

**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, 2013

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

a professional services firm of
certified public accountants

Table of Contents

Independent Auditor’s Report..... 1
Management’s Discussion and Analysis 3

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets..... 11
Statement of Activities 12

Fund Financial Statements:

Governmental Funds:

Governmental Funds Balance Sheets..... 14
Governmental Funds Statements of Revenues,
Expenditures and Changes in Fund Balances 15

Notes to Basic Financial Statements 17

Required Supplementary Information:

Budgetary Comparison Schedules:

Market Lubbock, Inc. 26
Lubbock Convention and Visitors Bureau 27
Lubbock Sports Authority 28

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Independent Auditor's Report

To the Honorable Mayor Glen Robertson 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, 2013, and the related notes to the financial statements, which collectively comprise MLI's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 26-28 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.*

Lubbock, Texas
November 27, 2013

Market Lubbock Economic Development Corporation
dba Market Lubbock, Inc.
Management's Discussion and Analysis
For the Year Ended September 30, 2013

This section of Market Lubbock Economic Development Corporation dba Market Lubbock, Inc.'s (MLI or the Organization) financial report presents a discussion and analysis of the Organization's financial performance for the fiscal year ended September 30, 2013. 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 MLI'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. MLI'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,	2013	2012	% Change
Assets			
Current assets	\$ 3,584,748	\$ 3,456,351	3.71
Capital assets, net of depreciation	133,018	942,631	(85.89)
Total Assets	\$ 3,717,766	\$ 4,398,982	(15.49)
Liabilities			
Current liabilities	\$ 104,470	\$ 1,108,710	(90.58)
Noncurrent liabilities	38,700	15,400	151.30
Total Liabilities	143,170	1,124,110	(87.26)
Net Assets			
Invested in capital assets, net of related debt	133,018	942,631	(85.89)
Unrestricted	3,441,578	2,332,241	47.57
Total Net Assets	3,574,596	3,274,872	9.15
Total Liabilities and Net Assets	\$ 3,717,766	\$ 4,398,982	(15.49)

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

**Management's Discussion and Analysis
For the Year Ended September 30, 2013**

Current Assets

Cash and Equivalents

The fiscal year 2013 cash and equivalents balance is higher than the fiscal year 2012 balance due to a \$1.1 million change in net assets in the current year, net of depreciation, combined with a current year decrease in receivables of \$211,072, which were partially offset by a current year increase in investments of \$130,028. The Organization's policy is to maintain sufficient cash reserves to fund a minimum of six-months of operating expenses.

Investments

Investments are comprised of six certificates of deposit held with a financial institution and are carried at fair value. The fiscal year 2013 balance is higher than the fiscal year 2012 balance as a result of one new certificate of deposit purchased during the current year.

Accounts Receivable

The Organization's accounts receivable are comprised of amounts due from the City of Lubbock (the City) for hotel occupancy tax (HOT) allocations. Visit Lubbock receives HOT allocations throughout the fiscal year based on City estimates, which are "true-up" approximately 45 days after fiscal year end based on actual receipts for the year. The fiscal 2013 receivables are lower than the fiscal 2012 balance as a result of a smaller true-up adjustment for September 30, 2013, as compared to September 30, 2012.

Inventory

Inventory includes promotional items such as lapel pins, welcome/tote bags, bookmarks and letter openers, which Visit Lubbock uses at conventions, trade shows and networking events. The inventory balance was slightly higher at September 30, 2013 as a result of a large order of posters and signage that was placed near year end.

Restricted Assets

Restricted assets are comprised of funds received from the City to be used solely for funding an incentive agreement MLI entered into with a company. The restricted asset balance, which in prior years was directly offset by a deferred revenue balance of the same amount, was zero as of September 30, 2013, due to all eligibility requirements being fulfilled and the final \$1.0 million incentive being earned during fiscal year 2013. Additional information regarding restricted assets and the underlying agreement can be found in Note 10.

Noncurrent Assets

Capital Assets, Net of Depreciation

Net capital assets of \$133,018 include the historical acquisition costs and related improvements for land, leasehold improvements, vehicles and equipment, and office equipment, less \$266,338 for accumulated depreciation. Capital additions during fiscal year 2013 consisted \$6,836 in office equipment purchases. Detailed information regarding capital asset additions and deletions is available in Note 5.

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

**Management's Discussion and Analysis
For the Year Ended September 30, 2013**

Current Liabilities

Accounts Payable

The fiscal year 2013 accounts payable balance of \$52,435 consists of expenses for goods and services received from vendors in the current year but paid in the following year. The accounts payable balance is slightly lower than the fiscal year 2012 balance due to fewer sporting events serviced and conferences and meetings attended during September 2013, as compared to September 2012.

Accrued Liabilities

Accrued liabilities consist of compensated absences accumulated by the Organization's employees. MLI's accrued liabilities were relatively consistent from September 30, 2012 to September 30, 2013.

Deferred Revenues

Deferred revenues relate to funds received from the City before the eligibility requirements have been met. The balance, which in prior years was directly offset by a restricted asset balance of the same amount, was zero as of September 30, 2013, as a result of the final \$1.0 million being amortized during the year. Additional information regarding deferred revenues can be found in Notes 2 and 10.

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. Visit Lubbock makes offers to groups as incentives to hold their convention/sporting events in Lubbock, but these offers do not become liabilities of the respective funds until the conclusion of the event. Incentives and special projects liabilities, estimated amounts due within one year, are comprised of incentives commitments which are due within 12 months after September 30, 2013. The liability recorded at the end of fiscal year 2013 is slightly higher as a result of a new incentive agreement entered into 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, 2014. The balance has increased from September 30, 2012 due to the new incentive agreement entered into during fiscal year 2013, net of current-year payments and forfeitures on MLI's other open incentive agreement. 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 \$133,018 includes the historical acquisition costs and related improvements for land, leasehold improvements, vehicles and equipment, and office equipment, net of accumulated depreciation, with no related outstanding debt. Detailed information regarding capital assets is available in Note 5.

Unrestricted Net Assets

MLI'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. The \$1,109,337 increase in unrestricted net assets in fiscal year 2013 is due to a current year change in net assets of \$1,093,786, combined with a net decrease in depreciable capital assets of \$15,551.

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

Management's Discussion and Analysis
For the Year Ended September 30, 2013

Statement of Activities

Year ended September 30,	2013	2012	% Change
Revenues			
Operating grants and contributions	\$ 7,261,734	\$ 7,026,337	3.35
Charges for services	84,085	100,586	(16.40)
Total Revenues	7,345,819	7,126,923	3.07
Expenses			
Economic development	3,360,513	4,161,960	(19.26)
Convention & tourism	1,903,369	1,626,523	17.02
Sports promotion	965,764	669,371	44.28
Depreciation expense	22,387	38,070	(41.20)
Total Expenses	6,252,033	6,495,924	(3.75)
Excess of revenues over expenses	1,093,786	630,999	73.34
Special Items			
Loss on capital asset disposals	—	(3,000)	100.00
Change in Net Assets	1,093,786	627,999	74.17
Net Assets – Beginning	3,274,872	2,646,873	23.73
Capital Contribution to City of Lubbock	(794,062)	—	(100.00)
Net Assets – Ending	\$ 3,574,596	\$ 3,274,872	9.15

Revenues

Operating Grants and Contributions

The Organization's primary sources of revenue consist of a \$0.02937 budget allocation of the Lubbock property tax rate (for Market Lubbock) and budget allocations of the Lubbock Hotel Occupancy Taxes (for Visit Lubbock). The City occasionally makes additional grants to MLI for specific projects. The increase in revenues between fiscal years 2012 and 2013 is due to increases in the Lubbock property tax base and Lubbock Hotel Occupancy Tax collections.

Charges for Services

Charges for services consist of income generated through advertising, gate receipts or ticket sales for athletic events, as well as sales of programs and promotional items. Such revenues are generally utilized to offset costs associated with meetings, conventions, conferences and sporting events hosted by Visit Lubbock. Gate receipts and ticket sales in connection with sporting events decreased approximately \$10,000 from fiscal year 2012 to fiscal year 2013, while convention & tourism sales of promotional items and advertising receipts decreased by about \$3,000 each.

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

**Management's Discussion and Analysis
For the Year Ended September 30, 2013**

Expenses

Program Expenses

In the fiscal year ended September 30, 2013, the Organization expended nearly \$3.4 million for economic development within and around Lubbock, compared to about \$4.2 million in the prior year. Approximately \$2.2 million and \$3.0 million of these fiscal 2013 and 2012 expenditures, respectively, were in the form of cash grants to LEDA, a related party. Also in fiscal year 2013, the Organization expended roughly \$1.9 million and \$966,000 for convention & tourism and sports promotion, respectively. Comparatively, convention & tourism expenditures increased by about \$277,000 from fiscal year 2012, and sports promotion expenses increased by about \$296,000. Program expenditures for fiscal years 2013 and 2012 are below.

Economic Development Expenses

Year ended September 30,	2013	2012
Administrative expenses	\$ 56,827	\$ 58,395
Business incentives and special projects	1,070,900	988,945
Employee compensation and benefits	76,400	81,329
Grants to LEDA	2,150,000	2,995,000
Promotions and advertising	5,098	38,097
Office expenses	1,288	194
Total Economic Development Expenses	\$ 3,360,513	\$ 4,161,960

Convention & Tourism Expenses

Year ended September 30,	2013	2012
Administrative expenses	\$ 125,767	\$ 116,315
Employee compensation and benefits	702,469	695,781
Marketing and sales	936,499	688,586
Office expenses	138,634	125,841
Total Convention & Tourism Expenses	\$ 1,903,369	\$ 1,626,523

Sports Promotion

Year ended September 30,	2013	2012
Administrative expenses	\$ 23,999	\$ 9,624
Employee compensation and benefits	169,075	123,200
Marketing and sales	748,225	514,339
Office expenses	24,465	22,208
Total Sports Promotion Expenses	\$ 965,764	\$ 669,371

Depreciation Expense

MLI's depreciable capital assets include leasehold improvements, vehicles and equipment, and office equipment. Depreciation expense decreased between fiscal years 2012 and 2013 due to various office equipment becoming fully depreciated during the year. Detailed information regarding depreciation expense is available in Note 5.

Market Lubbock Economic Development Corporation
dba Market Lubbock, Inc.
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Special Items

Capital Asset Disposals

No capital assets were disposed of during fiscal year 2013. During fiscal year 2012, MLI transferred to the City a tract of land which it had purchased from LEDA, a related party, earlier in the same fiscal year. As a result of the transfer to the City, MLI recorded a \$3,000 loss on capital asset transfers in 2012.

Capital Contribution to City of Lubbock

During fiscal year 2013, MLI contributed to the City of Lubbock paving improvements on certain streets, alleys and avenues located in the Lubbock Business Park. The total cost of these improvements was approximately \$794,000, which MLI recorded as a capital contribution to the City. Additional information on capital assets is provided in Note 5.

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 budgetary comparisons, which are *required supplementary information*. The budgetary comparisons demonstrate the level of budgetary control and can be found on pages 26-28.

Capital Plan

Management has developed a Capital Plan in order to be able to plan for expected necessary capital infrastructure projects or land purchases. The Capital Plan identifies known projects or projects anticipated within the next five to seven years, and is incorporated into MLI's annual budget and revised each year as necessary. As of September 30, 2013, the Capital Plan includes approximately \$500,000 of future capital outlay, primarily for land purchases.

Overall Financial Position

Management believes the Organization is in good condition financially. Assets exceeded liabilities by almost \$3.6 million (*net assets*) at the close of the fiscal year, compared to assets exceeding liabilities by \$3.3 million (*net assets*) at the end of the prior fiscal year. As a result of operations, revenues over expenses (before special items) totaled approximately \$1.1 million for the year.

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

Basic Financial Statements

For the Year Ended:

September 30, 2013

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

Government-Wide Financial Statements

For the Year Ended:

September 30, 2013

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Statement of Net Assets
September 30, 2013

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

	Governmental Activities
Cash and equivalents	\$ 2,366,194
Investments	864,184
Accounts receivable	271,896
Inventory	82,474
Capital assets:	
Land	78,025
Depreciable capital assets, net	54,993
Assets	\$ 3,717,766
Accounts payable	\$ 52,435
Accrued liabilities	23,735
Incentives and special projects liabilities:	
Estimated amounts due within one year	28,300
Estimated amounts due after one year	38,700
Liabilities	143,170
Invested in capital assets, net of related debt	133,018
Unrestricted	3,441,578
Net Assets	\$ 3,574,596

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Statement of Activities
For the Year Ended September 30, 2013

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	
Economic development	\$ 3,360,513	\$ -	\$ 4,397,703	\$ 1,037,190
Convention & tourism	1,903,369	39,731	2,174,649	311,011
Sports promotion	965,764	44,354	689,382	(232,028)
Depreciation expense (all unallocated)	22,387	-	-	(22,387)
Governmental Activities	\$ 6,252,033	\$ 84,085	\$ 7,261,734	1,093,786
Change in Net Assets				1,093,786
Net assets - beginning				3,274,872
Capital contribution to City of Lubbock				(794,062)
Net assets - ending				\$ 3,574,596

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

Fund Financial Statements

For the Year Ended:

September 30, 2013

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Governmental Funds Balance Sheets
September 30, 2013

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	\$ 1,846,366	\$ 519,828	\$ -	\$ 2,366,194
Investments	-	864,184	-	864,184
Accounts receivable	-	206,433	65,463	271,896
Inventory	-	82,474	-	82,474
Assets	\$ 1,846,366	\$ 1,672,919	\$ 65,463	\$ 3,584,748
Accounts payable	\$ 6,748	\$ 45,687	\$ -	\$ 52,435
Accrued liabilities	-	18,991	4,744	23,735
Liabilities	6,748	64,678	4,744	76,170
Fund balances:				
Nonspendable	-	82,474	-	82,474
Committed	67,000	-	-	67,000
Assigned	-	448,225	442,500	890,725
Unassigned	1,772,618	1,077,542	(381,781)	2,468,379
Fund Balances	1,839,618	1,608,241	60,719	3,508,578
Liabilities & Fund Balances	\$ 1,846,366	\$ 1,672,919	\$ 65,463	\$ 3,584,748

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

Governmental Fund Balance Above	3,508,578
<i>Amounts reported for governmental activities in the Statement of Net Assets (page 11) are different due to the following:</i>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	133,018
Long-term liabilities are not due and payable from current financial resources and are not reported in the funds.	(67,000)
Net Assets, per the Government-Wide Statement of Net Assets - Page 11	\$ 3,574,596

**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, 2013

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	\$ 4,394,499	\$ -	\$ -	\$ 4,394,499
Hotel occupancy taxes allocated by City of Lubbock	-	2,170,290	688,223	2,858,513
Other income	3,204	44,090	45,513	92,807
Revenues	<u>4,397,703</u>	<u>2,214,380</u>	<u>733,736</u>	<u>7,345,819</u>
Economic development incentives and special projects	3,184,700	107,339	-	3,292,039
Convention and event promotion	-	284,627	652,131	936,758
Personnel services	76,400	702,469	169,075	947,944
Administration	63,213	808,934	144,558	1,016,705
Capital outlay	-	6,152	684	6,836
Expenditures	<u>3,324,313</u>	<u>1,909,521</u>	<u>966,448</u>	<u>6,200,282</u>
Revenues over (under) Expenditures	<u>1,073,390</u>	<u>304,859</u>	<u>(232,712)</u>	<u>1,145,537</u>
Transfers in	-	-	124,730	124,730
Transfers out	-	(124,730)	-	(124,730)
Other Financing Sources (Uses), Net	-	(124,730)	124,730	-
Changes in Fund Balances	1,073,390	180,129	(107,982)	1,145,537
Fund balances - beginning	766,228	1,428,112	168,701	2,363,041
Fund balances - ending	<u>\$ 1,839,618</u>	<u>\$ 1,608,241</u>	<u>\$ 60,719</u>	<u>\$ 3,508,578</u>

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 1,145,537

Amounts reported for governmental activities in the Statement of Activities (page 12) 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. (15,551)

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. (36,200)

Change in Net Assets, per the Government-Wide Statement of Activities - Page 12 \$ 1,093,786

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

Notes to Basic Financial Statements

For the Year Ended:

September 30, 2013

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Notes to Basic Financial Statements
For the Year Ended September 30, 2013

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 \$0.02937 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 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.

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Notes to Basic Financial Statements
For the Year Ended September 30, 2013

Note 2: Summary of Significant Accounting Policies (continued)

- 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, 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 this method.

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, 2013

Note 2: Summary of Significant Accounting Policies (continued)

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.

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.

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.

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	7-10 years
Vehicles and equipment	5 years
Office equipment	3-7 years

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Notes to Basic Financial Statements
For the Year Ended September 30, 2013

Note 2: Summary of Significant Accounting Policies (continued)

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 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. 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 basic financial statements primarily relate to 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. For 2013, MLI received \$0.02937 of the Lubbock property tax rate. LCVB and LSA received 37.96186% and 12.03814% of the hotel occupancy taxes for fiscal year 2013, respectively.

Fund Balances. Beginning with fiscal year 2011, MLI implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories 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.
- 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.

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Notes to Basic Financial Statements
For the Year Ended September 30, 2013

Note 2: Summary of Significant Accounting Policies (continued)

MLI'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. Assigned fund balance is established by management or the Board of Directors through incentives offered to groups to hold conventions or sporting events in Lubbock.

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).
- 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.

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, 2013 management has analyzed its tax positions and believes that all are more likely than not to be sustained upon examination. MLI's tax returns generally remain open for federal income tax examination for three years from the date of filing.

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.

Note 4: Cash and Investments

Cash. On September 30, 2013, the bank balance of MLI's deposits in one financial institution totaled approximately \$3.1 million; of this amount, \$250,000 was covered by federal depository insurance. As of September 30, 2013, MLI's bank balance was not exposed to custodial credit risk because it was secured and collateralized by approximately \$5.4 million 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, 2013**

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.

As of September 30, 2013, MLI had investments totaling approximately \$864,000, all of which were held in certificates of deposits. These investments are considered "insured or registered" as they are also secured and collateralized by the \$5.4 million of securities held by the trust department of the aforementioned financial institution.

Note 5: Capital Assets

Capital assets reported in the accompanying GWFS and the related activity for the year ended September 30, 2013 follow:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Land	\$ 872,087	\$ -	\$ (794,062)	\$ 78,025
Not Depreciable, at Cost	<u>872,087</u>	<u>-</u>	<u>(794,062)</u>	<u>78,025</u>
Leasehold improvements	30,901	-	-	30,901
Vehicles and equipment	13,841	-	-	13,841
Office equipment	<u>269,753</u>	<u>6,836</u>	<u>-</u>	<u>276,589</u>
Being Depreciated, at Cost	<u>314,495</u>	<u>6,836</u>	<u>-</u>	<u>321,331</u>
Leasehold improvements	14,157	4,157	-	18,314
Vehicles and equipment	2,768	2,768	-	5,536
Office equipment	<u>227,026</u>	<u>15,462</u>	<u>-</u>	<u>242,488</u>
Accumulated Depreciation	<u>243,951</u>	<u>22,387</u>	<u>-</u>	<u>266,338</u>
Depreciable, Net	<u>70,544</u>	<u>(15,551)</u>	<u>-</u>	<u>54,993</u>
Capital Assets, Net	<u>\$ 942,631</u>	<u>\$ (15,551)</u>	<u>\$ (794,062)</u>	<u>\$ 133,018</u>

Depreciation expense of \$22,387 was recognized in the GWFS during the current year; none of this expense was allocated to MLI's various programs.

During fiscal year 2013, MLI contributed to the City of Lubbock paving improvements on certain streets, alleys and avenues located in the Lubbock Business Park. The paving improvements were accepted by the City Engineer on September 29, 2013. The total cost of these improvements was \$794,062, which MLI recorded as a capital contribution to the City of Lubbock.

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 storage facilities under monthly operating leases. LCVB and LSA recognized \$99,765 of total lease and rental expenditures for the year ended September 30, 2013.

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Notes to Basic Financial Statements
For the Year Ended September 30, 2013

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. 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	\$ 15,400	\$ 51,600	\$ -	\$ 67,000	\$ 28,300
Special projects	-	25,000	(25,000)	-	-
	<u>\$ 15,400</u>	<u>\$ 76,600</u>	<u>\$ (25,000)</u>	<u>\$ 67,000</u>	<u>\$ 28,300</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 as of September 30, 2013 are \$448,225 for LCVB and \$442,500 for LSA, for possible events through 2025. 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 (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. 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, 2013, employees contributed \$16,914 to the Plan and MLI contributed \$18,859 on their behalf.

Note 9: Related Party Transactions

Lubbock may provide 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, 2013, Lubbock provided substantially all funding for MLI activities.

MLI made cash grants to Lubbock Economic Development Alliance, a related party, totaling \$2.15 million during the year ended September 30, 2013, to be utilized for economic development and expansion of commercial activity for the City of Lubbock.

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 had entered into with a company. Under this incentive agreement, MLI advanced the company \$10 million primarily to construct a manufacturing facility in Lubbock. The advance was subject to a repayment obligation that was reduced by realization of specified annual payrolls at the facility over a 10-year term beginning with completion of the facility. The grant was recorded as deferred revenue in the Organization's financial statements and amortized into income at \$1 million per year. The final \$1 million was amortized into income during the year ended September 30, 2013.

**Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.**
Notes to Basic Financial Statements
For the Year Ended September 30, 2013

Note 11: Fund Balance Deficit

LSA's unassigned fund deficit of \$381,781 is due to \$442,500 of open (undeclared) incentives offered to groups for potential sporting events through 2015. Management expects to fund these commitments (net of any forfeitures) through future hotel occupancy tax allocations from Lubbock.

Note 12: Subsequent Events Evaluation

Management has evaluated subsequent events through November 27, 2013, 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, 2013.

Market Lubbock Economic Development Corporation
dba Market Lubbock, Inc.

Required Supplementary Information

For the Year Ended:

September 30, 2013

**Market Lubbock Economic Development Corporation
dba Market Lubbock, Inc.
Budgetary Comparison Schedule - Market Lubbock, Inc.
For the Year Ended September 30, 2013**

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues			
City of Lubbock Funding (\$.03 allocation)	\$ 3,352,312	\$ 3,394,499	\$ 42,187
City Contribution - Tyco Incentive	1,000,000	1,000,000	-
Interest Income	2,100	3,204	1,104
Total Revenue Sources	<u>4,354,412</u>	<u>4,397,703</u>	<u>43,291</u>
Utilization of Net Assets	19,734	-	(19,734)
Total Revenues	<u><u>\$ 4,374,146</u></u>	<u><u>\$ 4,397,703</u></u>	<u><u>\$ 23,557</u></u>
Expenses			
Personnel			
Compensation	\$ 98,900	\$ 76,400	\$ 22,500
Personnel	<u>98,900</u>	<u>76,400</u>	<u>22,500</u>
Administrative			
Bank Charges	1,700	269	1,431
Pre-Employment Costs	5,000	-	5,000
Professional Services	71,000	34,554	36,446
Meeting Expense	3,000	5,188	(2,188)
Insurance	9,300	9,094	206
Miscellaneous Expense	1,000	68	932
Professional Dues/Subscriptions	3,100	3,249	(149)
Travel/Training	19,000	4,405	14,595
Administrative	<u>113,100</u>	<u>56,827</u>	<u>56,273</u>
Office			
Supplies	500	754	(254)
Postage	500	534	(34)
Office	<u>1,000</u>	<u>1,288</u>	<u>(288)</u>
Promotions/Advertising			
Promotions/Advertising/Marketing	<u>43,800</u>	<u>5,098</u>	<u>38,702</u>
Business Incentives/Special Projects			
Grant to LEDA	2,150,000	2,150,000	-
Special Projects	417,346	25,000	392,346
Job Creation/Retention Incentives	1,065,000	1,009,700	55,300
Business Incentives/Special Projects	<u>3,632,346</u>	<u>3,184,700</u>	<u>447,646</u>
Capital Costs			
Computer Expense	5,000	-	5,000
Lubbock Business Park and Railport	480,000	-	480,000
Capital Costs	<u>485,000</u>	<u>-</u>	<u>485,000</u>
Total Expenses	<u><u>\$ 4,374,146</u></u>	<u><u>\$ 3,324,313</u></u>	<u><u>\$ 1,049,833</u></u>

**Market Lubbock Economic Development Corporation
dba Market Lubbock, Inc.
Budgetary Comparison Schedule - Lubbock Convention and Visitors Bureau
For the Year Ended September 30, 2013**

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues			
Hotel/Motel Tax Revenue	\$ 1,963,856	\$ 1,963,856	\$ -
Hotel/Occupancy Tax True-Up - CVB/LSA	308,436	206,434	(102,002)
Investment Income	4,250	4,359	109
Sale of Promotional Items	4,500	3,861	(639)
Advertising Income	38,000	35,870	(2,130)
Total Revenue Sources	<u>2,319,042</u>	<u>2,214,380</u>	<u>(104,662)</u>
Utilization of Net Assets	188,539	-	(188,539)
Grant from CVB	(234,557)	-	234,557
Total Revenues	<u>\$ 2,273,024</u>	<u>\$ 2,214,380</u>	<u>\$ (58,644)</u>
Expenses			
Personnel			
Compensation	\$ 746,610	\$ 605,621	\$ 140,989
Employee Benefits	145,460	96,848	48,612
Personnel	<u>892,070</u>	<u>702,469</u>	<u>189,601</u>
Administrative			
Bank Charges	2,550	877	1,673
Automobile	12,070	10,108	1,962
Pre-Employment	8,500	893	7,607
Member Dues/Subscriptions	24,650	22,449	2,201
Miscellaneous Expense	4,250	1,420	2,830
Professional Services	101,575	86,881	14,694
Insurance/Workers Compensation	2,550	812	1,738
Repairs and Maintenance	1,020	166	854
Capital Asset Purchase	8,925	6,152	2,773
Business Meetings	1,700	2,161	(461)
Administrative	<u>167,790</u>	<u>131,919</u>	<u>35,871</u>
Office			
Postage and Shipping	23,800	18,835	4,965
Rent	87,763	82,666	5,097
Storage Fees	2,125	2,134	(9)
Supplies	18,700	17,560	1,140
Telephone	18,275	17,439	836
Office	<u>150,663</u>	<u>138,634</u>	<u>12,029</u>
Marketing/Sales			
Industry Conventions	68,000	57,231	10,769
Incentives	131,000	107,339	23,661
Local Membership Organizations	4,250	4,179	71
Convention and Sports Sales	176,000	116,907	59,093
Servicing Items	85,000	66,065	18,935
Site Tours	7,500	4,664	2,836
Marketing	552,500	544,533	7,967
Public Relations	38,250	35,581	2,669
Marketing/Sales	<u>1,062,500</u>	<u>936,499</u>	<u>126,001</u>
Total Expenses	<u>\$ 2,273,023</u>	<u>\$ 1,909,521</u>	<u>\$ 363,502</u>

**Market Lubbock Economic Development Corporation
dba Market Lubbock, Inc.
Budgetary Comparison Schedule - Lubbock Sports Authority
For the Year Ended September 30, 2013**

	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues			
Hotel/Motel Tax Revenue	\$ 622,761	\$ 622,761	\$ -
Hotel/Occupancy Tax True-Up - CVB/LSA	97,808	65,462	(32,346)
Investment Income	1,130	1,159	29
Sale of Promotional Items	-	6,196	6,196
Advertising Income	-	3,492	3,492
Event Revenue	32,500	34,666	2,166
Total Revenue Sources	<u>754,199</u>	<u>733,736</u>	<u>(20,463)</u>
Utilization of Net Assets	33,272	-	(33,272)
Grant from CVB	234,557	-	(234,557)
Total Revenues	<u>\$ 1,022,028</u>	<u>\$ 733,736</u>	<u>\$ (288,292)</u>
Expenses			
Personnel			
Compensation	\$ 172,100	\$ 145,615	\$ 26,485
Employee Benefits	32,730	23,460	9,270
Personnel	<u>204,830</u>	<u>169,075</u>	<u>35,755</u>
Administrative			
Bank Charges	450	155	295
Automobile	2,130	532	1,598
Pre-Employment	1,500	892	608
Member Dues/Subscriptions	4,350	3,962	388
Miscellaneous Expense	750	251	499
Professional Services	17,925	17,795	130
Insurance/Workers Compensation	450	143	307
Repairs and Maintenance	180	29	151
Capital Asset Purchase	1,575	684	891
Business Meetings	300	240	60
Administrative	<u>29,610</u>	<u>24,683</u>	<u>4,927</u>
Office			
Postage and Shipping	4,200	3,324	876
Rent	15,488	14,588	900
Storage Fees	375	377	(2)
Supplies	3,300	3,099	201
Telephone	3,225	3,077	148
Office	<u>26,588</u>	<u>24,465</u>	<u>2,123</u>
Marketing/Sales			
Industry Conventions	12,000	10,099	1,901
Local Membership Organizations	750	737	13
Convention and Sports Sales	39,000	32,290	6,710
Servicing Items	15,000	11,658	3,342
Marketing	97,500	96,094	1,406
Public Relations	6,750	6,279	471
Sports Servicing	590,000	591,068	(1,068)
Marketing/Sales	<u>761,000</u>	<u>748,225</u>	<u>12,775</u>
Total Expenses	<u>\$ 1,022,028</u>	<u>\$ 966,448</u>	<u>\$ 55,580</u>