

HATTIESBURG TOURISM COMMISSION

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

HATTIESBURG TOURISM COMMISSION
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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, 2017 and 2016 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, 2017 and 2016, 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018, 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
February 9, 2018

HATTIESBURG TOURISM COMMISSION

FINANCIAL STATEMENTS

EXHIBIT A**HATTIESBURG TOURISM COMMISSION**STATEMENTS OF NET POSITION
SEPTEMBER 30, 2017 AND 2016

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 813,605	\$ 844,808
Investments	223,975	223,533
Due from other governments	195,834	116,986
Other receivables	26,392	11,456
Fixed assets, net	6,314	5,838
TOTAL ASSETS	<u>1,266,120</u>	<u>1,202,621</u>
Deferred Outflow of Resources		
Deferred outflow related to pensions	<u>69,462</u>	<u>88,178</u>
Liabilities		
Accounts payable	19,922	5,577
Accrued payroll	4,356	8,995
Accrued compensated absences	1,022	24,046
Net pension liability	721,787	714,500
TOTAL LIABILITIES	<u>747,087</u>	<u>753,118</u>
Deferred Inflow of Resources		
Deferred inflow related to pensions	<u>61,843</u>	<u>1,353</u>
Net Position		
Net investment in capital assets	6,314	5,838
Restricted for:		
AAMHM Committee	7,861	6,754
Hattiesburg Veterans Committee	4,551	6,323
HAPA	10,788	10,454
Unrestricted	497,138	506,959
TOTAL NET POSITION	<u>\$ 526,652</u>	<u>\$ 536,328</u>

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

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

FUNCTION/PROGRAM EXPENSES:	Governmental Activities	
	2017	2016
Tourism Promotion		
Payroll expense	\$ 304,632	\$ 332,412
Pension expense	129,033	147,964
Advertising and promotion	247,458	163,321
Operational costs	135,715	61,919
Grants and sponsorships	62,819	22,800
Purchases for resale	-	7,300
Depreciation and related asset charges	1,007	526
Events and Programs		
Lightpole Banner	3,495	9,968
FAM Tours	5,760	7,307
Longleaf Trace Lighting	25,000	-
Art and Sculpture projects	55,166	14,917
Vietnam Veterans	1,772	18,737
Miss Hospitality pageant	75,466	78,609
Other event promotions	-	4,245
Total Function/Program Expenses	1,047,323	870,025
PROGRAM REVENUES:		
Charges for Services		
Gift Shop sales	-	7,307
MS Miss Hospitality	75,194	81,465
Other receipts	26,392	8,331
Operating Grants and Contributions		
Mississippi Development Authority	5,000	5,000
AAMHM Committee	3,300	26,600
HCC Contribution	135,000	180,000
HAPA	25,500	26,800
Total Program Revenue	270,386	335,503
NET PROGRAM EXPENSE	(776,937)	(534,522)
GENERAL REVENUES:		
Special sales tax	766,553	644,852
Interest income	709	1,702
Total General Revenues	767,262	646,554
CHANGE IN NET POSITION	(9,676)	112,032
NET POSITION - Beginning of Year	536,328	424,296
NET POSITION - End of Year	\$ 526,652	\$ 536,328

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

HATTIESBURG TOURISM COMMISSION
BALANCE SHEETS – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017 AND 2016

	General Fund	Special Revenue Funds			Total	
		MMH Pageant	AAMHM Committee	HAPA	2017	2016
ASSETS:						
Cash and cash equivalents	\$ 705,678	\$ 84,727	\$ 12,412	\$ 10,788	\$ 813,605	\$ 844,808
Investments	223,975	-	-	-	223,975	223,533
Due from other governments	195,834	-	-	-	195,834	116,986
Other Receivables	26,392	-	-	-	26,392	11,456
Inventory	-	-	-	-	-	-
Total Assets	<u>\$ 1,151,879</u>	<u>\$ 84,727</u>	<u>\$ 12,412</u>	<u>\$ 10,788</u>	<u>\$ 1,259,806</u>	<u>\$ 1,196,783</u>
LIABILITIES						
Liabilities:						
Accounts payable	\$ 19,922	\$ -	\$ -	\$ -	\$ 19,922	\$ 5,577
Deferred revenue	187,123	-	-	-	187,123	48,310
Accrued payroll	4,356	-	-	-	4,356	8,995
Total Liabilities	<u>211,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,401</u>	<u>62,882</u>
Fund Balances:						
Restricted						
AAMHM Committee	-	-	7,861	10,788	18,649	6,754
Hattiesburg Veterans Committee	-	-	4,551	-	4,551	6,323
Hattiesburg Alliance Public Arts	-	-	-	-	-	10,454
Committed:						
Economic Stabilization	450,000	-	-	-	450,000	450,000
Assigned:						
Arts coalition	50,000	-	-	-	50,000	50,000
Lightpole banner project	20,000	-	-	-	20,000	20,000
Zoo special project	200,000	-	-	-	200,000	150,000
Mississippi Miss Hospitality	-	84,727	-	-	84,727	240,967
Unassigned:						
General Fund	220,478	-	-	-	220,478	199,403
Total Fund Balance	<u>940,478</u>	<u>84,727</u>	<u>12,412</u>	<u>10,788</u>	<u>1,048,405</u>	<u>1,133,901</u>
Total Liabilities and Fund Balance	<u>\$ 1,151,879</u>	<u>\$ 84,727</u>	<u>\$ 12,412</u>	<u>\$ 10,788</u>	<u>\$ 1,259,806</u>	<u>\$ 1,196,783</u>

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

HATTIESBURG TOURISM COMMISSION
RECONCILIATIONS OF THE BALANCE SHEETS - GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Total Fund Balance-Governmental Funds (Exhibit C)	\$ 1,048,405	\$ 1,133,901
Amounts reported for net position in the statement of net position are different because:		
1 Capital Assets used in governmental activities are not financial resources and are not reported as assets in governmental funds		
Capital Assets	79,017	77,533
Less Accumulated Depreciation	(72,703)	(71,695)
2 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	(721,787)	(714,500)
3 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	69,462	88,178
Deferred inflows of resources related to pensions	(61,843)	(1,353)
4 Because some revenues will not be collected for several months after the year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Unavailable revenues from State of MS/ City of Hattiesburg	123,057	-
Unavailable revenues from the Hattiesburg Convention Center	26,392	-
5 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	37,674	48,310
6 Longterm 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>(1,022)</u>	<u>(24,046)</u>
Total Net Position-Governmental Activities (Exhibit A)	<u>\$ 526,652</u>	<u>\$ 536,328</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, 2017 AND 2016

	<u>Special Revenue Funds</u>				<u>Total</u>	
	<u>General Fund</u>	<u>MMH Pageant</u>	<u>AAMHM Committee</u>	<u>HAPA</u>	<u>2017</u>	<u>2016</u>
REVENUES						
Special sales tax	\$ 654,131	\$ -	\$ -	\$ -	\$ 654,131	\$ 645,512
Convention Center Contract	135,000	-	-	-	135,000	180,000
Gift Shop Sales	-	-	-	-	-	7,307
Event revenue	-	80,194	-	-	80,194	89,065
Membership Dues	-	-	1,400	-	1,400	89,065
Donations	-	-	1,900	25,500	27,400	89,065
Interest income	709	-	-	-	709	1,702
Total Revenues	<u>789,840</u>	<u>80,194</u>	<u>3,300</u>	<u>25,500</u>	<u>898,833</u>	<u>982,717</u>
EXPENDITURES						
Tourism Promotion						
Payroll expense	327,656	-	-	-	327,656	337,515
Pension expense	42,540	-	-	-	42,540	35,455
Advertising and promotion	247,458	-	-	-	247,458	163,321
Operational costs	137,196	-	-	-	137,196	68,283
Grants and sponsorships	60,626	-	2,193	-	62,819	22,800
Purchases for resale	-	-	-	-	-	7,300
Events and Programs						
Lightpole Banner	3,495	-	-	-	3,495	9,968
FAM Tours	5,760	-	-	-	5,760	7,307
Longleaf Trace Lighting	25,000	-	-	-	25,000	-
Art and Sculpture projects	30,000	-	-	25,166	55,166	14,917
Vietnam Veterans	-	-	1,772	-	1,772	18,737
Miss Hospitality pageant	-	75,466	-	-	75,466	78,609
Other event promotions	-	-	-	-	-	4,245
Total Expenditures	<u>879,731</u>	<u>75,466</u>	<u>3,965</u>	<u>25,166</u>	<u>984,329</u>	<u>768,457</u>
OTHER FINANCING SOURCES						
Operating Transfers In	160,967	-	-	-	160,967	-
Operating Transfers Out	-	(160,967)	-	-	(160,967)	-
Total Other Financing Sources	<u>160,967</u>	<u>(160,967)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	71,075	(156,240)	(665)	334	(85,496)	214,260
FUND BALANCE, Beginning	<u>869,403</u>	<u>240,967</u>	<u>13,077</u>	<u>10,454</u>	<u>1,133,901</u>	<u>919,641</u>
FUND BALANCE, Ending	<u>\$ 940,478</u>	<u>\$ 84,727</u>	<u>\$ 12,412</u>	<u>\$ 10,788</u>	<u>\$ 1,048,405</u>	<u>\$ 1,133,901</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Net Change in fund balances-governmental funds (Exhibit D)	\$ (85,496)	\$ 214,260
Amounts reported for governmental activities in the statement of activities are different because:		
1 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.		
Capital Outlay	1,485	6,364
Deprciation Expense	(1,007)	(526)
2 Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds.		
Recording of pension expense for the current period	(129,033)	(147,964)
Recording of contributions made	42,540	35,455
4 Because some revenues will not be collected for several months after the year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Unavailable revenues from State of MS/ City of Hattiesburg	123,057	-
Unavailable revenues from the Hattiesburg Convention Center	26,392	-
3 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.		
Changes in compensated absences	23,024	5,103
Changes in deferred revenue	<u>(10,635)</u>	<u>(660)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (9,676)</u>	<u>\$ 112,032</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. 1764 which amended Chapter 878, local and private laws of 1990 and subsequent amendments is currently in effect until July 1, 2021 at which time it is repealed.

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 House Bill No. 1764, 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 SINGIFICANT 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 AAMHMC, a special revenue fund, accounts for the activities of the African American Military History Museum Committee (AAMHMC).

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

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.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SINGIFICANT 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.

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.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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.

I. FUND BALANCES

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 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, 2017, the carrying amount of Hattiesburg Tourism Commission's deposits with financial institutions was \$1,037,580 (which includes investments in the amount of \$223,975) and the bank balance was \$1,003,894. As of September 30, 2016, the carrying amount of Hattiesburg Tourism Commission's deposits with financial institutions was \$1,068,041 (which includes investments in the amount of \$223,533) and the bank balance was \$1,073,933.

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, 2017 and 2016, \$172,500 and \$237,135, respectively of the Commission's bank balance was exposed to custodial credit risk.

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	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:

	September-16	Additions	Disposals	September-17
Equipment	\$ 5,884	\$ 1,485	\$ -	\$ 7,369
Furniture	71,650	-	-	71,650
	77,534	1,485	-	79,019
 Accumulated Depreciation	 71,696	 1,007	 -	 72,703
 Net Fixed Assets	 \$ 5,838			 \$ 6,316

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – 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.

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 for the public school districts. 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. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

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, 2017, 2016 and 2015 were \$42,540, \$35,455 and \$40,694, 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, 2017 and 2016, the Commission reported a liability of \$721,787 and \$714,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, 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. At June 30, 2017, the commission’s proportion was 0.0000400 percent.

For the years ended September 30, 2017 and 2016, the Commission recognized pension expense of \$129,033 and \$147,964. At September 30, 2017 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	\$ 14,297	\$ 5,267
Net difference between projected and actual earnings on pension plan investments	29,042	55,769
Changes of assumptions	14,325	807
Changes to proportionate share	-	-
District contributions subsequent to the measurement date	11,798	-
	\$ 69,462	\$ 61,843
Total	\$ 69,462	\$ 61,843

\$11,798 reported as deferred outflows of resources related to pensions resulting from commission contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. 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:

2018	\$ 9,815
2019	2,088
2020	(4,551)
2021	(13,942)
2022	-
	\$ (6,590)
	\$ (6,590)

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2017, set forward one year for males.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2016.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	100.00 %	

Discount rate. The discount rate used to measure the total pension liability was 7.75 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 rates equal to the difference between actuarially determined contribution rates and the member 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. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District’s proportionate share of the net pension liability	\$ 946,673,000	\$ 721,787,000	\$ 538,084,000

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 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:

Hattiesburg Convention Commission		
Revenues from:	Description	Amount
Management contract		\$ 135,000
Expenditures to:		
Marketing and Events		\$ 9,660
Accounting		\$ 5,600
Contracted Personnel		\$ 60,000
Sponsorships collected on behalf of HCC		\$ 21,759
Janitorial Services		\$ 2,500

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 –RELATED ORGANIZATIONS UNDER COMMON CONTROL (continued)

- B. 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 and accounts for these funds which are restricted by the donors for support of the museum as a special revenue fund.

- C. The Hattiesburg Tourism Commission is the financial administrator for the Hattiesburg Alliance for Public Art (HAPA). The HAPA's mission is to purchase and place art in the heart of town – in parks, neighborhoods, public buildings, and businesses – and to raise awareness of the many wonderful works of art already on display in Hattiesburg. The HTC maintains a separate bank account and accounts for these funds which are restricted by the donors for support of the Alliance as a special revenue fund.

NOTE 6 –CONTINGENCIES

The Hattiesburg Tourism Commission was audited by the Mississippi State Auditor's Office regarding its compensation procedures and practices. The final result of this audit is not known at this time. However, based on legal counsel, management is confident that no claim has been made and none is expected against the Commission. The amount of possible recovery to the Commission is not available at this time.

The Hattiesburg Tourism Commission receives a 2% tax from the local hotels in the area. The Commission realized that the tax from several hotels in the area were not being remitted to the Commission. The Commission submitted a claim to the state for the underreported tax. Management is confident they will receive the claim. A receivable in the amount of \$123,057 is reported. The fund statements defer this revenue since it is not considered available for current operations.

NOTE 7 –SUBSEQUENT EVENTS

Management of the Commission has evaluated subsequent events as of February 9, 2018, which is the date the financial statements were available to be used.

On October 26, 2017, management agreed to relinquish the assets of the African-American Military History Museum Committee to a separate account owned solely by AAMHMC. The assets totaled \$13,112 including \$4,551 belonging to the Hattiesburg Veterans Committee. As of October 26, 2017, the Commission will no longer be a custodian of AAMHMC funds. The AAMHMC will no longer be a related entity of the Commission.

HATTIESBURG TOURISM COMMISSION

SUPPLEMENTAL INFORMATION

SCHEDULE-1A

HATTIESBURG TOURISM COMMISSION
BUDGETARY COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Final Budget</u>	<u>Actual (non-GAAP Basis)</u>	<u>Variances Positive (Negative)</u>
REVENUES			
2% Bed Tax	\$ 665,000	\$ 672,705	\$ 7,705
CC Contract	150,000	150,000	-
Interest	1,000	709	(291)
State Miss Hospitality	<u>160,967</u>	<u>160,967</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 976,967</u>	<u>\$ 984,381</u>	<u>\$ 7,414</u>
EXPENDITURES			
Marketing	\$ 484,400	\$ 317,495	\$ 166,905
Capital Expenditures	1,500	-	1,500
Office Operations	90,000	102,158	(12,158)
Compensation/Benefits	<u>398,710</u>	<u>377,785</u>	<u>20,925</u>
TOTAL EXPENDITURES	<u>974,610</u>	<u>797,438</u>	<u>177,172</u>
NET EXCESS (DEFICIT)	<u>\$ 2,357</u>	<u>\$ 186,944</u>	<u>\$ 184,586</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.

HATTIESBURG TOURISM COMMISSION
BUDGETARY COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Final Budget</u>	<u>Actual (non-GAAP Basis)</u>	<u>Variances Positive (Negative)</u>
REVENUES			
2% Bed Tax	\$ 530,000	\$ 647,730	\$ 117,730
CC Contract	180,000	180,000	-
Interest	800	1,702	902
Logo Shop Sales	6,000	7,307	1,307
Misc Income	-	8,331	8,331
State Miss Hospitality	<u>85,000</u>	<u>86,465</u>	<u>1,465</u>
TOTAL REVENUES	<u>\$ 801,800</u>	<u>\$ 931,535</u>	<u>\$ 129,735</u>
EXPENDITURES			
Marketing	\$ 287,916	\$ 276,283	\$ 11,633
Gift Shop Resale Items	4,000	-	4,000
Capital Expenditures	1,000	6,364	(5,364)
Office Operations	58,000	58,882	(882)
Compensation/Benefits	<u>463,710</u>	<u>373,185</u>	<u>90,525</u>
TOTAL EXPENDITURES	<u>814,626</u>	<u>714,714</u>	<u>99,912</u>
NET EXCESS (DEFICIT)	<u>\$ (12,826)</u>	<u>\$ 216,822</u>	<u>\$ 229,647</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.

HATTIESBURG TOURISM COMMISSION
SCHEDULE OF DIRECTORS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Board Member</u>	<u>Representation</u>	<u>Bond Amount</u>	<u>Bond Expires</u>
Marshall Bell	At-Large	\$ 50,000	11/5/2017
Catherine Price	USM	\$ 50,000	11/5/2017
Bonnie Warren	At-Large	\$ 50,000	11/5/2017
Frank James	Hotel/Motel Industry	\$ 50,000	10/26/2017
Shelia Varnado	Economic Development	\$ 50,000	9/23/2017
Anthony Harris	At-Large	\$ 50,000	1/15/2018

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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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

February 9, 2018

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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 9, 2018.

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.

A handwritten signature in black ink that reads "King CPA, PLLC". The signature is written in a cursive, slightly slanted style.

KING CPA, PLLC
Petal, Mississippi