

HATTIESBURG TOURISM COMMISSION
(VISIT HATTIESBURG)

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 and 2021

HATTIESBURG TOURISM COMMISSION
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hattiesburg Tourism Commission

Opinions

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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, 2022 and 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hattiesburg Tourism Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Schedule of Commission's Proportionate Share of the Net Pension Liability and the schedule of the Commission's Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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 statement in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Management is responsible for the other information included in the report. The other information comprises the budgetary comparison schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
December 10, 2022

HATTIESBURG TOURISM COMMISSION

FINANCIAL STATEMENTS

HATTIESBURG TOURISM COMMISSION

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2022 AND 2021

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,861,171	\$ 1,831,136
Due from other governments	155,335	192,225
Other receivables	10,980	21,579
Inventory	22,842	16,166
Prepaid expense	100,000	-
Fixed assets, net	1,646	3,407
TOTAL ASSETS	<u>2,151,974</u>	<u>2,064,513</u>
Deferred Outflow of Resources		
Deferred outflow related to pensions	<u>352,508</u>	<u>225,635</u>
Liabilities		
Accounts payable	-	29,201
Accrued payroll & related taxes	24,893	27,458
Accrued compensated absences	26,986	21,828
Net pension liability	<u>1,029,182</u>	<u>739,022</u>
TOTAL LIABILITIES	<u>1,081,061</u>	<u>817,509</u>
Deferred Inflow of Resources		
Deferred inflow related to pensions	<u>221,148</u>	<u>273,979</u>
Net Position		
Net investment in capital assets	1,646	3,407
Restricted for:		
Hattiesburg Alliance for Public Art	64,295	54,950
Unrestricted	<u>1,136,332</u>	<u>1,140,303</u>
TOTAL NET POSITION	<u>\$ 1,202,273</u>	<u>\$ 1,198,660</u>

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

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

FUNCTION/PROGRAM EXPENSES:	Governmental Activities	
	2022	2021
Tourism Promotion		
Payroll expense	\$ 449,117	\$ 411,341
Pension expense	167,744	42,658
Advertising and tourism promotion	364,065	538,326
Operational costs	96,636	128,463
Grants and sponsorships	62,500	35,448
Purchases for resale	10,544	2,737
Depreciation and related asset charges	1,761	1,761
Events and Programs		
FAM tours	598	3,406
Art and sculpture projects	91,860	52,115
MS Miss Hospitality	112,698	83,805
Total Function/Program Expenses	1,357,523	1,300,060
 PROGRAM REVENUES:		
Charges for Services		
Gift shop sales	728	114
MS Miss Hospitality	152,650	123,477
Support services	85,673	89,512
Other income	2,359	24,779
Operating Grants and Contributions		
Mississippi Development Authority	10,000	10,000
Hattiesburg Alliance for Public Art	101,205	34,450
Total Program Revenue	352,615	282,332
NET PROGRAM EXPENSE	(1,004,908)	(1,017,728)
 GENERAL REVENUES (EXPENSES):		
Special sales tax	1,008,005	858,101
Paycheck Protection Program proceeds		76,000
Tourism Recovery Fund grant		413,362
Interest income	516	1,416
Total General Revenues (Expenses)	1,008,521	1,348,879
CHANGE IN NET POSITION	3,613	331,151
 NET POSITION - Beginning of Year	1,198,660	867,509
NET POSITION - End of Year	\$ 1,202,273	\$ 1,198,660

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

HATTIESBURG TOURISM COMMISSION
BALANCE SHEETS – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022 AND 2021

	General Fund	Special Revenue Funds		Total	
		MMH Pageant	HAPA	2022	2021
ASSETS:					
Cash and cash equivalents	\$ 1,650,116	\$ 146,760	\$ 64,295	\$ 1,861,171	\$ 1,831,136
Due from other governments	155,335	-	-	155,335	192,225
Other receivables	10,980	-	-	10,980	41,579
Inventory	22,842	-	-	22,842	16,166
Prepaid Expense	100,000	-	-	100,000	-
Total Assets	<u>\$ 1,939,273</u>	<u>\$ 146,760</u>	<u>\$ 64,295</u>	<u>\$ 2,150,328</u>	<u>\$ 2,081,106</u>
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 49,201
Deferred revenue	75,307	-	-	75,307	101,379
Accrued payroll & related taxes	24,893	-	-	24,893	27,457
Total Liabilities	<u>100,200</u>	<u>-</u>	<u>-</u>	<u>100,200</u>	<u>178,037</u>
Fund Balances:					
Nonspendable					
Inventory	22,842	-	-	22,842	16,166
Restricted					
Hattiesburg Alliance for Public Art	-	-	64,295	64,295	54,950
Committed:					
Operational reserve	860,000	-	-	860,000	700,000
Assigned:					
Art partnership reserve	100,000	-	-	100,000	-
Lightpole banner project	15,000	-	-	15,000	5,786
Civic special attraction project	300,000	-	-	300,000	200,000
Strategic planning implementation	100,000	-	-	100,000	175,000
MS Miss Hospitality	-	146,760	-	146,760	111,934
Unassigned:					
General fund	441,231	-	-	441,231	639,233
Total Fund Balance	<u>1,839,073</u>	<u>146,760</u>	<u>64,295</u>	<u>2,050,128</u>	<u>1,903,069</u>
Total Liabilities and Fund Balance	<u>\$ 1,939,273</u>	<u>\$ 146,760</u>	<u>\$ 64,295</u>	<u>\$ 2,150,328</u>	<u>\$ 2,081,106</u>

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

EXHIBIT C1

HATTIESBURG TOURISM COMMISSION
 RECONCILIATIONS OF THE BALANCE SHEETS - GOVERNMENTAL FUNDS
 TO THE STATEMENTS OF NET POSITION
 SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Total Fund Balance-Governmental Funds (Exhibit C)	\$ 2,050,128	\$ 1,903,069
 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 are not reported as assets in governmental funds		
Capital assets	83,244	83,244
Less accumulated depreciation	(81,598)	(79,837)
 Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability	(1,029,182)	(739,022)
 Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions	352,508	225,635
Deferred inflows of resources related to pensions	(221,148)	(273,979)
 A portion of the Commission's receivables are collected after year-end; but they are not collected soon enough to be available as financial resources for the current year. These revenues are deferred and not reported in the governmental funds.		
Special sales tax for September	75,307	101,378
 Long term liabilities, including compensated absences payable are not due and payable in the current period and are not reported as liabilities in governmental funds		
Accrued compensated absences	<u>(26,986)</u>	<u>(21,828)</u>
Total Net Position-Governmental Activities (Exhibit A)	<u>\$ 1,202,273</u>	<u>\$ 1,198,660</u>

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

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>Special Revenue Funds</u>				
	General Fund	MMH Pageant	HAPA	<u>Total</u>	
				<u>2022</u>	<u>2021</u>
REVENUES					
Special sales tax	\$ 1,034,076	\$ -	\$ -	\$ 1,034,076	\$ 828,233
Support Services	85,673	-	-	85,673	89,512
Gift shop sales	728	-	-	728	114
Event revenue	-	152,650	-	152,650	123,477
Donations and grants	-	10,000	101,205	111,205	44,450
Other income	2,359	-	-	2,359	24,779
Interest income	516	-	-	516	1,416
Total Revenues	<u>1,123,352</u>	<u>162,650</u>	<u>101,205</u>	<u>1,387,207</u>	<u>1,111,981</u>
EXPENDITURES					
Tourism Promotion					
Payroll expense	501,247	-	-	501,247	457,572
Advertising and tourism promotion	364,065	-	-	364,065	538,326
Operational costs	91,510	5,126	-	96,636	128,463
Grants and sponsorships	62,500	-	-	62,500	35,448
Purchases for resale	10,544	-	-	10,544	2,737
Events and Programs					
FAM tours	598	-	-	598	3,406
Art and sculpture projects	-	-	91,860	91,860	52,115
MS Miss Hospitality pageant	-	112,698	-	112,698	83,805
Total Expenditures	<u>1,030,464</u>	<u>117,824</u>	<u>91,860</u>	<u>1,240,148</u>	<u>1,301,872</u>
OTHER FINANCING SOURCES					
Operating transfers in	10,000	-	-	10,000	60,000
Operating transfers out	-	(10,000)	-	(10,000)	(60,000)
Paycheck protection program proceeds	-	-	-	-	76,000
Tourism Recovery Fund grant	-	-	-	-	413,362
EIDL grant	-	-	-	-	-
Total Other Financing Sources	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>489,362</u>
Net Change in Fund Balance	102,888	34,826	9,345	147,059	299,471
FUND BALANCE, Beginning	<u>1,736,185</u>	<u>111,934</u>	<u>54,950</u>	<u>1,903,069</u>	<u>1,603,598</u>
FUND BALANCE, Ending	<u>\$ 1,839,073</u>	<u>\$ 146,760</u>	<u>\$ 64,295</u>	<u>\$ 2,050,128</u>	<u>\$ 1,903,069</u>

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

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, 2022 AND 2021

	<u>2022</u>		<u>2021</u>
Net Change in fund balances-governmental funds (Exhibit D)	\$ 147,059	\$	299,471
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>			
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p>			
Capital outlay	-		-
Depreciation expense	(1,761)		(1,761)
<p>Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds.</p>			
Net change in pension expense	(110,456)		4,112
<p>Some items reported in the Statement of Activities do not provide or require the use of current financial resources and are not reported as revenue/expenditures in governmental funds.</p>			
Changes in compensated absences	(5,158)		(538)
Changes in deferred revenue	<u>(26,071)</u>		<u>29,867</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 3,613</u>	\$	<u>331,151</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. House Bill No. 1742 which amended Chapter 878, local and private laws of 1990 and subsequent amendments is currently in effect until July 1, 2027 at which time it is repealed.

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

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 House Bill No. 1742, the Hattiesburg Tourism Commission shall consist of seven members appointed by the mayor and ratified by the city council. A special 2% sales tax is authorized to 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. Special sales 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 funds. Major individual governmental funds are reported in separate columns in the fund financial statements. Any remaining governmental funds would be aggregated and reported as other governmental funds.

The Commission reports the following major governmental funds:

The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources, except those accounted for in another fund.

The MMH Pageant, a special revenue fund, accounts for the operation and promotion of the annual Mississippi Miss Hospitality Pageant.

The HAPA, a special revenue fund, accounts for the activities of the Hattiesburg Alliance for Public Arts.

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.

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.

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.

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 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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 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. The special sales tax associated with the current fiscal period is considered to be susceptible to accrual. The balance collected more than 30 days after the fiscal period is deferred in the fund statements since it is not considered available for current expenditures.

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 next 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 six weeks. All unused vacation time remaining beyond six weeks 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. Unused sick time may be credited toward retirement service.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

G. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee's Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. INVENTORIES

Inventory consists of logo-related items, snacks, and gifts held for resale. The costs of governmental fund type inventories are reported under the consumption method.

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred outflow of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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, 2022, the carrying amount of Hattiesburg Tourism Commission's deposits with financial institutions was \$1,861,171 and the bank balance was \$2,044,502. As of September 30, 2021, the carrying amount of Hattiesburg Tourism Commission's deposits with financial institutions was \$1,831,136 and the bank balance was \$1,865,992.

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.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

Capital Assets consist of the following:

	10/01/21	Additions	Disposals	09/30/22
Equipment	\$ 11,595		\$ -	\$ 11,595
Furniture	71,649	-	-	71,649
	83,244	-	-	83,244
Accumulated Depreciation	79,837	1,761	-	81,598
Net Fixed Assets	\$ 3,407			\$ 1,646

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Hattiesburg Tourism Commission contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

Benefits provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the Hattiesburg Tourism Commission. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary, and the Commission is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The Commission's contributions to PERS for the fiscal years ending September 30, 2022, 2021, and 2019 were \$46,770, \$46,770, and \$51,981, respectively, which equaled the required contributions for each year.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2022 and 2021, the Commission reported a liability of \$1,029,182 and \$739,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission’s proportion of the net pension liability was based on a projection of the Commission’s long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The Commission’s proportionate share used to calculate the September 30, 2022 net pension liability was 0.004337 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.000235 percent from its proportionate share used to calculate the September 30, 2021 net pension liability, which was based on a measurement date of June 30, 2021.

For the years ended September 30, 2022 and 2021, the Commission recognized pension expense of \$167,744 and \$42,658, respectively. At September 30, 2022 the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,571	\$ -
Net difference between projected and actual earnings on pension plan investments	249,008	(202,180)
Changes of assumptions	35,596	-
Change in proportionate share	37,333	(18,968)
Contributions subsequent to the measurement date	16,000	-
	<u>\$ 352,508</u>	<u>\$ (221,148)</u>

\$10,639 is reported as deferred outflows of resources related to pensions resulting from the entity’s contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2023	\$ 60,831
2024	22,978
2025	(8,295)
2026	55,846
2027	-
	<u>\$ 131,360</u>

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial assumptions. The collective total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For Females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real Rate of Return
Domestic Equity	27%	4.60%
International Equity	22%	4.50%
Global	12%	4.80%
Debt Securities	20%	-0.25%
Real Estate	10%	3.75%
Private Equity	8%	6.00%
Cash Equivalents	1%	-1.00%
	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

Sensitivity of the Commission’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Commission’s proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

SENSITIVITY ANALYSIS

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Hattiesburg Tourism Commission	\$ 1,343,188	\$ 1,029,182	\$ 770,300

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
System's Net Pension Liability	\$ 26,863,751,000	\$ 20,583,639,000	\$ 15,406,006,000

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

NOTE 5 –EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$1,246,788 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$10,639 resulting from the entity’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. The \$186,887 balance of the deferred outflow of resources related to pensions will be recognized in pension expense over the next 3 years and the \$273,979 balance of the deferred inflow of resources related to pensions will be recognized in pension expense over the next 4 years.

NOTE 6 –RELATED ENTITIES

In efforts to not duplicate services to the Hattiesburg area, the Commission has entered into an agreement with the Hattiesburg Downtown Association. In exchange for a fee, the Hattiesburg Tourism Commission will provide the HDA marketing and admin services. The Commission will also serve as a pass through entity to provide payroll for one employee of the Hattiesburg Downtown Association. The HDA will fully reimburse the Commission for all payroll, taxes, and insurance associated with individual’s payroll.

NOTE 7 –SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Position date require disclosure in the accompanying notes. Management of the Commission has evaluated the activity through December 10, 2022, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

HATTIESBURG TOURISM COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

HATTIESBURG TOURISM COMMISSION

Required Supplementary Information

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Schedule 1A

PERS

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability	0.004337%	0.004102%	0.004532%	0.004354%	0.003027%	0.004342%	0.003722%	0.004317%
Commission's proportionate share of the net pension liability	\$ 1,029,182	\$ 739,022	\$ 967,942	\$ 703,679	\$ 503,480	\$ 721,787	\$ 714,500	\$ 618,321
Commission's covered payroll	\$ 329,239	\$ 268,792	\$ 298,739	\$ 289,258	\$ 216,254	\$ 270,095	\$ 225,111	\$ 258,375
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	312.59%	274.94%	324.01%	243.27%	232.82%	267.23%	317.40%	239.31%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%	61.49%	57.47%	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the Commission has only presented information for the years in which information is available.

HATTIESBURG TOURISM COMMISSION

Required Supplementary Information

SCHEDULE OF COMMISSIONS CONTRIBUTIONS

Schedule 1B

PERS

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 57,288	\$ 46,770	\$ 51,981	\$ 46,682	\$ 34,060	\$ 42,540	\$ 35,455	\$ 40,694
Contributions in relation to the contractually required contribution	\$ 57,288	\$ 46,770	\$ 51,981	\$ 46,682	\$ 34,060	\$ 42,540	\$ 35,455	\$ 40,694
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered payroll	\$ 329,239	\$ 268,792	\$ 298,739	\$ 289,258	\$ 216,254	\$ 270,095	\$ 225,111	\$ 258,375
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	16.14%	15.75%	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the Commission has only presented information for the years in which information is available.

HATTIESBURG TOURISM COMMISSION

OTHER INFORMATION

SCHEDULE 2A

HATTIESBURG TOURISM COMMISSION
BUDGETARY COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Final Budget	Actual (non-GAAP Basis)	Variances Positive (Negative)
REVENUES			
2% Bed Tax	\$ 654,000	\$ 1,034,076	\$ 380,076
Logo Shop Sales	2,500	728	(1,772)
Interest	2,500	516	(1,984)
State Miss Hospitality	30,000	30,000	-
Downtown Support Services	89,540	89,876	336
Event Production Reimbursements	-	17,356	17,356
Operational Reserves	70,000	-	(70,000)
Strategic Planning Implementation Reserves	50,000	-	(50,000)
PPP Loan Forgiveness	-	76,000	76,000
TOTAL REVENUES	\$ 898,540	\$ 1,248,552	\$ 350,012
EXPENDITURES			
Marketing	\$ 289,045	\$ 438,805	\$ (149,760)
Gift Shop Purchases	2,500	10,439	(7,939)
Office Operations	84,900	68,502	16,398
Destination Building	50,000	16,830	33,170
Compensation/Benefits	471,223	512,878	(41,655)
TOTAL EXPENDITURES	897,668	1,047,454	(149,786)
NET EXCESS (DEFICIT)	\$ 872	\$ 201,099	\$ 200,226

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.

SCHEDULE 2B

HATTIESBURG TOURISM COMMISSION
BUDGETARY COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Final Budget</u>	<u>Actual (non-GAAP Basis)</u>	<u>Variances Positive (Negative)</u>
REVENUES			
2% Bed Tax	\$ 504,000	\$ 828,203	\$ 324,203
Logo Shop Sales	6,000	114	(5,886)
COVID-19 Tourism Recovery Fund	375,000	413,362	38,362
Interest	5,000	729	(4,271)
State Miss Hospitality	30,000	30,000	-
Downtown Support Services	85,749	89,512	3,763
Operational Reserves	70,000	-	(70,000)
Public Art Reserves	40,000	40,000	-
Strategic Planning Implementation Reserves	60,000	6,069	(53,931)
PPP Loan Forgiveness	-	76,000	76,000
TOTAL REVENUES	<u>\$ 1,175,749</u>	<u>\$ 1,483,989</u>	<u>\$ 308,240</u>
EXPENDITURES			
Marketing	\$ 105,000	\$ 159,124	\$ (54,124)
Gift Shop Purchases	4,000	2,737	1,263
Capital Expenditures	3,000	-	3,000
Office Operations	80,700	132,578	(51,878)
COVID-19 Tourism Recovery Fund	374,700	442,737	(68,037)
Destination Building	100,000	46,069	53,931
Compensation/Benefits	488,721	448,871	39,850
TOTAL EXPENDITURES	<u>1,156,121</u>	<u>1,232,116</u>	<u>(75,995)</u>
NET EXCESS (DEFICIT)	<u>\$ 19,628</u>	<u>\$ 251,874</u>	<u>\$ 232,245</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.

SCHEDULE 3**HATTIESBURG TOURISM COMMISSION**
SCHEDULE OF DIRECTORS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<u>Board Member</u>	<u>Representation Area</u>	<u>Bond Amount</u>	<u>Bond Expires</u>
Frank James	Hotel Industry (1)	\$ 50,000	10/26/2023
Melanie Archer	Hotel Industry (2)	50,000	10/11/2023
Anthony L. Harris	Economic Development	50,000	1/15/2023
Joe Paul	University of Southern Mississippi	50,000	5/27/2023
Bonnie Warren	At Large (1)	50,000	11/5/2023
Michael Marks	At Large (2)	50,000	8/17/2023
Shawn Lowrey	At Large (3)	50,000	8/19/2023

The enabling legislation requires a seven member board be appointed by the Mayor of the City of Hattiesburg and ratified by the City Council. The legislation also requires the members to represent specified areas of the community and to give bond in the amount of \$50,000.

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Mississippi Society of
Certified Public

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 Board of Directors
Hattiesburg Tourism Commission

We have audited, 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, the financial statements of the governmental activities and each major fund of the Hattiesburg Tourism Commission, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 10, 2022.

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 black ink that reads "King CPA, PLLC". The signature is written in a cursive, flowing style.

KING CPA, PLLC
Petal, Mississippi
December 10, 2022