

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION
dba MARKET LUBBOCK, INC.
(A COMPONENT UNIT OF THE CITY OF LUBBOCK, TEXAS)**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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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,
dba Market Lubbock, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and governmental funds 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, 2015, 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 opinions 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and governmental funds of Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc., a component unit of the City of Lubbock, Texas, as of and for the year ended September 30, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 3 through 8 and 24 through 26 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2016, on our consideration of MLI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MLI's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 6, 2016

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION
dba MARKET LUBBOCK, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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, 2015. 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 Position and the Statement of Activities.

The Statement of Net Position includes MLI's assets, liabilities, deferred inflow of resources and net position. 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 position is one indicator of the Organization's financial health. Over time, increases or decreases in net position indicate the improvement or erosion of the Organization's financial health.

Statement of Net Position

	September 30,	
	2015	2014
Assets		
Current Assets	\$ 4,019,287	\$ 3,788,377
Capital Assets, Net of Depreciation	718,818	720,848
Total Assets	<u>\$ 4,738,105</u>	<u>\$ 4,509,225</u>
Liabilities		
Current Liabilities	\$ 462,503	\$ 153,752
Noncurrent Liabilities	491,837	50,895
Total Liabilities	<u>\$ 954,340</u>	<u>\$ 204,647</u>
Deferred Inflow of Resources		
Unearned Revenue - Advertising Sales	\$ _____	\$ 1,400
Net Position		
Net Investment in Capital Assets	\$ 718,818	\$ 720,848
Restricted For:		
Nonspendable - Inventory	82,163	96,350
Unrestricted	2,982,784	3,485,980
Total Net Position	<u>\$ 3,783,765</u>	<u>\$ 4,303,178</u>
Total Liabilities, Deferred Inflow and Net Position	<u>\$ 4,738,105</u>	<u>\$ 4,509,225</u>

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION
dba MARKET LUBBOCK, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Current Assets

Cash and Equivalents

The fiscal year 2015 cash and equivalents balance is higher than the fiscal year 2014 balance as a result of operations.

Investments

Investments are comprised of four certificates of deposit, held at three separate financial institutions, which are carried at fair value. The fiscal year 2015 balance is higher than the fiscal year 2014 balance as a result of operations.

Due from Other Governments

Due from Other Governments is comprised of amounts due from the City of Lubbock (the City) for property taxes and hotel occupancy taxes (HOT) and grant funds due from the Texas Events Trust Fund. Visit Lubbock, which is comprised of Lubbock Convention and Visitors Bureau and Lubbock Sports, 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. This year's balance consists of \$14,186 due from the City of Lubbock for property taxes, \$227,603 due for HOT, and \$37,742 due from the Texas Events Trust Fund for reimbursement of grant funds expended. The fiscal year 2015 balance is higher than the fiscal year 2014 balance due to getting a positive HOT "true-up".

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 lower at September 30, 2015 as a result of a using more during the year.

Noncurrent Assets

Capital Assets, Net of Depreciation

Net capital assets of \$718,818 includes the historical acquisition costs and related improvements for land, office equipment, vehicles and equipment, and leasehold improvements, less \$265,806 for accumulated depreciation. Significant capital additions during fiscal year 2014 include \$597,188 for the purchase of business park land from Lubbock Economic Development Alliance. There were no significant additions during fiscal year 2015.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION
dba MARKET LUBBOCK, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Liabilities

Accounts Payable

Accounts payable of \$60,319 as of September 30, 2015 consists of expenses for goods and services received from vendors in the current year but paid in the following year. The balance is slightly lower than the balance as of September 30, 2014.

Accrued Compensated Absences

Accrued compensated absences consist of accrued vacation leave accumulated by the Organization's employees. MLI's accrued compensated absences were relatively consistent from September 30, 2014 to September 30, 2015.

Incentives and Special Projects Liabilities

Incentives are primarily for economic development through the creation and maintenance of new jobs. Special projects include contractual commitments to local businesses. The incentive liability recorded at the end of fiscal year 2015 is approximately \$241,900 higher than at the end of fiscal year 2014 as a result of adding a new job incentive. The special projects liability at the end of fiscal year 2015 is \$510,000. Information regarding incentives and special projects liabilities is available in Note 7.

Net Position

Net Investment in Capital Assets

Net Investment in Capital Assets, of \$718,818 includes the historical acquisition costs and related improvements for land, office equipment, vehicles and equipment and leasehold improvements, net of accumulated depreciation. The decrease in the net investment in capital assets is due to depreciation expense exceeding additions. Information regarding capital assets is available in Note 5.

Unrestricted Net Position

MLI's unrestricted net position is 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. Unrestricted net position during the fiscal year 2015 decreased by \$519,413 under 2014 due to expenses exceeding revenues. The Board of Directors have designated \$750,648 of unrestricted net position to be used for convention and event promotion.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION
dba MARKET LUBBOCK, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Statement of Activities

	September 30,	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program Revenues:		
Operating Grants and Contributions	\$ 62,441	\$ 139,218
Charges for Services	120,321	82,708
General Revenues:		
Property Taxes	3,009,165	3,406,947
Hotel Occupancy Taxes	3,535,946	3,186,355
Miscellaneous Revenue	6,190	50
Investment Earnings	14,258	13,473
Total Revenues	<u>\$ 6,748,321</u>	<u>\$ 6,828,751</u>
Expenses:		
Economic Development	\$ 3,574,932	\$ 2,765,219
Convention and Tourism	2,509,442	2,171,894
Sports Promotion	1,153,701	1,142,215
International Consulting	7,225	7,775
Depreciation Expense	22,434	20,666
Total Expenses	<u>\$ 7,267,734</u>	<u>\$ 6,107,769</u>
Increase in Net Position	\$ (519,413)	\$ 720,982
Net Position - Beginning	<u>4,303,178</u>	<u>3,582,196</u>
Net Position - Ending	<u>\$ 3,783,765</u>	<u>\$ 4,303,178</u>

Program Revenues

Operating Grants and Contributions

MLI's program revenues are from grants from the Events Trust Fund (ETF). The decrease in revenues between fiscal years 2015 and 2014 is related to less events qualifying for grant reimbursements.

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 remained steady from fiscal year 2014 to fiscal year 2015, while convention and tourism sales of promotional items and advertising receipts increased by about \$36,000.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION
dba MARKET LUBBOCK, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

General Revenues

Property and Hotel Occupancy Taxes

The Organization's primary sources of revenue consist of a \$0.02315 budget allocation of the Lubbock property tax rate (for Market Lubbock) and budget allocations of the Lubbock Hotel Occupancy Taxes (for Visit Lubbock). The overall decrease in revenues between fiscal years 2014 and 2015 is due to a decrease in the budget allocation of \$0.02705 in 2014 to \$0.02315 in 2015.

Expenses

Program Expenses

In the fiscal year ended September 30, 2015, the Organization expended nearly \$3.6 million for economic development within and around Lubbock, compared to about \$2.8 million in the prior year. Approximately \$2.43 million and \$2.53 million of these fiscal 2015 and 2014 expenditures, respectively, were in the form of cash grants to LEDA, a related party. Also in fiscal year 2015, the Organization expended roughly \$2.5 million and \$1.2 million for convention & tourism and sports promotion, respectively. Comparatively, convention & tourism expenditures increased by about \$337,500 from fiscal year 2014, and sports promotion expenses increased by about \$11,500. The detail of program expenditures for the fiscal years 2015 and 2014 are listed below.

Economic Development Expenses

	September 30,	
	2015	2014
Expenses:		
Administrative Expenses	\$ 26,339	\$ 76,868
Business Incentives and Special Projects	1,006,900	79,989
Employee Compensation and Benefits	105,650	74,456
Grants to LEDA	2,432,528	2,531,079
Promotions and Advertising	3,515	2,400
Office Expenses		427
	<u>\$ 3,574,932</u>	<u>\$ 2,765,219</u>

Sports Promotion Expenses

	September 30,	
	2015	2014
Expenses:		
Administrative Expenses	\$ 35,687	\$ 28,299
Employee Compensation and Benefits	209,264	213,381
Marketing and Sales	880,293	872,694
Office Expenses	28,457	27,841
	<u>\$ 1,153,701</u>	<u>\$ 1,142,215</u>

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION
dba MARKET LUBBOCK, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Depreciation Expense

MLI's depreciable capital assets include office equipment, vehicles and equipment, and leasehold improvements. Depreciation expense increased in the current year as a result of new additions being depreciated. Information regarding depreciation expense is available 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 a budgetary comparison, which is *required supplementary information*. The budgetary comparison demonstrates the level of budgetary control and can be found on pages 24 - 26.

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, 2015, 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 \$3.8 million (*net position*) at the close of the fiscal year, compared to assets exceeding liabilities by \$4.3 million (*net position*) at the end of the prior fiscal year. As a result of operations, total net position decreased by \$519,413 during the year.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit A-1

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 2,758,110
Investments	899,483
Due from Other Governments	279,531
Inventory	82,163
Capital Assets:	
Land	675,213
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>43,605</u>
Total Assets	<u>\$ 4,738,105</u>
LIABILITIES:	
Accounts Payable	\$ 60,319
Due to Other Governments	79,484
Incentives and Special Projects Liabilities:	
Estimated Amounts Due Within One Year	322,700
Estimated Amounts Due After One Year	467,900
Accrued Compensated Absences	<u>23,937</u>
Total Liabilities	<u>\$ 954,340</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 718,818
Restricted For:	
Nonspendable - Inventory	82,163
Unrestricted	<u>2,982,784</u>
Total Net Position	<u>\$ 3,783,765</u>

The accompanying notes are an integral part of this statement.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit A-2

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Program Revenues			Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Gov. Governmental Activities
Programs				
PRIMARY GOVERNMENT:				
Governmental Activities				
Economic Development	\$ 3,574,932	\$	\$	\$ (3,574,932)
Convention and Tourism	2,509,442	80,631		(2,428,811)
Sports Promotion	1,153,701	29,690	62,441	(1,061,570)
International Consulting	7,225	10,000		2,775
Depreciation Expense	22,434			(22,434)
Total Governmental Activities	\$ 7,267,734	\$ 120,321	\$ 62,441	\$ (7,084,972)
General Revenues:				
Property Taxes				\$ 3,009,165
Hotel Occupancy Tax				3,535,946
Miscellaneous Revenue				6,190
Investment Earnings				14,258
Total General Revenues				\$ 6,565,559
Change in Net Position				\$ (519,413)
Net Position - Beginning				4,303,178
Net Position - Ending				\$ 3,783,765

The accompanying notes are an integral part of this statement.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Market Lubbock, Inc.	Lubbock Convention and Visitors Bureau	Lubbock Sports	MLI International Consulting, Inc.	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 2,120,642	\$ 501,894	\$ 125,474	\$ 10,100	\$ 2,758,110
Investments		719,586	179,897		899,483
Due from Texas Events Trust Fund			37,742		37,742
Due from City of Lubbock	14,186	173,307	54,296		241,789
Inventory		82,163			82,163
Total Assets	\$ 2,134,828	\$ 1,476,950	\$ 397,409	\$ 10,100	\$ 4,019,287
LIABILITIES:					
Accounts Payable	191	60,128			60,319
Due to the City of Lubbock	79,484				79,484
Accrued Compensated Absences		16,284	7,653		23,937
Total Liabilities	\$ 79,675	\$ 76,412	\$ 7,653	\$ 0	\$ 163,740
FUND BALANCES:					
Nonspendable		82,163			82,163
Committed for Incentives and Special Projects	790,600				790,600
Assigned for Convention and Event Promotion		260,648	490,000		750,648
Unassigned	1,264,553	1,057,727	(100,244)	10,100	2,232,136
Total Fund Balances	\$ 2,055,153	\$ 1,400,538	\$ 389,756	\$ 10,100	\$ 3,855,547
Total Liabilities and Fund Balances	\$ 2,134,828	\$ 1,476,950	\$ 397,409	\$ 10,100	\$ 4,019,287

The accompanying notes are an integral part of this statement.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit A-4

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 3,855,547
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
Capital assets used in governmental activities are not reported in the funds.	718,818
Long-term liabilities are not due and payable from current financial resources and are not reported on the governmental fund balance sheet.	(790,600)
	<hr/>
Net Position of Governmental Activities - Statement of Net Position	\$ <u><u>3,783,765</u></u>

The accompanying notes are an integral part of this statement.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit A-5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Market Lubbock, Inc.	Lubbock Convention and Visitors Bureau	Lubbock Sports	MLI International Consulting, Inc.	Total Governmental Funds
Revenue:					
Taxes:					
Property Taxes	\$ 3,009,165	\$	\$	\$	\$ 3,009,165
Hotel Occupancy Taxes		2,692,434	843,512		3,535,946
Texas Events Trust Fund Grant Revenue			62,441		62,441
Investment Earnings	4,321	7,850	2,087		14,258
Advertising Revenue		78,984			78,984
Sale of Promotional Items		1,647	450		2,097
Gate Receipts and Ticket Sales			29,240		29,240
Foreign Trade Zone - Annual Fees				10,000	10,000
Other Revenue	6,190				6,190
Total Revenues	\$ 3,019,676	\$ 2,780,915	\$ 937,730	\$ 10,000	\$ 6,748,321
Expenditures:					
Current:					
Economic Development Incentives	\$ 2,687,528	\$ 137,726	\$	\$	\$ 2,825,254
Convention and Event Promotion		411,979	746,215		1,158,194
Personnel Services	105,650	837,057	209,264		1,151,971
Administration	29,854	1,122,680	198,222	7,225	1,357,981
Capital Outlay		17,342	3,062		20,404
Total Expenditures	\$ 2,823,032	\$ 2,526,784	\$ 1,156,763	\$ 7,225	\$ 6,513,804
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 196,644	\$ 254,131	\$ (219,033)	\$ 2,775	\$ 234,517
Other Financing Sources (Uses):					
Transfers	\$	(204,970)	\$ 204,970	\$	\$ 0
Total Other Financing Sources (Uses)	\$ 0	(204,970)	\$ 204,970	\$ 0	\$ 0
Net Change in Fund Balances	\$ 196,644	\$ 49,161	\$ (14,063)	\$ 2,775	\$ 234,517
Fund Balances - Beginning	1,858,509	1,351,377	403,819	7,325	3,621,030
Fund Balances - Ending	\$ 2,055,153	\$ 1,400,538	\$ 389,756	\$ 10,100	\$ 3,855,547

The accompanying notes are an integral part of this statement.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit A-6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$ 234,517
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	20,404
The depreciation of capital assets used in governmental activities is not reported in the funds.	(22,434)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds. This is the change in the incentive and special project commitments recognized in the SOA.	<u>(751,900)</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ (519,413)</u>

The accompanying notes are an integral part of this statement.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

NOTES TO BASIC FINANCIAL STATEMENTS

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 (CVB) and Lubbock Sports (LS), 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 \$0.02315 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 CVB and LS. 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. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.

GASB Statement No. 61 identifies criteria for determining if other entities are potential component units that should be reported within MLI's basic financial statements. The application of these criteria provides for identification of any entities for which MLI is financially accountable and other organizations for which the nature and significance of their relationship with MLI are such that exclusion would cause MLI's basic financial statements to be misleading. Based on the application of these criteria, the following component unit is included within MLI's reporting entity:

Blended Component Unit. MLI International Consulting, Inc. was formed on May 15, 2006. The primary purpose of MLI International Consulting, Inc., is to provide consulting services and support for people, entities, and organizations interested in learning more about foreign trade zones, as well as the promotion of new business in Lubbock County, Texas. The governing body of MLI International Consulting, Inc. is the same as MLI's governing body and MLI maintains all accounting records of MLI International Consulting, Inc. Due to these factors, MLI International Consulting, Inc. is included in a separate fund within MLI's basic financial statements.

2. Summary of Significant Accounting Policies

These BFS are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled *Audits of State and Local Governmental Units*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body that establishes governmental accounting and financial reporting principles.

Basis of Presentation. 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.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

NOTES TO BASIC FINANCIAL STATEMENTS

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

- Under the economic resources/accrual method, revenues and expenses are recognized when earned and when a liability is incurred, respectively, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met. All assets and liabilities associated with operations (e.g., capital assets and debt) are recognized. The government-wide financial statements are prepared and presented under this method.
- The current financial resources/modified accrual method recognizes revenues and other financing sources when measurable and available. Revenues are considered available when they are collectible (i.e. collection is expected to occur in the current period or soon enough thereafter to pay liabilities of the current period). For this purpose, 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 Position 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.

- *Statement of Net Position.* The Statement of Net Position 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 are presented as 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.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
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NOTES TO BASIC FINANCIAL STATEMENTS

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 one fund category, governmental. 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 ten 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. Management considers all funds to be major.

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. 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 Cash 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.

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NOTES TO BASIC FINANCIAL STATEMENTS

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).

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

In the GWFS, 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. Capital assets, with the exception of land, are depreciated from the date placed in service using the straight-line method, over their estimated useful lives as follows:

Office Equipment	3-7 years
Vehicles and Equipment	5 years
Leasehold Improvements	7-10 years

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

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

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 2014, MLI received \$0.02315 of the Lubbock property tax rate. CVB and LS received 38.63691% and 12.10454% of the hotel occupancy taxes for fiscal year 2015, respectively.

Fund Balances. MLI follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories in the FFS's, to make the nature and extent of the constraints placed on a government's fund balance more transparent.

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NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 Position. Net position represents the difference between MLI's assets and liabilities in the GWFS; net position is presented in three components, as applicable:

- Net investment in capital assets - 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 position that is restricted for specific purposes through constraints that are either:
 - > Externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or
 - > Imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - not meeting the criteria for treatment as either of the above components.

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NOTES TO BASIC FINANCIAL STATEMENTS

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

GASB Statements No. 63 and No. 65 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; Items Previously Reported as Assets and Liabilities*. These statements affected how some items were reported in the Proprietary Funds and Government Wide Statements. The prior guidance stated that a Balance Sheet format was to be used to report on Proprietary funds and the Government Wide Statement of Net Assets, the new statements, however, require those statements to be reported using a Statement of Net Position format (Assets + Deferred Outflow – Liabilities – Deferred Inflows = Net Position). The new statements also clarified which items had to be reported as Deferred Outflows of Resources or Deferred Inflows of Resources and continued to change some accounting principles that are used by FASB.

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, 2015 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.

3. Budgetary Accounting

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

4. Cash and Investments

Cash. On September 30, 2015, the bank balance of MLI's deposits in one financial institution was approximately \$2.8 million; of this amount, \$250,000 was covered by federal depository insurance. As of September 30, 2015, MLI's bank balance was not exposed to custodial credit risk because it was secured and collateralized by securities held by the pledging financial institution's trust department.

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

- 1) Insured or registered, with securities held by the entity or its agent in the entity's name.
- 2) Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
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NOTES TO BASIC FINANCIAL STATEMENTS

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, 2015, MLI had investments totaling \$899,483, all of which were held in certificates of deposits. These investments are considered "insured or registered" as they are secured and collateralized by securities held by the pledging financial institution's trust department.

5. Capital Assets

Capital assets reported in the accompanying GWFS and related activity for the year ended September 30, 2015 follow:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Land	\$ 675,213	\$	\$	\$ 675,213
Not Depreciated, at Cost	\$ 675,213	\$ 0	\$ 0	\$ 675,213
Office Equipment	\$ 244,265	\$ 20,404	\$	\$ 264,669
Vehicles and Equipment	13,841			13,841
Leasehold Improvements	30,901			30,901
Being Depreciated, at Cost	\$ 289,007	\$ 20,404	\$ 0	\$ 309,411
Office Equipment	\$ 212,366	\$ 15,509	\$	\$ 227,875
Vehicles and Equipment	8,535	2,768		11,303
Leasehold Improvements	22,471	4,157		26,628
Accumulated Depreciation	\$ 243,372	\$ 22,434	\$ 0	\$ 265,806
Depreciable, Net	\$ 45,635	\$ (2,030)	\$ 0	\$ 43,605
Capital Assets, Net	\$ 720,848	\$ (2,030)	\$ 0	\$ 718,818

Depreciation expense totaling \$22,434 was recognized in the GWFS during the current year; none of this expense was allocated to MLI's various programs.

6. Leases

On November 1, 2006, CVB and LS entered into a ten-year operating lease for office space at 1500 Broadway. Per the terms of the lease agreement, rent is \$7,454/mo plus a pro-rata portion of the monthly utilities for the property. The monthly rent is subject to annual increases based on calculations set forth in the lease agreement. This office lease was renewed on June 17, 2015 for a five year period with an option for an additional five years. The new monthly rate is \$8,519/mo. for the first two years and increases to \$8,652/mo. for the following two years and the fifth year is \$8,786/mo. The monthly rent includes all utilities except for phone and internet.

CVB and LS also lease storage facilities and equipment under monthly operating leases. CVB and LS recognized \$110,680 of total lease and rental expenditures for the year ended September 30, 2015.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
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NOTES TO BASIC FINANCIAL STATEMENTS

7. Incentives and Special Projects Liabilities

Incentives and special projects expenditures are recognized in the FFS when expected to be paid within 45 days of year end. Current year activity and the September 30, 2015 liabilities for incentives and special projects are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>	<u>Due Within One Year</u>
Incentive Contracts	\$ <u>38,700</u>	\$ <u>250,000</u>	\$ <u>8,100</u>	\$ <u>280,600</u>	\$ <u>67,700</u>
Special Projects	\$ <u>0</u>	\$ <u>765,000</u>	\$ <u>255,000</u>	\$ <u>510,000</u>	\$ <u>255,000</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 incentive contracts provide for payments over periods ranging from two to five years, if the performance requirements are met.

8. Assigned Fund Balance

CVB and LS 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, 2015 are \$260,648 for CVB and \$490,000 for LS, 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 assigned fund balance in the FFS.

9. Retirement Plans

The Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc., 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 five percent of eligible employees' compensation to the Plan on their behalf; all contributions vest immediately. During the year ended September 30, 2015, employees contributed \$28,280 to the Plan and MLI contributed an additional \$27,315 on their behalf.

10. Related Party Transactions

Lubbock provides certain services to MLI based on budgeted amounts that are withheld from MLI's property tax funding; the nature and scope of these services vary as deemed appropriate 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, 2015, Lubbock provided substantially all funding for MLI activities.

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
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NOTES TO BASIC FINANCIAL STATEMENTS

MLI made cash grants to Lubbock Economic Development Alliance, a related party, totaling \$2,432,528 during the year ended September 30, 2015, to be utilized for economic development and expansion of commercial activity for the City of Lubbock.

11. Subsequent Events Evaluation

Management has evaluated subsequent events through January 6, 2016, 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, 2015.

12. Fund Balance Deficit

Lubbock Sports unassigned fund balance deficit of \$100,244 is due to \$490,000 of open (undeclared) incentives offered to groups for potential sporting events through 2019. Management expects to fund these commitments (net of any forfeitures) through future hotel occupancy tax allocations from the City of Lubbock.

REQUIRED SUPPLEMENTARY INFORMATION

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit B-1

BUDGETARY COMPARISON SCHEDULE - MARKET LUBBOCK, INC.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	(Unaudited)		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Budgeted Amounts			
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 2,994,764	\$ 2,994,764	\$ 3,009,165	\$ 14,401
Intergovernmental Revenue and Grants				
Investment Earnings	2,320	2,320	4,321	2,001
Rents	2,063	2,063	6,190	4,127
Total Revenues	<u>\$ 2,999,147</u>	<u>\$ 2,999,147</u>	<u>\$ 3,019,676</u>	<u>\$ 20,529</u>
Expenditures:				
Personnel				
Compensation	\$ 96,400	\$ 96,400	\$ 105,650	\$ (9,250)
Administrative				
Bank Charges	1,000	1,000	192	808
Pre-employment	4,302	4,302		4,302
Professional Services	61,500	61,500	21,932	39,568
Meeting Expense	2,500	2,500	334	2,166
Insurance	2,400	2,400	3,363	(963)
Miscellaneous	1,000	1,000	518	482
Memberships/Dues/Subscriptions	3,750	3,750		3,750
Travel/Training	17,000	17,000		17,000
Office				
Office Supplies	500	500		500
Postage	500	500		500
Marketing and Sales				
Promotions/Advertising/Marketing	37,000	37,000	3,515	33,485
Business Incentives/Special Projects				
Special Projects	678,573	678,573	255,000	423,573
Job Creation/Retention Incentives	62,900	62,900		62,900
Grant to LEDA	2,432,528	2,432,528	2,432,528	0
Capital Costs				
Computer Expense	5,000	5,000		5,000
Lubbock Business Park & Railport	480,000	480,000		480,000
Total Expenditures	<u>\$ 3,886,853</u>	<u>\$ 3,886,853</u>	<u>\$ 2,823,032</u>	<u>\$ 1,063,821</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (887,706)</u>	<u>\$ (887,706)</u>	<u>\$ 196,644</u>	<u>\$ 1,084,350</u>
Other Financing Sources (Uses):				
Sale of Real and Personal Property	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (887,706)	\$ (887,706)	\$ 196,644	\$ 1,084,350
Fund Balances - Beginning	<u>1,858,509</u>	<u>1,858,509</u>	<u>1,858,509</u>	
Fund Balances - Ending	<u>\$ 970,803</u>	<u>\$ 970,803</u>	<u>\$ 2,055,153</u>	<u>\$ 1,084,350</u>

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit B-2

BUDGETARY COMPARISON SCHEDULE - LUBBOCK CONVENTION AND VISITORS BUREAU

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Hotel Occupancy Taxes	\$ 2,763,986	\$ 2,519,127	\$ 2,692,434	\$ 173,307
Investment Earnings	8,216	8,216	7,850	(366)
Advertising Revenue	34,000	34,000	78,984	44,984
Sale of Promotional Items	3,500	3,500	1,647	(1,853)
Total Revenues	<u>\$ 2,809,702</u>	<u>\$ 2,564,843</u>	<u>\$ 2,780,915</u>	<u>\$ 216,072</u>
Expenditures:				
Personnel				
Compensation	\$ 787,760	\$ 802,800	\$ 715,369	\$ 87,431
Employees Benefits	162,960	164,880	121,688	43,192
Administrative				
Bank Charges	2,000	2,000	1,388	612
Automobile	11,050	11,050	7,895	3,155
Pre-employment	6,375	6,375	2,176	4,199
Repairs & Maintenance	1,275	1,275	107	1,168
Capital Asset Purchase	8,500	21,250	17,343	3,907
Professional Services	96,900	145,350	132,681	12,669
Business Meetings	1,700	1,700	2,175	(475)
Insurance	3,570	3,570	3,332	238
Miscellaneous	4,250	4,250	1,190	3,060
Memberships/Dues/Subscriptions	53,125	55,250	50,709	4,541
Office				
Office Supplies	22,525	22,525	22,104	421
Storage Fees	2,125	2,125	1,922	203
Office Rent	90,066	90,066	84,868	5,198
Telephone	8,075	8,925	9,476	(551)
Postage	31,450	39,950	42,886	(2,936)
Marketing and Sales				
Industry Conventions	105,000	95,000	103,968	(8,968)
Incentives	110,000	140,000	137,726	2,274
Local Membership Organizations	4,675	4,675	2,100	2,575
Convention and Sports Sales	186,384	186,384	172,695	13,689
Servicing Items	89,250	59,500	46,869	12,631
Site Tours	7,500	7,500	2,978	4,522
Marketing	805,800	792,200	759,770	32,430
Public Relations	89,250	89,250	83,369	5,881
Total Expenditures	<u>\$ 2,691,565</u>	<u>\$ 2,757,850</u>	<u>\$ 2,526,784</u>	<u>\$ 231,066</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 118,137</u>	<u>\$ (193,007)</u>	<u>\$ 254,131</u>	<u>\$ 447,138</u>
Other Financing Sources (Uses):				
Transfers Out to Lubbock Sports	\$	\$	\$ (204,970)	\$ (204,970)
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (204,970)</u>	<u>\$ (204,970)</u>
Net Change in Fund Balances	\$ 118,137	\$ (193,007)	\$ 49,161	\$ 242,168
Fund Balances - Beginning	<u>1,351,377</u>	<u>1,351,377</u>	<u>1,351,377</u>	
Fund Balances - Ending	<u>\$ 1,469,514</u>	<u>\$ 1,158,370</u>	<u>\$ 1,400,538</u>	<u>\$ 242,168</u>

**MARKET LUBBOCK ECONOMIC DEVELOPMENT CORPORATION,
dba MARKET LUBBOCK, INC.**

Exhibit B-3

BUDGETARY COMPARISON SCHEDULE - LUBBOCK SPORTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Hotel Occupancy Taxes	\$ 865,928	\$ 789,216	\$ 843,512	\$ 54,296
Texas Events Trust Fund Grant Revenue			62,441	62,441
Investment Earnings	2,184	2,184	2,087	(97)
Sale of Promotional Items			450	450
Gate Receipts and Ticket Sales	35,000	35,000	29,240	(5,760)
Total Revenues	<u>\$ 903,112</u>	<u>\$ 826,400</u>	<u>\$ 937,730</u>	<u>\$ 111,330</u>
Expenditures:				
Personnel				
Compensation	\$ 196,940	\$ 200,700	\$ 178,842	\$ 21,858
Employees Benefits	40,740	41,220	30,422	10,798
Administrative				
Bank Charges	500	500	347	153
Automobile	1,950	1,950	1,393	557
Pre-employment	1,125	1,125	384	741
Repairs & Maintenance	225	225	19	206
Capital Asset Purchase	1,500	3,750	3,062	688
Professional Services	17,100	25,650	23,414	2,236
Business Meetings	300	300	384	(84)
Insurance	630	630	588	42
Miscellaneous	750	750	209	541
Memberships/Dues/Subscriptions	9,375	9,750	8,949	801
Office				
Office Supplies	3,975	3,975	3,901	74
Storage Fees	375	375	339	36
Office Rent	15,894	15,894	14,977	917
Telephone	1,425	1,575	1,672	(97)
Postage	5,550	7,050	7,568	(518)
Marketing and Sales				
Local Membership Organizations	825	825	370	455
Convention and Sports Sales	113,616	113,616	106,069	7,547
Servicing Items	15,750	10,500	8,271	2,229
Marketing	142,200	139,800	134,078	5,722
Public Relations	15,750	15,750	14,712	1,038
Sports Servicing	600,000	530,000	616,793	(86,793)
Total Expenditures	<u>\$ 1,186,495</u>	<u>\$ 1,125,910</u>	<u>\$ 1,156,763</u>	<u>\$ (30,853)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (283,383)</u>	<u>\$ (299,510)</u>	<u>\$ (219,033)</u>	<u>\$ 80,477</u>
Other Financing Sources (Uses):				
Transfers In from Lubbock Convention and Visitors Bureau	\$ 0	\$ 0	\$ 204,970	\$ 204,970
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 204,970</u>	<u>\$ 204,970</u>
Net Change in Fund Balances	\$ (283,383)	\$ (299,510)	\$ (14,063)	\$ 285,447
Fund Balances - Beginning	<u>403,819</u>	<u>403,819</u>	<u>403,819</u>	
Fund Balances - Ending	<u>\$ 120,436</u>	<u>\$ 104,309</u>	<u>\$ 389,756</u>	<u>\$ 285,447</u>

OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

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Independent Auditor's Report

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor Glen Robertson and Members of the City Council
The City of Lubbock, Texas
And the Board of Directors of
Market Lubbock Economic Development Corporation,
dba Market Lubbock, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund information of Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc. (MLI), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the MLI's basic financial statements and have issued our report thereon dated January 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MLI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MLI's internal control. Accordingly, we do not express an opinion on the effectiveness of the MLI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MLI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 6, 2016