,253</u>	<u>\$ 764,603</u>	<u>\$ 23,121,587</u>	<u>\$ 23,886,190</u>

**Total Nonmajor
Governmental
Funds**

\$ 16,155,872
4,250,699
4,238,675
4,677,863
761,550
346,117
14,815,996
417,046
104,805
4,191,323
<u>49,959,946</u>

11,324,436
1,001,824
12,969,378
1,741,504
1,722
1,727,357
781,468
85,163
8,042,288

10,907,849
11,761,546
15,904,875
<u>76,249,410</u>

<u>(26,289,464)</u>

11,568,826
180,723
17,364,766
(15,216,613)
<u>13,897,702</u>

(12,391,762)
63,906,400

<u>\$ 51,514,638</u>



CITY OF LUBBOCK, TEXAS

Nonmajor Enterprise Funds

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

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

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

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

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

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

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2010

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,686	\$ 9,217	\$ 181	\$ 312
Investments	5,237,100	6,529,464	31,871	219,952
Accounts receivable	446,864	1,649,661	891,923	46,115
Interest receivable	1,853	1,783	-	61
Due from others	163,007	-	-	-
Due from other funds	-	2,571,784	-	-
Due from other governments	455,325	-	460,558	-
Prepaid expenses	-	-	56,771	-
Inventories	-	-	821,238	-
	<u>6,310,835</u>	<u>10,761,909</u>	<u>2,262,542</u>	<u>266,440</u>
Total current assets				
Noncurrent assets:				
Restricted investments	<u>4,041,844</u>	<u>2,683,885</u>	<u>-</u>	<u>18,274</u>
	<u>4,041,844</u>	<u>2,683,885</u>	<u>-</u>	<u>18,274</u>
Capital assets:				
Land	3,589,941	1,607,932	318,539	14,097
Construction in progress	9,506,182	2,023,538	694,348	95,314
Buildings	39,168,519	1,634,574	4,554,055	819,122
Improvements other than buildings	103,508,555	27,463,935	1,273,687	22,251
Machinery and equipment	14,219,004	31,334,368	25,080,645	461,809
Less accumulated depreciation	<u>(82,301,240)</u>	<u>(42,934,634)</u>	<u>(20,390,200)</u>	<u>(379,192)</u>
Total capital assets	<u>87,690,961</u>	<u>21,129,713</u>	<u>11,531,074</u>	<u>1,033,401</u>
Total noncurrent assets	<u>91,732,805</u>	<u>23,813,598</u>	<u>11,531,074</u>	<u>1,051,675</u>
Total assets	<u><u>\$ 98,043,640</u></u>	<u><u>\$ 34,575,507</u></u>	<u><u>\$ 13,793,616</u></u>	<u><u>\$ 1,318,115</u></u>

<u>Civic Centers</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 1,136	\$ 17,532
849,633	12,868,020
124,719	3,159,282
255	3,952
-	163,007
-	2,571,784
-	915,883
-	56,771
-	821,238
<u>975,743</u>	<u>20,577,469</u>
<u>6,287,301</u>	<u>13,031,304</u>
<u>6,287,301</u>	<u>13,031,304</u>
1,238,454	6,768,963
448,440	12,767,822
21,860,776	68,037,046
2,755,901	135,024,329
5,281,660	76,377,486
<u>(21,311,391)</u>	<u>(167,316,657)</u>
<u>10,273,840</u>	<u>131,658,989</u>
<u>16,561,141</u>	<u>144,690,293</u>
<u>\$ 17,536,884</u>	<u>\$ 165,267,762</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2010

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 699,808	\$ 331,631	\$ 236,231	\$ 7,381
Accrued liabilities	153,535	344,679	268,328	17,937
Accrued interest payable	68,382	120,567	-	3,794
Due to other funds	-	-	1,300,000	-
Customer deposits	-	8,672	-	-
Deferred revenue	-	-	-	3,220
Compensated absences	125,430	324,945	264,204	28,503
Leases payable	28,071	4,170,808	-	-
Bonds payable	<u>1,866,259</u>	<u>715,278</u>	<u>-</u>	<u>25,037</u>
Total current liabilities	<u>2,941,485</u>	<u>6,016,580</u>	<u>2,068,763</u>	<u>85,872</u>
Noncurrent liabilities:				
Rebatable arbitrage	20,428	-	-	-
Landfill closure and post closure care	-	4,886,726	-	-
Compensated absences	130,329	337,636	-	29,617
Post employment benefits	326,847	766,741	-	62,710
Pension obligation	124,940	287,326	-	22,069
Leases payable	172,077	8,770,310	-	-
Bonds payable	<u>10,573,031</u>	<u>12,755,753</u>	<u>-</u>	<u>591,184</u>
Total noncurrent liabilities	<u>11,347,652</u>	<u>27,804,492</u>	<u>-</u>	<u>705,580</u>
Total liabilities	<u>14,289,137</u>	<u>33,821,072</u>	<u>2,068,763</u>	<u>791,452</u>
NET ASSETS				
Invested in capital assets, net of related debt	76,563,753	(3,068,157)	11,531,074	418,567
Restricted for passenger facility charges	1,414,255	-	-	-
Restricted for debt service	1,115,360	469,605	-	16,887
Unrestricted	<u>4,661,135</u>	<u>3,352,987</u>	<u>193,779</u>	<u>91,209</u>
Total net assets	<u>\$ 83,754,503</u>	<u>\$ 754,435</u>	<u>\$ 11,724,853</u>	<u>\$ 526,663</u>

<u>Civic Centers</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 84,331	\$ 1,359,382
70,780	855,259
54,960	247,703
-	1,300,000
53,448	62,120
-	3,220
108,388	851,470
-	4,198,879
<u>125,941</u>	<u>2,732,515</u>
<u>497,848</u>	<u>11,610,548</u>
-	20,428
-	4,886,726
112,621	610,203
224,232	1,380,530
62,460	496,795
-	8,942,387
<u>6,336,066</u>	<u>30,256,034</u>
<u>6,735,379</u>	<u>46,593,103</u>
<u>7,233,227</u>	<u>58,203,651</u>
9,905,080	95,350,317
-	1,414,255
194,054	1,795,906
<u>204,523</u>	<u>8,503,633</u>
<u>\$ 10,303,657</u>	<u>\$ 107,064,111</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, 2010

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
OPERATING REVENUES				
Charges for services (net)	<u>\$ 7,129,257</u>	<u>\$ 17,037,506</u>	<u>\$ 4,647,586</u>	<u>\$ 436,534</u>
Total operating revenues	<u>7,129,257</u>	<u>17,037,506</u>	<u>4,647,586</u>	<u>436,534</u>
OPERATING EXPENSES				
Personal services	2,371,123	5,846,671	7,018,723	421,658
Supplies	176,755	1,496,737	1,485,846	44,672
Maintenance	482,173	2,537,275	1,031,843	25,378
Billing office expense	-	579,743	-	-
Other services and charges	1,836,740	3,185,242	1,070,037	148,702
Depreciation and amortization	<u>5,322,652</u>	<u>5,352,122</u>	<u>1,581,641</u>	<u>26,192</u>
Total operating expenses	<u>10,189,443</u>	<u>18,997,790</u>	<u>12,188,090</u>	<u>666,602</u>
Operating loss	<u>(3,060,186)</u>	<u>(1,960,284)</u>	<u>(7,540,504)</u>	<u>(230,068)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	9,054	28,738	-	-
Passenger facility charges/Federal grants	2,043,220	-	3,764,297	-
Disposition of assets	19,858	225,614	22,001	-
Miscellaneous	695,236	153,359	-	-
Interest expense	<u>(552,765)</u>	<u>(976,320)</u>	<u>-</u>	<u>(9,554)</u>
Net nonoperating revenues (expenses)	<u>2,214,603</u>	<u>(568,609)</u>	<u>3,786,298</u>	<u>(9,554)</u>
Loss before contributions and transfers	(845,583)	(2,528,893)	(3,754,206)	(239,622)
Capital contributions	4,256,371	-	3,566,769	-
Transfers in	-	-	1,701,851	549,005
Transfers out	<u>(1,189,314)</u>	<u>(2,602,596)</u>	<u>-</u>	<u>-</u>
Change in net assets	2,221,474	(5,131,489)	1,514,414	309,383
Total net assets - beginning	<u>81,533,029</u>	<u>5,885,924</u>	<u>10,210,439</u>	<u>217,280</u>
Total net assets - ending	<u>\$ 83,754,503</u>	<u>\$ 754,435</u>	<u>\$ 11,724,853</u>	<u>\$ 526,663</u>

<u>Civic Centers</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 640,228	\$ 29,891,111
<u>640,228</u>	<u>29,891,111</u>
1,604,393	17,262,568
84,082	3,288,092
287,572	4,364,241
-	579,743
829,326	7,070,047
<u>1,163,108</u>	<u>13,445,715</u>
<u>3,968,481</u>	<u>46,010,406</u>
<u>(3,328,253)</u>	<u>(16,119,295)</u>
8,600	46,392
-	5,807,517
-	267,473
5,387	853,982
<u>(14,593)</u>	<u>(1,553,232)</u>
<u>(606)</u>	<u>5,422,132</u>
(3,328,859)	(10,697,163)
-	7,823,140
2,294,905	4,545,761
<u>-</u>	<u>(3,791,910)</u>
<u>(1,033,954)</u>	<u>(2,120,172)</u>
<u>11,337,611</u>	<u>109,184,283</u>
<u>\$ 10,303,657</u>	<u>\$ 107,064,111</u>

City Of Lubbock, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2010

	<u>Airport</u>	<u>Solid Waste</u>	<u>Transit</u>	<u>Cemetery</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 7,077,975	\$ 17,150,422	\$ 6,533,533	\$ 446,269
Payments to suppliers	(2,118,902)	(5,901,251)	(3,446,794)	(203,839)
Payments to employees	(2,488,147)	(6,106,219)	(7,018,723)	(503,103)
Other receipts	695,236	153,359	-	-
Net cash provided (used) by operating activities	<u>3,166,162</u>	<u>5,296,311</u>	<u>(3,931,984)</u>	<u>(260,673)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	-	-	1,701,851	549,005
Transfers out to other funds	(1,189,314)	(2,602,596)	-	-
Short-term interfund borrowings (repayments)	-	(646,660)	(1,612,500)	-
Passenger facility charges and operating grants	-	-	3,764,297	-
Net cash provided (used) by noncapital and related financing activities	<u>(1,189,314)</u>	<u>(3,249,256)</u>	<u>3,853,648</u>	<u>549,005</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(5,393,620)	(3,133,966)	(3,508,587)	(87,489)
Sale of capital assets	19,858	232,303	22,001	-
Principal paid on capital leases	(11,923)	(3,379,743)	-	-
Principal paid on bonds	(1,786,574)	(683,940)	-	(23,928)
Issuance of capital leases	163,899	3,461,371	-	-
Issuance of bonds	-	665,036	-	-
Bond issuance costs	-	(4,906)	-	-
Interest paid on bonds and capital leases	(590,935)	(1,004,190)	-	(9,857)
Rebatable arbitrage	(9,935)	(9,711)	-	(1,618)
Capital grants and contributions	6,299,591	-	3,566,769	-
Net cash provided (used) for capital and related financing activities	<u>(1,309,639)</u>	<u>(3,857,746)</u>	<u>80,183</u>	<u>(122,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	254,654	2,677,293	-	-
Purchase of investments	(957,412)	(950,643)	(31,871)	(165,107)
Interest earnings on cash and investments	22,829	50,695	-	(21)
Net cash provided (used) for investing activities	<u>(679,929)</u>	<u>1,777,345</u>	<u>(31,871)</u>	<u>(165,128)</u>
Net increase (decrease) in cash and cash equivalents	(12,720)	(33,346)	(30,024)	312
Cash and cash equivalents - beginning of year	19,406	42,563	30,205	-
Cash and cash equivalents - end of year	<u>\$ 6,686</u>	<u>\$ 9,217</u>	<u>\$ 181</u>	<u>\$ 312</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating loss	\$ (3,060,186)	\$ (1,960,284)	\$ (7,540,504)	\$ (230,068)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation and amortization	5,322,652	5,352,122	1,581,641	26,192
Other income (expense)	695,236	153,359	-	-
Change in current assets and liabilities:				
Accounts receivable	(51,282)	112,916	1,885,947	9,735
Inventory	-	-	(144,770)	-
Prepaid expenses	-	-	8,046	-
Due from other governments	(70,994)	-	424,715	-
Accounts payable	64,884	190,054	(225,976)	192
Other accrued expenses	(5,544)	13,142	89,296	(778)
Due to/from other funds	39,444	-	-	(106,935)
Customer deposits	-	500	-	-
Change in compensated absences and retirement benefits	231,952	1,434,502	(10,379)	40,989
Net cash provided (used) by operating activities	<u>\$ 3,166,162</u>	<u>\$ 5,296,311</u>	<u>\$ (3,931,984)</u>	<u>\$ (260,673)</u>

<u>Civic Centers</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 620,616	\$ 31,828,815
(965,665)	(12,636,451)
(1,675,159)	(17,791,351)
-	848,595
<u>(2,020,208)</u>	<u>2,249,608</u>
2,294,905	4,545,761
-	(3,791,910)
-	(2,259,160)
<u>-</u>	<u>3,764,297</u>
<u>2,294,905</u>	<u>2,258,988</u>
(364,933)	(12,488,595)
-	274,162
-	(3,391,666)
(8,507)	(2,502,949)
50,368	3,675,638
6,011,607	6,676,643
(40,372)	(45,278)
(16,268)	(1,621,250)
-	(21,264)
<u>-</u>	<u>9,866,360</u>
<u>5,631,895</u>	<u>421,801</u>
-	2,931,947
(5,917,831)	(8,022,864)
8,345	81,848
<u>(5,909,486)</u>	<u>(5,009,069)</u>
(2,894)	(78,672)
4,030	96,204
<u>\$ 1,136</u>	<u>\$ 17,532</u>
\$ (3,328,253)	\$ (16,119,295)
1,163,108	13,445,715
5,387	853,982
(19,612)	1,937,704
-	(144,770)
-	8,046
-	353,721
51,773	80,927
5,310	101,426
21,813	(45,678)
(6,329)	(5,829)
86,595	1,783,659
<u>\$ (2,020,208)</u>	<u>\$ 2,249,608</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 purpose of centralizing the activities relative to the City's investment portfolio.

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2010

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,346	\$ 359	\$ 11,134	\$ 12,839
Investments	948,634	253,317	7,849,062	9,051,013
Interest receivable	243	65	2,009	2,317
Due from others	-	3,965	65,706	69,671
Prepaid expenses	-	-	-	-
Inventories	262,438	1,725,885	-	1,988,323
Total current assets	<u>1,212,661</u>	<u>1,983,591</u>	<u>7,927,911</u>	<u>11,124,163</u>
Noncurrent assets				
Capital assets:				
Land	-	-	-	-
Construction in Progress	-	-	-	-
Buildings	1,469,765	138,853	-	1,608,618
Improvements other than buildings	-	-	-	-
Machinery and equipment	714,451	116,761	17,227	848,439
Less accumulated depreciation	(1,305,339)	(236,471)	(17,227)	(1,559,037)
Total capital assets	<u>878,877</u>	<u>19,143</u>	<u>-</u>	<u>898,020</u>
Total noncurrent assets	<u>878,877</u>	<u>19,143</u>	<u>-</u>	<u>898,020</u>
Total assets	<u>\$ 2,091,538</u>	<u>\$ 2,002,734</u>	<u>\$ 7,927,911</u>	<u>\$ 12,022,183</u>

Governmental Activities

Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
\$ 1,809	\$ 13,888	\$ 14	\$ 15,711	\$ 28,550
1,275,038	9,790,469	9,986	11,075,493	20,126,506
326	2,506	-	2,832	5,149
44,274	166,686	-	210,960	280,631
-	-	-	-	-
15,259	-	-	15,259	2,003,582
<u>1,336,706</u>	<u>9,973,549</u>	<u>10,000</u>	<u>11,320,255</u>	<u>22,444,418</u>
65,343	-	-	65,343	65,343
-	-	-	-	-
88,436	-	-	88,436	1,697,054
920,685	-	-	920,685	920,685
9,678,218	5,568	-	9,683,786	10,532,225
(7,687,951)	(5,568)	-	(7,693,519)	(9,252,556)
<u>3,064,731</u>	<u>-</u>	<u>-</u>	<u>3,064,731</u>	<u>3,962,751</u>
<u>3,064,731</u>	<u>-</u>	<u>-</u>	<u>3,064,731</u>	<u>3,962,751</u>
<u>\$ 4,401,437</u>	<u>\$ 9,973,549</u>	<u>\$ 10,000</u>	<u>\$ 14,384,986</u>	<u>\$ 26,407,169</u>

City of Lubbock, Texas
Combining Statement of Net Assets
Internal Service Funds
September 30, 2010

	Business-type Activities			
	<u>Fleet Maintenance</u>	<u>Print Shop and Warehouse</u>	<u>Risk Management</u>	<u>Total Business- type Activities</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 389,924	\$ 312,459	\$ 6,820	\$ 709,203
Accrued liabilities	41,900	13,434	10,955	66,289
Accrued interest payable	-	66	-	66
Compensated absences	31,252	13,506	3,823	48,581
Accrued insurance claims	-	-	2,161,517	2,161,517
Leases payable	-	13,312	-	13,312
	<u>463,076</u>	<u>352,777</u>	<u>2,183,115</u>	<u>2,998,968</u>
Total current liabilities				
Noncurrent liabilities:				
Accrued insurance claims	-	-	2,737,615	2,737,615
Compensated absences	32,473	14,033	3,972	50,478
Post employment benefits	134,482	45,708	30,802	210,992
Net pension obligation	46,070	13,663	13,088	72,821
Leases payable	-	-	-	-
Total noncurrent liabilities	<u>213,025</u>	<u>73,404</u>	<u>2,785,477</u>	<u>3,071,906</u>
Total liabilities	<u>676,101</u>	<u>426,181</u>	<u>4,968,592</u>	<u>6,070,874</u>
NET ASSETS				
Invested in capital assets, net of related debt	878,877	5,831	-	884,708
Unrestricted	<u>536,560</u>	<u>1,570,722</u>	<u>2,959,319</u>	<u>5,066,601</u>
Total net assets	<u>\$ 1,415,437</u>	<u>\$ 1,576,553</u>	<u>\$ 2,959,319</u>	<u>\$ 5,951,309</u>

Governmental Activities

Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
\$ 300,979	\$ 1,136,271	\$ -	\$ 1,437,250	\$ 2,146,453
149,185	8,445	3,518	161,148	227,437
1,063	-	-	1,063	1,129
188,603	3,485	-	192,088	240,669
-	1,456,201	-	1,456,201	3,617,718
147,316	-	-	147,316	160,628
<u>787,146</u>	<u>2,604,402</u>	<u>3,518</u>	<u>3,395,066</u>	<u>6,394,034</u>
-	142,323	-	142,323	2,879,938
351,408	6,492	-	357,900	408,378
306,170	28,921	-	335,091	546,083
180,707	9,876	4,554	195,137	267,958
248,647	-	-	248,647	248,647
<u>1,086,932</u>	<u>187,612</u>	<u>4,554</u>	<u>1,279,098</u>	<u>4,351,004</u>
<u>1,874,078</u>	<u>2,792,014</u>	<u>8,072</u>	<u>4,674,164</u>	<u>10,745,038</u>
2,668,768	-	-	2,668,768	3,553,476
(141,409)	7,181,535	1,928	7,042,054	12,108,655
<u>\$ 2,527,359</u>	<u>\$ 7,181,535</u>	<u>\$ 1,928</u>	<u>\$ 9,710,822</u>	<u>\$ 15,662,131</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, 2010

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business- type Activities
OPERATING REVENUES				
Charges for services	\$ 8,681,590	\$ 3,863,799	\$ 5,386,190	\$ 17,931,579
Total operating revenues	8,681,590	3,863,799	5,386,190	17,931,579
OPERATING EXPENSES				
Personal services	938,099	290,186	214,488	1,442,773
Insurance and claims	-	-	6,798,991	6,798,991
Supplies	68,666	6,679	9,284	84,629
Materials	7,173,891	3,428,008	-	10,601,899
Maintenance	115,563	8,459	1,387	125,409
Other services and charges	159,687	152,428	108,971	421,086
Depreciation and amortization	42,358	12,186	-	54,544
Total operating expenses	8,498,264	3,897,946	7,133,121	19,529,331
Operating income (loss)	183,326	(34,147)	(1,746,931)	(1,597,752)
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	1,423	416	6,775	8,614
Disposition of assets	3,535	-	-	3,535
Miscellaneous	1,712	-	73,222	74,934
Interest expense	-	(990)	-	(990)
Net nonoperating revenues (expenses)	6,670	(574)	79,997	86,093
Income (loss) before contributions and transfers	189,996	(34,721)	(1,666,934)	(1,511,659)
Capital Contributions	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Change in net assets	189,996	(34,721)	(1,666,934)	(1,511,659)
Total net assets - beginning of year	1,225,441	1,611,274	4,626,253	7,462,968
Total net assets - end of year	\$ 1,415,437	\$ 1,576,553	\$ 2,959,319	\$ 5,951,309

Governmental Activities				
Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
\$ 6,979,204	\$21,985,230	\$ -	\$ 28,964,434	\$ 46,896,013
6,979,204	21,985,230	-	28,964,434	46,896,013
3,276,210	177,652	75,860	3,529,722	4,972,495
-	23,795,792	-	23,795,792	30,594,783
48,598	6,365	856	55,819	140,448
148,819	-	-	148,819	10,750,718
2,373,170	-	-	2,373,170	2,498,579
1,397,248	128,361	102,051	1,627,660	2,048,746
392,066	-	-	392,066	446,610
7,636,111	24,108,170	178,767	31,923,048	51,452,379
(656,907)	(2,122,940)	(178,767)	(2,958,614)	(4,556,366)
5,154	18,228	172,480	195,862	204,476
11,675	-	-	11,675	15,210
5,812	586,285	-	592,097	667,031
(15,731)	-	-	(15,731)	(16,721)
6,910	604,513	172,480	783,903	869,996
(649,997)	(1,518,427)	(6,287)	(2,174,711)	(3,686,370)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(649,997)	(1,518,427)	(6,287)	(2,174,711)	(3,686,370)
3,177,356	8,699,962	8,215	11,885,533	19,348,501
\$ 2,527,359	\$ 7,181,535	\$ 1,928	\$ 9,710,822	\$ 15,662,131

City of Lubbock, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2010

	Business-type Activities			
	Fleet Maintenance	Print Shop and Warehouse	Risk Management	Total Business-type Activities
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 8,681,589	\$ 3,863,799	\$ 5,386,190	\$ 17,931,578
Payments to suppliers	(7,564,456)	(3,742,593)	(5,450,482)	(16,757,531)
Payments to employees	(886,866)	(270,974)	(204,882)	(1,362,722)
Other receipts	5,247	-	73,222	78,469
Net cash provided (used) by operating activities	235,514	(149,768)	(195,952)	(110,206)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(135,724)	-	-	(135,724)
Sale of capital assets	-	-	-	-
Principal paid on capital leases	-	(15,177)	-	(15,177)
Issuance of capital leases	-	-	-	-
Interest paid on debt	-	(1,065)	-	(1,065)
Net cash provided (used) for capital and related financing activities	(135,724)	(16,242)	-	(151,966)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	188,963	951,611	1,140,574
Purchase of investments	(106,088)	(26,138)	(809,875)	(942,101)
Interest earnings on cash and investments	3,271	1,384	23,879	28,534
Net cash provided (used) for investing activities	(102,817)	164,209	165,615	227,007
Net increase (decrease) in cash and cash equivalents	(3,027)	(1,801)	(30,337)	(35,165)
Cash and cash equivalents - beginning of year	4,373	2,160	41,471	48,004
Cash and cash equivalents - end of year	\$ 1,346	\$ 359	\$ 11,134	\$ 12,839
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 183,326	(34,147)	\$ (1,746,931)	(1,597,752)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	42,358	12,186	-	54,544
Other income (expense)	5,247	-	73,222	78,469
Change in current assets and liabilities:				
Accounts receivable	-	-	-	-
Inventory	(65,914)	(308,327)	-	(374,241)
Accounts payable	(4,124)	153,695	(6,591)	142,980
Due from others	524	(379)	(52,727)	(52,582)
Other accrued expenses	1,842	302	1,527,095	1,529,239
Change in compensated absences	(6,239)	(501)	(7,033)	(13,773)
Change in post retirement benefits	51,233	19,212	9,606	80,051
Change in net pension obligation	27,261	8,191	7,407	42,859
Net cash provided (used) by operating activities	\$ 235,514	\$ (149,768)	\$ (195,952)	\$ (110,206)

Governmental Activities				
Information Technology	Health Benefits	Investment Pool	Total Governmental Activities	Total Internal Service Funds
\$ 7,073,634	\$ 21,889,107	\$ -	\$ 28,962,741	\$ 46,894,319
(3,804,879)	(23,419,639)	(100,324)	(27,324,842)	(44,082,373)
(3,157,735)	(168,046)	(75,860)	(3,401,641)	(4,764,363)
5,812	586,285	-	592,097	670,566
<u>116,832</u>	<u>(1,112,293)</u>	<u>(176,184)</u>	<u>(1,171,645)</u>	<u>(1,281,851)</u>
(1,255,170)	-	-	(1,255,170)	(1,390,894)
11,675	-	-	11,675	11,675
(384,544)	-	-	(384,544)	(399,721)
113,723	-	-	113,723	113,723
<u>(17,183)</u>	<u>-</u>	<u>-</u>	<u>(17,183)</u>	<u>(18,248)</u>
<u>(1,531,499)</u>	<u>-</u>	<u>-</u>	<u>(1,531,499)</u>	<u>(1,683,465)</u>
1,562,198	2,041,106	4,677	3,607,981	4,748,555
(171,005)	(1,010,191)	(1,030)	(1,182,226)	(2,124,327)
11,446	39,104	172,480	223,030	251,564
<u>1,402,639</u>	<u>1,070,019</u>	<u>176,127</u>	<u>2,648,785</u>	<u>2,875,792</u>
(12,028)	(42,274)	(57)	(54,359)	(89,524)
13,837	56,162	71	70,070	118,074
<u>\$ 1,809</u>	<u>\$ 13,888</u>	<u>\$ 14</u>	<u>\$ 15,711</u>	<u>\$ 28,550</u>
(656,907)	(2,122,940)	(178,767)	(2,958,614)	(4,556,366)
392,066	-	-	392,066	446,610
5,812	586,285	-	592,097	670,566
94,430	(96,123)	-	(1,693)	(1,693)
(591)	-	-	(591)	(374,832)
(36,063)	418,526	-	382,463	525,443
18,412	-	-	18,412	(34,170)
277	86,844	(188)	86,933	1,616,172
70,367	(353)	-	70,014	56,241
118,475	9,606	-	128,081	208,132
110,554	5,862	2,771	119,187	162,046
<u>\$ 116,832</u>	<u>\$ (1,112,293)</u>	<u>\$ (176,184)</u>	<u>\$ (1,171,645)</u>	<u>\$ (1,281,851)</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, 2010

	Civic Lubbock, Inc.	Market Lubbock, Inc.	Lubbock Economic Development Alliance	Vintage Township Public Facilities Corporation	Total Nonmajor Component Units
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,438,466	\$ 1,114,453	\$ 743,945	\$ -	\$ 3,296,864
Investments	-	502,788	688,765	-	1,191,553
Accounts receivable	132,453	52,257	747,754	-	932,464
Due from others	-	18,294	330,000	-	348,294
Inventories	89,316	52,951	-	-	142,267
Prepaid expenses	12,974	4,694	16,196	-	33,864
Restricted assets:					
Cash and cash equivalents	401,725	-	-	1,619,003	2,020,728
Incentives advances	-	3,000,000	-	-	3,000,000
Capital assets:					
Non-depreciable	460,968	1,829,065	19,056,532	-	21,346,565
Depreciable	-	102,845	110,494	-	213,339
Total assets	<u>2,535,902</u>	<u>6,677,347</u>	<u>21,693,686</u>	<u>1,619,003</u>	<u>32,525,938</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,228,408	26,083	43,496	-	1,297,987
Accrued liabilities	-	28,755	47,216	112,211	188,182
Unearned revenue	310,634	3,000,000	-	-	3,310,634
Noncurrent liabilities due within one year:					
Contracts and leases payable	-	615,898	1,450,000	-	2,065,898
Bonds and notes payable	-	-	2,777,924	353,000	3,130,924
Noncurrent liabilities due in more than one year:					
Contracts and leases payable	-	46,200	1,495,508	-	1,541,708
Bonds payable	-	-	3,213,373	3,041,000	6,254,373
Total liabilities	<u>1,539,042</u>	<u>3,716,936</u>	<u>9,027,517</u>	<u>3,506,211</u>	<u>17,789,706</u>
NET ASSETS					
Invested in capital assets, net of related debt	460,968	1,601,910	14,939,102	(1,774,997)	12,174,607
Restricted for:					
Primary government agreement	100,000	-	-	-	100,000
Unrestricted	435,892	1,358,501	(2,272,933)	(112,211)	2,461,625
Total net assets	<u>\$ 996,860</u>	<u>\$ 2,960,411</u>	<u>\$ 12,666,169</u>	<u>\$ (1,887,208)</u>	<u>\$ 14,736,232</u>

City of Lubbock, Texas
Combining Statement of Activities
Nonmajor Component Units
For the Year Ended September 30, 2010

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Civic Lubbock, Inc.				
Cultural and recreation	\$ 2,465,862	\$ 2,331,300	\$ 260,122	\$ -
Market Lubbock, Inc.				
Economic and business development	6,306,489	78,265	6,533,504	-
Lubbock Economic Development Alliance				
Economic and business development	5,697,071	-	5,277,398	-
Vintage Township Public Facilities Corporation				
Economic and business development	267,464	-	-	609,402
Total nonmajor component units	<u>\$ 14,736,886</u>	<u>\$ 2,409,565</u>	<u>\$ 12,071,024</u>	<u>\$ 609,402</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**

Civic Lubbock, Inc.	Market Lubbock, Inc.	Lubbock Economic Development Alliance	Vintage Township Public Facilities Corporation	Total
\$ 125,560	\$ -	\$ -	\$ -	\$ 125,560
-	305,280	-	-	305,280
-	-	(419,673)	-	(419,673)
			341,938	341,938
<u>125,560</u>	<u>305,280</u>	<u>(419,673)</u>	<u>341,938</u>	<u>353,105</u>
2,225	-	-	-	2,225
-	-	1,198,195	-	1,198,195
<u>2,225</u>	<u>-</u>	<u>1,198,195</u>	<u>-</u>	<u>1,200,420</u>
127,785	305,280	778,522	341,938	1,553,525
869,075	2,655,131	11,887,647	(2,229,146)	13,182,707
<u>\$ 996,860</u>	<u>\$ 2,960,411</u>	<u>\$ 12,666,169</u>	<u>\$ (1,887,208)</u>	<u>\$ 14,736,232</u>

City of Lubbock, Texas
Statement of Net Assets
Discretely Presented Component Unit
Vintage Township Public Facilities Corporation
September 30, 2010

ASSETS	
Restricted assets:	
Cash and cash equivalents	<u>1,619,003</u>
Total assets	<u>\$ 1,619,003</u>
LIABILITIES	
Current liabilities:	
Accrued liabilities	<u>\$ 465,211</u>
Total current liabilities	<u>465,211</u>
Noncurrent liabilities:	
Bonds payable	<u>3,041,000</u>
Total noncurrent liabilities	<u>3,041,000</u>
Total liabilities	<u>3,506,211</u>
NET ASSETS	
Invested in capital assets, net of related debt	(3,041,000)
Unrestricted	<u>1,153,792</u>
Total net assets	<u>\$ (1,887,208)</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, 2010

OPERATING EXPENSES	
Other services and charges	30,100
Total operating expenses	<u>30,100</u>
Operating loss	<u>30,100</u>
NONOPERATING REVENUES (EXPENSES)	
Interest earnings	-
Grants	609,402
Disposition of assets	-
Interest expense	<u>(237,364)</u>
Net nonoperating revenues (expenses)	372,038
Change in net assets	341,938
Total net assets - beginning	<u>(2,229,146)</u>
Total net assets - ending	<u><u>\$ (1,887,208)</u></u>



City of Lubbock, Texas
Statistical Section
(Unaudited – for Analytical Purposes Only)
September 30, 2010

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
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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 nine fiscal years
- B Changes in net assets, last nine fiscal years
- Governmental funds information:
- C Fund balances, last ten fiscal years
- D Changes in fund balances, last nine fiscal years

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

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

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

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

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

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

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

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

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant years. The City implemented GASB 34 in FY 2002; tables presenting entity-wide information include information beginning in that year.

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities									
Invested in capital assets, net of related debt	\$ 52,476	\$ 62,414	\$ 96,275	\$ 102,925	\$ 76,483	\$ 82,330	\$ 74,433	\$ 78,474	\$ 78,256
Restricted	10,830	11,540	11,956	5,128	10,148	8,770	20,339	4,391	25,580 ⁽¹⁾
Unrestricted	17,756	26,954	31,701	33,676	26,090	19,529	9,569	18,819	6,305
Total governmental activities net assets	81,062	100,908	139,932	141,729	112,721	110,629	104,341	101,684	110,141
Business-type activities									
Invested in capital assets, net of related debt	435,249	424,165	400,552	384,516	380,149	363,227	355,816	371,427	332,050
Restricted	28,247	21,631	21,275	17,730	18,916	26,277	45,417	43,389	74,062 ⁽¹⁾
Unrestricted	127,994	117,250	104,709	96,011	71,730	45,345	41,190	32,928	37,987
Total business-type activities net assets	591,490	563,046	526,536	498,257	470,795	434,849	442,423	447,744	444,099
Primary Government									
Invested in capital assets, net of related debt	487,725	486,579	496,827	487,441	456,632	445,557	430,249	343,467	410,306
Restricted	39,077	33,171	33,231	22,858	29,064	35,047	65,756	154,214	99,642
Unrestricted	145,750	144,204	136,410	129,687	97,820	64,874	50,759	51,747	44,292
Total Primary government net assets	\$ 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).

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

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
EXPENSES									
Governmental activities:									
Administrative services and general government	\$ 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	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	16,590,119	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	15,335,806	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	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	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	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	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	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	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
Total governmental activities	199,469,362	203,940,017	164,467,472	166,381,004	145,630,279	135,750,260	122,218,164	122,590,917	113,979,218
Business-type activities:									
Electric	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	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	18,747,033	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	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	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	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	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	4,049,027	4,293,789	4,098,873	619,389	-	-	-	-	-
Cemetery	693,689	680,123	722,393	-	-	-	-	20,711	61,192
Total business-type activities	249,989,549	229,743,023	260,095,008	234,539,453	304,622,380	276,879,589	195,926,704	188,461,464	159,271,164
Total primary government expenses	\$ 449,458,911	\$ 433,683,040	\$ 424,562,480	\$ 400,920,457	\$ 450,252,659	\$ 412,629,849	\$ 318,144,868	\$ 311,052,381	\$ 273,250,382
PROGRAM REVENUES									
Governmental activities:									
Charges for services:									
Cultural and recreation	\$ 1,633,944	\$ 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	6,509,356	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	1,846,533	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	13,665,834	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	8,137,579	11,766,248	15,921,953	4,322,182	844,930	-	-	-	-
Total governmental activities program revenues	31,793,246	29,957,299	37,830,454	25,281,685	20,680,284	23,878,736	22,356,563	26,025,496	16,375,600
Business-type activities									
Charges for services:									
Electric	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	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	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	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
Stormwater	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	4,647,586	4,385,580	4,306,204	4,466,404	3,268,441	3,144,041	2,893,507	2,710,599	-
Airport	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	640,228	693,798	717,494	287,622	-	-	-	-	-
Cemetery	436,534	462,333	335,884	-	-	-	-	-	-
Operating grants and contributions	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	11,995,639	11,573,283	5,952,837	8,792,317	17,624,811	5,205,541	9,269,306	7,909,581	-
Total business-type activities program revenues	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	\$ 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

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
NET (EXPENSES) AND PROGRAM REVENUES									
Governmental activities	\$ (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	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	<u>\$ (121,969,869)</u>	<u>\$ (132,459,256)</u>	<u>\$ (115,151,956)</u>	<u>\$ (117,198,648)</u>	<u>\$ (89,814,225)</u>	<u>\$ (102,487,065)</u>	<u>\$ (98,369,498)</u>	<u>\$ (93,362,419)</u>	<u>\$ (81,256,049)</u>
GENERAL REVENUE, SPECIAL ITEMS, AND TRANSFERS									
Governmental activities:									
Property taxes	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	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	4,238,675	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	1,219,092	1,272,278	1,180,332	1,080,098	1,036,283	982,327	939,456	848,816	820,507
Franchise taxes	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	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	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	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	<u>\$ 147,829,997</u>	<u>\$ 134,958,237</u>	<u>\$ 124,840,550</u>	<u>\$ 132,433,068</u>	<u>\$ 127,042,256</u>	<u>\$ 118,159,115</u>	<u>\$ 102,519,155</u>	<u>\$ 88,107,504</u>	<u>\$ 101,173,460</u>
Business-type activities:									
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	258,736	3,881,473
Investment earnings	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	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	(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	<u>\$ (17,262,285)</u>	<u>\$ (5,013,900)</u>	<u>\$ 16,794,239</u>	<u>\$ 2,578,106</u>	<u>\$ 810,522</u>	<u>\$ (16,959,704)</u>	<u>\$ (6,813,036)</u>	<u>\$ 441,046</u>	<u>\$ (5,754,144)</u>
Total primary government	<u>\$ 130,567,712</u>	<u>\$ 129,944,337</u>	<u>\$ 141,634,789</u>	<u>\$ 135,011,174</u>	<u>\$ 127,852,778</u>	<u>\$ 101,199,411</u>	<u>\$ 95,706,119</u>	<u>\$ 88,548,550</u>	<u>\$ 95,419,316</u>
CHANGES IN NET ASSETS									
Governmental activities	\$ (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	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	<u>\$ 8,597,843</u>	<u>\$ (2,514,919)</u>	<u>\$ 26,482,833</u>	<u>\$ 17,812,526</u>	<u>\$ 38,038,553</u>	<u>\$ (1,287,654)</u>	<u>\$ (2,663,379)</u>	<u>\$ (4,813,869)</u>	<u>\$ 14,163,267</u>

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

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 128,880	\$ 124,955	\$ 168,657	\$ 171,580	\$ 168,964	\$ 107,828	\$ 566,556	\$ 1,037,277	\$ 1,255,041	\$ 1,878,500
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	14,837,542
Total general fund	\$ 19,810,599	\$ 19,881,415	\$ 19,962,275	\$ 19,125,648	\$ 19,924,711	\$ 17,376,420	\$ 12,694,525	\$ 9,417,346	\$ 18,612,357	\$ 16,716,042
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	\$ 30,526,145
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	9,980,826
Total all other governmental funds	\$ 80,213,260	\$ 85,089,420	\$110,571,180	\$ 91,052,060	\$ 76,904,511	\$ 67,824,334	\$ 35,041,456	\$ 40,912,877	\$ 46,832,624	\$ 40,506,971

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
REVENUES									
Taxes	\$ 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	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	761,550	515,597	296,482	243,129	171,682	38,210	-	-	-
Fees and fines	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	2,493,594	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	15,565,962	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	3,381,047	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	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	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	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
EXPENDITURES									
Current:									
Administrative services and general government	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	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	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	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	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	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	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	5,472,089	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	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	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
Debit services:									
Principal	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	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	41,300,518	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	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	(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)
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	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	-	-	-	-	-	-	(22,620,000)	-	(7,117,270)
Retirement of refunded debt	-	(3,206,295)	-	(11,562,672)	-	(7,215,000)	-	-	-
Bond premium (discount)	871,742	1,460,474	1,844,019	398,032	620,860	725,586	1,179,722	-	-
Capital leases issued	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	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	(18,678,996)	(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)	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	\$ (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	14.88%	12.81%	11.81%	8.98%	8.39%	7.41%	8.01%	6.51%	6.89%

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

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

Fiscal Year	Property Tax		Sales Tax		Hotel and Motel Tax		Other Tax		Total Tax Revenues ⁽³⁾
	Revenues ⁽¹⁾		Revenues		Revenues		Revenues ⁽²⁾		
2001	\$	38,030,370	\$	28,436,970	\$	2,663,704	\$	774,587	\$ 69,905,631
2002		39,675,589		28,902,649		2,860,785		820,507	72,259,530
2003		42,303,280		29,092,032		2,862,719		848,816	75,106,847
2004		44,496,973		30,554,632		2,853,205		939,456	78,844,266
2005		39,748,464		41,803,092		3,260,040		982,327	85,793,923
2006		42,770,826		45,576,582		3,410,920		1,036,283	92,794,611
2007		47,007,067		47,780,448		3,828,854		1,080,098	99,696,467
2008		50,330,322		50,548,865		4,190,376		1,180,332	106,249,895
2009		52,598,485		50,705,301		4,179,036		1,272,278	108,755,100
2010		55,064,777		51,008,384		4,238,675		1,219,092	111,530,928

Notes:

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

(2) Includes bingo tax and mixed beverage tax.

(3) Excludes Franchise Fees

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

Fiscal Year Ending	Real Property		Personal Property		Exemptions		Total		Ratio of total assessed value to total estimated actual value	
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	All Property	Assessed value	Estimated actual value	Total Tax Rate		
2000	\$ 5,049,788,819	\$ 5,306,197,556	\$ 1,209,373,598	\$ 1,267,062,431	\$ 314,097,570	\$ 6,259,162,417	\$ 6,573,259,987	95.2%	2.44%	
2001	5,524,769,736	5,786,749,443	1,229,735,158	1,289,565,602	321,810,151	6,754,504,894	7,076,315,045	95.5%	2.46%	
2002	5,668,005,835	6,038,538,207	1,246,369,470	1,310,018,689	434,181,591	6,914,375,305	7,348,556,896	94.1%	2.48%	
2003	6,272,520,622	6,549,915,885	1,312,595,182	1,376,481,654	341,281,735	7,585,115,804	7,926,397,539	95.7%	2.48%	
2004	6,807,625,178	7,089,613,963	1,297,211,385	1,361,574,461	346,351,861	8,104,836,563	8,451,188,424	95.9%	2.53%	
2005	7,302,459,231	7,439,097,767	1,332,535,631	1,523,670,626	327,773,531	8,634,994,862	8,962,768,393	96.3%	2.44%	
2006	7,918,495,863	8,258,879,156	1,428,118,088	1,446,021,583	358,286,788	9,346,613,951	9,704,900,739	96.3%	2.49%	
2007	8,576,644,664	8,902,986,625	1,426,080,973	1,468,737,133	368,998,121	10,002,725,637	10,371,723,758	96.4%	2.43%	
2008	9,386,423,964	9,701,182,183	1,510,786,599	1,569,131,516	373,103,136	10,897,210,563	11,270,313,699	96.7%	2.13%	
2009	9,999,003,791	10,302,954,536	1,674,070,341	1,719,807,066	349,687,470	11,673,074,132	12,022,761,602	97.1%	2.14%	
2010	10,480,115,824	10,785,095,041	1,659,983,892	1,742,258,805	387,254,130	12,140,099,716	12,527,353,846	96.9%	2.14%	

Source: Lubbock Central Appraisal District

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

Name of Taxpayer	Type of Business	FYE 2010					FYE 2001				
		Taxable Assessed			% of Total		Taxable Assessed			% of Total	
		Valuation	Rank	Valuation	Valuation	Valuation	Valuation	Rank	Valuation	Valuation	Valuation
Macerich Lubbock LTD Partnership	Regional Shopping Mall	\$ 123,830,275	1	1.14%			\$ 111,202,074	1	1.61%		
Wal-Mart Stores	Discount Retail Store	67,934,211	2	0.62%							
Southwestern Bell Telephone Co.	Telephone Utility	53,972,632	3	0.50%			73,111,866	2	1.06%		
United Supermarkets	Food Wholesale	53,174,661	4	0.49%							
Plains Co-op Oil Mill, Inc.	Agricultural Processing	47,514,695	5	0.44%			24,949,410	5	0.36%		
Southwestern Public Service	Electric Utility	40,037,280	6	0.37%			52,730,368	3	0.76%		
Atmos Energy	Natural Gas Utility	34,339,220	7	0.32%			18,897,635	9	0.27%		
X-Fab Texas, Inc.	Electronics Manufacturer			0.00%			28,597,483	4	0.41%		
Tyco Fire Products LP	Fire Suppression Manufacturer	29,471,236	8	0.27%							
Lubbock Property LLC	Apartments	27,483,903	9	0.25%							
1859 Management PTRS LP	Hotel	27,386,570	10								
Farmers Co-op Compress	Agricultural Processing						19,044,584	8	0.28%		
Methodist Hospital	Hospital/Medical Offices						22,305,805	7	0.32%		
Fleming Companies, Inc.	Wholesale Grocers						22,775,855	6	0.33%		
Southern Cotton Oil Co.	Agricultural Processing						16,420,828	10	0.24%		
		\$ 505,144,683		4.64%			\$ 390,035,908		5.64%		

Source: Lubbock Central Appraisal District

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

Fiscal Year Ending	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2001	\$ 37,841,145	\$ 36,925,573	97.6%	\$ 646,658	\$ 37,572,231	99.3%	\$ 3,258,444	8.6%
2002	39,391,179	38,446,405	97.6%	711,130	39,157,535	99.4%	3,363,860	8.5%
2003	42,275,272	41,112,173	97.2%	648,481	41,760,654	98.8%	3,414,231	8.1%
2004	43,236,263	42,358,381	98.0%	705,629	43,064,010	99.6%	3,811,614	8.8%
2005	39,777,866	38,797,152	97.5%	1,013,325	39,810,477	100.1%	3,350,747	8.4%
2006	41,968,431	41,000,877	97.7%	654,099	41,654,976	99.3%	3,210,086	7.6%
2007	46,068,744	45,092,834	97.9%	525,669	45,618,503	99.0%	3,208,586	7.0%
2008	49,195,247	48,411,785	98.4%	597,121	49,008,906	99.6%	3,077,662	6.3%
2009	51,616,589	50,472,997	97.8%	561,748	51,034,745	98.9%	3,142,891	6.1%
2010	53,455,322	52,485,686	98.2%	639,322	53,125,008	99.4%	3,132,343	5.9%

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	City Direct Rates				Lubbock				Overlapping Rates			
	General Fund	Economic Development	Interest & Sinking Fund	Total City of Lubbock Direct	Independent School District (LISD)	Lubbock County (County)	Underground Water District (High Plains)	County Hospital District (Hospital)	Total			
Ending												
2001	\$ 0.42718	\$ 0.03000	\$ 0.11282	\$ 0.57000	\$ 1.58930	\$ 0.19170	\$ 0.00840	\$ 0.09798	\$ 2.45738			
2002	0.42844	0.03000	0.11156	0.57000	1.60620	0.19170	0.00830	0.09905	2.47525			
2003	0.43204	0.03000	0.10796	0.57000	1.60560	0.19110	0.00840	0.10435	2.47945			
2004	0.41504	0.03000	0.10066	0.54570	1.60560	0.25954	0.00830	0.10896	2.52810			
2005	0.33474	0.03000	0.09496	0.45970	1.60560	0.25587	0.00830	0.10742	2.43689			
2006	0.35626	0.03000	0.06094	0.44720	1.65890	0.26162	0.00830	0.11034	2.48636			
2007	0.36074	0.03000	0.07125	0.46199	1.56500	0.28576	0.00830	0.11420	2.43525			
2008	0.35380	0.03000	0.07125	0.45505	1.23500	0.30615	0.00794	0.11661	2.12075			
2009	0.32540	0.03000	0.09100	0.44640	1.23500	0.32620	0.00794	0.12067	2.13621			
2010	0.33240	0.03000	0.08400	0.44640	1.23500	0.32946	0.00794	0.12084	2.13964			

Source: Lubbock Central Appraisal District

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

Fiscal Year	Governmental				Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Capital Leases	Total			
2001	\$ 53,082,808	\$ -	\$ 53,082,808	0.75%	\$	264
2002	58,505,346	-	58,505,346	0.80%		290
2003	69,808,204	996,477	70,804,681	0.89%		346
2004	70,221,217	1,360,957	71,582,174	0.85%		347
2005	102,720,269	3,954,885	106,675,154	1.19%		510
2006	124,457,280	7,530,559	131,987,839	1.36%		625
2007	160,388,370	10,916,970	171,305,340	1.65%		807
2008	199,053,653	12,222,506	211,276,159	1.87%		983
2009 *	232,159,988	18,005,903	250,165,891	2.08%		1,146
2010 *	259,633,912	18,023,375	277,657,287	2.22%		1,264

Fiscal Year	Business-type				Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Capital Leases	Total		
2001	\$ 163,893,747	\$ 81,575,667	\$ -	\$ 245,469,414	4.04%	\$ 1,221
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	5.05%	1,847
2007	352,486,630	54,208,174	13,049,379	419,744,183	5.19%	1,977
2008	457,126,347	50,430,844	18,582,396	526,139,587	6.20%	2,449
2009	451,090,013	47,413,911	23,709,725	522,213,649	N/A	2,392
2010	578,026,089	51,992,015	22,093,860	652,111,964	N/A	2,969

* Includes HUD 108 Debt

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

Fiscal year	Popu- lation*	Assessed Value (in thousands)	Gross Bonded Debt⁽¹⁾	Debt Service Monies Available	Debt Payable from Other Government Revenues⁽²⁾	Debt Payable from Enterprise Revenues	Net Bonded Debt⁽³⁾	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2001	201,097	\$ 6,754,505	\$ 210,408,321	\$ 1,415,094	\$ -	\$ 157,325,512	\$ 51,667,715	0.76%	\$ 256.93
2002	202,000	6,914,375	217,269,682	1,697,046	-	158,764,335	56,808,301	0.82%	281.23
2003	204,737	7,585,116	295,935,000	1,993,891	-	226,126,796	67,814,313	0.89%	331.23
2004	206,290	8,104,837	285,885,000	2,641,020	-	215,663,783	67,580,197	0.83%	327.60
2005	209,120	8,634,995	389,470,000	2,624,340	15,745,000	286,749,731	84,350,929	0.98%	403.36
2006	211,187	9,346,614	448,025,000	3,081,539	17,895,597	323,567,720	103,480,144	1.11%	489.99
2007	212,365	10,002,726	512,875,000	2,830,584	42,474,527	352,486,630	115,083,259	1.15%	541.91
2008	214,847	10,897,211	656,180,000	2,104,697	61,321,732	457,126,347	135,627,224	1.24%	631.27
2009	218,327	11,673,074	683,250,001	1,498,275	91,426,295	451,090,013	139,235,418	1.19%	637.74
2010	219,643	12,140,100	837,660,001	1,684,253	98,987,524	578,026,089	158,962,135	1.31%	723.73

*Source: City of Lubbock Business Development estimates.

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

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

	2010	2009	2008	2007	2006
Total Taxable Property Value	\$ 12,140,099,716	\$ 11,673,074,132	\$ 10,897,210,563	\$ 10,002,725,637	\$ 9,346,613,951
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	182,101,496	175,096,112	163,458,158	150,040,885	140,199,209
General Obligation bond & Certificate Obligation liability	(35,190,000)	(30,435,000)	(26,535,000)	(2,516,000)	(23,395,000)
Capital lease purchases	(10,356,147)	(7,099,497)	(5,218,128)	(3,187,580)	(3,401,402)
Margin of Indebtedness Available	<u>\$ 136,555,349</u>	<u>\$ 137,561,615</u>	<u>\$ 131,705,030</u>	<u>\$ 144,337,305</u>	<u>\$ 113,402,807</u>

	2005	2004	2003	2002	2001
Total Taxable Property Value	\$ 8,634,994,862	\$ 8,104,836,563	\$ 7,585,115,804	\$ 6,914,375,308	\$ 6,754,504,894
Total Debt Margin Available (\$1.50 per \$100 Assessed Valuation)*	129,524,923	121,572,548	113,776,737	103,715,630	101,317,573
General Obligation bond & Certificate Obligation liability	(20,305,000)	(16,130,000)	(14,590,000)	(24,444,812)	(24,650,602)
Capital lease purchases	(2,668,648)	(2,685,282)	(3,563,217)	(2,388,853)	-
Margin of Indebtedness Available	<u>\$ 106,551,275</u>	<u>\$ 102,757,266</u>	<u>\$ 95,623,520</u>	<u>\$ 76,881,965</u>	<u>\$ 76,666,971</u>

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

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

ELECTRIC BONDS:

Fiscal Year	Net Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements		
				Principal	Interest	Total Coverage
2001	\$ 114,607,693	\$ 99,288,733	\$ 15,318,960	\$ 3,625,000	\$ 1,569,418	\$ 5,194,418 2.95
2002	98,084,753	80,010,554	18,074,199	3,985,000	1,726,648	5,711,648 3.16
2003	103,399,717	100,864,068	2,535,649	3,535,000	1,900,354	5,435,354 0.47
2004	102,860,319	89,236,860	13,623,459	3,480,000	1,471,553	4,951,553 2.75
2005	179,759,626	164,070,550	15,689,076	2,965,000	1,311,703	4,276,703 3.67
2006	212,074,481	185,437,294	26,637,187	2,930,000	1,169,673	4,099,673 6.50
2007	145,953,649	125,901,533	20,052,116	2,900,000	1,034,538	3,934,538 5.10
2008	153,071,017	132,015,842	21,055,175	2,530,000	899,060	3,429,060 6.14
2009	132,731,430	97,484,329	35,247,101	1,720,000	781,655	2,501,655 14.09
2010	143,222,344	111,975,325	31,247,019	1,715,000	700,945	2,415,945 12.93

WATER BONDS:

Fiscal Year	Net Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements		
				Principal	Interest	Total Coverage
2001	\$ 33,048,984	\$ 15,996,460	\$ 17,052,524	\$ 1,500,000	\$ 2,791,530	\$ 4,291,530 3.97
2002	34,040,856	15,327,799	18,713,057	1,545,000	2,723,280	4,268,280 4.38
2003	34,408,586	16,175,713	18,232,873	1,610,000	2,652,210	4,262,210 4.28
2004	33,185,431	17,042,519	16,142,912	1,685,000	2,563,660	4,248,660 3.80
2005	33,306,786	17,619,668	15,687,118	1,775,000	2,470,985	4,245,985 3.69
2006	37,330,953	20,720,395	16,610,558	364,583	492,267	856,850 19.39
2007	35,454,426	18,781,580	16,672,846	971,148	1,987,170	2,958,318 5.64
2008	42,527,445	23,543,862	18,983,583	1,247,331	1,713,933	2,961,264 6.41
2009	51,989,393	23,034,101	28,955,292	1,296,933	1,666,541	2,963,474 9.77
2010	59,474,560	22,582,295	36,892,265	1,527,987	1,935,692	3,463,679 10.65

(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

Fiscal Year	Last Ten Fiscal Years				Percentage of Debt Service to Total General Expenditures
	Principal	Interest	Total Debt Service ⁽¹⁾	Total General Expenditures ⁽²⁾	
2001	\$ 4,397,538	\$ 3,347,994	\$ 7,745,532	\$ 96,982,590	8.0%
2002	4,113,177	3,390,300	7,503,477	108,544,982	6.9%
2003	4,347,143	3,259,565	7,606,708	107,896,955	7.0%
2004	4,498,304	3,329,392	7,827,696	114,800,174	6.8%
2005	4,780,949	2,657,883	7,438,832	129,665,462	5.7%
2006	4,729,101	3,223,604	7,952,705	143,512,681	5.5%
2007	5,339,612	3,952,131	9,291,743	152,363,561	6.1%
2008	5,724,714	4,249,342	9,974,056	159,359,684	6.3%
2009	6,400,891	4,769,322	11,170,213	166,110,455	6.7%
2010	6,986,147	5,190,324	12,176,471	177,316,661	6.9%

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

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

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

	Funded Debt Outstanding at 09/30/2010	Percentage Applicable to City of Lubbock	Amount Applicable to City of Lubbock
City of Lubbock	\$ 837,660,000 ⁽¹⁾	100.00%	\$ 837,660,000
Subtotal Directs	837,660,000		837,660,000
Lubbock County	73,940,000	83.13%	61,466,322
Lubbock Independent School District	110,197,659	98.70%	108,765,089
Lubbock- Cooper Independent School District	124,924,959	57.09%	71,319,659
Frenship Independent School District	168,211,063	66.53%	111,910,820
Idalou Independent School District	15,305,000	3.92%	599,956
Roosevelt Independent School District	11,716,261	2.98%	349,145
Subtotal Overlapping	504,294,942		354,410,991
Total	\$ 1,341,954,942		\$ 1,192,070,991

⁽¹⁾ General Purpose funded debt payable from ad valorem taxes (Also, includes all self-supporting debt.
HUD 108 general obligation debt excluded).

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

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

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Income ⁽³⁾	Median Age ⁽¹⁾	Education Level in Years of Formal Schooling ⁽¹⁾			Unemployment Rate ⁽³⁾
					Completed	School Enrollment ⁽³⁾	Rate	
2001 ⁽⁴⁾	201,097	\$ 6,075,894	\$ 17,312	29.7	12.4	29,020	3.70%	
2002	202,000	6,247,601	17,658	30.0	12.4	28,898	4.40%	
2003	204,737	6,524,160	18,011	30.3	12.4	28,879	4.90%	
2004	206,290	6,927,223	18,371	30.4	12.4	28,355	4.60%	
2005	209,120	7,346,000	18,775	30.6	12.4	28,297	4.10%	
2006	211,187	7,702,000	19,747	30.9	12.4	28,209	4.00%	
2007	212,365	8,426,000	19,747	30.4	*	28,639	3.70%	
2008	214,847	8,812,000	20,310	30.8	**	28,976	3.80%	
2009	218,327	8,899,000	21,233	30.6	**	28,682	5.70%	
2010	219,643	10,700,000 ⁽⁵⁾	25,138	30.7	12.5	28,808	N/A	

Sources:

- (1) City of Lubbock Planning Department estimates
- (2) www.bea.gov/regiona/reis/drill.cfm
- (3) City of Lubbock Business Development Department (Based on Calendar Year Average)
- (4) Census
- (5) Estimated from Decision Data Resources census data

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Tech University	10,701	1	7.53%	8,144	1	6.45%
Covenant Health System	5,021	2	3.53%	5,270	2	4.18%
Lubbock Independent School District	3,449	3	2.43%	4,233	3	3.35%
University Medical Center	3,149	4	2.22%	2,141	6	1.70%
TTU Health Sciences Center	2,838	5	2.00%	2,520	4	2.00%
United Supermarkets (Corporate)	2,351	6	1.65%	1,956	7	6.59%
City of Lubbock	2,131	7	1.50%	2,217	5	1.76%
Lubbock County	1,175	8	0.83%			
AT & T Communications/Cingular	1,120	9	0.79%	1,700	8	1.35%
Convergys Corporation	1,050	10	0.74%	1,100	9	0.87%
Lubbock State School			-	931	10	0.74%
Total	32,985		23.21%	29,671		28.98%

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 Nine Fiscal Years

Function	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:									
Administrative services and general government	80	76	86	84	86	89	83	91	91
Community services	18	18	18	18	18	21	21	23	22
Cultural and recreation	132	132	131	158	157	159	178	180	186
Economic and business development	15	15	15	15	15	13	11	17	17
Fire	355	355	355	330	321	309	289	280	269
Health	59	74	81	79	76	74	73	75	75
Police	535	535	538	538	499	424	421	416	403
Other public safety	82	80	78	78	73	63	46	38	36
Streets and traffic	89	89	91	86	87	98	119	117	115
Intergovernmental	-	-	-	-	7	5	6	6	9
Internal service	43	43	43	8	8	11	28	30	29
Total governmental activities	1,408	1,417	1,436	1,394	1,347	1,266	1,275	1,273	1,252
Business-type activities:									
Electric	249	246	237	233	221	191	189	252	260
Water	155	156	154	150	152	138	135	137	134
Sewer	72	77	77	78	78	71	75	73	72
Solid waste	110	110	105	106	106	91	89	90	93
Stormwater	34	34	35	24	18	18	18	18	17
Transit	142	129	129	119	116	117	99	105	100
Airport	48	48	48	49	49	50	52	51	48
Cemetery	7	7	7	7	-	-	-	-	-
Civic Centers	30	30	31	-	-	-	-	-	-
Internal service	28	28	27	61	61	71	77	76	74
Total business-type activities	875	865	850	827	801	747	734	802	798
Total	2,283	2,282	2,286	2,221	2,148	2,013	2,009	2,075	2,050

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

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Cultural and Recreation Services									
Civic Center number of events with greater than 500 attendees	151	129	129	105	120	123	128	330	359
Library Visits	583,932	539,738	547,595	554,864	601,947	721,847	704,784	736,695	647,489
Softball Team Registrations	372	372	344	401	438	442	465	420	431
Community Center Attendance	134,724	173,787	113,969	119,781	123,487	109,029	122,311	N/A	N/A
Senior Center Attendance	108,085	92,085	83,319	70,419	68,420	70,849	79,546	N/A	N/A
Garden and Arts Attendance	46,738	60,544	35,894	47,024	58,981	51,114	53,074	41,576	43,100
Other Public Safety									
Construction Permits	3,521	4,748	2,648	2,764	3,717	5,151	3,583	3,663	6,049
Building Department Inspections	33,158	34,530	29,381	34,647	36,775	50,735	44,432	43,863	34,601
Police									
Police Reports Processed	79,810	81,772	84,980	92,788	90,144	82,346	89,493	89,000	86,178
Police Crime/Incident Reports	38,385	41,328	45,539	47,994	47,992	45,551	46,074	45,200	44,838
Police Calls	352,791	316,049	235,697	244,671	317,571	268,855	281,367	293,644	289,153
Fire									
Public Fire Safety Education Presentation	183	221	192	176	163	166	150	150	207
Fire/Arson Investigations Conducted	136	177	169	116	118	88	85	175	139
Inspection Activities Performed	2,457	2,416	2,170	2,074	1,860	1,521	1,845	800	967
LP&L									
Average daily consumption (kwh)	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
Water									
Average daily consumption (gal)	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
Airport									
Number of airline passengers enplaned (annual projection)	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	220	212	223	266	239	255	221	264	247
Number of major airlines	4	4	3	3	3	3	4	4	4
Number of scheduled daily flights	34	54	33	54	54	54	68	70	60

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

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

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

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

City of Lubbock, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total Federal 9/30/2010
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Direct Programs:			
ARRA-CDBG Recovery 2009	14.253	B-09MY-48-0022	\$ 299,977
Total CFDA 14.253			299,977
Community Development Block Grant 09-10	14.218	B-09-MC-48-0022	1,765,859
Community Development Block Grant 08-09	14.218	B-08-MC-48-0022	233,568
Community Development Block Grant 07-08	14.218	B-07-MC-48-0022	11,522
Community Development Block Grant 06-07	14.218	B-06-MC-48-0022	75,476
Total CFDA 14.218			2,086,425
Emergency Shelter Grant 09-10	14.231	S-09-MC-48-0007	100,601
Emergency Shelter Grant 08-09	14.231	S-08-MC-48-0007	8
Total CFDA 14.231			100,609
ARRA-HPRP 2009	14.257	S-09-MY-48-0007	632,465
Total CFDA 14.257			632,465
HOME Program 09-10	14.239	M-09-MC-48-0205	107,127
HOME Program 08-09	14.239	M-08-MC-48-0205	635,184
HOME Program 07-08	14.239	M-07-MC-48-0205	283,043
HOME Program 06-07	14.239	M-06-MC-48-0205	160,833
Total CFDA 14.239			1,186,187
Section 108 Loan Guarantee Program	14.248	B-01-MC-48-0022	466,509
Total CFDA 14.248			466,509
Passed through Texas Department of Housing & Comm. Affairs:			
HERA NSP 2009	14.228	77090000160	446,230
Total CFDA 14.228			446,230
Total U. S. Department of Housing & Urban Development			5,218,402
U. S. DEPARTMENT OF JUSTICE			
Federal Equitable Sharing - Justice	N/A	N/A	10,000
Passed through Office of Justice Programs:			
Byrne Memorial (JAG 08)	16.738	2008-DJ-BX-0476	40,287
Byrne Memorial (JAG 09)	16.738	2009-DJ-BX-1341	262,923
Total CFDA 16.738			303,210
ARRA-Byrne Memorial (JAG)	16.803	SU-09-A10-22599-01	19,716
Total CFDA 16.803			19,716
ARRA-Byrne Memorial (JAG)	16.804	2009-SB-B9-1571	1,044,276
Total CFDA 16.804			1,044,276
Total U. S. Department of Justice			1,377,202

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total Federal 9/30/2010
U. S. DEPARTMENT OF TRANSPORTATION			
Federal Aviation Administration:			
Rwy 8/26 Improvements-Design Only	20.106	3-48-0138-031-2008	\$ 136,921
Phase II Rwy 8/26 Improvements	20.106	3-48-0138-034-2010	622,935
Phase I Rwy 8/26 Improvements	20.106	3-48-0138-033-2009	4,105,836
Total CFDA 20.106			4,865,692
Federal Transit Administration:			
Capital, Operating and Planning 08-09	20.507	TX-90-X876-00	70,698
Capital, Operating and Planning 09-10	20.507	TX-90-X887-01	2,595,739
ARRA Funds 08-09	20.507	TX-96-X002	1,737,677
Total CFDA 20.507			4,404,114
Federal Transit Administration:			
Bus Replacement	20.509	TX-04-0023	490,000
Total CFDA 20.509			490,000
Federal Transit Administration:			
New Freedom Mobility Management FY06-FY08	20.521	TX-57-X005-01	52,715
New Freedom Mobility Management FY09	20.521	TX-57-X005-02	74,107
New Freedom Mobility Management FY10	20.521	TX-57-X029-00	276
Total CFDA 20.521			127,098
Passed through Texas Department of Transportation:			
5309 Funds - FY 09 VCR Funds	20.500	VCR 51 905F7091	1,241,302
Total CFDA 20.500			1,241,302
5311 Funds - FY 10 DTP Renovations	20.509	17XXF7054-ICB 0901(05)	93,750
Total CFDA 20.509			93,750
5304 Funds - FY 09 State Planning	20.515	519XXF7005-REG 0905(51)	14,889
5304 Funds - FY 10 State Planning Master Plan Admin/Maint Facility	20.515	14XXF7054-PLN 0901(05)	56,000
Total CFDA 20.515			70,889
Passed through Texas Department of Transportation: Under the Unified Planning Work Program:			
Lubbock Metropolitan Planning Organization 09-10	20.505	51-74-108-0105-10-810	93,761
Total CFDA 20.505			93,761
Federal Highway Administration: Passed through Texas Department of Transportation: Under the Unified Planning Work Program:			
Lubbock Metropolitan Planning Organization 09-10	20.205	50-72-2-10-1105-70-806	458,376
Total CFDA 20.205			458,376
Passed through Texas Department of Transportation:			
STEP Comprehensive 09-10	20.600	2010-Lubbock-S-SYG-0014	89,387
STEP Click It or Ticket Mobilization 2010	20.600	2010-Lubbock PD-CIOT-00040	14,048
TX DOT Safety Perf Plan "Teaching Kids to be Street Smart" 09-10	20.600	2010-LubbockP-G-SYG-0204	26,581
Total CFDA 20.600			130,016
Total U. S. Department of Transportation			11,974,998

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total Federal 9/30/2010
U. S. DEPARTMENT OF EDUCATION			
Passed through Texas State Library and Archives Commission:			
Library Systems Competitive Grant 09-10	45.310	471-10002	\$ 113,644
Interlibrary Loan Center 10-11	45.310	771-11034	9,348
Interlibrary Loan Center 09-10	45.310	771-10031	104,643
Library Systems Operation 10-11	45.310	470-11030	13,295
Library Systems Operation 09-10	45.310	470-10015	241,220
Library Technical Assistance 10-11	45.310	476-11026	8,843
Library Technical Assistance 09-10	45.310	476-10019	99,923
Total CFDA 45.310			590,916
Total U. S. Department of Education			590,916
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
Canyon Lakes Water Reuse Project	66.202	N/A	47,401
Total U. S. Environmental Protection Agency			47,401
U.S. DEPARTMENT OF ENERGY			
Direct Programs:			
ARRA-Energy Efficiency and Conservation Block Grant Program	81.128	EE0000968	160,300
Total CFDA 81.128			160,300
Passed through Texas Department of Housing and Community Affairs:			
DOE/Oil Overcharge Weatherization Assistance Program 2010	81.042	56100000956	626
DOE/Oil Overcharge Weatherization Assistance Program 2009	81.042	56090000466	91,361
ARRA-DOE County 2009	81.042	16090000668	660,603
ARRA-DOE City 2009	81.042	16090000708	918,987
Total CFDA 81.042			1,671,577
Total U. S. Department of Energy			1,831,877
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through Texas Department of Aging & Disability Services:			
Special Program for the Aging Title III B 09-10	93.044	A100	19,697
Total CFDA 93.044			19,697
Special Program for the Aging Title III C 09-10	93.045	A100	118,809
ARRA - Special Program for the Aging Title III C 09-10	93.045		71,410
Total CFDA 93.045			190,219
Passed through Texas Department of State Health Services:			
Immunization / Locals 10-11	93.268	2011-035423	35,626
Immunization / Locals 09-10	93.268	2010-031802	333,364
Total CFDA 93.268			368,990
Public Health Emergency Preparedness (PHER)	93.069	2010-033391	232,223
Public Health Emergency Preparedness (PPCPS/PHER-FA2-Lab)	93.069	2010-033399	169,777
Public Health Emergency Preparedness 10-11	93.069	2010-035685	29,867
Public Health Emergency Preparedness 09-10	93.069	2009-031829	214,413
Public Health Emergency Preparedness-Lab 10-11	93.069	2010-035497	1,088
Public Health Emergency Preparedness-Lab 09-10	93.069	2009-032180	126,092
Total CFDA 93.069			773,460

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total Federal 9/30/2010
National Bioterrorism Hospital Preparedness Program (HPP) 10-11	93.889	2010-035151	\$ 17,653
National Bioterrorism Hospital Preparedness Program (HPP) 09-10	93.889	2009-032181	41,667
Total CFDA 93.889			59,320
Preventive Health & Health Services Block Grant (RLSS/LPHS) 10-11	93.991	2011-035549	2,332
Preventive Health & Health Services Block Grant (RLSS/LPHS) 09-10	93.991	2010-032759	22,980
Total CFDA 93.991			25,312
Maternal & Child Health Services Block Grant to the States	93.994	2006-020411	167
Total CFDA 93.994			167
Passed through Texas Department of Housing & Comm. Affairs:			
Comprehensive Energy Assistance Program (CEAP) 2010	93.568	58090000429	1,517,951
Comprehensive Energy Assistance Program (CEAP) 2009	93.568	58090000429	630,964
LIHEAP Weatherization Assistance Program 2010	93.568	81100000913	84,800
LIHEAP Weatherization Assistance Program 2009	93.568	81090000499	242,858
Total CFDA 93.568			2,476,573
Community Services Block Grant 2010	93.569	6109000069	196,868
Community Services Block Grant 2009	93.569	61090000378	144,013
Total CFDA 93.569			340,881
ARRA- Community Services Block Grant 2009	93.710	11090000555	626,462
Total CFDA 93.710			626,462
Total U. S. Department of Health & Human Services			4,881,081
U. S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Governor's Division of Emergency Management:			
FEMA Public Assistance Grant - Alex	97.036	FEMA 1931-DR-TX	39,530
Total CFDA 97.036			39,530
Emergency Management Performance Grant 09-10	97.042	10TX-EMPG-0944	136,979
Total CFDA 97.042			136,979
MMRS 2008	97.071	2008-GE-T8-0034	44,180
MMRS 2007	97.071	2007-GE-T7-0024	162,427
Metropolitan Medical Response System (MMRS)	N/A	233-01-0049	208
Total CFDA 97.071			206,815
State Homeland Security 2006	97.073	2006-GE-T6-0068	933
Total CFDA 97.073			933
Law Enforcement Terrorism Prevention Program (LETPP) 08	97.074	2007-GE-T7-0024	184,417
Total CFDA 97.074			184,417
Total U. S. Department of Homeland Security			568,674
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 26,490,551

CITY OF LUBBOCK, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

(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 174.

(4) Relationship to Federal and State Financial Reports

Grant expenditure reports as of September 30, 2010, 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 \$2,660,817.

<u>Program</u>	<u>CFDA Number</u>	<u>Sub-recipient</u>	<u>Amount</u>
CDBG	14.218	Various	\$ 307,435
ARRA – CDBG	14.253	Various	69,260
ESG	14.231	Various	96,794
Home	14.239	Various	144,422
ARRA – HPRP	14.257	Various	600,045
Byrne Memorial	16.738	Lubbock County	131,582
ARRA – Byrne Memorial	16.804	Lubbock County	296,295
CEAP	93.568	Various	683,217
CSBG	93.569	Various	140,898
ARRA – CSBG	93.710	Various	169,135
Emergency Management	97.042	Lubbock County	21,734
Total Federal Assistance			<u>\$2,660,817</u>

(6) Outstanding Loans

The City has provided loans through its various housing programs. The outstanding balance of loans at September 30, 2010 was \$4,918,505.

(7) Outstanding Debt Balance

The Schedule of Expenditures of Federal Awards includes \$142,900 of HUD Section 108 debt service. Of this debt service, \$140,867 is recorded in the Community Development Block Grant 09-10 & 08-09 and \$2,033 is recorded in the Section 108 Loan Guarantee Program Grant. As of September 30, 2010, the HUD Section 108 Fund had an outstanding debt balance of \$250,000.

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

The Honorable Mayor and City Council
City of Lubbock, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (the City) as of and for the year ended September 30, 2010, which collectively comprise its basic financial statements and have issued our report thereon dated February 16, 2011, which contained a reference to the reports of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization'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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the City's management in a separate letter dated February 16, 2011.

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 16, 2011

**Independent Accountants' Report on Compliance with Requirements Applicable
to Each Major Federal Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133 and on Schedule of
Expenditures of Federal Awards**

The Honorable Mayor and City Council
City of Lubbock, Texas

Compliance

We have audited the compliance of City of Lubbock, Texas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lubbock, Texas based on our audit.

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

In our opinion, the City of Lubbock, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

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

A 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lubbock, Texas as of and for the year ended September 30, 2010, and have issued our report thereon dated February 16, 2011, which included references to the reports of other accountants. We did not audit the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, component units of the City, which statements reflect total assets and program revenues of \$30,906,935 and \$14,480,589, respectively, and represent 95% and 96% of the aggregate discretely presented component units' total assets and program revenues, respectively, at September 30, 2010 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. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

BKD, LLP

February 16, 2011

City of Lubbock, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2010

Summary of Auditor's Results

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

☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

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

Significant deficiency(ies)?

☐ Yes ☒ No

Material weakness(es)?

☐ Yes ☒ No

2. Noncompliance considered material to the financial statements was disclosed by the audit?

☐ Yes ☒ No

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

Significant deficiency(ies)?

☐ Yes ☒ No

Material weakness(es)?

☐ Yes ☒ No

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

☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133?

☐ Yes ☒ No

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

7. The City's major programs were:

Cluster/Program	CFDA Number
Community Development Block Grant – Entitlement Grants Cluster	14.218 / 14.253
Federal Transit Cluster	20.500 / 20.507
Community Service Block Grant Cluster	93.569 / 93.710
ARRA-Byrne Memorial	16.804
ARRA-Department of Energy Oil Overcharge Weatherization	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 \$794,717.

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, 2010

Findings Required to be Reported by Government Auditing Standards

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

Findings Required to be Reported by OMB Circular A-133

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

City of Lubbock, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2010

Findings Required to be Reported by OMB Circular A-133

Reference Number	Summary of Finding	Status
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No matters are reportable.

City of Lubbock, Texas
Schedule of Expenditures of State Awards
For the Year Ended September 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	Grant/ Contract Number	Total State 9/30/2010
Texas State Library and Archives Commission:			
Lone Star Library 09-10	N/A	442-10095	\$ 44,710
Total Texas State Library and Archives Commission			44,710
Texas Department of State Health Services			
Infectious Disease Control Unit/FLU-LAB 10-11	N/A	2011-036347	55
Infectious Disease Control Unit/FLU-LAB 09-10	N/A	2010-031538	5,000
Milk & Dairy Products Division 09-10	N/A	2010-031640	1,914
Milk & Dairy Products Division 08-09	N/A	2009-028481	70,470
Preventive Health & Health Services Block Grant (RLSS/LPHS) 10-11	93.991	2011-035549	7,806
Preventive Health & Health Services Block Grant (RLSS/LPHS) 09-10	93.991	2010-032759	76,935
STD Syphilis Elimination 10-11	N/A	2011-035629	14,746
STD Syphilis Elimination 09-10	N/A	2010-032957	148,854
Total Department of State Health Services			325,780
Texas Department of Housing & Community Affairs			
SPS Low-Income Program- State Program 2009	N/A	409048	25,483
Total Texas Department of Housing & Community Affairs			25,483
Texas Department of Transportation			
5304 Funds - FY 09 State Planning	N/A	519XXF7005-REG 0905(51)	3,722
5307 Funds - FY 10 State Operation	N/A	517XXF7054-URB 1001 (05)	634,681
Total Department of Transportation			638,403
Texas Forest Service			
Tropical Storm Alex	N/A		29,012
Total Texas Forest Service			29,012
TOTAL STATE FINANCIAL ASSISTANCE			\$ 1,063,388

CITY OF LUBBOCK, TEXAS
Notes to Schedule of Expenditures of State Awards
For the Year Ended September 30, 2010

(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, 2010, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

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

The Honorable Mayor and City Council
City of Lubbock, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lubbock, Texas (the City) as of and for the year ended September 30, 2010, which collectively comprise its basic financial statements and have issued our report thereon dated February 16, 2011, which contained a reference to the reports of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the 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 Organization'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 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 Grants Management Standards*.

We noted certain matters that we reported to the City's management in a separate letter dated February 16, 2011.

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 16, 2011

Independent Accountants' Report on Compliance with Requirements Applicable to Each Major State Program and on Internal Control Over Compliance in Accordance with the State of Texas *Uniform Grants Management Standards* and on Schedule of Expenditures of State Awards

The Honorable Mayor and City Council
City of Lubbock, Texas

Compliance

We have audited the compliance of City of Lubbock, Texas (the City) with the types of compliance requirements described in the State of Texas *Uniform Grants Management Standards* that are applicable to each of its major state programs for the year ended September 30, 2010. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Lubbock, Texas, based on our audit.

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

In our opinion, the City of Lubbock, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended September 30, 2010.

Internal Control Over Compliance

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

A 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lubbock, Texas as of and for the year ended September 30, 2010, and have issued our report thereon dated February 16, 2011, which included references to the reports of other accountants. We did not audit the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. and Lubbock Economic Development Alliance, component units of the City, which statements reflect total assets and program revenues of \$30,906,935 and \$14,480,589, respectively, and represent 95% and 96% of the aggregate discretely presented component units' total assets and program revenues, respectively, at September 30, 2010 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. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *Uniform Grants Management Standards* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

BKD, LLP

February 16, 2011

City of Lubbock, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2010

Summary of Auditor's Results

1. The opinion(s) expressed in the independent accountants' report was (were):
☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
Significant deficiency(ies)? ☐ Yes ☒ No
Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent accountants' report on internal control over compliance with requirements applicable to major state awards programs described:
Significant deficiency(ies)? ☐ Yes ☒ No
Material weakness(es)? ☐ Yes ☒ No

5. The opinion(s) expressed in the independent accountants' report on compliance with requirements applicable to major state awards was (were):
☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by the State of Texas *Uniform Grants Management Standards*? ☐ Yes ☒ No

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

7. The City's major state program was:

Cluster/Program	State Agency	Grant Number
5307 Funds—FY10 State Operations	Texas Department of Transportation	517XXF7054-URB 1001 (05)

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grants Management Standards* was \$300,000.
9. The City qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grants Management Standards*? ☒ Yes ☐ No

City of Lubbock, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding	Questioned Costs
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No matters are reportable

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

Reference Number	Summary of Finding	Questioned Costs
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No matters are reportable

City of Lubbock, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2010

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

Reference Number	Summary of Finding	Status
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No matters are reportable.

