

Lubbock Economic
Development Alliance

(A Component Unit of The City of Lubbock, Texas)

Audited Basic Financial Statements

For the Year Ended:
September 30, 2011

Robinson
Burdette
Martin &
Seright, L.L.P.
a professional services firm of
certified public accountants

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Independent Auditors' Report

To the Honorable Mayor Tom Martin 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, 2011, 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 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, 2011, 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.

LEDA has not presented the Required Supplementary Information (Management's Discussion and Analysis ("MD&A") and budgetary comparison information in LEDA's case) that the Governmental Accounting Standards Board ("GASB") has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

Lubbock, Texas
December 13, 2011

Lubbock Economic Development Alliance
Basic Financial Statements
For the Year Ended:
September 30, 2011

Lubbock Economic Development Alliance
Government-Wide Financial Statements
For the Year Ended:
September 30, 2011

Lubbock Economic Development Alliance
Statement of Net Assets
September 30, 2011

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

		Governmental Activities
Cash and equivalents	\$	1,405,450
Investments		464,342
Accounts receivable		814,696
Capital assets:		
Land		21,447,779
Depreciable capital assets, net		<u>107,411</u>
Assets	\$	<u>24,239,678</u>
Accounts payable	\$	20,839
Accrued liabilities		59,055
Notes payable:		
Estimated amounts due within one year		1,450,000
Estimated amounts due after one year		1,327,924
Incentives and special projects liabilities:		
Estimated amounts due within one year		1,980,444
Estimated amounts due after one year		<u>2,435,401</u>
Liabilities		<u>7,273,663</u>
Invested in capital assets, net of related debt		18,777,266
Unrestricted		<u>(1,811,251)</u>
Net Assets	\$	<u>16,966,015</u>

Lubbock Economic Development Alliance
Statement of Activities
For the Year Ended September 30, 2011

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

Programs	Expenses	Program Revenues			Net Revenue (Expense) & Change in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Economic development	\$ 2,805,890	\$ -	\$ 7,162,684	\$ -	\$ 4,356,794
Depreciation expense (all unallocated)	<u>56,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,948)</u>
Governmental Activities	<u>\$ 2,862,838</u>	<u>\$ -</u>	<u>\$ 7,162,684</u>	<u>\$ -</u>	<u>4,299,846</u>
Gain/(loss) on capital asset disposals					<u>-</u>
Special Items					<u>-</u>
Change in Net Assets					4,299,846
Net assets - beginning					<u>12,666,169</u>
Net assets - ending					<u>\$ 16,966,015</u>

Lubbock Economic Development Alliance
Fund Financial Statements
For the Year Ended:
September 30, 2011

Lubbock Economic Development Alliance
Governmental Fund Balance Sheet
September 30, 2011

Governmental Fund Financial Statements - Modified Accrual Basis

		Governmental Fund
Cash and equivalents	\$	1,405,450
Investments		464,342
Accounts receivable		<u>814,696</u>
Assets	\$	<u>2,684,488</u>
Accounts payable	\$	20,839
Accrued liabilities		59,055
Incentives payable		<u>572,072</u>
Liabilities		<u>651,966</u>
Fund balances:		
Committed		3,843,773
Unassigned		<u>(1,811,251)</u>
Fund Balance		<u>2,032,522</u>
Liabilities & Fund Balance	\$	<u>2,684,488</u>

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

Governmental Fund Balance Above 2,032,522

Amounts reported for governmental activities in the Statement of Net Assets (page 4) are different due to the following:

Capital assets used in governmental activities are not financial resources and are not reported in the fund. 18,777,266

Long-term liabilities are not due and payable from current financial resources and are not reported in the fund. (3,843,773)

Net Assets, per the Government-Wide Statement of Net Assets - Page 4 \$ **16,966,015**

Lubbock Economic Development Alliance
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
September 30, 2011

Governmental Fund Financial Statements - Modified Accrual Basis

	Governmental Fund
Sales tax revenue	\$ 4,472,731
Other income	3,021,025
Revenues	7,493,756
Economic development incentives	1,070,805
Personnel services	1,344,059
Administration	2,564,497
Capital outlay	2,445,114
Expenditures	7,424,475
Revenues over Expenditures	69,281
Change in Fund Balance	69,281
Fund balance - beginning	1,963,241
Fund balance - ending	\$ 2,032,522

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	69,281
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Amounts reported for governmental activities in the Statement of Activities (page 5) 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.	2,388,164
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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
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(331,071)
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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.	723,472
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Change in Net Assets, per the Government-Wide Statement of Activities - Page 5	\$ 4,299,846
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Lubbock Economic Development Alliance
Notes to Basic Financial Statements
For the Year Ended:
September 30, 2011

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
For the Year Ended September 30, 2011

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
For the Year Ended September 30, 2011

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 For the Year Ended September 30, 2011

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
For the Year Ended September 30, 2011

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.

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. Although GASB 34 indicates presentation of budgetary comparison information is part of the minimum required financial presentation for governments as Required Supplementary Information ("RSI"), GASB reached a conclusion that such information is not essential to the fair presentation of the BFS when designating information as RSI. LEDA has elected not to present RSI, including budgetary comparison information.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
For the Year Ended September 30, 2011

Note 4: Cash and Investments

Cash. On September 30, 2011, the bank balance of LEDA's deposits in one financial institution was \$2,043,795; of this amount, \$250,000 was covered by federal depository insurance. As of September 30, 2011, LEDA's bank balance was not exposed to custodial credit risk because it was secured and collateralized by approximately \$2.1 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, 2011, LEDA had investments totaling \$464,342, all of which were held in certificates of deposit. These investments are considered "insured or registered" as they are secured and collateralized by approximately \$1.1 million of securities held by the pledging financial institution's trust department.

Note 5: Capital Assets

Capital assets reported in the accompanying GWFS and related activity for the year ended September 30, 2011 follow:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Land	\$ 19,056,532	\$ 2,391,247	\$ -	\$ 21,447,779
Not Depreciated, at Cost	<u>19,056,532</u>	<u>2,391,247</u>	<u>-</u>	<u>21,447,779</u>
Office equipment	160,364	47,008	-	207,372
Vehicles and equipment	92,969	-	-	92,969
Leasehold improvements	<u>10,165</u>	<u>6,857</u>	<u>-</u>	<u>17,022</u>
Being Depreciated, at Cost	<u>263,498</u>	<u>53,865</u>	<u>-</u>	<u>317,363</u>
Office equipment	95,877	36,820	-	132,697
Vehicles and equipment	52,100	18,594	-	70,694
Leasehold improvements	<u>5,027</u>	<u>1,534</u>	<u>-</u>	<u>6,561</u>
Accumulated Depreciation	<u>153,004</u>	<u>56,948</u>	<u>-</u>	<u>209,952</u>
Depreciable, Net	<u>110,494</u>	<u>(3,083)</u>	<u>-</u>	<u>107,411</u>
Capital Assets, Net	<u>\$ 19,167,026</u>	<u>\$ 2,388,164</u>	<u>\$ -</u>	<u>\$ 21,555,190</u>

Depreciation expense totaling \$56,948 was recognized in the GWFS during the current year; none of this expense was allocated to LEDA's various programs.

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.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
For the Year Ended September 30, 2011

Note 5: Capital Assets (continued)

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 \$25.5 million, approximately \$1.1 million of which had not been billed by and was not yet due to the contractor as of September 30, 2011.

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. 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 \$10,156 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 \$139,823 for the year ended September 30, 2011.

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, 2011 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>3,355,009</u>	\$ <u>1,202,472</u>	\$ <u>(141,636)</u>	\$ <u>4,415,845</u>	\$ <u>1,980,444</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.

Note 8: Notes Payable and Long-Term Debt

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. At September 30, 2011, the outstanding balance on the Loan was \$2,777,924.

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. At September 30, 2011, 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.

Lubbock Economic Development Alliance
Notes to Basic Financial Statements
For the Year Ended September 30, 2011

Note 8: Notes Payable and Long-Term Debt (continued)

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, 2011, future maturities of the taxable loan are as follows:

Year Ending September 30	Amount
2012	\$ 1,450,000
2013	1,327,924
	\$ 2,777,924

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 is unsecured and bears interest based on the lender's index. At September 30, 2011, the interest rate was 3.5% and no balance was outstanding on the line of credit.

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, 2011, employees contributed \$34,184 to the Plan and LEDA contributed an additional \$57,149 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.

At September 30, 2010, LEDA had a \$330,000 unsecured note receivable from Market Lubbock, Inc. ("MLI"), a related party. The note had a fixed interest rate of 3.25% and was originally due in one lump sum payment on August 25, 2011. The note balance was fully collected in March 2011, along with \$5,809 of accrued interest. Interest income on the related party note receivable was \$4,738 for the year ended September 30, 2011.

LEDA also received \$2.7 million in cash grants from MLI during the year ended September 30, 2011, to be utilized for economic development and expansion of commercial activity for the City of Lubbock.

Note 11: Fund Balance Deficits

LEDA's unrestricted, unassigned fund deficit of \$1,811,251 is due to \$2,435,401 of noncurrent incentive and special contractual commitments. Management expects to fund these commitments (net of any forfeitures) through future sales and receipt tax collections and grants from other organizations.

Note 12: Subsequent Events Evaluation

Management has evaluated subsequent events through December 13, 2011, 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, 2011.