

HATTIESBURG TOURISM COMMISSION

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2013 and 2012

HATTIESBURG TOURISM COMMISSION
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

January 06, 2014

To the Board of Directors
Hattiesburg Tourism Commission

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hattiesburg Tourism Commission as of and for the years ended September 30, 2013 and 2012 which collectively comprise the Commission'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 the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hattiesburg Tourism Commission, as of September 30, 2013 and 2012, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2014, on our consideration of the Hattiesburg Tourism Commission'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, 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 Hattiesburg Tourism Commission's internal control over financial reporting and compliance.



KING CPA, PLLC
Petal, Mississippi

HATTIESBURG TOURISM COMMISSION

FINANCIAL STATEMENTS

EXHIBIT A

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2013 AND 2012

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and cash equivalents	\$ 98,774	\$ 115,209
Investments	412,460	411,954
Due from other governments	36,502	79,674
Inventory	7,700	7,700
Fixed assets, net	735	1,676
TOTAL ASSETS	\$ 556,171	\$ 616,213
 LIABILITIES & NET POSITION:		
Liabilities:		
Accounts payable	\$ 10,291	\$ 16,425
Accrued payroll	9,494	7,185
Accrued Compensated Absenses	34,258	30,420
Total liabilities	54,043	54,030
 Net Position:		
Net Investment in Capital Assets	735	1,676
Restricted for:		
Expendable:		
AAMHM Committee	6,156	-
Unrestricted	495,237	560,507
TOTAL NET POSITION	\$ 502,128	\$ 562,183

The accompanying notes are an integral part of the financial statements.

EXHIBIT B

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
FUNCTION/PROGRAM EXPENSES:		
Tourism Promotion		
Payroll expense	\$ 452,555	\$ 413,751
Advertising and promotion	181,289	200,737
Operational costs	53,679	63,876
Depreciation and related asset charges	941	1,132
Event Sponsorship		
MS Miss Hospitality	78,324	68,866
Entity Management		
AAMHM Committee	4,161	-
Hattiesburg Zoo	261,299	338,059
LTCC	33,429	34,724
Total Function/Program Expenses	<u>1,065,675</u>	<u>1,121,145</u>
 PROGRAM REVENUES:		
Charges for Services		
Gift Shop sales	9,002	8,968
MS Miss Hospitality	93,289	86,294
Other receipts	544	846
Operating Grants and Contributions		
Mississippi Development Authority	5,000	5,000
AAMHM Committee	10,317	
LTCC Contribution	195,866	194,586
Hattiesburg Zoo Contribution	261,299	338,059
Total Program Revenue	<u>575,316</u>	<u>633,754</u>
 NET PROGRAM EXPENSE	 <u>(490,359)</u>	 <u>(487,391)</u>
 GENERAL REVENUES:		
Special sales tax	429,170	483,257
Interest income	1,135	1,973
Total General Revenues	<u>430,305</u>	<u>485,230</u>
 Increase(Decrease) in net position	 (60,054)	 (2,160)
 NET POSITION - Beginning of Year	 562,183	 558,782
 Prior Period Adjustment	 -	 5,562
 NET POSITION - End of Year	 <u>\$ 502,128</u>	 <u>\$ 562,183</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT C

HATTIESBURG TOURISM COMMISSION
BALANCE SHEETS – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013 AND 2012

		General Fund	
		<u>2013</u>	<u>2012</u>
ASSETS:			
Cash and cash equivalents		\$ 98,774	\$ 115,209
Investments		412,460	411,954
Due from other governments		36,502	79,674
Inventory		7,700	7,700
Total Assets		\$ 555,436	\$ 614,537
 LIABILITIES			
Liabilities:			
Accounts payable		\$ 10,291	\$ 16,425
Accrued payroll		9,494	7,185
Accrued Compensated Absenses		34,258	30,420
Total Liabilities		54,043	54,030
 Fund Balances:			
Non-Spendable:			
Inventory		7,700	7,700
Restricted			
AAMHM Committee		6,156	-
Committed:			
Economic Stabilization		350,000	-
Assigned:			
Arts coalition		50,000	50,000
Zoo special project		70,000	70,000
Unassigned:			
General Fund		17,537	432,807
Total Fund Balance		501,393	560,506
Total Liabilities and Fund Balance		\$ 555,436	\$ 614,537

The accompanying notes are an integral part of the financial statements.

EXHIBIT C-1

HATTIESBURG TOURISM COMMISSION
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Total Fund Balance-Governmental Funds (Exhibit C)	\$ 501,393	\$ 560,506
Amounts reported for net position in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and , therefore, are not reported in the funds		
Capital Assets	99,979	99,979
Less Accumulated Depreciation	<u>(99,244)</u>	<u>(98,303)</u>
Total Net Position-Governmental Activities (Exhibit A)	<u>\$ 502,128</u>	<u>\$ 562,183</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT D

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>General Fund</u>	
	<u>2013</u>	<u>2012</u>
REVENUES		
Special sales tax	\$ 429,170	\$ 483,257
Interest income	1,135	1,973
Charges for services	102,834	96,109
Operating grants and contributions	472,482	537,645
Total Revenues	<u>1,005,621</u>	<u>1,118,984</u>
EXPENDITURES		
Tourism Promotion		
Payroll expense	452,555	413,751
Advertising and promotion	181,289	200,737
Operational costs	53,679	63,876
Event Sponsorship		
MS Miss Hospitality pageant	78,324	68,866
Entity Management		
AAMHM Committee	4,161	
Hattiesburg Zoo	261,299	338,059
LTCC	33,429	34,724
Total Expenditures	<u>1,064,734</u>	<u>1,120,013</u>
Net Change in Fund Balance	(59,112)	(1,028)
FUND BALANCE, BEGINNING	560,506	555,974
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>5,562</u>
FUND BALANCE, ENDING	<u>\$ 501,393</u>	<u>\$ 560,506</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT D-1

HATTIESBURG TOURISM COMMISSION
RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Net Change in fund balances-governmental funds (Exhibit D)	\$ (59,112)	\$ (1,028)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.</p>	(941)	(1,132)
Change in net position of governmental activities (Exhibit B)	<u>\$ (60,054)</u>	<u>\$ (2,160)</u>

The accompanying notes are an integral part of the financial statements.

HATTIESBURG TOURISM COMMISSION

NOTES TO FINANCIAL STATEMENTS

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Hattiesburg Tourism Commission was established under the provision of House Bill 1717 adopted by the Mississippi Legislature in the 1990 regular session. House Bill 1717 authorizes the mayor and city council of Hattiesburg, Mississippi, to create and establish the Hattiesburg Tourism Commission. The City of Hattiesburg considers the Commission a related organization. The Commission began operations November 1, 1990. Senate Bill No. 3124 later amended Chapter 878, local and private laws of 1990, to eliminate the repealer imposed on the Hattiesburg Tourism Commission.

The Hattiesburg Tourism Commission has been granted tax-exempt status under Internal Revenue Code Section 501 (c) (3).

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Commission's governing board. As defined by generally accepted accounting principles, the Commission is considered an "other standalone government." The Commission is a related organization of, but not a component unit of, the City of Hattiesburg since the governing authorities of the municipality select the Commission's board but do not have financial accountability for the Commission.

Under the provisions of Senate Bill No. 3124, the Hattiesburg Tourism Commission shall consist of seven members appointed by the mayor and ratified by the city council. A special 2% sales tax shall be levied upon the gross proceeds from hotel and motel overnight room rental, exclusive of charges for food, telephone, laundry, beverages and similar charges; and provide that such tax be paid to the state tax commission.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements - The Statement of Net Position and Statement of Activities report information on all of the non-fiduciary activities of the Commission.

The Statement of Net Position presents the Commission's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The Commission reports the following major governmental funds:

GENERAL FUND – The General Fund is the sole operating fund of the Commission. It is used to account for all financial resources. The General Fund accounts for the following programs/functions: Tourism promotion, Miss Hospitality Sponsorship, Management of Lake Terrace Convention Center, Management of Hattiesburg Zoo, and Management of African American Military History Museum Committee.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers all revenues reported in governmental funds to be available if the revenues are collected within thirty (30) days of the end of the fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments which are recognized as expenditures when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETS AND BUDGETARY ACCOUNTING

Hattiesburg Tourism Commission has no legal budget requirements. The Commission provides budgetary data for management and reporting purposes using the following procedures:

1. The executive director of Hattiesburg Tourism Commission submits a proposed budget to the Board of Directors.
2. The board reviews the proposed budget, makes changes and approves.
3. Budgets for the Governmental Funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Board of Directors.
4. Budget amendments are approved by board before year end.
5. The budget appropriations lapse at the end of the fiscal year.

E. COMPENSATED ABSENCES

Commission employees are entitled to certain compensated absences based upon their length of employment. Vacation leave is accrued on a monthly basis. A waiting period of six months must be completed before vacation time can be used. After that, employees can request use of earned vacation time including that accrued during the waiting period. Unused vacation time can be accumulated and rolled over into the new year. Upon resignation or termination of employment, each employee shall be paid for unused vacation time that has been accrued through the last day of work up to 30 days. All unused vacation time remaining above 30 days will be certified to PERS. There is no limit to accumulation of sick leave days. However, unused sick leave days will not be paid to employees while they are employed or upon termination of employment but may be credited toward retirement service.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

G. FUND EQUITY

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the commission:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (a) inventories or prepaids; or (b) legally required to be maintained intact.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balance includes amounts intended to be used by the Commission for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through constitution provision or enabling legislation.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS

The Commission deposits excess funds in financial institutions selected in accordance with state statutes.

Cash consists of amounts on deposit with financial institutions in non-interest-bearing accounts, interest-bearing demand accounts, savings accounts and certificates of deposit with an original maturity of 90-days or less. Cash is valued at cost. The carrying amount approximates fair value because of the short maturities of these instruments.

Investments consist of certificates of deposit with an original maturity date greater than 90 days. Investments are valued at cost.

As of September 30, 2013, the carrying amount of Hattiesburg Tourism Commission's deposits with financial institutions was \$504,678 (which includes investments in the amount of \$412,060.) and the bank balance was \$477,788. As of September 30, 2012, the carrying amount of Hattiesburg Tourism Commission's deposits with financial institutions was \$526,763 (which includes investments in the amount of \$411,954.) and the bank balance was \$551,598.

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Commission will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Commission does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Commission. Deposits above the FDIC coverage are collateralized by the pledging financial institution trust department or agent in the name of the Mississippi State Treasurer on behalf of the Commission. As of September 30, 2013, none of the Commission's bank balance was exposed to custodial credit risk.

NOTE 3 – INVENTORY

Inventory consists of logo-related items, snacks, and gifts held for resale in the gift shops located at the Visitor's Center and the Zoo. Inventory is valued using the cost method.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalized thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ -	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

Capital Assets consist of the following:

	9/30/2012	Additions	Disposals	9/30/2013
Equipment	\$ 24,797	\$ -	\$ -	\$ 24,797
Furniture	<u>75,182</u>	<u>-</u>	<u>-</u>	<u>75,182</u>
	<u>99,979</u>	<u>-</u>	<u>-</u>	<u>99,979</u>
 Accumulated Depreciation	 <u>98,303</u>	 <u>941</u>	 <u>-</u>	 <u>99,244</u>
 Net Fixed Assets	 <u>\$ 1,676</u>			 <u>\$ 735</u>

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description:

The Hattiesburg Tourism Commission contributes to the Public Employee’s Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy:

PERS members are required to contribute 9.00% of their annual covered salary and Hattiesburg Tourism Commission is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Commission’s contributions to PERS for the fiscal years ending September 30, 2013 and 2012 were \$76,411 and \$72,354, respectively, which equaled the required contributions for each year.

NOTE 6 –RELATED ORGANIZATIONS UNDER COMMON CONTROL

- A. The Hattiesburg Tourism Commission (HTC) has a contract with the Hattiesburg Convention Commission (HCC) to provide management services and advertising and promotion for the Lake Terrace Convention Center (LTCC). The HTC’s director, Richard Taylor, is also the director of the HCC. The HTC also reimburses the HCC for administrative services such as accounting, maintenance, and utilities. The HCC provides services to the HTC for various events. Revenues from / expenditures to the HCC are outlined below:

HCC		
<u>Revenues from:</u>	<u>Description</u>	<u>Amount</u>
	Management contract	\$ 180,000
	Reimbursements for HCC activities	\$ 15,866
<u>Expenditures to:</u>		
	Administrative services	\$ 10,034
	Marketing	\$ 7,528
	HCC activities	\$ 15,866

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 –RELATED ORGANIZATIONS UNDER COMMON CONTROL (continued)

- B. The Hattiesburg Tourism Commission entered into a 10-year lease on October 1, 2004 with the Hattiesburg Convention Commission to move its operation to the second floor of the Visitors Center. As part of the agreement, the Hattiesburg Tourism Commission agreed to furnish and equip the second floor office and provide operational management in addition to its financial contribution to the project in exchange for relocation of Tourism offices to the building.
- C. The Commission has a contract with the City of Hattiesburg to provide management services for the Hattiesburg Zoo. The Zoo reimburses the Commission for 100% of its payroll costs. Revenues from/expenditures to the Zoo are outlined below:

Zoo:

<u>Revenues from:</u>	<u>Description</u>	<u>Amount</u>
	Personnel reimbursement	\$ 261,299
<u>Expenditures to:</u>		
	Personnel costs	\$ 261,299
	Difference	\$ -

- D. The Hattiesburg Tourism Commission is the financial administrator for the African American Military History Museum Committee (AAMHMC). The AAMHMC’s purpose is to collect monies through donations and fundraising for the USO Museum. The HTC maintains a separate bank account to account for these funds which are restricted by the donors for support of the museum. The activity for the AAMHMC for fiscal year ended September 20, 2013, is as follows:

AAMHMC:

<u>Revenues from:</u>	<u>Description</u>	<u>Amount</u>
	Donations	\$ 9,417
	Memberships	\$ 900
<u>Expenditures to:</u>		
	Advertising	\$ 125
	Office Supplies	\$ 10
	Museum Support	\$ 4,026

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7 –PRIOR PERIOD ADJUSTMENT

The prior period adjustment at September 30, 2012 was a result of payroll expenses being overstated at October 1, 2010, and understated (in relation to accrued compensated absences) at September 30, 2011, with a net effect of \$5,562.

NOTE 8 –SUBSEQUENT EVENTS

Management of the Commission has evaluated subsequent events as of January 06, 2014, which is the date the financial statements were available to be used. There are no significant subsequent events to report as of this date.

HATTIESBURG TOURISM COMMISSION

SUPPLEMENTAL INFORMATION

SCHEDULE-1

HATTIESBURG TOURISM COMMISSION
BUDGETARY COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2013

SCHEDULE 1A

	<u>Final Amended Budget</u>	<u>Actual (non-GAAP Basis)</u>	<u>Variances Positive (Negative)</u>
REVENUES			
2% Bed Tax	\$ 461,230	\$ 456,342	\$ (4,888)
Zoo Personnel Reimbursement	267,811	261,299	\$ (6,512)
CC Contract	180,000	180,000	
Program Revenue	97,789	98,289	500
Interest, Refunds, Misc	1,304	1,679	375
Logo Shop Sales	8,600	9,002	402
TOTAL REVENUES	<u>\$ 1,016,734</u>	<u>\$ 1,006,610</u>	<u>\$ (10,124)</u>
EXPENDITURES			
Capital Expenditures	\$ -	\$ -	\$ -
Gift Shop Resale Items	5,000	4,204	796
Marketing	264,946	266,597	(1,651)
Office Operations	60,260	58,062	2,198
Payroll-including Zoo	725,361	710,443	14,918
TOTAL EXPENDITURES	<u>1,055,567</u>	<u>1,039,306</u>	<u>16,261</u>
NET EXCESS (DEFICIT)	<u>\$ (38,833)</u>	<u>\$ (32,695)</u>	<u>\$ 6,137</u>

Basis of Presentation

The Budgetary Comparison Schedule above presents the final budget, the actual data on the non-GAAP basis, and the variances between the final budget and the actual data. The budget is adopted for management use only and is not legally required.

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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

January 06, 2014

To the Board of Directors
Hattiesburg Tourism Commission

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hattiesburg Tourism Commission, as of and for the years ended September 30, 2013 and 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated January 06, 2014. 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting to determine our 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 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 over financial reporting 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 Hattiesburg Tourism Commission's financial statements are free of 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.

Handwritten signature in cursive script that reads "King CPA, PLLC".

KING CPA, PLLC
Petal, Mississippi