

**Market Lubbock Economic  
Development Corporation,  
dba Market Lubbock, Inc.**

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

**Audited Basic Financial Statements**

For the Year Ended:

**September 30, 2008**

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  
Market Lubbock Economic Development Corporation

We have audited the accompanying financial statements of the governmental activities, each major fund of Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc. ("MLI"), a component unit of the City of Lubbock, Texas, as of and for the year ended September 30, 2008, which collectively comprise MLI's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of MLI'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"). 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 MLI as of September 30, 2008, 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.

MLI has not presented the Required Supplementary Information (Management's Discussion and Analysis ("MD&A") and budgetary comparison information in MLI'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  
November 11, 2008

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**

**Basic Financial Statements**

**For the Year Ended:  
September 30, 2008**

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**

**Government-Wide Financial Statements**

**For the Year Ended:  
September 30, 2008**

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**  
Statement of Net Assets  
September 30, 2008

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

	<b>Governmental Activities</b>
Cash and equivalents	\$ 1,072,622
Investments	100,408
Prepaid and deferred charges	85,802
Accounts receivable	359,842
Due from affiliate	496,770
Inventory	51,138
Restricted assets:	
Incentives advances	5,000,000
Capital assets:	
Land	792,777
Depreciable capital assets, net	106,298
<b>Assets</b>	<b>\$ 8,065,657</b>
Accounts payable	\$ 84,868
Accrued liabilities	185,950
Deferred revenues	5,000,000
Incentives and special projects liabilities:	
Estimated amounts due within one year	316,042
Estimated amounts due after one year	14,667
<b>Liabilities</b>	<b>5,601,527</b>
Invested in capital assets, net of related debt	153,921
Unrestricted	2,310,209
<b>Net Assets</b>	<b>\$ 2,464,130</b>

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**  
Statement of Activities  
For the Year Ended September 30, 2008

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

<b>Programs:</b>	Expenses	Program Revenues		Net Revenue (Expense) & Change in Net Assets
		Charges for Services	Operating Grants & Contributions	
Economic development	\$ 3,387,465	\$ -	\$ 4,244,221	\$ 856,756
Convention & tourism	1,832,422	35,353	1,955,408	158,339
Sports promotion	581,487	24,393	618,123	61,029
Depreciation expense (all unallocated)	35,858	-	-	(35,858)
<b>Governmental Activities</b>	<b>\$ 5,837,232</b>	<b>\$ 59,746</b>	<b>\$ 6,817,752</b>	<b>1,040,266</b>
Gain/(loss) on capital asset disposals				(4,642)
<b>Special Items</b>				(4,642)
<b>Change in Net Assets</b>				1,035,624
Net assets - beginning				1,428,506
Net assets - ending				<b>\$ 2,464,130</b>

See accompanying Notes to Basic Financial Statements.

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**

**Fund Financial Statements**

**For the Year Ended:  
September 30, 2008**



**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.  
Governmental Funds Balance Sheets  
September 30, 2008**

*Governmental Fund Financial Statements - Modified Accrual Basis*

ML - Market Lubbock; LCVB - Lubbock Convention and Visitors Bureau; LSA - Lubbock Sports Authority

	Major Special Revenue Funds			Governmental Funds
	ML	LCVB	LSA	
Cash and equivalents	\$ 243,000	\$ 697,054	\$ 132,568	\$ 1,072,622
Investments	100,408	-	-	100,408
Prepaid and deferred charges	508	84,412	882	85,802
Accounts receivable	-	273,205	86,637	359,842
Due from affiliate	496,770	-	-	496,770
Inventory	-	51,138	-	51,138
Restricted assets:				
Incentives advances	5,000,000	-	-	5,000,000
<b>Assets</b>	<b>\$ 5,840,686</b>	<b>\$ 1,105,809</b>	<b>\$ 220,087</b>	<b>\$ 7,166,582</b>
Accounts payable	\$ 19,823	\$ 65,045	\$ -	\$ 84,868
Accrued liabilities	4,430	177,102	4,418	185,950
Deferred revenues	5,000,000	-	-	5,000,000
Incentives and special projects payable	42,000	-	-	42,000
<b>Liabilities</b>	<b>5,066,253</b>	<b>242,147</b>	<b>4,418</b>	<b>5,312,818</b>
Reserved for:				
Incentive and special project contractual commitments	288,709	-	-	288,709
Inventory	-	51,138	-	51,138
Unreserved:				
Designated for open convention and event offers	-	206,503	191,250	397,753
Unreserved, undesignated	485,724	606,021	24,419	1,116,164
<b>Fund Balances</b>	<b>774,433</b>	<b>863,662</b>	<b>215,669</b>	<b>1,853,764</b>
<b>Liabilities &amp; Fund Balances</b>	<b>\$ 5,840,686</b>	<b>\$ 1,105,809</b>	<b>\$ 220,087</b>	<b>\$ 7,166,582</b>

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

**Governmental Fund Balance Above** 1,853,764

*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 funds. 899,075

Long-term liabilities are not due and payable from current financial resources and are not reported in the funds. (288,709)

Deferred loss on capital asset swap is not a current financial resource and is not reported in the funds. -

**Net Assets, per the Government-Wide Statement of Net Assets - Page 4** \$ 2,464,130

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**  
Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended September 30, 2008

*Governmental Fund Financial Statements - Modified Accrual Basis*

ML - Market Lubbock; LCVB - Lubbock Convention and Visitors Bureau; LSA - Lubbock Sports Authority

	Major Special Revenue Funds			Governmental Funds
	ML	LCVB	LSA	
Property taxes allocated by City of Lubbock	\$ 4,198,831	\$ -	\$ -	\$ 4,198,831
Hotel occupancy taxes allocated by City of Lubbock	-	1,931,538	612,512	2,544,050
Other income	45,390	59,223	30,004	134,617
<b>Revenues</b>	<b>4,244,221</b>	<b>1,990,761</b>	<b>642,516</b>	<b>6,877,498</b>
Economic development incentives and special projects	3,211,641	163,285	-	3,374,926
Convention and event promotion	-	576,679	392,927	969,606
Personnel services	172,332	745,149	149,352	1,066,833
Administration	256,783	347,309	39,208	643,300
Capital outlay	792,777	27,521	-	820,298
<b>Expenditures</b>	<b>4,433,533</b>	<b>1,859,943</b>	<b>581,487</b>	<b>6,874,963</b>
<b>Revenues over (under) Expenditures</b>	<b>(189,312)</b>	<b>130,818</b>	<b>61,029</b>	<b>2,535</b>
<b>Changes in Fund Balances</b>	<b>(189,312)</b>	<b>130,818</b>	<b>61,029</b>	<b>2,535</b>
Fund balances - beginning	963,745	732,844	154,640	1,851,229
Fund balances - ending	\$ 774,433	\$ 863,662	\$ 215,669	\$ 1,853,764

**Reconciliation of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities:**

**Governmental Funds Change in Fund Balance Above** 2,535

*Amounts reported for governmental activities in the Statement of Activities (page 5) are different due to the following:*

Governmental funds report 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.

779,798

Expenses related to incentive and special project 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.

253,291

**Change in Net Assets, per the Government-Wide Statement of Activities - Page 5** \$ 1,035,624

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**

**Notes to Basic Financial Statements**

**For the Year Ended:  
September 30, 2008**

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**

**Notes to Basic Financial Statements  
For the Year Ended September 30, 2008**

**Note 1: Reporting Entity**

Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc. ("MLI") was formed on October 10, 1995 by the City of Lubbock, Texas ("Lubbock") to create, manage and supervise programs and activities to promote, assist and enhance economic development within and around Lubbock. Through the Lubbock Convention and Visitors Bureau ("LCVB") and Lubbock Sports Authority ("LSA"), MLI strives to foster and promote Lubbock as a convention center and a city of interest to tourists, and to encourage the use of the Memorial Civic Center, Auditorium/Coliseum and other Lubbock facilities for conventions, as well as participatory and spectator sports events.

A board of directors appointed by the Lubbock City Council ("City Council") oversees MLI's operations. A three-cent budget allocation of the Lubbock property tax rate is the primary source of revenue for MLI; budget allocations of the Lubbock Hotel Occupancy Taxes are the primary sources of revenue for LCVB and LSA. From time to time, Lubbock makes additional grants to MLI for specific projects. MLI'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*, MLI 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 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* ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body that establishes governmental accounting and financial reporting principles.

*Basis of Presentation.* MLI has implemented the provisions of GASB Statement No. 34, *Basic Financial Statements for State and Local Governments* ("GASB 34"). MLI'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 bases 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** methods, 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 these methods.

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2008

**Note 2: Summary of Significant Accounting Policies (continued)**

- The **current financial resources / modified accrual** methods recognize 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, MLI 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 these methods.

*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 MLI as a whole.

- The *Statement of Net Assets* presents MLI'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 MLI'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 (MLI 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 MLI.

*Fund Financial Statements ("FFS").* Throughout the year MLI 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. MLI'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 MLI.* 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.

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2008

**Note 2: Summary of Significant Accounting Policies (continued)**

Fiduciary funds are not subject to the major/nonmajor determination. Multiple funds in the fiduciary category are combined and reported by fund type.

*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 MLI'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. MLI has neither a general fund nor capital project or debt service funds.

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.

*Fiduciary Funds.* Fiduciary fund reporting focuses on net assets and changes in net assets for assets held for outside parties. The fiduciary fund category is divided into four types: pension, investment and private-purpose trust funds, and agency funds.

*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; investment income is recorded in the respective fund holding the investment. *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.

*Inventory.* Inventory purchases are recorded as expenditures at the time of purchase. At year end, inventory on hand is valued at the lower of first-in-first-out cost (including donated items recorded at fair market value based on the date received) or market value; any valuation adjustments are recorded as decreases in expenditures (for purchased items), or increases in contributions revenue (for donated items).

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

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2008

**Note 2: Summary of Significant Accounting Policies (continued)**

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:

Leasehold improvements .....	40 years
Furniture and equipment.....	5-7 years
Vehicles .....	5 years

*Incentives and Special Projects Liabilities.* Incentive, special project and convention promotion expenditures are recognized in the governmental FFS when the obligation was incurred and payment made during the current fiscal year or will occur within 60 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. Open convention offers are not contractually binding (i.e. payment is tentative) thus they are not accrued for in the FFS or GWFS; such offers are disclosed in these notes.

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

*Deferred Revenues.* Deferred revenues in the accompanying basic financial statements primarily relate to receipt of funds received from Lubbock (\$10 million) before the eligibility requirements have been met. Revenues are recognized in the basic financial statements as MLI meets the eligibility requirements imposed by Lubbock (to be recognized ratably over a 10-year term beginning in 2004). These deferred revenues are directly related to restricted assets described above.

*Interfund Activity.* Governmental interfund activity is eliminated in the GWFS. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Interfund transfers are reported for cash flows from one fund to another without a requirement for repayment; interfund transfers are reported as other financing sources/uses in the governmental FFS. Not presented in the financial statements are repayments of expenditures/expenses from the responsible funds to the funds that initially paid for them.

*Property and Hotel Occupancy Tax Allocations.* Under grant management contracts with Lubbock, MLI receives a budgeted allocation of Lubbock's property and hotel occupancy taxes. MLI receives the grant funding on a quarterly advance basis. These grants are voluntary non-exchange transactions; revenue is recognized when the eligibility requirements have been met (i.e., allowable expenditures have been incurred) and the resources are available. Since funding is received in advance, there are no related receivables; deferred revenues are recorded to the extent funding exceeds allowable expenditures, if applicable; to the extent accumulated allowable expenditures exceed available funding in the BFS, the difference reduces fund balances/net assets (there are no time restrictions under the grant management contracts, thus prior period excess allowable expenditures result in recognized revenues when additional funding becomes available).

For 2008, MLI received \$.03 of the property tax rate. LCVB and LSA received 45.50000% and 14.42857% of the hotel occupancy taxes for fiscal year 2008, respectively.

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**  
Notes to Basic Financial Statements  
For the Year Ended September 30, 2008

**Note 2: Summary of Significant Accounting Policies (continued)**

*Fund Balances.* Reservations of fund balances in the governmental FFS include amounts that are either unavailable for expenditure or legally segregated for a specific future use. Designations of unreserved fund balances represent current financial resources tentatively planned for specific future use.

*Net Assets.* Net assets represent the difference between MLI'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); MLI has not financed any capital asset acquisitions.
- 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; and
- Unrestricted – not meeting the criteria for treatment for 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.* MLI 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**

MLI is required to submit proposed operating expenditure budgets to the City Council on an annual basis. Lubbock's Budget Department provides annual revenue estimates from property and hotel occupancy tax allocations; public hearings are conducted for taxpayer comments, then the budget is legally enacted through passage of an ordinance by the City Council. MLI 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. MLI has elected not to present RSI, including budgetary comparison information.

**Note 4: Cash and Investments**

*Cash.* At year-end, the carrying amount of MLI's deposits was \$1,072,622 and the bank balance was \$1,200,841. Each bank account balance was insured up to \$100,000 by federal depository insurance. As of September 30, 2008, MLI's bank balance was not exposed to custodial credit risk because it was secured and collateralized by \$2,000,000 of securities held by the pledging financial institution's trust department.



**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**

**Notes to Basic Financial Statements  
For the Year Ended September 30, 2008**

**Note 4: Cash and Investments (continued)**

*Investments.* MLI's investments are categorized under 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, 2008, MLI had investments totaling \$100,408, all of which were held in money market mutual funds. These investments are considered "uncategorized" as they meet none of the three criteria above.

**Note 5: Capital Assets**

Capital assets reported in the accompanying GWFS and the related activity for the year ended September 30, 2008 follow:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Land	\$ -	\$ 792,777	\$ -	\$ 792,777
<b>Not Depreciable, at Cost</b>	<u>-</u>	<u>792,777</u>	<u>-</u>	<u>792,777</u>
Leasehold improvements	-	6,000	-	6,000
Vehicles	47,858	-	-	47,858
Office equipment	<u>149,727</u>	<u>21,521</u>	<u>18,111</u>	<u>153,137</u>
<b>Being Depreciated, at Cost</b>	<u>197,585</u>	<u>27,521</u>	<u>18,111</u>	<u>206,995</u>
Leasehold improvements	-	391	-	391
Vehicles	13,587	9,572	-	23,159
Office equipment	<u>64,721</u>	<u>25,895</u>	<u>13,469</u>	<u>77,147</u>
Accumulated depreciation	<u>78,308</u>	<u>35,858</u>	<u>13,469</u>	<u>100,697</u>
<b>Depreciable, Net</b>	<u>119,277</u>	<u>(8,337)</u>	<u>4,642</u>	<u>106,298</u>
<b>Capital Assets, Net</b>	<u>\$ 119,277</u>	<u>\$ 784,440</u>	<u>\$ 4,642</u>	<u>\$ 899,075</u>

Depreciation expense of \$35,858 was recognized in the GWFS during the current year; none of this expense was allocated to MLI's various programs.

**Note 6: Leases**

On November 1, 2006, LCVB and LSA entered into a ten-year operating lease for office space at 1500 Broadway. Per the terms of the lease agreement, rent is \$6,637 per month plus a pro-rata portion for the monthly utilities for the property. The monthly rent will be subject to annual increases based on calculations set forth in the lease agreement.

LCVB and LSA also lease certain equipment under monthly operating leases. LCVB and LSA recognized \$107,622 of total lease and rental expenditures for the year ended September 30, 2008.

**Market Lubbock Economic Development Corporation,  
dba Market Lubbock, Inc.**

**Notes to Basic Financial Statements  
For the Year Ended September 30, 2008**

**Note 7: Incentives and Special Projects Liabilities**

Incentive and special project expenditures are recognized in the FFS when expected to be paid within 60 days of year-end. Incentives and special projects liabilities, and the related activity in the GWFS follow:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due Within One Year</u>
Incentive contracts	\$ 207,500	\$ 121,667	\$ (167,500)	\$ 161,667	\$ 147,000
Special projects	<u>378,000</u>	<u>84,000</u>	<u>(292,958)</u>	<u>169,042</u>	<u>169,042</u>
	<u>\$ 585,500</u>	<u>\$ 205,667</u>	<u>\$ (460,458)</u>	<u>\$ 330,709</u>	<u>\$ 316,042</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 five years, if the performance requirements are met.

LCVB and LSA make offers to groups as incentives to hold their convention/sporting events in Lubbock. These offers become liabilities of the respective funds at the conclusion of the event. Open (undeclared) offers at September 30, 2008 are \$206,503 for LCVB and \$191,250 for LSA, for possible events through 2013. Due to the tentative nature of the offers, these amounts are not accrued as liabilities in the GWFS or the FFS, but are reflected as designations of fund balance in the FFS.

**Note 8: Retirement Plans**

The Market Lubbock, Inc. 401(k) Plan ("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 upon reaching age 21. Employees are not required to contribute to the Plan, but may make elective deferrals up to 20% of their compensation. MLI annually contributes 5% of eligible employee's compensation to the Plan on their behalf; all contributions vest immediately. During the year ended September 30, 2008, employees contributed \$32,320 to the Plan and MLI contributed \$28,444 on their behalf.

**Note 9: Related Parties**

Lubbock provides certain services to MLI at no charge; the nature and scope of these services vary as deemed necessary by Lubbock and MLI management. Lubbock also processes certain disbursements when it is deemed economically beneficial to MLI for such disbursements to be made by Lubbock. Management is unable to estimate the value of these services. Historically and during the year ended September 30, 2008, Lubbock provided substantially all funding for MLI activities.

**Note 10: Commitments and Contingencies**

In 2002, the City of Lubbock granted MLI \$10 million to be used solely to fund an incentive agreement MLI has entered into with a company. Under this incentive agreement, MLI has advanced the company \$10 million primarily to construct a manufacturing facility in Lubbock. The advance is subject to a repayment obligation that is reduced by realization of specified annual payrolls at the facility over a 10-year term beginning with completion of the facility. The grant has been included in deferred revenues in the accompanying financial statements and is amortized at \$1 million per year for ten years.