

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE

PERFORMANCE AGREEMENT WITH COVENANT HEALTH SYSTEM

AGREED-UPON PROCEDURES REPORT

FOR THE PERIOD BEGINNING SEPTEMBER 1, 2014 AND ENDING AUGUST 31, 2015

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Independent Accountant's Report

To the Board of Directors and
Management of
Lubbock Economic Development Alliance

We have performed the procedures enumerated in the attached supplement, which were agreed to by you, the specified user, solely to assist you with respect to determining the amounts payable pursuant to the Performance Agreement with regard to job creation incentives only, for Covenant Health System. This agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the findings as a result thereof, are enumerated in the attached supplement which is an integral part of this report.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

July 7, 2016

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Procedures and Results

Background:

The Lubbock City Council established the Lubbock Economic Development Alliance, Inc. (hereinafter referred to as LEDA) to promote local economic development and stimulate business and commercial activity in Lubbock and the surrounding area. To this end, LEDA entered into a contract with Covenant Health System (hereinafter referred to as "Covenant") on August 27, 2012.

The terms of the agreement provide incentives to Covenant for the creation of new jobs. The general terms of the agreement allow Covenant to receive up to \$223,000 for the creation and maintenance of sixty-nine (69) new full-time jobs from September 1, 2012 through August 31, 2017. Covenant will earn incentives ranging from \$2,500 to \$10,000 for each job created according to LEDA's sliding scale. The earned incentives will be earned in one-fifth (1/5) increments as of each annual measurement date.

Objective, Scope and Procedures Performed:

Our objective was to determine if Covenant met the job creation requirements of their agreement with LEDA. A summary of the procedures used is as follows:

- Reviewed the pertinent contract.
- Reviewed employee census data indicating names, dates of hire, dates of termination, work locations and compensation as of August 31, 2015.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending September 30, 2014 through June 30, 2015 and payroll register run for the period September 1, 2014 through August 31, 2015.
- Reviewed wages reported on the TWC and payroll reports to verify annual compensation levels and to corroborate dates of hire and/or termination while comparing to employee census.

Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Results and Conclusions:

Per our review of the above data and prior year agreed-upon procedure reports:

- Covenant had two hundred and three (203) full-time Lubbock employees and fifteen (15) part-time / on-call employees as of August 31, 2012 (baseline).
- Covenant had two hundred twenty-four (224) full-time Lubbock employees and eighteen (18) part-time / on-call employees as of August 31, 2013.
- Covenant had two hundred thirteen (213) full-time Lubbock employees and twenty (20) part-time / on-call employees as of August 31, 2014.
- Covenant had one hundred seventy-nine (179) full-time Lubbock employees and seventeen (17) part-time / on-call employees as of August 31, 2015.

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Based on the above, Covenant did not maintain baseline employment and is not currently entitled to receive third-year incentives.

Based on procedures performed, there were no questions or issues raised that needed to be discussed with Covenant.