



One Convention Center Plaza
Hattiesburg, MS 39401

June 29, 2016

Mayor DuPree & Members of the City Council
City of Hattiesburg
PO Box 1898
Hattiesburg, MS 39403-1898

Dear Mayor and Council Members:

Greetings from the Hattiesburg Tourism Commission (dba VisitHattiesburg). Accompanying this letter, you will find our Fiscal Year Ending 2015 Annual Report and Audit. I apologize for the delay in providing this audit to you. I held it to accompany the Convention Commission Annual Report which took longer than usual.

The 2015 fiscal year showed continued, albeit slow, growth for the local tourism industry with an increase of 3% in Visitor Spending. Tourism can be too easily overlooked as an economic powerhouse because there are no smokestacks or large plants to see. But, on a day-to-day basis, visitors spend money in our local stores, restaurants and hotels. In FYE2015, visitors spent \$258 million in our local economy and provided over 4,000 jobs.

During FYE2015, local hotel occupancies and average daily rates improved between 2-5% based on brand/property-type (economy, midscale, upscale, etc.). This was reflected in the Special Hotel Tax which funds the Commission increasing by 4%. This growth rate was positively impacted by new marketing efforts, an improving economy, and better collection and reporting data by the MS Department of Revenue, which implemented a new software system in mid-2014.

Hattiesburg's hotel collection saw growth during FYE 2015 with the opening of La Quinta Inn & Suites, and construction on Best Western Premier, Towne Place Suites, Hampton Inn and Home2Suites underway. In addition, improvements to the Longleaf Trace, Hattiesburg Zoo and a range of area restaurants show that our local tourism industry is vibrant and growing.

VisitHattiesburg rolled out the new HBURG brand during this fiscal year focusing on space advertising, tradeshow, and outdoor advertising. These advertising methods complemented special sales missions and familiarization tours to highlight Hattiesburg and the many reasons to visit. With over 2 million people visitors arriving in Hattiesburg during the fiscal year, of which 726,000 are from out-of-state, the opportunity to reap financial returns is great. This is evidenced by the private sector investment in hotels, restaurants, attractions and shops.

The Hattiesburg Tourism Commission is focusing on brand building during the current fiscal year by expanding the HBURG brand exposure throughout the state. Melding a push for Millennial travelers with a still vibrant Baby Boomer market is challenging, but holds great opportunity for long-term growth. Market indicators show these markets are where we need to work to continue creating jobs, increasing revenue and improving our quality of life.

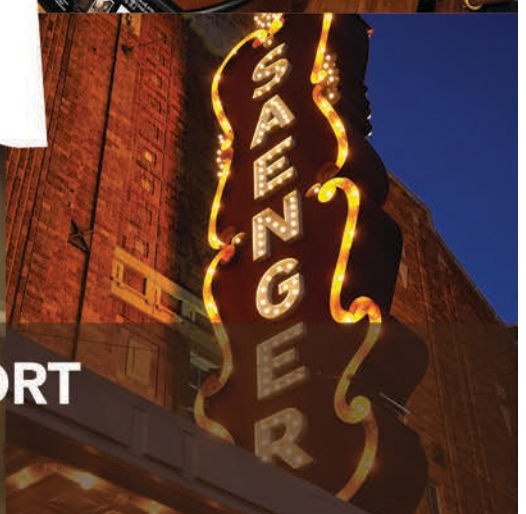
Kind regards,

A handwritten signature in black ink, appearing to read "Rick Taylor", with a horizontal line extending to the right.

Rick Taylor
Executive Director



VISIT



2015 ANNUAL REPORT
10.1.14 - 9.30.15

PATCO 44
597849

Biography of VISITHATTIESBURG™

Tourism is a \$258 million a year industry in Hattiesburg and growing every day

Created in 1990 by the Mississippi State Legislature, the Hattiesburg Tourism Commission (HTC), doing business as VISITHATTIESBURG™, serves as the official Destination Marketing Organization (Convention & Visitors Bureau), and local industry leader for tourism in the City of Hattiesburg. VISITHATTIESBURG™ is governed by a 7 member board representing the business community and the local tourism industry. With primary funding generated by a 2% hotel bed tax, the guiding mission of VISITHATTIESBURG™ is very specific...to introduce new dollars into the Hattiesburg economy through increased short-term visitation and overnight stays.

In 2002, VISITHATTIESBURG™ embarked upon what would become an unprecedented marketing project within the Mississippi tourism industry. With professional consultation, VISITHATTIESBURG™ undertook a 16-month research study and branding project specifically designed to develop a BrandPrint™ to be used in the marketing efforts of VISITHATTIESBURG™. The campaign garnered six distinguished awards from national, regional and state tourism industry associations since its implementation, and has made Hattiesburg a leader in tourism branding and marketing in the Southeast region of the United States.

On March 31, 2004, another benchmark for tourism was made when VISITHATTIESBURG™ officially opened the doors to its new home in the Hattiesburg Visitors Center. The opening of the Hattiesburg Visitors Center further complemented the marketing goals of VISITHATTIESBURG™ by providing the organization with an identifiable "face." Since opening, almost 100,000 visitors from around the globe have signed the guest book at the Visitors Center and been welcomed with Hattiesburg's hallmark hospitality.

From the start, local partnerships have played a critical role in the work

of VISITHATTIESBURG™. Working with local hotels, restaurants and attractions, as well as partnering with entities such as the Hattiesburg Convention Commission, the Area Development Partnership, Hattiesburg's two local Universities, the Forrest County Multipurpose Center, the Historic Downtown Association and many others, is vital to VISITHATTIESBURG™'s efforts to grow our area's tourism industry. Through such partnerships, VISITHATTIESBURG™ has been able to serve as a catalyst for significant and unique events in Hattiesburg such as Pre-Olympic Training, the Mississippi Miss Hospitality Pageant, development of the Lake Terrace Convention Center, refurbishment of the Historic Saenger Theater, installation of two Blues Trail Markers, recruitment of various art-related exhibits to Historic Downtown Hattiesburg and most recently, the expansion of the Hattiesburg Zoo.

Among its many activities, the scope of work for VISITHATTIESBURG™ evolved and expanded in 2010 to include oversight of all marketing activities for the facilities managed by the Hattiesburg Convention Commission. These facilities include the Lake Terrace Convention Center, Hattiesburg Saenger Theater, African American Military History Museum and the Hattiesburg Zoo.

In 2015, Hattiesburg launched a fresh, distinct campaign inspired by Hattiesburg's swiftly growing craft beer culture, local treasures, and its charming nickname. The HBURG campaign leveraged the craft beer influence, the city's unique cultural offerings and the faces of tourism. The jumping-off point for this campaign was the creation of a new mark for Hattiesburg, featuring HBURG and implementing the shape of Mississippi. The design pairs a simple, yet bold color palette with strong, modern typography and — a contemporary take on Hattiesburg's spirit — appealing to both the young and the young at heart.

Since its inception, the marketing and promotional activities of VISITHATTIESBURG™ have served as a catalyst for the local tourism industry and have resulted in the industry's growth into a \$258 million economic engine for Hattiesburg. Through its mission and goals, VISITHATTIESBURG™ is committed to continuing this economic growth while relying on the faces of tourism in Hattiesburg to tell its story.

CHAIR
MARSHALL BELL
At-Large

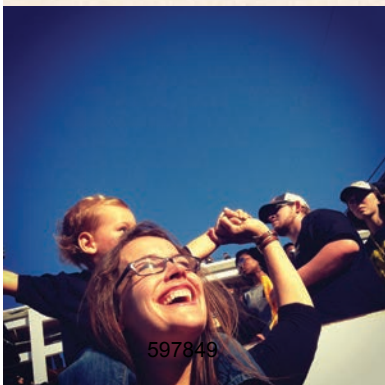
VICE-CHAIR
DR. CATHERINE PRICE
University of Southern Mississippi

BONNIE WARREN
At-Large

FRANK JAMES
Hotel/Motel Industry

SHEILA VARNADO
Economic Development

P.E.
ANTHONY L. HARRIS
At-Large



597849



THE VALUE OF TOURISM

Hattiesburg's tourism industry
grew 3% last year

4,065

Jobs in the
Hattiesburg
tourism industry

TOURISM
PROVIDES
\$461

in tax relief for
Hattiesburg residents.



Since 2004, over

100,000 TOURISTS

from around the globe
have registered at the
Hattiesburg Visitors Center.

SOURCE: Mississippi Development Authority-Tourism

597849



LOCAL
VISITOR
SPENDING



\$258 MILLION



Spending on new
tourism projects **LOCALLY**
went up 268% for a total of

11.8 MILLION

Projects include hotels,
restaurants and attractions.

Finding HBURG | #VisitHburg

Campaign embraces Hattiesburg's authentic flavor, local craft, and term of endearment.

In 2002, VISITHATTIESBURG™ embarked upon what would become an unprecedented marketing project within the Mississippi tourism industry. With professional consultation, VISITHATTIESBURG™ undertook a 16-month research study and branding project specifically designed to develop a BrandPrint™ to be used in the marketing efforts of VISITHATTIESBURG™. In 2003, the results of this study were unveiled and a tourism branding campaign was launched utilizing the persona of Hattie to convey Hattiesburg's warmth and hospitality. Since then, the campaign has persisted for over ten years, promoting Hattiesburg as the ideal, affordable, family-friendly, weekend getaway.

In 2015, the Hattie brand manifested a fresh, distinctive approach, inspired by Hattiesburg's swiftly growing craft beer culture, local treasures, and its charming nickname. After 2012, Hattiesburg had become a notable stakeholder in the craft beer industry. The HBURG campaign leveraged that craft beer influence, the city's unique cultural offerings and the faces of tourism in Hattiesburg to tell its story. The catalyst for this campaign was the creation of a new mark for Hattiesburg, featuring HBURG and implementing the shape of Mississippi. The design pairs a simple, yet bold color palette

with strong, modern typography and — a contemporary take on Hattiesburg's spirit — appealing to both the young and the young at heart.

VISITHATTIESBURG™ honed in its craft and its people and has since been producing new creative work, highlighting homegrown flavors, rich culture and the local trademark, craft beer. The campaign uses an assortment of curated and user-generated photographs, drawing on the authentic gentility of this vibrant — and crafty — community.

The user-generated content is collected through the use of the hashtag #VisitHburg, which persist across print, digital, and outdoor promotions, as well as all major social media platforms. A collection of photographs appears in each of the ads, which collectively emphasize Hattiesburg's local flavor and genuine craftsmanship.

#VisitHburg and craft your next adventure.

WELCOME to
HBURG

Mississippi Miss Hospitality Pageant

The Mississippi Miss Hospitality Pageant highlights southern hospitality at its finest and promotes tourism to the state of Mississippi year-round. Miss Hospitalities from across the state have been promoting tourism and economic development since 1949, and the tradition continues in Hattiesburg each year. The Pageant began calling Hattiesburg home in 1997 after being hosted along the Gulf Coast and Starkville for many years. When the program found itself homeless 17 years ago, VisitHattiesburg recognized its importance to the tourism industry in the state and has spearheaded the program since, with the assistance of MDA/Tourism, the University of Southern Mississippi and the City of Hattiesburg.

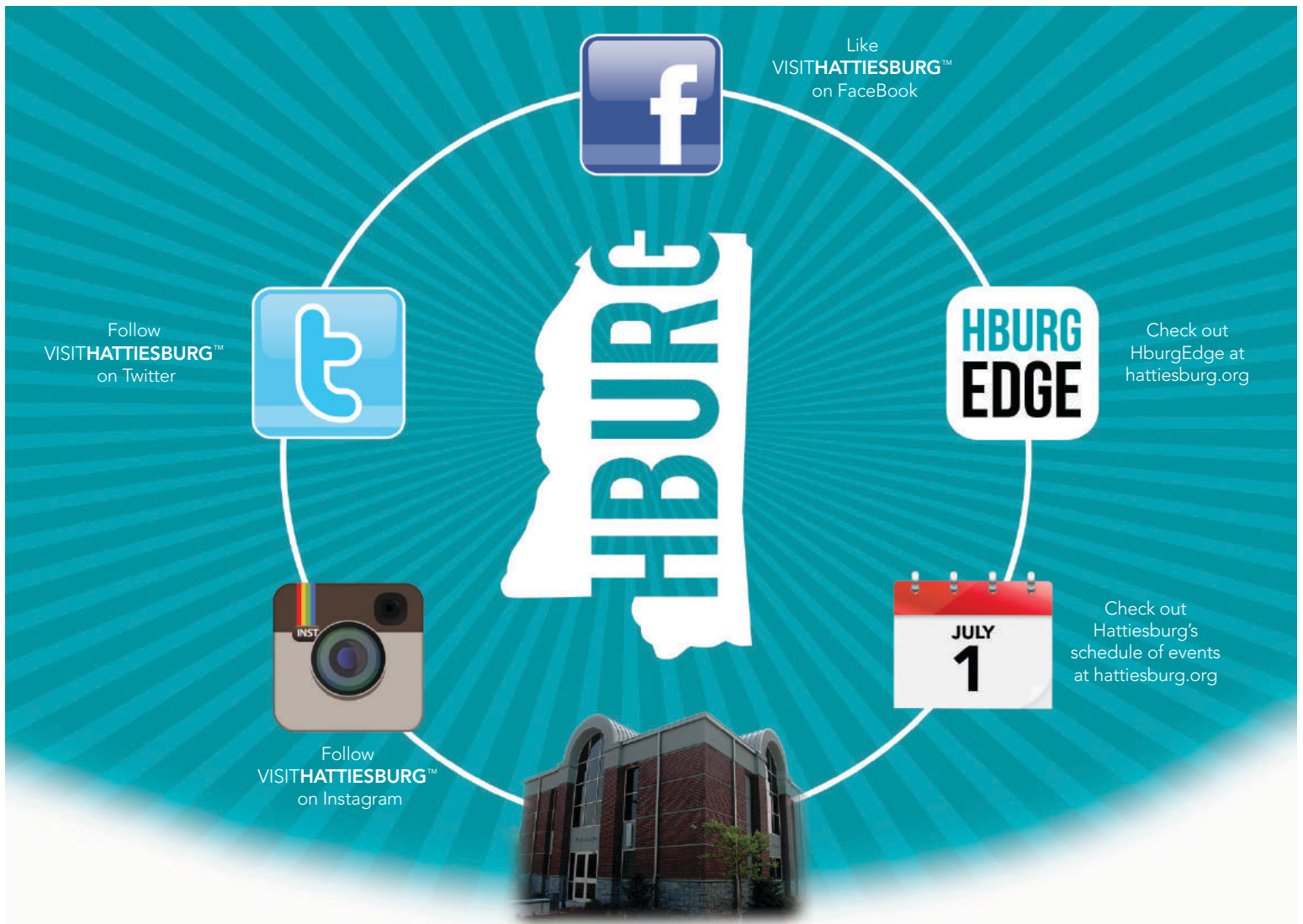
The tradition now continues as young ladies between the ages of 18 and 24 are identified, honored and utilized each year for the purpose of serving as representatives of tourism and economic development for their communities. For the woman crowned as Mississippi's Miss Hospitality, her effort becomes statewide as she serves as Mississippi's Goodwill Ambassador.

Bonnie Blue Dulaney was crowned Mississippi Miss Hospitality 2014 while representing Meridian in the Mississippi Miss Hospitality Pageant at the Saenger Theater in Downtown Hattiesburg. Thirty-five of Mississippi's best and brightest young women competed in the Pageant for more than \$100,000 in scholarships and prizes.

During her reign, Bonnie traveled more than 30,000 miles both in-state and nationally with the sole purpose of promoting and growing Mississippi's tourism and economic programs, sharing the spirit of the hospitality state with everyone she met. The Mississippi Miss Hospitality Pageant encourages tourism promotion in all of the communities with a representative at the state pageant, and further promotes tourism for the entirety of Mississippi on a statewide and national level. In its host city, this distinguished program also contributes more than \$450,000 to the local economy each year.

- **July 2014** – Crowned Mississippi Miss Hospitality in Hattiesburg
- **September 2014** – Governor's Conference on Tourism in Biloxi
- **Fall 2014** – Mississippi Welcome Center Blitz
- **June 2014** – Mississippi Day in Central Park in New York City
- **Spring 2015** – Mississippi Welcome Center Blitz
- **July 2015** – Crowned Erin Morgan as the 2015 Mississippi Miss Hospitality





VISITS FROM OUR FRIENDS

Visitors from all 50 states
and 21 international countries:

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Argentina • Australia • Bahamas • Canada • England • Germany • Holland | <ul style="list-style-type: none"> • Honduras • Hungary • Ireland • Italy • Malaysia • Mexico • Netherlands | <ul style="list-style-type: none"> • New Zealand • Nigeria • Poland • Scotland • Sweden • Switzerland • Taiwan |
|--|--|---|

- 11/10/14** 2 visitors from Tennessee said "Lovely Visitors Center. Very helpful!"
- 11/22/14** 3 visitors from Pennsylvania said "Very clean restrooms. Very, very nice Visitors Center and wonderful host, Frances!"
- 12/17/14** 2 visitors from Mexico said "Very clean and festive!"
- 2/20/15** 3 Visitors from Wisconsin said "Great weather, very friendly staff! Tell Brett Favre we say hello!"
- 2/23/15** 2 visitors from Kentucky said "Thanks for the great coffee and friendly words!"

Annual Total Visitors in Mississippi visiting Hattiesburg from Out-of-State
Approximately 726,000

Annual Total Visitors in Mississippi visiting Hattiesburg from In-State
Approximately 1.2 million

Annual Total Visitors in Mississippi visiting Hattiesburg
Approximately 2 million

VISITHATTIESBURG™ rolls out the red carpet to groups of all sizes

Red Carpet Services (RCS) is a program of VISITHATTIESBURG™, which promotes a variety of complimentary services offered to planners considering Hattiesburg for their motorcoach tour, meeting or convention, sporting event or reunion.

A marketing tool to differentiate Hattiesburg, RCS makes it easy for the decision-maker to choose to bring their group's tourism dollars to our area. The complimentary services offered through RCS are based on overnight stays.

These specialized services provide hospitality and support to groups visiting Hattiesburg.

For more information, contact a VISITHATTIESBURG™ Tourism Ambassador at 601.296.7475.

2014 Conference Highlight

Name of Group

Rockwell Automation

Name of Conference

Rockwell Automation
On the Move Tour 2014

Dates of Conference

May 12-15, 2014

Number of Attendees

500

Description of Group

As the world's largest company dedicated to industrial automation, the Tour brought innovative solutions with hands-on labs, technical sessions and product exhibits. This meeting of minds for attendees from across the country sought solutions to make customers more productive and the world more sustainable.

Meetings Profile / Quick Facts October 2014 – September 2015

Number of groups served: 110

Number of welcome bags supplied: 10,234

Group sales promotional events: More than 10 including stops in Mississippi, Louisiana, Alabama and West Virginia

Type of groups targeted: Meetings & Conventions, Government, Educational, Motorcoach, Sports, Military and Reunion

2015 Conference Highlight

Name of Group

BioSoil Enhancers

Name of Conference

Biannual Training Seminar

Dates of Conference

2 events: Jan 2015, September 2015

Number of Attendees

80 people each event, \$17,488.71

Description of Group

#4 Top Manufacturing Company
#2 Top MS Company

The Lake Terrace Convention Center hosted guests from across the globe for this biannual training seminar. BioSoil, based out of Hattiesburg, brought in participants from as far away as China, Myanmar, South Africa, and Ecuador traveled to learn about the award-winning SumaGrow technology and global business opportunities available through selling products containing SumaGrow.

RED CARPET SERVICES

The complimentary Red Carpet Services provided by our friendly Tourism Ambassadors at VISITHATTIESBURG™ help maximize the success of meetings, conventions and reunions that meet requirements including the usage of a minimum of 10 hotel rooms in Hattiesburg. Those Red Carpet Services include...



Evolution of Hattiesburg's Tourism Industry

- 1990 • State legislature creates HCVB
- 1991 • Timberton Golf Club opens
- 1994 • Golf Package Marketing begins
- 1995 • Tatum Park softball/soccer complex opens
- 1996 • International Olympic Teams train in Hattiesburg
Hattiesburg Library opens
Hattiesburg Zoo begins five-year development plan
- 1997 • HTC recruits the Mississippi Miss Hospitality Pageant
- 1998 • Lake Terrace Convention Center opens
Canebrake Golf Course opens
Timberton Golf Club opens nine new holes
- 2000 • Longleaf Trace recreational trail opens
HHDA receives revitalization plan
Historic Saenger Theater re-opens
- 2001 • Shadow Ridge Golf Club opens
Armed Forces Museum opens
HHDA hosts Art Walk
- 2002 • Hattiesburg's first National Tourism Week campaign
Inaugural Tourism Summit
Walnut Street Development in Historic Downtown begins
- 2003 • City of Hattiesburg purchases trolleys for tourism
Tatum Park sports complex expansion begins
Freedom Summer Trail unveiled
HTC unveils new Hattiesburg BrandPrint™
- 2004 • Hattiesburg Visitors Center opens
Mississippi Tourism Association honors HTC with Excellence in Tourism Award / Outstanding CVB
Travel & Tourism Research Association honors HTC with Research-In-Action Award
Southeast Tourism Society honors HTC with Shining Example Award / CVB of the Year
Visitors to Hattiesburg spend \$150 million
- 2005 • Hospitality Sales and Marketing Association International honors HTC with three awards for "Hattie" BrandPrint™
HTC joins Hattiesburg Hotel and Lodging Association in raising \$25,000 in tourism hurricane recovery funds
Hattiesburg Historic Downtown Association honors HTC with 2005 Philanthropy Award for Hurricane Assistance
Visitors to Hattiesburg spend \$160 million
- 2006 • Mississippi Tourism Hall of Fame inducts HCVB Director, Rick Taylor
Inaugural Mobile Street Renaissance Festival
Visitors to Hattiesburg spend \$171 million
- 2007 • HTC awarded \$2 million HUD advertising grant
Hattiesburg's Historic Train Depot re-opens
Thad Cochran Center at Southern Miss opens
HTC changes operating name to VISITHATTIESBURG™
Hotel inventory grows to more than 2,500 rooms
Visitors to Hattiesburg spend \$211 million
- 2008 • Blues Trail Marker unveiled on Historic Mobile Street
Downtown hosts the first "Live @ Five" Concert Series
Visitors to Hattiesburg spend \$227 million
- 2009 • VH hosts Governor's Conference on Tourism
City of Hattiesburg hosts 125th Celebration
Visitors Center celebrates 5th year
Miss Hospitality celebrates 60 years
African-American Military History Museum opens
Saenger Theater celebrates 80 years
Visitors to Hattiesburg spend \$234 million
- 2010 • Blues Trail Marker unveiled at Hi-Hat Club location
Freedom Summer Trail Audio Tour unveiled
VH hosts Heritage Day
Inaugural Festival South
Tourism & Convention Commissions partner to manage Hattiesburg Zoo
VH hosts Tradition/Innovation art exhibit
Visitors to Hattiesburg spend \$241 million
- 2011 • USO Museum hosts Jessie Brown Exhibit
Hattiesburg Flag Plaza opens
VH and HHDA partner to host New Harmonies art exhibit
Visitors to Hattiesburg spend \$225 million
- 2012 • Hattie Mural unveiled at the Visitors Center
NTW campaign receives Research-In-Action Award
Visitors to Hattiesburg spend \$233 million
- 2013 • Inaugural Hattiesburg Craft Beer Festival
Hattiesburg Zoo Animal Hospital Quarantine Facility and Touch Africa Petting Zoo open
- 2014 • Restoration of African American Military History Museum after tornado devastation
Asbury Discovery Center opens at Hattiesburg Zoo
Visitors to Hattiesburg spend \$255 million
- 2015 • Bug Hub Playground opens at Hattiesburg Zoo
Hattiesburg Zoo unveils Hattie the Elephant statue in Hattie Plaza
Hattiesburg Association for Public Art reveals public art sculptures throughout Historic Downtown Hattiesburg
Visitors spend \$258 million
VisitHattiesburg receives Tourism Office of the Year Award at the Governor's Conference on Tourism

HATTIESBURG TOURISM COMMISSION

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 and 2014

HATTIESBURG TOURISM COMMISSION
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2015 and 2014

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR’S REPORT | 3 |
| FINANCIAL STATEMENTS | |
| Exhibit A – Statements of Net Position | 6 |
| Exhibit B – Statements of Activities | 7 |
| Exhibit C – Balance Sheets – Governmental Funds | 8 |
| Exhibit C1 – Reconciliations of the Balance Sheets - Governmental Funds to the Statements of Net Position | 9 |
| Exhibit D – Statements of Revenues, Expenditures, and Changes In the Fund Balances - Governmental Funds | 10 |
| Exhibit D1 – Reconciliations of the Statements of Revenues, Expenditures, and Changes in the Fund Balances to the Statements of Activities | 11 |
| NOTES TO FINANCIAL STATEMENTS | 12 |
| SUPPLEMENTAL INFORMATION | |
| Schedule 1A – Budgetary Comparison | 25 |
| Schedule 1B – Budgetary Comparison | 26 |
| Schedule 2 - Schedule of Directors | 27 |
| OTHER AUDITOR’S REPORTS | |
| Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> | 28 |

American Institute of
Certified Public Accountants

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Mississippi Society of Certified
Public Accountants

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, 2015 and 2014 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, 2015 and 2014, 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 17, 2016, 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 17, 2016

HATTIESBURG TOURISM COMMISSION

FINANCIAL STATEMENTS

EXHIBIT A

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014

| | <u>Governmental Activities</u> | |
|--|--------------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Assets | | |
| Cash and cash equivalents | \$ 440,401 | \$ 247,465 |
| Investments | 413,178 | 412,914 |
| Due from other governments | 119,863 | 69,626 |
| Other receivables | 790 | 800 |
| Inventory | 7,300 | 7,700 |
| Fixed assets, net | - | 87 |
| TOTAL ASSETS | <u>981,532</u> | <u>738,592</u> |
| Deferred Outflow of Resources | | |
| Deferred outflow related to pensions | 116,442 | - |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | <u>116,442</u> | <u>-</u> |
| Liabilities | | |
| Accounts payable | 4,370 | 7,499 |
| Accrued payroll | 8,551 | 9,341 |
| Accrued compensated absences | 29,150 | 28,390 |
| Net pension liability | 618,321 | - |
| TOTAL LIABILITIES | <u>660,392</u> | <u>45,230</u> |
| Deferred Inflow of Resources | | |
| Deferred inflow related to pensions | 13,286 | - |
| TOTAL DEFERRED INFLOW OF RESOURCES | <u>13,286</u> | <u>-</u> |
| Net Position | | |
| Net investment in capital assets | - | 87 |
| Restricted for: | | |
| AAMHM Committee | 6,806 | 4,956 |
| HAPA | 18 | |
| Unrestricted | 417,472 | 688,318 |
| TOTAL NET POSITION | <u>\$ 424,296</u> | <u>\$ 693,362</u> |

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

EXHIBIT B

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

| FUNCTION/PROGRAM EXPENSES: | Governmental Activities | |
|---|--------------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Tourism Promotion | | |
| Payroll expense | \$ 308,952 | \$ 425,768 |
| Pension expense | 83,427 | - |
| Advertising and promotion | 191,036 | 131,461 |
| Operational costs | 36,789 | 47,468 |
| Purchases for resale | 4,833 | 4,171 |
| Depreciation and related asset charges | 87 | 648 |
| Event Sponsorship | | |
| MS Miss Hospitality | 82,172 | 73,512 |
| Entity Management | | |
| AAMHM Committee | 950 | 2,700 |
| HAPA | 38,399 | - |
| LTCC | 71,325 | 35,094 |
| Total Function/Program Expenses | <u>817,970</u> | <u>720,823</u> |
| PROGRAM REVENUES: | | |
| Charges for Services | | |
| Gift Shop sales | 6,943 | 8,159 |
| MS Miss Hospitality | 98,628 | 82,986 |
| Other receipts | 17,335 | 2,960 |
| Operating Grants and Contributions | | |
| Mississippi Development Authority | 5,000 | 5,000 |
| AAMHM Committee | 2,800 | 1,500 |
| LTCC Contribution | 180,000 | 198,642 |
| HAPA | 26,416 | - |
| Total Program Revenue | <u>337,122</u> | <u>299,247</u> |
| NET PROGRAM EXPENSE | <u>(480,848)</u> | <u>(421,575)</u> |
| GENERAL REVENUES: | | |
| Special sales tax | 683,035 | 612,055 |
| Interest income | 1,179 | 755 |
| Total General Revenues | <u>684,214</u> | <u>612,810</u> |
| Increase(Decrease) in net position | 203,366 | 191,234 |
| NET POSITION - Beginning of Year | 693,362 | 502,128 |
| Prior Period Adjustment | (472,432) | - |
| NET POSITION - Beginning as restated | <u>220,930</u> | <u>502,128</u> |
| NET POSITION - End of Year | <u>\$ 424,296</u> | <u>\$ 693,362</u> |

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

HATTIESBURG TOURISM COMMISSION
BALANCE SHEETS – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015 AND 2014

| | <u>General Fund</u> | |
|---|---------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| ASSETS: | | |
| Cash and cash equivalents | \$ 440,401 | \$ 247,465 |
| Investments | 413,178 | 412,914 |
| Due from other governments | 119,863 | 69,626 |
| Other Receivables | 790 | 800 |
| Inventory | 7,300 | 7,700 |
| Total Assets | <u>\$ 981,532</u> | <u>\$ 738,505</u> |
| LIABILITIES | | |
| Liabilities: | | |
| Accounts payable | \$ 4,370 | \$ 7,499 |
| Deferred revenue | 48,970 | |
| Accrued payroll | 8,551 | 9,341 |
| Total Liabilities | <u>61,891</u> | <u>16,839</u> |
| Fund Balances: | | |
| Non-Spendable: | | |
| Inventory | 7,300 | 7,700 |
| Restricted | | |
| AAMHM Committee | 6,806 | 4,956 |
| Hattiesburg Alliance Public Arts | 18 | |
| Committed: | | |
| Economic Stabilization | 450,000 | 350,000 |
| Assigned: | | |
| Arts coalition | 50,000 | 50,000 |
| Lightpole banner project | 20,000 | - |
| Zoo special project | 150,000 | 70,000 |
| Unassigned: | | |
| General Fund | 235,517 | 239,009 |
| Total Fund Balance | <u>919,641</u> | <u>721,665</u> |
| Total Liabilities and Fund Balance | <u>\$ 981,532</u> | <u>\$ 738,505</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, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| Total Fund Balance-Governmental Funds (Exhibit C) | \$ 919,641 | \$ 721,665 |
| 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 | 77,092 | 99,979 |
| Less Accumulated Depreciation | (77,092) | (99,892) |
| 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 | (618,321) | - |
| 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 | 116,442 | - |
| Deferred inflows of resources related to pensions | (13,286) | - |
| 3 Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds. | | |
| Special Sales tax for September | 48,970 | - |
| 4 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>(29,150)</u> | <u>(28,390)</u> |
| Total Net Position-Governmental Activities (Exhibit A) | <u>\$ 424,296</u> | <u>\$ 693,362</u> |

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

EXHIBIT D

HATTIESBURG TOURISM COMMISSION
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

| | General Fund | |
|-----------------------------------|---------------------|-------------|
| | 2015 | 2014 |
| REVENUES | | |
| Special sales tax | \$ 634,065 | \$ 612,055 |
| Convention Center Contract | 180,000 | 180,000 |
| State Miss Hospitality Pageant | 103,628 | 87,986 |
| Gift Shop Sales | 6,943 | 8,159 |
| AAMHMC | 2,800 | 700 |
| HAPA | 26,416 | - |
| Other Income | 17,335 | 22,402 |
| Interest income | 1,179 | 755 |
| Total Revenues | 972,366 | 912,057 |
| EXPENDITURES | | |
| Tourism Promotion | | |
| Payroll expense | 308,192 | 431,637 |
| Pension expense | 40,694 | - |
| Advertising and promotion | 191,036 | 131,461 |
| Operational costs | 36,789 | 47,468 |
| Purchases for resale | 4,833 | 4,171 |
| Event Sponsorship | | |
| MS Miss Hospitality pageant | 82,172 | 73,512 |
| Entity Management and Support | | |
| AAMHM Committee | 950 | 2,700 |
| HAPA | 38,399 | - |
| LTCC | 71,325 | 35,095 |
| Total Expenditures | 774,390 | 726,044 |
| Net Change in Fund Balance | 197,976 | 186,013 |
| FUND BALANCE, BEGINNING | 721,665 | 535,652 |
| FUND BALANCE, ENDING | \$ 919,641 | \$ 721,665 |

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, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Net Change in fund balances-governmental funds (Exhibit D) | \$ 197,976 | \$ 186,013 |
| 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 | - | - |
| Depreciation Expense | (87) | (648) |
| 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 | (73,682) | |
| Recording of contributions made | 51,577 | |
| Amortization of deferred inflow of resources | (20,628) | |
| 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 | (760) | 5,869 |
| Special tax for September deferred in fund statements | 48,970 | - |
| Change in net position of governmental activities (Exhibit B) | <u>\$ 203,366</u> | <u>\$ 191,234</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. 1642 which amended Chapter 878, local and private laws of 1990 and subsequent amendments is currently in effect until July 1, 2017 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 Senate Bill No. 3124, the Hattiesburg Tourism Commission shall consist of seven members appointed by the mayor and ratified by the city council. A special 2% sales tax shall be levied upon the gross proceeds from hotel and motel overnight room rental, exclusive of charges for food, telephone, laundry, beverages and similar charges; and provide that such tax be paid to the state tax commission.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. 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:

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

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

E. COMPENSATED ABSENCES

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

F. USE OF ESTIMATES

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

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

H. 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, 2015, the carrying amount of Hattiesburg Tourism Commission's deposits with financial institutions was \$853,179 (which includes investments in the amount of \$413,178.) and the bank balance was \$869,198. As of September 30, 2014, the carrying amount of Hattiesburg Tourism Commission's deposits with financial institutions was \$659,979 (which includes investments in the amount of \$412,914.) and the bank balance was \$676,745.

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, 2015 and 2014, none of the Commission's bank balance was exposed to custodial credit risk.

NOTE 3 – INVENTORY

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

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

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

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

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

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

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

Capital Assets consist of the following:

| | September-14 | Additions | Disposals | September-15 |
|------------------------------|-------------------------|---------------|---------------------|------------------------|
| Equipment | \$ 24,797 | \$ - | \$ (12,991) | \$ 11,806 |
| Furniture | <u>75,182</u> | <u>-</u> | <u>(9,896)</u> | <u>65,286</u> |
| | <u>99,979</u> | <u>-</u> | <u>(22,887)</u> | <u>77,092</u> |
| Accumulated Depreciation | <u>99,892</u> | <u>87</u> | <u>(22,887)</u> | <u>77,092</u> |
| Net Fixed Assets | <u><u>\$ 87</u></u> | | | <u><u>\$ -</u></u> |

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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, 2014 and 2013 were \$49,864 and \$76,411, respectively, which equaled the required contributions for each year.

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – 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, 2015, the Commission reported a liability of \$618,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the school district’s long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the commission’s proportion was 0.004317 percent.

For the year ended September 30, 2015, the Commission recognized pension expense of \$83,427. At September 30, 2015 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 | \$ 10,504 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 13,286 |
| Changes in assumptions | 38,947 | - |
| Change in proportionate share | 56,108 | - |
| Commission contributions subsequent to measurement date | 10,883 | - |
| | <u>\$ 116,442</u> | <u>\$ 13,286</u> |

\$10,883 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, 2016. 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:

| | |
|------|------------------|
| 2016 | \$ 35,487 |
| 2017 | 35,487 |
| 2018 | 24,621 |
| 2019 | (3,322) |
| 2020 | - |
| | <u>\$ 92,273</u> |

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial assumptions. The total pension liability in the June 30, 2015 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 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2015 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, 2015.

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 % | 5.20 % |
| International Equity | 19 | 5.00 |
| Emerging Markets Equity | 8 | 5.45 |
| Fixed Income | 20 | 0.25 |
| Real Assets | 10 | 4.00 |
| Private Equity | 8 | 6.15 |
| Cash | 1 | (0.50) |
| Total | 100 % | |

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 5 – 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 | \$ 815,004 | \$ 618,321 | \$ 455,111 |

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:

| HCC | | |
|------------------|-----------------------------------|------------|
| Revenues from: | Description | Amount |
| | Management contract | \$ 180,000 |
| | Reimbursements for HCC activities | \$ 16,371 |
| | | |
| Expenditures to: | | |
| | Marketing | \$ 8,966 |
| | Office Operations | \$ 7,359 |
| | Contracted Personnel | \$ 55,000 |

HATTIESBURG TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 –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 to account for these funds which are restricted by the donors for support of the museum. The activity for the AAMHMC for fiscal year is as follows:

AAMHMC:

| Revenues from: | Description | Amount |
|-------------------------|-------------|----------|
| Donations | | \$ 100 |
| Memberships | | \$ 2,700 |
| <u>Expenditures to:</u> | | |
| Sponsorships | | \$ 950 |

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 to account for these funds which are restricted by the donors for support of the Alliance. The activity for the HAPA for fiscal year is as follows:

HAPA

| Revenues from: | Description | Amount |
|-------------------------|-------------|-----------|
| Donations | | \$ 26,416 |
| <u>Expenditures to:</u> | | |
| Support and management | | \$ 26,399 |
| Donations | | \$ 12,000 |

NOTE 7 –SUBSEQUENT EVENTS

Management of the Commission has evaluated subsequent events as of February 17, 2016, which is the date the financial statements were available to be used. There are no significant subsequent events to report as of this date.

HATTIESBURG TOURISM COMMISSION

SUPPLEMENTAL INFORMATION

SCHEDULE-1A

HATTIESBURG TOURISM COMMISSION
BUDGETARY COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | <u>Final Budget</u> | <u>Actual (non-GAAP Basis)</u> | <u>Variances Positive (Negative)</u> |
|-----------------------------|---------------------|------------------------------------|--|
| REVENUES | | | |
| 2% Bed Tax | \$ 515,000 | \$ 632,797 | \$ 117,797 |
| CC Contract | 180,000 | 180,000 | |
| Interest | 500 | 1,132 | 632 |
| Logo Shop Sales | 8,000 | 6,943 | |
| Misc Income | - | 18,540 | |
| State Miss Hospitality | <u>85,000</u> | <u>102,338</u> | <u>17,338</u> |
| TOTAL REVENUES | <u>\$ 788,500</u> | <u>\$ 941,750</u> | <u>\$ 135,767</u> |
| EXPENDITURES | | | |
| Marketing | \$ 265,000 | \$ 252,356 | \$ 12,644 |
| Gift Shop Resale Items | 5,000 | 4,433 | 567 |
| Capital Expenditures | 1,000 | - | 1,000 |
| Office Operations | 53,000 | 44,138 | 8,862 |
| Compensation/Benefits | 463,710 | 405,650 | 58,060 |
| Uncategorized | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>787,710</u> | <u>706,577</u> | <u>81,133</u> |
| NET EXCESS (DEFICIT) | <u>\$ 790</u> | <u>\$ 235,174</u> | <u>\$ 216,900</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-1B

HATTIESBURG TOURISM COMMISSION
BUDGETARY COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | <u>Final Amended Budget</u> | <u>Actual (non-GAAP Basis)</u> | <u>Variances Positive (Negative)</u> |
|-----------------------------|-----------------------------|------------------------------------|--|
| REVENUES | | | |
| 2% Bed Tax | \$ 471,000 | \$ 578,932 | \$ 107,932 |
| CC Contract | 180,000 | 180,000 | |
| Program Revenue | 85,000 | 87,986 | 2,986 |
| Interest, Refunds, Misc | 1,500 | 3,383 | 1,883 |
| Logo Shop Sales | <u>10,000</u> | <u>7,901</u> | <u>(2,099)</u> |
| TOTAL REVENUES | <u>\$ 747,500</u> | <u>\$ 858,202</u> | <u>\$ 110,702</u> |
| EXPENDITURES | | | |
| Capital Expenditures | \$ 1,000 | \$ - | \$ 1,000 |
| Gift Shop Resale Items | 5,000 | 4,172 | 828 |
| Marketing | 253,213 | 217,647 | 35,566 |
| Office Operations | 52,670 | 45,004 | 7,666 |
| Uncategorized | - | 4,159 | (4,159) |
| Payroll | <u>470,145</u> | <u>431,791</u> | <u>38,354</u> |
| TOTAL EXPENDITURES | <u>782,028</u> | <u>702,773</u> | <u>79,255</u> |
| NET EXCESS (DEFICIT) | <u>\$ (34,528)</u> | <u>\$ 155,430</u> | <u>\$ 189,957</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, 2015

| <u>Board Member</u> | <u>Representation</u> | <u>Bond Amount</u> | <u>Bond Expires</u> |
|---------------------|-----------------------|--------------------|---------------------|
| Marshall Bell | At-Large | \$ 50,000 | 11/5/2015 |
| Catherine Price | USM | \$ 50,000 | 11/5/2015 |
| Bonnie Warren | At-Large | \$ 50,000 | 11/5/2015 |
| Frank James | Hotel Industry | \$ 50,000 | 10/26/2015 |
| Shelia Varnado | Economic Development | \$ 50,000 | 9/15/2016 |
| Sandra Foster | Hotel Industry | \$ 50,000 | 10/28/2015 |
| Vacant | At-Large | \$ 50,000 | N/A |

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 17, 2016

To the Board of Directors
Hattiesburg Tourism Commission

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hattiesburg Tourism Commission, as of and for the years ended September 30, 2015 and 2014, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 17, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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