

Lubbock Economic
Development Alliance
(A Component Unit of The City of Lubbock, Texas)
Single Audit Reporting Package
For the Year Ended:
September 30, 2012

Table of Contents

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	10
Statement of Activities	11

Fund Financial Statements:

Governmental Funds:

Governmental Fund Balance Sheet	13
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance.....	14

Notes to Basic Financial Statements	16
---	----

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
--	----

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	27
---	----

Schedule of Findings and Questioned Costs	30
---	----

Schedule of Expenditures of Federal Awards	34
--	----

Notes to Schedule of Expenditures of Federal Awards	36
---	----

Required Supplementary Information:

Budgetary Comparison Schedule	38
-------------------------------------	----

**Robinson
Burdette
Martin &
Seright, L.L.P.**

a professional services firm of
certified public accountants

9816 Slide Road
Suite 301
Lubbock, Texas 79424

telephone (806) 744-3333
fax (806) 747-2106
www.rbmsllp.com

Independent Auditors' Report

To the Honorable Mayor Glen Robertson and Members of the City Council
The City of Lubbock, Texas
And the Board of Directors of
Lubbock Economic Development Alliance

We have audited the accompanying financial statements of the governmental activities, each major fund of Lubbock Economic Development Alliance (LEDA), a component unit of the City of Lubbock, Texas, as of and for the year ended September 30, 2012, which collectively comprise LEDA's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of LEDA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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* (GAS), 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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of LEDA as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2012, on our consideration of LEDA'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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Robinson
Burdette
Martin &
Seright, L.L.P.

a professional services firm of
certified public accountants

9816 Slide Road
Suite 301
Lubbock, Texas 79424

telephone (806) 744-3333
fax (806) 747-2106
www.rbmsllp.com

Independent Auditors' Report

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LEDA's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole

Robinson Burdette
Martin & Seright, L.L.P.

Lubbock, Texas
November 28, 2012

Lubbock Economic Development Alliance
Management's Discussion and Analysis
For the Year Ended September 30, 2012

This section of Lubbock Economic Development Alliance's (LEDA or the Organization) financial report presents a discussion and analysis of the Organization's financial performance for the fiscal year ended September 30, 2012. This discussion has been prepared by management, along with the financial statements and related footnote disclosures, and should be read in conjunction with, and is qualified in its entirety by, the basic financial statements and footnotes. This discussion and analysis is designed to focus on current activities, resulting changes and currently known facts.

Using the Financial Report

This financial report consists of financial statements that focus on the financial condition of the unit of government and the results of its operations as a whole. One of the most important questions asked about governmental finances is whether the unit of government as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets includes LEDA's assets, liabilities and net assets. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when levied or the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. LEDA's net assets are one indicator of the Organization's financial health. Over time, increases or decreases in net assets indicate the improvement or erosion of the Organization's financial health.

Statement of Net Assets

September 30,	2012	2011	% Change
Assets			
Current assets	\$ 4,290,271	\$ 2,684,488	59.82
Capital assets, net of depreciation	23,902,339	21,555,190	10.89
Total Assets	\$ 28,192,610	\$ 24,239,678	16.31
Liabilities			
Current liabilities	\$ 4,063,870	\$ 3,510,338	15.77
Noncurrent liabilities	2,876,866	3,763,325	(23.56)
Total Liabilities	6,940,736	7,273,663	(4.58)
Net Assets			
Invested in capital assets, net of related debt	22,574,415	18,777,266	20.22
Unrestricted	(1,322,541)	(1,811,251)	26.98
Total Net Assets	21,251,874	16,966,015	25.26
Total Liabilities and Net Assets	\$ 28,192,610	\$ 24,239,678	16.31

Current Assets

Cash and Equivalents

The fiscal year 2012 cash and equivalents balance is higher than the fiscal year 2011 balance due to a \$4.2 million change in net assets in the current year, net of depreciation, which was partially offset by \$775,000, \$413,000, and \$2.3 million increases in investments, receivables, and capital assets, respectively, as well as a \$333,000 decrease in total liabilities.

Lubbock Economic Development Alliance
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Investments

Investments are comprised of two certificates of deposit, held at separate financial institutions, which are carried at fair value. The fiscal year 2012 balance is higher than the fiscal year 2011 balance as a result of a \$1.0 million certificate of deposit purchased during the current year.

EDA Grant Reimbursement Receivable

As of September 30, 2012, LEDA was due \$373,407 in expenditure reimbursements from the U.S. Department of Commerce, Economic Development Administration, under the terms of a \$1.5 million grant agreement (the EDA Grant) for the construction of rail improvements at the Lubbock Railport (Railport).

Accounts Receivable

The Organization's accounts receivable are comprised of amounts due from the City of Lubbock (the City) for sales and use tax allocations. LEDA is typically due two months of sales and use tax allocations as of each fiscal year end. The fiscal year 2012 balance is higher than the fiscal year 2011 balance as a result of the City having higher sales and use tax collections in August and September of 2012, as compared to August and September of 2011.

Noncurrent Assets

Capital Assets, Net of Depreciation

Net capital assets of \$23.9 million includes the historical acquisition costs and related improvements for land, office equipment, vehicles and equipment, and leasehold improvements, less \$258,249 for accumulated depreciation. Significant capital additions during fiscal year 2012 include nearly \$2.8 million for development of the Lubbock Business Park (Business Park) and Railport, particularly for additional roads, landscaping, irrigation and sewage improvements at the Business Park and the extension of additional rail into the Railport. Detailed information regarding capital asset additions and deletions is available in Note 5.

Current Liabilities

Accounts Payable

Accounts payable of \$358,979 as of September 30, 2012 consists of expenses for goods and services received from vendors in the current year but paid in the following year. The balance is higher than as of September 30, 2011 due to additional construction costs and professional services fees outstanding related to the Business Park and Railport.

Accrued Liabilities

Accrued liabilities consist of compensated absences accumulated by the Organization's employees. LEDA's accrued liabilities were relatively consistent from September 30, 2011 to September 30, 2012.

Notes Payable, Amounts Due Within One Year

LEDA's \$1.3 million in notes payable, due within one year, represents the outstanding principal balance on the taxable bank loan, all of which is due within 12 months after September 30, 2012. The loan was originally entered into in partial financing of the development costs for the Business Park and Railport. See Note 8 for additional information.

Lubbock Economic Development Alliance
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Incentives and Special Projects Liabilities, Estimated Amounts Due Within One Year

Incentives are primarily for economic development through the creation and maintenance of new jobs. Special projects include contractual commitments to local businesses. Incentives and special projects liabilities, estimated amounts due within one year, are primarily comprised of incentives and special projects commitments which are due within 12 months after September 30, 2012. The liability recorded at the end of fiscal year 2012 is approximately \$342,000 higher than at the end of fiscal year 2011 as a result of a net increase of five open incentive contracts during the year, including new agreements with approximately \$497,000 in fiscal year 2013 incentive commitments. These increases were partially offset by incentive contracts that expired during the year. Detailed information regarding incentives and special projects liabilities is available in Note 7.

Noncurrent Liabilities

Incentives and Special Projects Liabilities, Estimated Amounts Due After One Year

Incentives and special projects liabilities, estimated amounts due after one year, are primarily comprised of incentives and special projects commitments which are due after September 30, 2013. The noncurrent liability recorded at the end of fiscal year 2012 is approximately \$441,000 higher than fiscal year 2011 as a result of the net increase of five open incentive contracts mentioned above, with the new agreements having approximately \$864,000 in long-term commitments. These increases were partially offset by current year payments and forfeitures on contracts entered into prior to fiscal year 2012. Detailed information regarding incentives and special projects liabilities is available in Note 7.

Net Assets

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt, of \$22.6 million includes the historical acquisition costs and related improvements for land, office equipment, vehicles and equipment and leasehold improvements, net of accumulated depreciation and outstanding principal requirements on the related debt. Detailed information regarding capital assets and acquisition-related debt obligations is available in Notes 5 and 8.

Unrestricted Net Assets

LEDA's net assets are restricted in the sense that expenditures are limited to those that further the Organization's purpose of creating, managing and supervising programs and activities to promote, assist and enhance economic development within and around the City of Lubbock, Texas. However, because the amount is negative, accounting principles generally accepted in the United States of America require the title Unrestricted. The \$489,000 improvement in unrestricted net assets in fiscal year 2012 is roughly due to revenues over expenses and special items totaling \$4.3 million for the current year, partially offset by the \$2.3 million increase in net capital assets and payments on notes payable totaling \$1.5 million in the current year.

Lubbock Economic Development Alliance
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Statement of Activities

Year ended September 30,	2012	2011	% Change
Revenues			
Operating grants and contributions	\$ 7,839,996	\$ 7,162,684	9.46
Capital grants and contributions	1,355,006	-	100.00
Total Revenues	9,195,002	7,162,684	28.37
Expenses			
Economic Development	4,849,136	2,805,890	72.82
Depreciation Expense	54,987	56,948	(3.44)
Total Expenses	4,904,123	2,862,838	71.30
Excess of revenues over expenses	4,290,879	4,299,846	(0.21)
Special Items			
Loss on capital asset disposals	(5,020)	-	(100.00)
Change in Net Assets	4,285,859	4,299,846	(0.33)
Net Assets – Beginning	16,966,015	12,666,169	33.95
Net Assets – Ending	\$ 21,251,874	\$ 16,966,015	25.26

Revenues

Operating Grants and Contributions

LEDA's revenues are generated primarily through a one-eighth (1/8) of one percent sales and use tax imposed within the City of Lubbock, as well as cash grants from Market Lubbock, Inc. (MLI), a related party, for the development and expansion of commercial activity within and around the City. The increase in revenues between fiscal years 2011 and 2012 is due to increases in both sales and use tax collections and cash grants from MLI.

Capital Grants and Contributions

Capital grants and contributions are comprised of amounts restricted to meeting the operational or capital requirements of a particular program. LEDA received capital grants and contributions totaling \$1,355,006 during fiscal year 2012, which is mostly comprised of \$947,704 of reimbursements for construction costs at the Railport under the terms of the EDA Grant. The remaining \$407,302 of capital grants and contributions was recorded as a result of Lot 1 of the Business Park being conveyed back to the Organization from a local business during fiscal year 2012. Additional information on the Business Park and Railport is provided in Note 5.

Lubbock Economic Development Alliance
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Expenses

Economic Development

In the fiscal year ended September 30, 2012, LEDA expended over \$4.8 million for economic development within and around Lubbock, compared to \$2.8 million in the prior year. Amounts expended for economic development in fiscal years 2012 and 2011 are below.

Year ended September 30,	2012	2011
Administrative expenses	\$ 423,469	\$ 420,329
Business incentives and special projects	2,489,918	469,884
Employee compensation and benefits	1,326,856	1,344,059
Marketing and sales	415,048	372,747
Office expenses	193,845	198,871
Total Economic Development Expenses	\$ 4,849,136	\$ 2,805,890

Depreciation Expense

LEDA's depreciable capital assets include office equipment, vehicles and equipment, and leasehold improvements. Depreciation expense decreased slightly between fiscal years 2011 and 2012 as a result of a tractor and rotary shredder becoming fully depreciated during the year. Detailed information regarding depreciation expense is available in Note 5.

Special Items

Loss on Capital Asset Disposals

The Organization recorded a net loss on capital asset disposals totaling \$5,020 during the year ended September 30, 2012, as a result of two small tracts of land which were sold and a vehicle which was replaced during the year. One tract of land was sold to a third party for a slight gain of \$2,523, with the other being sold to MLI, a related party, for a loss of \$6,800, and a loss of \$743 was recorded in connection with the vehicle trade-in.

Other Information

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. In addition to the basic financial statements and accompanying notes, this report also presents a budgetary comparison, which is *required supplementary information*. The budgetary comparison demonstrates the level of budgetary control and can be found on page 38.

Overall Financial Position

Management believes the Organization is in good condition financially. Assets exceeded liabilities by \$21.3 million (*net assets*) at the close of the fiscal year, compared to assets exceeding liabilities by \$17.0 million (*net assets*) at the end of the prior fiscal year. As a result of operations, total net assets increased by \$4.3 million during the year. Based on historical trends, management expects that future receipts of sales and use taxes and grants from other organizations will be sufficient to fund noncurrent incentives and special projects liabilities.

Lubbock Economic Development Alliance
Basic Financial Statements
For the Year Ended:
September 30, 2012

Lubbock Economic Development Alliance
Government-Wide Financial Statements
For the Year Ended:
September 30, 2012

Lubbock Economic Development Alliance
Statement of Net Assets
September 30, 2012

Government-Wide Financial Statements - Accrual Basis - There are no Business-Type Activities

		Governmental Activities
Cash and equivalents	\$	1,823,120
Investments		1,239,359
EDA grant reimbursement receivable		373,407
Accounts receivable		854,385
Capital assets:		
Land		23,828,057
Depreciable capital assets, net		74,282
	Assets	\$ 28,192,610
Accounts payable	\$	358,979
Accrued liabilities		54,233
Notes payable:		
Estimated amounts due within one year		1,327,924
Incentives and special projects liabilities:		
Estimated amounts due within one year		2,322,734
Estimated amounts due after one year		2,876,866
	Liabilities	6,940,736
Invested in capital assets, net of related debt		22,574,415
Unrestricted		(1,322,541)
	Net Assets	\$ 21,251,874

Lubbock Economic Development Alliance
Statement of Activities
For the Year Ended September 30, 2012

Government-Wide Financial Statements - Accrual Basis - There are no Business-Type Activities

Programs	Expenses	Program Revenues		Net Revenue (Expense) & Change in Net Assets
		Operating Grants & Contributions	Capital Grants & Contributions	
Economic development	\$ 4,849,136	\$ 7,839,996	\$ 1,355,006	\$ 4,345,866
Depreciation expense (all unallocated)	<u>54,987</u>	-	-	<u>(54,987)</u>
Governmental Activities	<u>\$ 4,904,123</u>	<u>\$ 7,839,996</u>	<u>\$ 1,355,006</u>	<u>4,290,879</u>
Loss on capital asset disposals				<u>(5,020)</u>
Special Items				<u>(5,020)</u>
Change in Net Assets				4,285,859
Net assets - beginning				<u>16,966,015</u>
Net assets - ending				<u>\$ 21,251,874</u>

Lubbock Economic Development Alliance
Fund Financial Statements
For the Year Ended:
September 30, 2012

Lubbock Economic Development Alliance
Governmental Fund Balance Sheet
September 30, 2012

Governmental Fund Financial Statements - Modified Accrual Basis

		Governmental Fund
Cash and equivalents	\$	1,823,120
Investments		1,239,359
EDA grant reimbursement receivable		373,407
Accounts receivable		<u>854,385</u>
Assets	\$	<u>4,290,271</u>
Accounts payable	\$	358,979
Accrued liabilities		54,233
Incentives payable		<u>449,800</u>
Liabilities		<u>863,012</u>
Fund balances:		
Committed		4,749,800
Unassigned		<u>(1,322,541)</u>
Fund Balance		<u>3,427,259</u>
Liabilities & Fund Balance	\$	<u>4,290,271</u>

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets:

Governmental Fund Balance Above 3,427,259

Amounts reported for governmental activities in the Statement of Net Assets (page 10) are different due to the following:

Capital assets used in governmental activities are not financial resources and are not reported in the fund. 22,574,415

Long-term liabilities are not due and payable from current financial resources and are not reported in the fund. (4,749,800)

Net Assets, per the Government-Wide Statement of Net Assets - Page 10 \$ **21,251,874**

Lubbock Economic Development Alliance
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
September 30, 2012

Governmental Fund Financial Statements - Modified Accrual Basis

	Governmental Fund
Sales tax revenue	\$ 4,775,317
Other income	4,012,383
Revenues	8,787,700
Economic development incentives	1,082,406
Personnel services	1,326,856
Administration	2,608,264
Capital outlay	2,388,437
Expenditures	7,405,963
Revenues over Expenditures	1,381,737
Proceeds from capital asset disposals	13,000
Other Financing Sources	13,000
Change in Fund Balance	1,394,737
Fund balance - beginning	2,032,522
Fund balance - ending	\$ 3,427,259

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities:

Governmental Fund Change in Fund Balance Above 1,394,737

Amounts reported for governmental activities in the Statement of Activities (page 11) are different due to the following:

The governmental fund reports capital asset purchases as capital outlay expenditures and proceeds from disposals as income. However, in the Statement of Activities, the costs of capital assets are allocated over their estimated useful lives as depreciation expense and gains/losses on disposals are recognized. This is the net effect of the government-wide accounting for capital asset transactions for the current period. 2,347,149

Loan proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of loan principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments exceeded proceeds. 1,450,000

Expenses related to incentive commitments recognized in the Statement of Activities do not require the use of current financial resources and are not recognized in the funds. This is the change in the incentive and special project commitments recognized in the Statement of Activities. (906,027)

Change in Net Assets, per the Government-Wide Statement of Activities - Page 11 \$ 4,285,859

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
For the Year Ended:
September 30, 2012

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
September 30, 2012

Note 1: Reporting Entity

Lubbock Economic Development Alliance (LEDA) was formed on June 1, 2004 by the City of Lubbock, Texas (Lubbock) as a 4A corporation to create, manage and supervise programs and activities to promote, assist and enhance economic development within and around Lubbock.

A board of directors appointed by the Lubbock City Council (City Council) oversees LEDA's operations. LEDA's primary source of revenue is a one-eighth (1/8) of one percent sales and use tax imposed within the City of Lubbock. LEDA's Basic Financial Statements (BFS) are discretely presented as a component unit in Lubbock's Comprehensive Annual Financial Report, in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. LEDA has no component units within its own reporting entity.

Note 2: Summary of Significant Accounting Policies

These BFS are 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 *Audits of State and Local Governmental Units*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body that establishes governmental accounting and financial reporting principles.

Basis of Presentation. LEDA has implemented the provisions of GASB Statement No. 34, *Basic Financial Statements for State and Local Governments* (GASB 34). LEDA's BFS consist of **Government-Wide Financial Statements** and **Fund Financial Statements**, as well as these notes. The measurement focus and basis of accounting vary across the financial statements.

Measurement Focus and Basis of Accounting. The accompanying BFS are prepared under two different methods of measurement and basis of accounting. Measurement focus relates to the goal in determining results of operations, while the basis of accounting relates to the timing of recognition. A fund's basis of accounting is determined by its measurement focus. The **economic resources** measurement focus requires the **accrual** basis of accounting. The **current financial resources** measurement focus requires the **modified accrual** basis of accounting.

- Under the **economic resources / accrual** method, revenues and expenses are recognized when earned and when a liability is incurred, respectively, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met. All assets and liabilities associated with operations (e.g., capital assets and debt) are recognized. The government-wide financial statements are prepared and presented under this method.
- The **current financial resources / modified accrual** method recognizes revenues and other financing sources when measurable and available. Revenues are considered available when they are collectible (i.e. collection is expected to occur in the current period or soon enough thereafter to pay liabilities of the current period). For this purpose, LEDA considers revenues to be available if they are collected by the end of the current fiscal period. Expenditures are recorded when a liability is incurred, with the exceptions of debt service, judgments, and claims, which are not recognized until payment is due. Unique aspects of this method are that purchases of capital assets are recognized as expenditures rather than being capitalized and depreciated over their useful lives; borrowings are recognized as financial resources (rather than liabilities) and the principal payments, along with interest (i.e., debt service), are recognized as expenditures rather than as reductions of liabilities. Generally, only current assets and current liabilities are recognized. The governmental fund financial statements are prepared and presented under this method.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
September 30, 2012

Note 2: Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (GWFS). The GWFS, consisting of the Statement of Net Assets and the Statement of Activities, are prepared and presented under the **economic resources** measurement focus and the **accrual** basis of accounting. These statements present information about the financial activities of LEDA as a whole.

- The *Statement of Net Assets* presents LEDA's year-end financial condition on a government-wide accrual basis.
- *Statement of Activities.* The Statement of Activities is a comparison of direct expenses and revenues for each of LEDA's programs. Direct expenses are those that are specifically associated and identifiable with a specific program. Program revenues include charges paid by recipients of goods or services offered by the respective program, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants which is restricted to be used for support of a particular program. Revenues that are not programmatic would be presented as general revenues, with certain exceptions (LEDA currently has no source of general revenues). The comparison of direct expenses with program revenues identifies the extent to which each program is self-financing or drawing from any general revenues generated by LEDA.

Fund Financial Statements (FFS). Throughout the year LEDA accounts for transactions correlated with certain programs in separate funds, for financial management and legal compliance purposes. A fund is a distinct fiscal and accounting entity with a self-balancing set of accounts. LEDA's financial resources are accounted for in two fund categories, governmental and fiduciary. GASB 34 created the concept of "major" funds for financial reporting purposes; the focus of governmental FFS is major funds.

Major Fund Determination for LEDA. GASB 34 requires that governmental funds be presented as major funds if total assets, liabilities, revenues or expenditures of an individual governmental fund are 10 percent or more of the corresponding total (assets, liabilities, etc.) for that fund.

GASB 34 further permits the reporting of any fund as major, whether it meets the quantitative criteria or not, if management believes it is of particular importance to financial statement users (e.g., for public interest or consistency).

Fund Financial Statements. Fund financial statements enable presentation of financial information at a more detailed level for major funds, while nonmajor funds are combined and presented in a single column.

Account Groups. Under the GASB 34 reporting model, the General Fixed Assets and General Long-Term Debt account groups presented in the general purpose financial statements are not presented in the BFS; capital assets acquired by governmental funds and long-term liabilities of the governmental funds are included in the GWFS.

Governmental Funds. Governmental funds are used to account for all of LEDA's general activities, including the collection and disbursement of grants and other contributions. Governmental funds reported in the FFS focus on the sources, uses and balances of current financial resources. Expendable assets are reported in the various governmental funds based on their intended purpose, including any restrictions as to use; current liabilities are reported in the funds from which they will be paid. The net balance of governmental fund assets and liabilities is the fund balance. Grant management contracts are accounted for through individual special revenue funds, one of which is reported as a major fund. LEDA has neither a general fund nor capital project or debt service funds.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
 September 30, 2012

Note 2: Summary of Significant Accounting Policies (continued)

All governmental funds are accounted for and presented in the FFS under the **current financial resources** measurement focus and the **modified accrual** basis of accounting. This approach differs from the measurement and presentation of the governmental activities in the GWFS. Governmental FFS are reconciled to the GWFS with brief explanations of the reconciling items.

Cash and Equivalents. Cash includes amounts on hand and in demand deposits. Book overdrafts of demand deposits, if any, are reclassified to accounts payable for financial statement purposes. Money market mutual funds and other temporary investments are not considered cash equivalents.

Investments. Investments are reported at fair market value. *Restricted investments* include unspent proceeds of grants or other contributions, with constraints imposed either: (a) externally by creditors, grantors, contributors or laws or regulations of other governments, or (b) legally through constitutional provisions or enabling legislation.

General Capital Assets. Acquisitions are recognized as expenditures in the governmental FFS; the assets are only reported in the GWFS.

In the GWFS, general capital assets are recorded at cost and updated for additions and disposals during the year. Donated fixed assets are recorded at fair market value as of the date received. Improvements are capitalized; costs incurred for routine repairs and maintenance, neither adding value to nor extending the useful life of the asset, are not capitalized. General capital assets, with the exception of land, are depreciated from the date placed in service using the straight-line method, over their estimated useful lives as follows:

Office equipment.....	3-7 years
Vehicles and equipment.....	5 years
Leasehold improvements.....	7-10 years

Incentives and Special Projects Liabilities. Incentive and special project expenditures are recognized in the governmental FFS when the obligation was incurred and payment was made during the current fiscal year or will occur within 45 days of year end. Additional liabilities are recorded in the GWFS for incentive and special project contractual commitments entered into during the year but not accrued for in the special revenue funds at year end, if the eligibility requirements have been met and management considers payment to be probable.

Compensated Absences. Accumulated vacation leave is generally not significant; such expenditures are included in accrued liabilities for the respective funds.

Sales Tax Allocations. LEDA receives one-eighth (1/8) of one percent of the sales and use tax imposed within the City of Lubbock; LEDA normally receives its allocation within 45 days of the month taxed.

Fund Balances. Beginning with fiscal year 2011, LEDA implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories in the FFS's, to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
September 30, 2012

Note 2: Summary of Significant Accounting Policies (continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

LEDA's Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a board resolution and/or contractual commitments with local businesses.

Net Assets. Net assets represent the difference between LEDA's assets and liabilities in the GWFS; net assets are presented in three components, as applicable:

- Invested in capital assets, net of related debt – include general capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, capital leases or other borrowings that are attributable to the acquisition, construction or improvement of those assets (with the exception of any related unspent debt proceeds at year end, which are presented as amounts restricted for capital purposes).
- Restricted – include **net** assets that are restricted for specific purposes through constraints that are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or
 - Imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – not meeting the criteria for treatment as either of the above components.

In accordance with GASB 34, designations of net assets are not reported on the face of the GWFS.

Tax Status. LEDA is a nonprofit corporation exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code (IRC) of 1986, as amended. Accordingly, there is no provision for federal income taxes in the accompanying BFS.

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits that the position will be sustained upon examination. As of September 30, 2012 management has analyzed its tax positions and believes that all are more likely than not to be sustained upon examination. LEDA's tax returns generally remain open for federal income tax examination for three years from the date of filing.

Note 3: Budgetary Accounting

LEDA is required to submit a proposed operating expenditure budget to the City Council on an annual basis. Lubbock's Budget Department provides annual revenue estimates; public hearings are conducted for taxpayer comments, then the budget is legally enacted through passage of an ordinance by the City Council. LEDA does not use encumbrance accounting.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
September 30, 2012

Note 4: Cash and Investments

Cash. On September 30, 2012, the bank balance of LEDA's deposits in one financial institution was approximately \$1.9 million; of this amount, \$250,000 was covered by federal depository insurance. As of September 30, 2012, LEDA's bank balance was not exposed to custodial credit risk because it was secured and collateralized by approximately \$3.4 million of securities held by the pledging financial institution's trust department.

Investments. LEDA's investments are categorized based on criteria specified by GASB as follows:

- 1) Insured or registered, with securities held by the entity or its agent in the entity's name.
- 2) Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
- 3) Uninsured and unregistered, with securities held by the counter party or by the counter party's trust department or agent, but not in the entity's name.

At September 30, 2012, LEDA had investments totaling approximately \$1.2 million, all of which were held in certificates of deposit at two separate financial institutions. These investments are considered "insured or registered" as they are secured and collateralized by approximately \$944,000 and \$1.3 million of securities held by the pledging financial institutions' trust departments.

Note 5: Capital Assets

Capital assets reported in the accompanying GWFS and related activity for the year ended September 30, 2012 follow:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Land	\$ 21,447,779	\$ 2,773,137	\$ 392,859	\$ 23,828,057
Not Depreciated, at Cost	<u>21,447,779</u>	<u>2,773,137</u>	<u>392,859</u>	<u>23,828,057</u>
Office equipment	207,374	10,378	-	217,752
Vehicles and equipment	92,969	12,223	7,435	97,757
Leasehold improvements	<u>17,022</u>	<u>-</u>	<u>-</u>	<u>17,022</u>
Being Depreciated, at Cost	<u>317,365</u>	<u>22,601</u>	<u>7,435</u>	<u>332,531</u>
Office equipment	132,699	36,385	-	169,084
Vehicles and equipment	70,694	16,847	6,692	80,849
Leasehold improvements	<u>6,561</u>	<u>1,755</u>	<u>-</u>	<u>8,316</u>
Accumulated Depreciation	<u>209,954</u>	<u>54,987</u>	<u>6,692</u>	<u>258,249</u>
Depreciable, Net	<u>107,411</u>	<u>(32,386)</u>	<u>743</u>	<u>74,282</u>
Capital Assets, Net	<u>\$ 21,555,190</u>	<u>\$ 2,740,751</u>	<u>\$ 393,602</u>	<u>\$ 23,902,339</u>

Depreciation expense totaling \$54,987 was recognized in the GWFS during the current year; none of this expense was allocated to LEDA's various programs.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
September 30, 2012

Note 5: Capital Assets (continued)

Lubbock Business Park and Lubbock Railport

In fiscal year 2007 LEDA entered into engineering and construction contracts for Phase I development of the Lubbock Business Park and the Lubbock Railport, located on 586 and 301 acre tracts of land, respectively, owned by LEDA in northeast Lubbock. LEDA intends to convey the land to businesses in individual units for economic development purposes. Businesses receiving land grants must commit to build office, industrial or other economic facilities on site, with the intent of creating additional jobs for the Lubbock community.

Phase I Construction of the Business Park and Railport began in August 2007 and was substantially completed by September 2009. The total cost of Phase I development was approximately \$28.2 million, approximately \$1.5 million of which had not been billed by and was not yet due to the contractor as of September 30, 2012.

In fiscal year 2008 LEDA deeded a total of 47 acres of Business Park land to two businesses, and 18 acres of Railport land to one business. In fiscal year 2010, LEDA sold approximately 35 acres of Business Park land to a related party and deeded another 21 acres of Business Park land to two businesses. In fiscal year 2012, LEDA deeded approximately 10 acres of Business Park land to one business and approximately 11 acres of Business Park land were deeded back to LEDA from another business. LEDA's total cost of the 10 acres of land deeded to a business was approximately \$376,000. In connection with the 11 acres of land deeded back from a business, LEDA recorded revenue totaling approximately \$407,000. No land was conveyed during fiscal years 2009 or 2011.

Note 6: Leases

On November 1, 2006, LEDA entered into a ten-year operating lease for office space at 1500 Broadway. Per the terms of the lease agreement, rent is \$10,484 per month plus a pro-rata portion of the monthly utilities for the property. The monthly rent is subject to annual increases based on calculations set forth in the lease agreement.

LEDA also leases certain equipment under monthly operating leases. LEDA recognized lease and rental expenditures totaling \$141,587 for the year ended September 30, 2012.

Note 7: Incentives and Special Projects Liabilities

Incentive and special project expenditures are recognized in the FFS when expected to be paid within 45 days of year end. Current year activity and the September 30, 2012 liabilities for incentives and special projects are as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due Within One Year</u>
Incentive contracts	\$ <u>3,007,473</u>	\$ <u>2,741,333</u>	\$ <u>(549,206)</u>	\$ <u>5,199,600</u>	\$ <u>2,322,734</u>

Incentives are primarily for economic development through the creation and maintenance of new jobs. Special projects include contractual commitments to local businesses. The underlying contracts provide for payments over periods ranging from two to seven years, if the performance requirements are met.

LEDA has also pledged \$500,000 of its sales and use tax receipts in order to secure the guarantee of a loan from the Office of the Governor of Texas Product Development Fund to a local business. The guarantee would require payment by LEDA only in the event the local business defaults on the loan.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
September 30, 2012

Note 8: Notes Payable

Taxable Loan

To secure financing for the development of the Lubbock Business Park and the Lubbock Railport, including the construction of streets and roads, water, electric and gas utilities improvements, drainage and related improvements, and telecommunications and internet improvements, LEDA entered into a taxable loan and security agreement (the Loan) with a bank on August 23, 2007 for a principal sum of \$7.25 million.

The Loan bears interest at a floating rate equal to the Wall Street Journal Prime Rate minus one-half of one percent, adjusted for any changes in the Wall Street Journal Prime Rate. As of September 30, 2012, the interest rate on the Loan was 2.75%.

Interest begins accruing upon the initial draw request. Beginning September 15, 2007 and continuing until August 15, 2008, LEDA was required to make monthly interest-only payments on the outstanding principal balance. From September 15, 2008 through the maturity date, 60 monthly principal and interest payments are required, with the balance of the Loan due in full on August 15, 2013.

The Loan is secured by 100% of the funds collected by the City of Lubbock from the levy of the sales and use tax, without deduction, offset or credit for any administrative charges or expenses incurred by Lubbock or LEDA in connection with the levy and collection of the sales and use tax, other than any amounts owed to the Texas Comptroller of Public Accounts for collection costs and other charges.

As of September 30, 2012, future maturities of the taxable loan totaled \$1,327,924, all of which is due during fiscal year 2013.

Revolving Line of Credit

During fiscal year 2011, LEDA opened a revolving line of credit with a bank providing for borrowings up to an aggregate of \$500,000. The line of credit was unsecured and bore interest based on the lender's index. The line of credit expired on March 23, 2012 and was not renewed.

Note 9: Retirement Plans

The Lubbock Economic Development Alliance, Inc. 401(k) Plan (the Plan) is a defined contribution pension plan administered by a third party. All permanent full-time employees, as defined by the Plan, are eligible to participate after one year of service. Employees are not required to contribute to the Plan, but may make elective deferrals up to the allowable IRS annual limitation. LEDA annually contributes 5% of eligible employee's compensation to the Plan on their behalf; all contributions vest immediately. During the year ended September 30, 2012, employees contributed \$34,061 to the Plan and LEDA contributed an additional \$54,737 on their behalf.

Note 10: Related Party Transactions

Lubbock provides certain services to LEDA at no charge; the nature and scope of these services vary as deemed appropriate by Lubbock and LEDA management. Management is unable to estimate the value of these services.

LEDA also received approximately \$3.0 million in cash grants from Market Lubbock, Inc., a related party, during the year ended September 30, 2012, to be utilized for economic development and expansion of commercial activity for the City of Lubbock.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
September 30, 2012

Note 11: Fund Balance Deficit

LEDA's unrestricted, unassigned fund deficit of \$1,322,541 is due to \$2,876,866 of noncurrent incentive and special projects commitments. Management expects to fund these commitments (net of any forfeitures) through future sales and use tax collections and grants from other organizations.

Note 12: Subsequent Events Evaluation

Management has evaluated subsequent events through November 28, 2012, the date which the financial statements were available to be issued. No material subsequent events have occurred during this time which would require recognition in the financial statements or footnotes as of and for the year ended September 30, 2012.

**Report on Internal Control over Financial
Reporting and on Compliance and Other
Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor Glen Robertson and Members of the City Council
The City of Lubbock, Texas
And the Board of Directors of
Lubbock Economic Development Alliance

We have audited the financial statements of the governmental activities, each major fund of Lubbock Economic Development Alliance (LEDA) as of and for the year ending September 30, 2012, which collectively comprise LEDA's basic financial statements, and have issued our report thereon dated November 28, 2012. 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.

Internal Control Over Financial Reporting

Management of LEDA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered LEDA'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 effectiveness of LEDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LEDA'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 entity'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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LEDA'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*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson Burdette
Martin & Seright, L.L.P.*

Lubbock, Texas
November 28, 2012

**Independent Auditors' Report on Compliance
with Requirements that Could Have a Direct and
Material Effect on the Federal Program and on
Internal Control over Compliance in
Accordance with OMB Circular A-133**

**Independent Auditors' Report on Compliance with Requirements that
Could Have a Direct and Material Effect on the Federal Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor Glen Robertson and Members of the City Council
The City of Lubbock, Texas
And the Board of Directors of
Lubbock Economic Development Alliance

Compliance

We have audited the compliance of Lubbock Economic Development Alliance (LEDA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its federal program for the year ended September 30, 2012. LEDA's federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program is the responsibility of LEDA's management. Our responsibility is to express an opinion on LEDA's compliance 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 the federal program occurred. An audit includes examining, on a test basis, evidence about LEDA'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 of LEDA's compliance with those requirements.

In our opinion, LEDA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its federal program for the year ended September 30, 2012.

Internal Control Over Compliance

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

Robinson
Burdette
Martin &
Seright, L.L.P.

a professional services firm of
certified public accountants

9816 Slide Road
Suite 301
Lubbock, Texas 79424

telephone (806) 744-3333
fax (806) 747-2106
www.rbmsllp.com

**Independent Auditors' Report on Compliance with Requirements that
Could Have a Direct and Material Effect on the Federal Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

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

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson Burdette
Martin & Seright, L.L.P.*

Lubbock, Texas
November 28, 2012

Schedule of Findings and Questioned Costs

I. Summary of Independent Auditors' Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ **Yes** **X** **No**
- Significant deficiencies identified that are not considered to be material weaknesses? _____ **Yes** **X** **No**
- Noncompliance material to financial statements noted? _____ **Yes** **X** **No**

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ **Yes** **X** **No**
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ **Yes** **X** **No**

Type of auditor's report issued on compliance for major programs:

Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ **Yes** **X** **No**

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

11.300

Investments for Public Works and Economic Development Facilities

Program-specific audit requirement threshold

\$ 500,000

Auditee qualified as low-risk auditee?

 X **Yes** _____ **No**

II. Findings Relating to the Financial Statement Audits as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None noted.

III. **Findings and Questioned Costs for Federal Awards**

None noted.

Schedule of Expenditures of Federal Awards

Lubbock Economic Development Alliance
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Investments for Public Works and Economic Development Facilities *	11.300	\$ <u>947,704</u>
Total Expenditures of Federal Awards		\$ <u><u>947,704</u></u>

* Indicates a major program

**Notes to Schedule of Expenditures
of Federal Awards**

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal contract and grant activity of Lubbock Economic Development Alliance (LEDA) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Insurance

LEDA is insured for certain directors and officers liabilities and employment practices liabilities. The liability limits on these policies are \$2,000,000 for most claims with a \$4,000,000 aggregate limit. LEDA also maintains a commercial package policy with products/completed operations and personal and advertising injury limits of \$2,000,000 and \$1,000,000, respectively, as well as a commercial liability umbrella policy with a limit of \$1,000,000 for most occurrences, with a \$2,000,000 general aggregate limit.

Lubbock Economic Development Alliance
Required Supplementary Information
For the Year Ended:
September 30, 2012

Lubbock Economic Development Alliance
 Budgetary Comparison
 For the Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget</u>
Revenues			
Sales Tax Funding	\$ 4,475,553	\$ 4,775,317	\$ 299,764
Interest Income	11,400	14,103	2,703
Grant from Market Lubbock, Inc.	3,295,000	2,995,000	(300,000)
Lease Income	7,520	11,280	3,760
EDA Grant Income	-	947,704 *	947,704
Other Income	-	57,296	57,296
Total Revenue Sources	<u>7,789,473</u>	<u>8,800,700</u>	<u>1,011,227</u>
Utilization of Net Assets	<u>132,906</u>	<u>-</u>	<u>(132,906)</u>
Total Revenues	\$ <u>7,922,379</u>	\$ <u>8,800,700</u>	\$ <u>878,321</u>
Expenses			
Personnel			
Compensation	\$ 1,231,000	\$ 1,191,291	\$ 39,709
Employee Benefits	<u>297,400</u>	<u>135,565</u>	<u>161,835</u>
Personnel	<u>1,528,400</u>	<u>1,326,856</u>	<u>201,544</u>
Administrative			
Bank Charges	500	182	318
Pre-employment	10,000	6,392	3,608
Repairs & Maintenance	5,000	2,156	2,844
Repairs & Maintenance - Business Park/Railport	81,000	84,603	(3,603)
Professional Services	<u>334,100</u>	<u>165,056</u>	<u>169,044</u>
Meeting Expense	19,500	9,146	10,354
Insurance	16,000	12,439	3,561
Miscellaneous	15,000	6,630	8,370
Memberships/Dues/Subscriptions	93,200	90,076	3,124
Travel/Training	<u>73,880</u>	<u>46,789</u>	<u>27,091</u>
Administrative	<u>648,180</u>	<u>423,469</u>	<u>224,711</u>
Office			
Office Supplies	26,000	21,338	4,662
Office Equipment Rental	19,200	16,108	3,092
Office Rent	124,200	125,479	(1,279)
Telephone	31,200	28,056	3,144
Postage	<u>5,000</u>	<u>2,864</u>	<u>2,136</u>
Office	<u>205,600</u>	<u>193,845</u>	<u>11,755</u>
Marketing and Sales			
Promotions/Advertising	383,300	269,055	114,245
Meeting Expense	36,000	32,634	3,366
Travel	<u>131,950</u>	<u>113,359</u>	<u>18,591</u>
Marketing and Sales	<u>551,250</u>	<u>415,048</u>	<u>136,202</u>
Business Incentives/Special Projects			
Special Projects	140,000	72,795	67,205
Incentive Fund - Direct Business Incentives	<u>1,500,000</u>	<u>1,082,406</u>	<u>417,594</u>
Business Incentives/Special Projects	<u>1,640,000</u>	<u>1,155,201</u>	<u>484,799</u>
Debt Service			
Debt Service - Principal Reduction	1,450,000	1,450,000	-
Debt Service - Interest Expense	<u>65,000</u>	<u>53,107</u>	<u>11,893</u>
Debt Service	<u>1,515,000</u>	<u>1,503,107</u>	<u>11,893</u>
Capital Costs			
Computer Expense	10,000	9,468	532
Office Furniture & Equipment	10,000	13,133	(3,133)
Miscellaneous Land Purchases	30,000	-	30,000
Lubbock Business Park & Railport	<u>1,783,949</u>	<u>2,365,836</u> *	<u>(581,887)</u>
Capital Costs	<u>1,833,949</u>	<u>2,388,437</u>	<u>(554,488)</u>
Total Expenses	\$ <u>7,922,379</u>	\$ <u>7,405,963</u>	\$ <u>516,416</u>

* Grant receipts budgeted as reduction of capital costs