



# HATTIESBURG

CONVENTION COMMISSION

# 2012

OCTOBER 2011 - SEPTEMBER 2012

## annual report

FIRST-CLASS FACILITY MANAGEMENT

# HATTIESBURG CONVENTION COMMISSION

LAKE TERRACE CONVENTION CENTER

AFRICAN AMERICAN MILITARY HISTORY MUSEUM

HATTIESBURG VISITORS CENTER

HISTORIC EUREKA SCHOOL MUSEUM

SAENGER THEATER

HATTIESBURG ZOO



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**FRANK MONTAGUE**  
LEGAL COUNSEL

For more than 20 years, the Hattiesburg Convention Commission (HCC) has been developing and managing tourism-related facilities for our area. In the 1980s, an idea was conceived for an economic development tool that would draw new money to Hattiesburg. That idea was to form a volunteer group of business and community leaders who would put their experience, business acumen, and community dedication to work for the good of all the citizens of Hattiesburg. In 1990, the City Council requested that the Legislature of the State of Mississippi create this body and empower it to realize this vision of economic importance. In 1991, the HCC was formed with a legislative mandate to develop a convention center and other tourism-related facilities that would bring new revenues to our community. Since that time, the HCC has

**FIRST-CLASS FACILITY MANAGEMENT** helped bring new dollars into our local economy by constructing, renovating and operating these facilities. The HCC has worked tirelessly to achieve the vision this community set in action two decades ago. Since the founding of the Commission, six tourism facilities have been developed to grow the impact of visitors and the long-term economic benefits for all of Hattiesburg. With this as its historical precedent, the Commission continues to look forward.

Continuing this history of growth and development, the Commission celebrated several milestones among its facilities in 2012. The African American Military History Museum hosted a preview reception of The History Channel's Vietnam in HD as well as a Korean War Event that honored all living Mississippi Korean War Veterans in partnership with the U.S. Department of Defense. Also, the Museum recorded more than 7,000 visitors throughout the year. The Hattiesburg Zoo celebrated 62 years of adventure with the unveiling of two attractions, including the "Touch Africa" Petting Zoo and a Mining Sluice sponsored by Parris Jewelers. Additionally, the Convention Commission was proud to re-open the back-side of the Zoo, an area that has been closed to the public for more than ten years. In 2012, the Saenger Theater produced over 300 event days and hosted more than 150,000 event patrons. And lastly, the Lake Terrace Convention Center hosted well over a quarter of a million guests during 1,119 event days, generating \$37 million in economic impact in Hattiesburg's local economy.







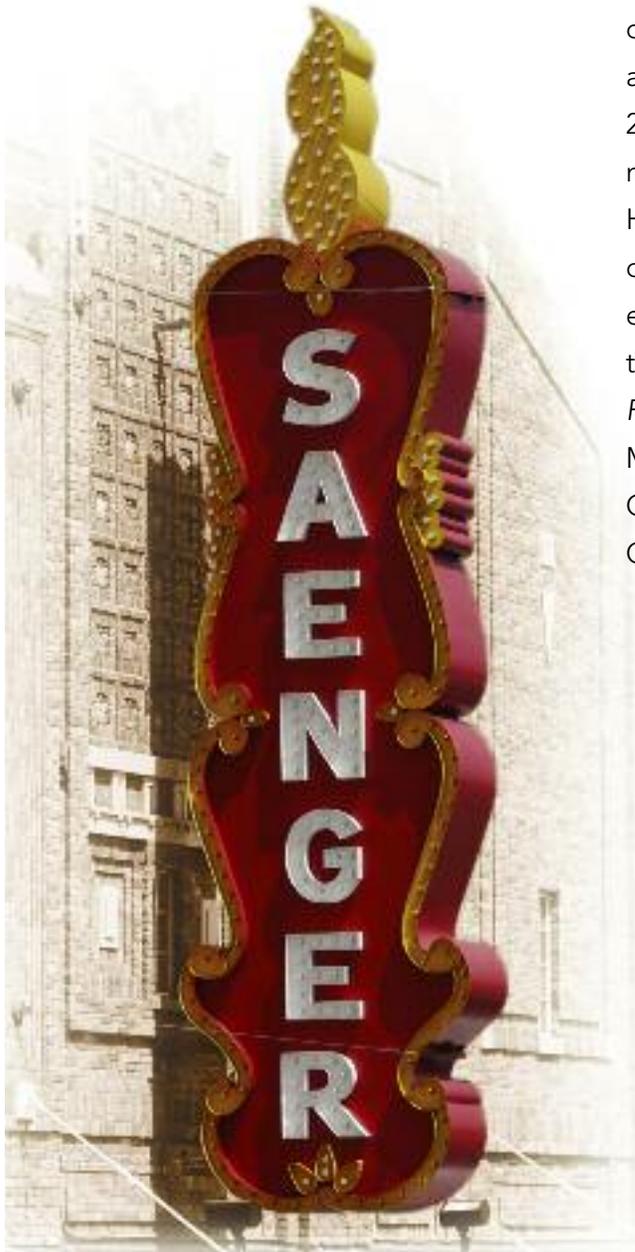
## LAKE TERRACE CONVENTION CENTER

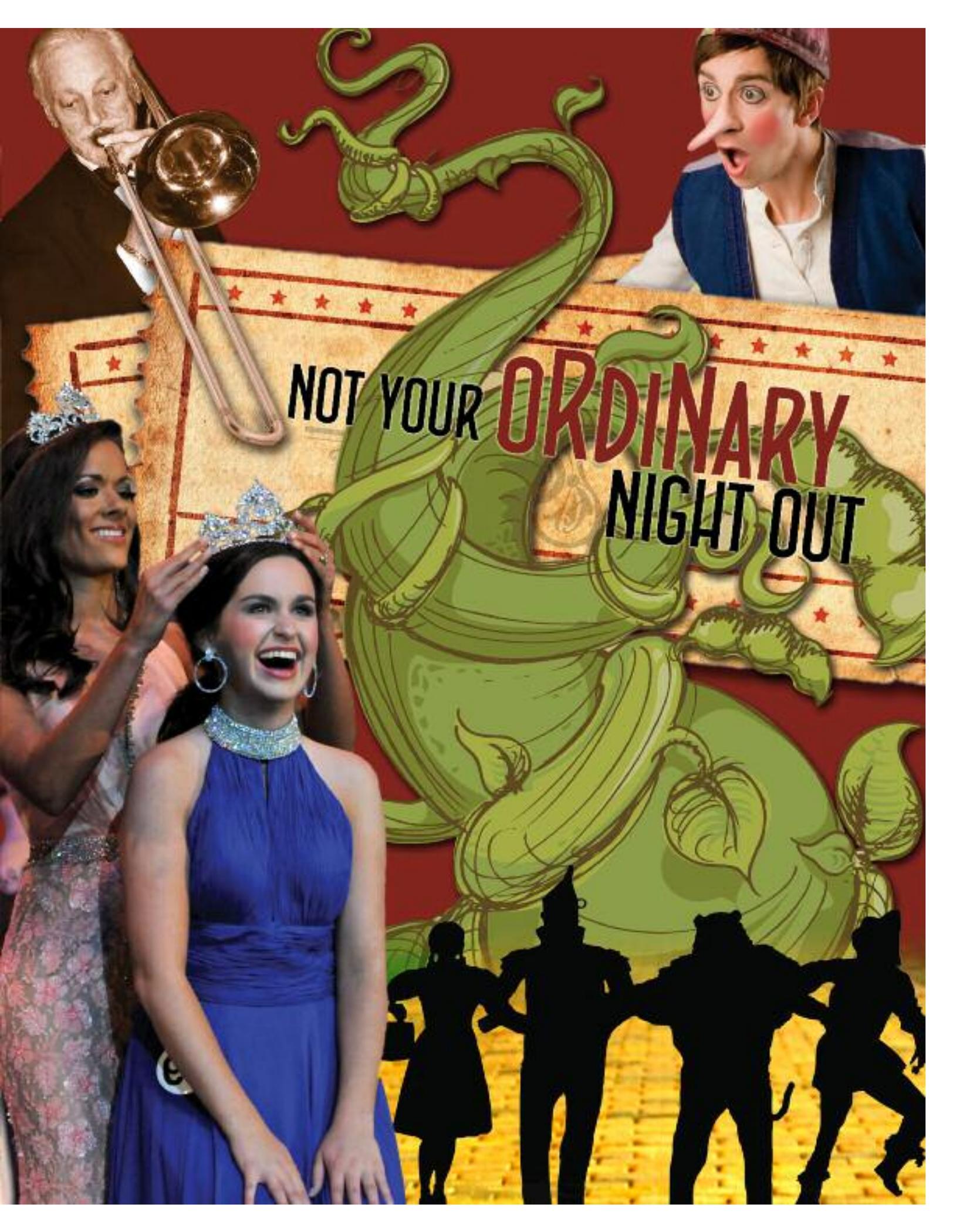
With a primary focus on the development of a convention center that would be the finest in the State of Mississippi, the Commission began the task of building something not before found in our community. Much evaluation, community input and study was conducted to ensure the investment would produce dynamic results many years into the future. Since opening in 1998, the Lake Terrace Convention Center has served as "Mississippi's Premier Meeting Facility." It has consistently topped other convention centers in the state in number of events held, as well as significantly out-performed like centers in similar markets elsewhere in the Southeastern United States. Lake Terrace has been named "Best of the Best" seven times in the Readers' Choice Awards presented by *ConventionSouth* magazine. The Lake Terrace Convention Center has served the Southeast for 14 years, hosting more than two-and-a-half million delegates during that time. Ranging from conventions to consumer shows, performances to special events, Lake Terrace has exceeded the expectations of its guests and introduced new friends to the Greater Hattiesburg Area. As a result, these visitors to Hattiesburg have spent more than 233 million new dollars in our local economy, creating a lasting effect that impacts each aspect of our community.



## SAENGER THEATER

To much fanfare, the Saenger Theater opened on Thanksgiving Day in 1929, making the downtown gem 83 years old in 2012. When first opened, it cost only six cents for admission into the Saenger Theater movie palace, where you could sit beneath a massive chandelier and listen to a 778-pipe organ play between features. The historic Saenger Theater is one of only seven Saenger Theaters built and operated by the Saenger Brothers in the Southeast. Upon completion of a \$3.75 million renovation in 2000, the Saenger once again became a celebrated fixture in the heart of historic downtown. In the fall of 2003, the HCC was approached by the City of Hattiesburg to take on management of the Historic Saenger Theater in Downtown Hattiesburg. The HCC saw the Saenger as a great opportunity to drive business into downtown and further the growth of the local economy. In the past year, the Historic Saenger Theater served more than 150,000 patrons at events such as American Family Theater's *Pinocchio*, Forrest General Hospital's Winter Wonderland, Holiday Movies, Branson on the Road, *The Wizard of Oz*, City of Hattiesburg Concert Band, Roots Reunion, FestivalSouth events, Missoula Children's Theatre and the 63rd Mississippi Miss Hospitality Pageant.





NOT YOUR **ORDINARY** NIGHT OUT



## **HATTIESBURG VISITORS CENTER**

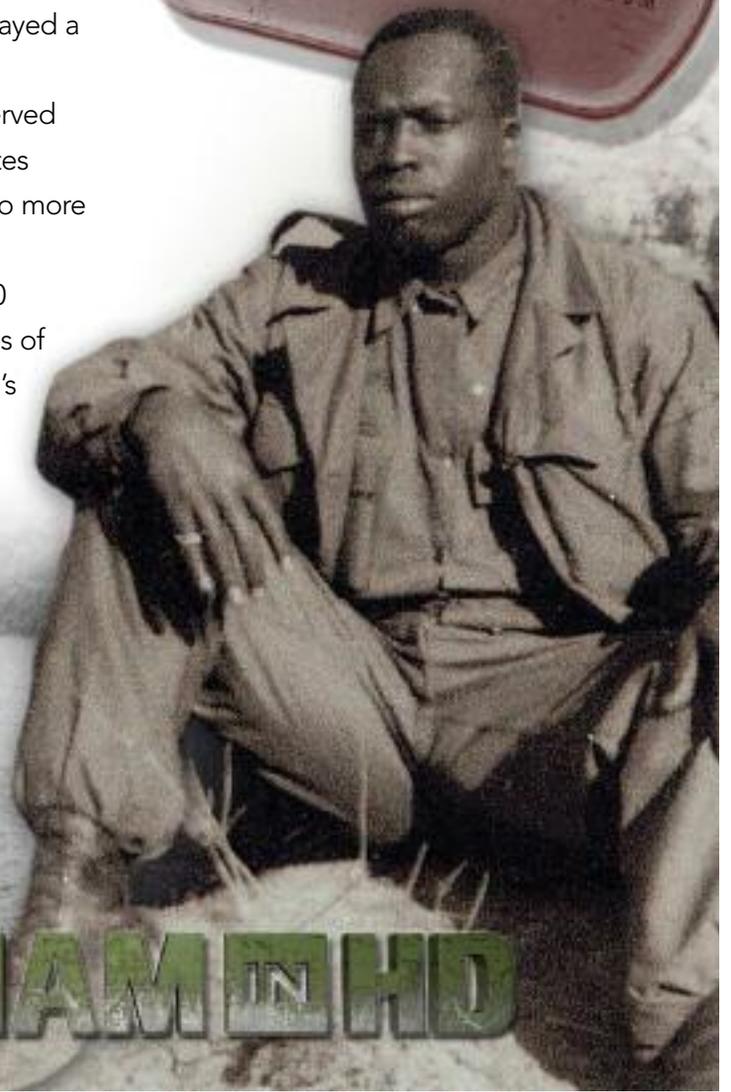
The HCC worked with the Hattiesburg Tourism Commission, the Mississippi Department of Transportation, the Mississippi Division of Tourism, the City of Hattiesburg and local supporters to develop a facility that would set the stage for each visitor's experience in Hattiesburg. In 2004, the Hattiesburg Visitors Center began welcoming visitors to Hattiesburg and has proved extremely successful at creating a positive first impression for visitors. Since opening, the Visitors Center has welcomed more than 80,000 visitors to Hattiesburg.





## AFRICAN AMERICAN MILITARY HISTORY MUSEUM

The USO Club on East Sixth Street has a monumental record of service to our African American Military heroes. Opened in 1942, the USO Club was constructed by community volunteers who invested more than 40,000 hours in the project. It is the only surviving USO built exclusively for African American soldiers and has been listed on the National Register of Historic Places since 2003. The Museum was established and is governed by a volunteer board made up of Hattiesburg veterans. In 2006, the HCC and its partners in this process, including EURO Alumni Association, African American Military History Committee, Historic Hattiesburg Downtown Association, Mobile/Bouie Neighborhood Association and the City of Hattiesburg, played a major role in the Museum's rebirth. This USO Club now chronicles the sacrifice of Hattiesburg citizens who have served our country with distinction as members of the United States military. On May 23, 2009, the Museum opened its doors to more than 700 people who arrived to commemorate the grand opening of this unique attraction. Since then, nearly 20,000 visitors have witnessed our military history through the eyes of the African American soldier by experiencing the Museum's historic artifacts and captivating displays.

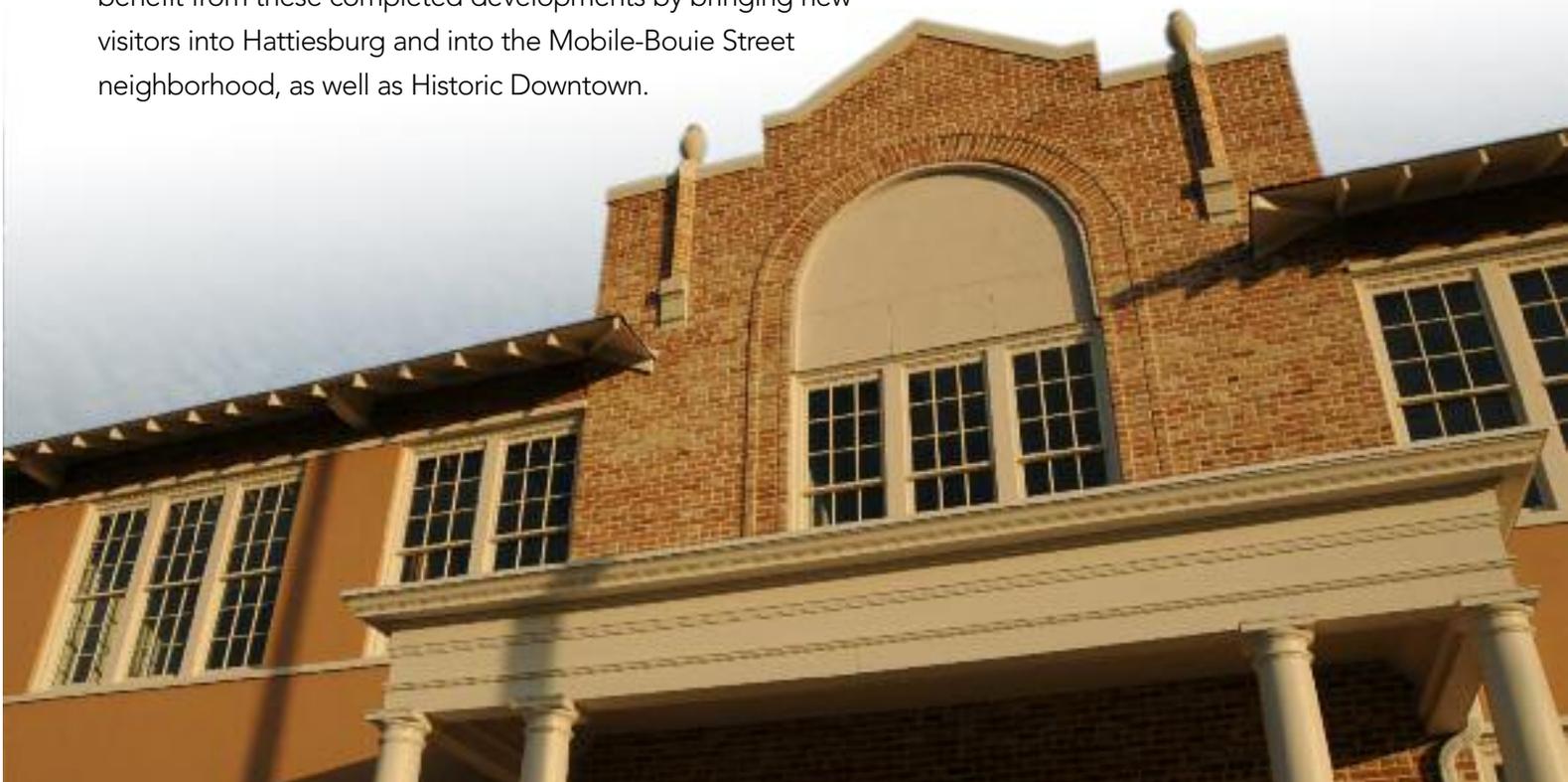


**H**  
**HISTORY**  
**VIETNAM IN HD**

A wide-angle photograph of the Historic Eureka School Museum, a two-story brick building with a central portico supported by white columns. The building has many windows with white frames. The sky is clear and blue.

## HISTORIC EUREKA SCHOOL MUSEUM

The historic Eureka School was designated as a Mississippi landmark in 2005 and serves as the core of the educational history and heritage of African Americans in Hattiesburg. This brick schoolhouse was built in 1921 for African American students and housed students in grades 1 through 12 until the high school moved to Royal Street in 1949. This 89-year-old building is home to the EURO Alumni Association. When complete, the building, which saw restoration begin in early 2008, will become an African American Heritage and Cultural Museum and Interpretive Center for the Civil Rights Movement in Hattiesburg. Early work has restored the building's front portico and windows to their original 1920s look, as well as completed the installation of a parking lot and landscaping on the grounds. Preservation of this historic structure and its conversion into a museum, which will chronicle the struggles and contribution of Hattiesburg's African American citizens, lays a course of growth for the future. The rise in cultural tourism will benefit from these completed developments by bringing new visitors into Hattiesburg and into the Mobile-Bouie Street neighborhood, as well as Historic Downtown.

A close-up, low-angle photograph of the Historic Eureka School Museum. The image focuses on the brick facade, a large arched window, and the white columns of the portico. The sky is a pale blue.



## HATTIESBURG ZOO

In 1902, John Kamper deeded 40 acres of land to the United Daughters of the Confederacy (UDC) to be improved upon and used as a public park, known as Kamper Park. The Hattiesburg Zoo, set inside this 40-acre park, opened with only a few exhibits on Easter Sunday in 1950. The Hattiesburg Zoo continues to develop and grow under the management of the Hattiesburg Convention Commission, a relationship that began in late 2009. This year, the Zoo celebrated 62 years of animal adventure by unveiling the "Touch Africa" Petting Zoo and the Parris Jewelers Mining Sluice during the annual Birthday Bash. In addition, the Zoo opened an entire section that had been closed to visitors for more than ten years. Its continued advancement as a tourism destination earned the Hattiesburg Zoo the coveted Tourism Achievement Award presented by the Mississippi Tourism Association at the 2012 Governor's Conference on Tourism. Given annually, this award recognizes a tourism entity that does an outstanding job at growing an attraction to continually increase visitation.





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**HATTIESBURG CONVENTION COMMISSION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended September 30, 2012**

# HATTIESBURG CONVENTION COMMISSION

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# *Management's Discussion and Analysis*

A general rise in consumer confidence, along with a loosening of corporate and government meeting constraints, over the past fiscal year has positively impacted the Hattiesburg Convention Commission. Improvements in event sales and other operational revenue at most Commission facilities reflected a more optimistic outlook by our guests and clients. Trends point to slow economic improvement, so conservative planning remains appropriate for the upcoming fiscal year.

At the Hattiesburg Convention Commission's flagship facility, the Lake Terrace Convention Center, we have seen convention-related room rental revenue increase by 27% with food and beverage spending increasing by 12% over the prior fiscal year. This continues the slow upward trend we began to see at the end of last fiscal year with increased spending on meeting space and a gradual increase in F&B spending.

Industry tradeshow and meetings have not been replaced or meaningfully diminished by electronic communications and internet meetings resulting in continued demand for large exhibit spaces at the Lake Terrace Convention Center. Small corporate gatherings such as sales or technical team meetings have embraced this technology over the recessionary period, but these meetings were never the domain of a public assembly facility. The ability to interact with larger training programs and equipment expositions continues to rely on convention, hotel, conference or other assembly facilities.

Convention Commission-operated facilities, like the African American Military History Museum, the Hattiesburg Zoo and the Saenger Theater, saw regional sales or visitation continue at a good pace. This continues the trend we have seen over the past few years of Pine Belt residents seeking entertainment options closer to home. Saenger Theater attendance was up 6% over the prior fiscal year and Zoo revenue was up 35% for the same period. The Zoo revenue increase was driven largely this year, by a focus on corporate picnics and non-traditional events such as A Family Affair, our Valentine's Day Celebration, the Zoo's Annual Birthday Bash and other special or after-hours events.

## **FACILITY HIGHLIGHTS**

The Lake Terrace Convention Center hosted over a quarter of a million guests during 1,119 event days during the 2012 Fiscal Year. Our fall and spring convention seasons were robust in both attendance and event volume. Event spending remains cautious, though some meeting planners have begun to spend more on food-related functions. Total delegate spending in Hattiesburg rose from below \$30 million in 2011 to \$37 million in 2012.

The Convention Center's reputation for quality and excellent customer service was recognized for the seventh time by readers of *ConventionSouth Magazine* with the Center's receipt of the magazine's "Best of the Best" Readers Choice Award. This award is nominated and selected by event planners from throughout the Southern United States. This dedication to exceptional service by the individual staff members of the Convention Commission helps to draw new and repeat customers back to Commission facilities.

The Saenger Theater produced 300 event days which allowed us to host over 150,000 patrons. This was an attendance increase of 6% over the prior year. Growing the volume of patrons is first in our mission to use the historic Saenger Theater as a catalyst for private sector growth in downtown Hattiesburg. We are encouraged by the public's desire to enjoy this architectural gem of our community.

The African American Military History Museum at the Historic USO Club continues to draw visitors, including around 7,000 during the 2012 Fiscal Year. School groups and cultural or historical tours make up the primary market for the museum. In addition, we are visited regularly by historians and other research oriented scholars. Along with daily operations, we are pursuing National Landmark Status for this unique building. The application process is roughly midway and we hope to hear positive results in the future.

Work on the Eureka School Museum project continues with development of Phase III, which will be renovation of the cafeteria and downstairs east restrooms. Completion should be in time to host portions of the annual EURO Reunion in late June of 2013. In 2012, the Mississippi Department of Archives and History awarded the project a grant in the amount of \$210,000 for Phase III of the project. Full architectural renovation drawings are complete and the Commission is working to keep each subsequent phase of the project following on the heels of its predecessor.

The Hattiesburg Zoo saw numerous developments in Fiscal Year Ending 2012. In April, Touch Africa (a petting zoo) was opened along with the Parris Jewelers Mining Sluice. These new attractions create more reasons for guests to stay longer at the Zoo and return more frequently. Along with these attractions, the Commission was proud to open the walking loop around the Zoo which eliminated the need to backtrack while seeing all animal exhibits.

Long-term development of the Zoo remains a key focus with the ongoing construction of a Quarantine Facility, new Tiger Holding Facility, new Zoo School (Education) Building, and several new exhibits or exhibit expansions.

## **FINANCIAL HIGHLIGHTS**

Management of the Hattiesburg Convention Commission (including the Hattiesburg Lake Terrace Convention Center, Historic Saenger Theater, Hattiesburg Visitors Center, African American Military History Museum at the Historic USO Club, the Historic Eureka School Museum project and the Hattiesburg Zoo) offers this narrative overview and analysis of the financial and operational activities of the Commission for the Fiscal Year Ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with the Commission's financial statements, which follow.

The primary funding mechanism of the Commission is a special 2% sales tax collected by restaurants and alcoholic beverage package retailers. This 'convention promotion tax', as identified by the Legislature of the State of Mississippi, was authorized and enabled by Senate Bill 3367.

During Fiscal Year Ending 2012, the special sales tax showed a 5% increase over the prior year. Convention business continued to show slow, gradual improvement in 2012. This includes number of events, food and beverage spending, and volume of delegates. This more optimistic outlook translated into a 27% increase in room rental income and a 12% increase in food and beverage revenue over the prior year

Operational expenditures of the Commission fall into the following categories: debt service; facility operations; repairs, refurbishment, and capital assets; administrative fees and marketing; and staffing. These five categories paint a broad picture of cost areas for public assembly facilities. For the Convention Commission, the categories reflect the operational categories of six facilities including, the Convention Center, the Historic Saenger Theater, the Visitors Center, the African American Military History Museum at the Historic USO Club, the Historic Eureka School project and the Hattiesburg Zoo. Within the aforementioned facilities, general operational expense rose in some areas as a corollary to the increased room rentals, food and beverage sales, and zoo and museum construction and development.

Debt service costs during Fiscal Year 2012 resulted in payments of \$820,719. This debt service includes payments for the renovations to the Historic Saenger Theater, as well as the Convention Center bonds.

Facility operations expenditures cover a wide range of components for all Convention Commission facilities. These components include utilities, uniforms, cleaning supplies, pest control, food products, landscaping services, safety equipment, fuels, animal feed, veterinary bills and other zoo operational items.

Repairs, refurbishment and capital asset expenditures include services and products required to maintain the six facilities in such a manner that attracts a large number of clients, visitors and guests. Such services and products can include surface repair and replacement, painting, commercial carpet cleaning services, parking lot repair, lighting systems, mechanical equipment replacement and the acquisition of specific equipment that helps us do our jobs better.

Administrative fees and marketing expenditures include organizational activities required by law such as annual auditing services, building insurance coverage and liability insurance coverage, surety bonds, management fees, as well as an annual allocation for marketing of the Convention Center, Saenger Theater, African-American Military History Museum, and the Hattiesburg Zoo.

Staffing costs reflect the compensation and benefits necessary to ensure that a professional staff is available at all hours to effectively operate the facilities and create the demand for repeat business. The quality of maintenance and preservation of each, along with the capacity to service the high volume of events at these facilities each year, is a testament to the exceptional staff of the Commission. Professionalism and commitment to excellence are reflected in the people who work days, nights, weekends and holidays to make the Commission facilities a success for Hattiesburg.

### BUDGETARY HIGHLIGHTS

Fiscal Year 2012 income reflected a favorable variance of \$997,478 (17%) above budget projections. Expenditures also reflected a favorable variance and were under budget projections by \$285,485 (4%). Fiscal Year 2012 culminated with a positive budgetary variance of \$1,282,963.

**TABLE 1  
ASSETS**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current and other assets	\$ 4,848,272	\$ 4,028,783
Capital assets:		
Land	1,315,877	1,315,877
Buildings and improvements, net	13,721,233	14,166,375
Furniture and fixtures, net	60,664	62,722
Equipment and vehicles, net	337,939	456,216
Assets acquired under lease	29,912	-
Construction in progress	1,328,773	915,914
<b>Total</b>	<b>\$ 21,642,670</b>	<b>\$ 20,945,887</b>

### CAPITAL ASSETS

On September 30, 2012, the Commission had assets totaling \$21,642,670. Capital assets acquired during 2012 totaled \$478,193 and primarily consisted of the construction development at the Hattiesburg Zoo and construction development at the Historic Eureka School.

**DEBT AND NET ASSETS**

**TABLE 2  
LIABILITIES AND NET POSITION**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>LIABILITIES</b>		
Long-term liabilities, outstanding:		
Due within one year	\$ 11,579	\$ 680,000
Payable after one year	18,333	-
Other liabilities	287,541	215,029
<b>Total Liabilities</b>	<b>\$ 317,453</b>	<b>\$ 895,029</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	\$ 16,764,486	\$ 16,237,104
Restricted for:		
Historic Eureka School Museum Renovation / Development	430,902	665,504
Capital Projects - Zoo	-	354,082
Unrestricted	4,129,829	2,794,168
<b>Total net position</b>	<b>\$ 21,325,217</b>	<b>\$ 20,050,858</b>

The Commission has two major areas of debt: revenue bonds on the Convention Center and Saenger Theater notes. In Fiscal Year 2012, the Commission made a principal reduction of \$680,000 on its revenue bond debt. Payments totaling \$107,844 were made to the City of Hattiesburg for the Saenger Theater.

(See Table on Next Page)

**TABLE 3  
CHANGES IN NET POSITION**

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Program Revenues:		
Room rental - events	\$ 352,495	\$ 276,616
Ticket revenue	33,937	18,215
Food and beverage revenue	898,315	798,944
Saenger Theater revenue	114,914	108,269
Operating grant revenue	-	508,000
Zoo earned revenues and subsidies	1,130,169	1,239,052
Other miscellaneous revenue	87,008	57,098
Total program revenues	<u>2,616,838</u>	<u>3,006,194</u>
General Revenues:		
Sales tax revenue	4,479,089	4,254,485
Transfer from City of Hattiesburg – Zoo Improvement	149,217	176,547
Interest earned on investments	1,972	2,914
Total general revenues	<u>4,630,278</u>	<u>4,433,946</u>
<b>Total revenues</b>	<u>7,247,116</u>	<u>7,440,140</u>
<b>PROGRAM EXPENSES</b>		
Salaries, wages, and benefits	2,611,051	2,540,477
Food and beverage costs	560,758	493,639
Saenger Theater costs	195,982	165,458
Utilities	449,996	450,707
Other operating expenses	1,408,833	1,113,767
Transfer to City of Hattiesburg - Saenger Bonds	107,844	103,932
Transfer to City of Hattiesburg – Zoo Capital Improvements	15,122	285,171
Depreciation and amortization	606,787	592,962
Loss on disposal on assets	15	49,004
Interest	16,369	44,466
<b>Total program expenses</b>	<u>5,972,757</u>	<u>5,839,583</u>
<b>INCREASE IN NET POSITION</b>	<u>1,274,359</u>	<u>1,600,557</u>
<b>Net position - beginning of year</b>	20,050,858	18,388,211
Prior period adjustment	-	62,090
<b>Net position, beginning of year as restated</b>	<u>20,050,858</u>	<u>18,450,301</u>
<b>Net position, end of year</b>	<u>\$ 21,325,217</u>	<u>\$ 20,050,858</u>

## **FISCAL YEAR 2013 BUDGET**

The FYE 2013 Budget projects no increase in sales tax revenue over the previous year. We have taken this conservative step despite some positive signs, due to the vagaries of the weak national economy. We are projecting room rental and admission revenues to also remain at the 2012 level with no budgeted change. However, based on the 2011 fiscal year's performance, we are increasing projected food and beverage revenue by 2%.

We project Facility Operation costs in 2013 to remain the same as the 2012 Fiscal Year, with Repair expense projected to decrease by 7%. We project Marketing costs to also remain at 2012 levels. And, we are projecting an increase of 10% in staffing costs as we address increased Worker's Compensation costs (which are driven by event volume and sales). In addition, we will begin to bring museum professional staff on to help design the Eureka School Museum in FYE 2013, and will seek to provide small cost-of-living increases for staff members who may not have received increases in the last year or so.

## **SUMMARY**

The Hattiesburg Convention Commission and its management will continue to place economic development and community growth first in its work with the Lake Terrace Convention Center, the Historic Saenger Theater, the Hattiesburg Visitors Center, the African-American Military History Museum at the Historic USO Club, the Historic Eureka School and the Hattiesburg Zoo. Continued successful operation of tourism-related facilities offers the Greater Hattiesburg area the economic benefits of Mississippi's sixth largest industry (tourism) along with increased recognition as a strong visionary community.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Hattiesburg Convention Commission  
Hattiesburg, Mississippi 39401

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hattiesburg Convention Commission, component unit of the City of Hattiesburg, as of and for the year ended September 30, 2012, which collectively comprise the Hattiesburg Convention Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hattiesburg Convention Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

To the Board of Commissioners  
Hattiesburg Convention Commission

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2013, on our consideration of the Hattiesburg Convention 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hattiesburg Convention Commission's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hattiesburg, Mississippi  
March 6, 2013

EXHIBIT A

**HATTIESBURG CONVENTION COMMISSION**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2012**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments with fiscal agent	\$ 4,233,513
Special sales tax receivable	362,438
Accounts receivable	170,243
Other receivable	24,465
Due from other governments	12,994
Inventory – food and beverage	44,619
Capital assets:	
Land	1,315,877
Buildings, parking lot, etc., net	13,721,233
Furniture and fixtures, net	60,664
Equipment and vehicles, net	337,939
Assets acquired under capital lease, net	29,912
Construction in progress	1,328,773
	<hr/>
<b>Total assets</b>	21,642,670
<b>LIABILITIES</b>	
Accounts payable	210,541
Other payables	10,427
Events deposits liability	47,627
Other taxes payable	18,946
Long-term liabilities:	
Portion due or payable within one year:	
Capital leases	11,579
Portion due or payable after one year:	
Capital leases	18,333
	<hr/>
<b>Total liabilities</b>	317,453
<b>NET POSITION</b>	
Net investment in capital assets	16,764,486
Restricted for:	
Capital projects	430,902
Unrestricted	4,129,829
	<hr/>
<b>Total net position</b>	<u>\$ 21,325,217</u>

See the accompanying notes to the financial statements.

EXHIBIT B

**HATTIESBURG CONVENTION COMMISSION**

**STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2012**

	<b>Governmental Activities</b>
<b>PROGRAM EXPENSES:</b>	
Salaries, wages, and benefits	\$ 2,611,051
Food and beverage costs	560,758
Saenger Theater costs	195,982
Utilities	449,996
Other operating expenses	1,408,833
Transfer to City of Hattiesburg – Saenger Bonds	107,844
Transfer to City of Hattiesburg – Zoo Capital Improvements	15,122
Depreciation and amortization	606,787
Loss on disposal of assets	15
Interest	16,369
Total program expenses	<u>5,972,757</u>
<b>PROGRAM REVENUES:</b>	
Room rental – events revenue	352,495
Ticket revenue	33,937
Food and beverage revenue	898,315
Saenger Theater revenue	114,914
Zoo earned revenues and subsidies	1,130,169
Other miscellaneous revenue	87,008
Total program revenues	<u>2,616,838</u>
<b>Net program expense</b>	<u>(3,355,919)</u>
<b>GENERAL REVENUES:</b>	
Sales tax revenue	4,479,089
Receipts from City of Hattiesburg – Zoo Improvement	149,217
Interest earned on investments	1,972
Total general revenues	<u>4,630,278</u>
Change in net position	1,274,359
<b>NET POSITION:</b>	
<b>Net Position - beginning</b>	<u>20,050,858</u>
<b>Net Assets - ending</b>	<u>\$ 21,325,217</u>

See the accompanying notes to the financial statements.

EXHIBIT C

**HATTIESBURG CONVENTION COMMISSION**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments with fiscal agent	\$ 3,781,932	\$ 451,581	\$ 4,233,513
Special sales tax receivable	362,438	-	362,438
Accounts receivable	170,243	-	170,243
Other receivable	24,465	-	24,465
Due from other governments	-	12,994	12,994
Inventory – food and beverage	44,619	-	44,619
	<u>44,619</u>	<u>-</u>	<u>44,619</u>
<b>Total assets</b>	<b><u>\$ 4,383,697</u></b>	<b><u>\$ 464,575</u></b>	<b><u>\$ 4,848,272</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 176,868	\$ 33,673	\$ 210,541
Events deposits liability	47,627	-	47,627
Other taxes payable	18,946	-	18,946
Other payables	10,427	-	10,427
	<u>10,427</u>	<u>-</u>	<u>10,427</u>
<b>Total liabilities</b>	<b><u>253,868</u></b>	<b><u>33,673</u></b>	<b><u>287,541</u></b>
<b>FUND BALANCE</b>			
Nonspendable	44,619	-	44,619
Restricted	4,085,210	430,902	4,516,112
	<u>4,085,210</u>	<u>430,902</u>	<u>4,516,112</u>
<b>Total fund balance</b>	<b><u>4,129,829</u></b>	<b><u>430,902</u></b>	<b><u>4,560,731</u></b>
	<u>4,129,829</u>	<u>430,902</u>	<u>4,560,731</u>
<b>Total liabilities and fund balance</b>	<b><u>\$ 4,383,697</u></b>	<b><u>\$ 464,575</u></b>	<b><u>\$ 4,848,272</u></b>

See the accompanying notes to the financial statements.

EXHIBIT C-1

**HATTIESBURG CONVENTION COMMISSION**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

Total fund balances for governmental funds (Exhibit C) \$ 4,560,731

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,471,939. 16,794,398

Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term – are reported in the statement of net assets. (29,912)

***Total net assets of governmental activities (Exhibit A)*** \$ 21,325,217

EXHIBIT D

**HATTIESBURG CONVENTION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Sales tax revenue	\$ 4,479,089	\$ -	\$ 4,479,089
Interest earned on investments	1,074	898	1,972
Room rental-events revenue	352,495	-	352,495
Ticket revenue	33,937	-	33,937
Food and beverage revenue	898,315	-	898,315
Saenger Theater revenue	114,914	-	114,914
Zoo revenue (earned income & subsidies)	1,130,169	-	1,130,169
Transfer from City of Hattiesburg – Zoo projects	-	149,217	149,217
Other miscellaneous revenue	82,208	4,800	87,008
Total revenues	<u>7,092,201</u>	<u>154,915</u>	<u>7,247,116</u>
<b>EXPENDITURES</b>			
Staffing costs	2,611,051	-	2,611,051
Legal fees	21,596	-	21,596
Advertising and public relations	123,255	-	123,255
Miscellaneous operating costs and supplies	438,181	-	438,181
Food and beverage expenses	560,758	-	560,758
Saenger Theater expenses	195,982	-	195,982
Audit and accounting fees	18,450	-	18,450
Dues and subscriptions	8,036	-	8,036
Insurance costs	121,396	-	121,396
Repairs, maintenance and landscaping	350,397	-	350,397
Utilities	449,996	-	449,996
Office supplies and expense	246,074	-	246,074
Transfer to City of Hattiesburg – Saenger Bonds	107,844	-	107,844

See the accompanying notes to the financial statements.

EXHIBIT D  
PAGE TWO

**HATTIESBURG CONVENTION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><i>EXPENDITURES (Cont.)</i></b>			
Capital outlay	\$ 34,737	\$ 540,026	\$ 574,763
Debt service – principal	4,825	680,000	684,825
Debt service – interest and fees	-	28,050	28,050
Total expenditures	<u>5,292,578</u>	<u>1,248,076</u>	<u>6,540,654</u>
 <b><i>Excess (deficiency) of revenues over expenditures</i></b>	 1,799,623	 (1,093,161)	 706,462
 <b><i>OTHER FINANCING SOURCES (USES)</i></b>			
Transfers in	-	503,977	503,977
Transfers out	(503,977)	-	(503,977)
Proceeds from capital leases	34,737	-	34,737
Proceeds from sale of asset	-	500	500
Total other financing sources (uses)	<u>(469,240)</u>	<u>504,477</u>	<u>35,237</u>
 <b><i>Net change in fund balances</i></b>	 <u>1,330,383</u>	 <u>(588,684)</u>	 <u>741,699</u>
 <b><i>FUND BALANCE</i></b>			
<b><i>Beginning of year</i></b>	<u>2,799,446</u>	<u>1,019,586</u>	<u>3,819,032</u>
<b><i>Beginning of year, as restated</i></b>	<u>2,799,446</u>	<u>1,019,586</u>	<u>3,819,032</u>
 <b><i>End of year</i></b>	 <u><u>\$ 4,129,829</u></u>	 <u><u>\$ 430,902</u></u>	 <u><u>\$ 4,560,731</u></u>

See the accompanying notes to the financial statements.

EXHIBIT D-1

**HATTIESBURG CONVENTION COMMISSION**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances – total governmental funds \$ 741,699  
(Exhibit D)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$478,193 and the depreciation expense amounted to \$600,384. (122,191)

Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities. 684,825

Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due. 11,681

Bond issuance costs are an expenditure in governmental funds and are recognized when paid, but is allocated over the bond period in the Statement of Activities. (6,403)

The net affect of transactions involving capital assets (i.e. transfers, sales and trades) is to decrease net assets. (515)

See the accompanying notes to the financial statements.

EXHIBIT D-1  
PAGE TWO

**HATTIESBURG CONVENTION COMMISSION**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2012**

Proceeds from capital leases are reported in the governmental funds. However, in the statement of net assets a long-term liability is recorded. Repayments of long-term debt are reported as expenses in the governmental funds but are recorded against the liability in the statement of net assets. This amount combines the net changes for capital leases.

\$ (34,737)

***Change in net assets of governmental activities  
(Exhibit B)***

\$ 1,274,359

***NOTES TO FINANCIAL STATEMENTS***

## HATTIESBURG CONVENTION COMMISSION

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2012

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Hattiesburg Convention Commission (Commission) was established under House Bill No. 472, Local and Private Law of the State of Mississippi. The Commission is primarily funded by a 2% sales tax on local food, beverage and alcoholic beverage package retailer permits. The sales tax is collected by the City of Hattiesburg and is remitted to the Commission monthly.

The Commission is composed of seven members who are appointed by the Council of the City of Hattiesburg. The purpose of the Commission is to promote conventions and tourism primarily with the Hattiesburg Tourism Commission. The Commission has authority over all matters relating to the establishment, development, construction, furnishing and equipping of convention and tourism related facilities.

The Commission is presented as a component unit of the City of Hattiesburg.

**Government-Wide Accounting** - The Commission implemented the reporting model required by GASB 34 for financial reporting purposes. The following paragraphs describe the model used to prepare the financial statements.

The Statement of Net Assets and the Statement of Activities display information about the Commission as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include primarily fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Accounting** - The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

## HATTIESBURG CONVENTION COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### PAGE TWO

YEAR ENDED SEPTEMBER 30, 2012

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

##### **GOVERNMENTAL FUNDS**

The Commission reports the following major governmental fund:

**General Fund** - The General Fund is presented as the primary operating fund of the Commission. It is comprised of three funds internally maintained, the Operations and Maintenance (O & M) Fund, the Revenue Fund, and the Investment in Lease Fund. It is used to account for all financial resources for which a separate fund has not been established.

**Recently Issued Accounting Standards** - GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Commission's financial statements have changed as a result of implementing this Statement.

##### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

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

**Governmental Fund Financial Statements** - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers all revenues reported in the governmental funds to be available if the revenues are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and compensated absences, which are recognized as expenditures to the extent they have matured. 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.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## HATTIESBURG CONVENTION COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### PAGE THREE

YEAR ENDED SEPTEMBER 30, 2012

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Cash and Cash Equivalents** - The Commission deposits excess funds in the financial institutions selected by the Commissioners. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

**Inventory** - Inventory consists of purchased food and supplies and is valued at cost using the first-in/first-out (FIFO) method.

**Capital Assets** - 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.

Capitalization 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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications if applicable.

**Long-Term Liabilities** - Long-term liabilities are the unmatured principal of bonds, warrants, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets.

**Compensated Absences** - The Commission has adopted a policy of compensation for accumulated employee benefits. However, the commission has elected not to record the amount of the liability in the governmental funds but instead to recognize these costs when actually paid.

## HATTIESBURG CONVENTION COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### PAGE FOUR

YEAR ENDED SEPTEMBER 30, 2012

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Interfund Transactions and Balances** - Interfund transactions and balances are the result of timing differences between the date expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as “due from other funds” and are considered available expendable resources.

Transfers are used to (a) move revenues to the fund that statute or budget requires to collect to the funds or the fund that statute or budget requires to expend them and (b) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between the funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details on interfund transactions, including receivables and payables at year-end.

#### **Equity Classifications:**

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use with or by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

## HATTIESBURG CONVENTION COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### PAGE FIVE

YEAR ENDED SEPTEMBER 30, 2012

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

##### Fund Financial Statements:

During fiscal year ended 2011, the Commission implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories in order to more accurately report nature and extent of the constraints placed on a government's fund balances. The following classifications are used by the Commission and describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form, such as inventories and prepaid items, or legally or contractually required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

#### **NOTE 2 - CASH AND CASH EQUIVALENTS, CASH WITH FISCAL AGENTS, AND INVESTMENTS**

**Cash and Cash Equivalents** - The collateral for public entities' deposits in financial institutions is now 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 Commission'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 (FDIC).

The carrying amount of the government's deposits with financial institutions was \$4,017,207 and the bank balance was \$4,061,521. The Commission has a repurchase agreement with a carrying balance of \$211,506 that is 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 a financial institutions failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. As of September 30, 2012, the Commission's bank balance was not exposed to custodial credit risk.

**Cash With Fiscal Agents** - The carrying amount of the government's cash with fiscal agents held by financial institutions was \$-0- and \$7 as of September 30, 2012 and 2011.

**HATTIESBURG CONVENTION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
PAGE SIX  
YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 2 - CASH AND CASH EQUIVALENTS, CASH WITH FISCAL AGENTS, AND INVESTMENTS (Cont.)**

**Investments** - As of September 30, 2012, the Commission had the following investments:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's Rating</u>
Repurchase agreement	less than 1	<u>\$ 211,506</u>	<u>\$ 211,506</u>	-
<b>Total investments</b>		<u><u>\$ 211,506</u></u>	<u><u>\$ 211,506</u></u>	

**Interest Rate Risk** - The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The Commission does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Custodial Credit Risk - Investments** - Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the Commission would not be able to recover the value of its investments. The Commission does not have a formal investment policy that addresses custodial risk. As of September 30, 2012, the Commission's investment balance was not exposed to custodial credit risk.

**HATTIESBURG CONVENTION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE SEVEN**

**YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 2 - CASH AND CASH EQUIVALENTS, CASH WITH FISCAL AGENTS, AND INVESTMENTS  
(Cont.)**

**Concentration of Credit Risk** - Disclosures of investments by amount and issuer that represents (5%) or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2012, the Commission had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Repurchase agreement	\$ 211,506	100%
	<u>\$ 211,506</u>	

**NOTE 3 - INTERFUND TRANSFERS**

The following is a summary of interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 503,977
Nonmajor governmental funds	503,977	-
<b>Total transfers in/out</b>	<u>\$ 503,977</u>	<u>\$ 503,977</u>

Transfers out from the General Fund were for debt service obligations and ongoing capital projects.

**HATTIESBURG CONVENTION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE EIGHT**

**YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,315,877	\$ -	\$ -	\$ -	\$ 1,315,877
Construction in progress - Eureka	737,389	235,239	-	-	972,628
Construction in progress - Zoo projects	178,525	177,620	-	-	356,145
Total capital assets not being depreciated	<u>2,231,791</u>	<u>412,859</u>	<u>-</u>	<u>-</u>	<u>2,644,650</u>
Capital assets being depreciated:					
Buildings, parking lot, etc.	19,528,656	-	-	-	19,528,656
Furniture and fixtures	474,945	-	-	-	474,945
Equipment and vehicles	1,557,902	30,597	5,150	-	1,583,349
Assets acquired under capital lease	-	34,737	-	-	34,737
Total capital assets being depreciated	<u>21,561,503</u>	<u>65,334</u>	<u>5,150</u>	<u>-</u>	<u>21,621,687</u>
Less accumulated depreciation for:					
Buildings, parking lot, etc.	5,362,281	445,142	-	-	5,807,423
Furniture and fixtures	407,149	7,132	-	-	414,281
Equipment and vehicles	1,106,760	143,285	4,635	-	1,245,410
Assets acquired under capital lease	-	4,825	-	-	4,825
Total accumulated depreciated	<u>6,876,190</u>	<u>600,384</u>	<u>4,635</u>	<u>-</u>	<u>7,471,939</u>
Total capital assets being depreciated, net	<u>14,685,313</u>	<u>(535,050)</u>	<u>515</u>	<u>-</u>	<u>14,149,748</u>
Governmental activity capital assets, net	<u>\$ 16,917,104</u>	<u>\$ (122,191)</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ 16,794,398</u>

Depreciation Expense is charged as a Convention Commission program function in the amount of \$600,384.

**HATTIESBURG CONVENTION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE NINE**

**YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 5 - LONG-TERM OBLIGATIONS**

**Changes in Long-Term Obligations** - During the year ended September 30, 2012, the following changes occurred in long-term obligations.

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2012</u>
General obligation bond payable - 2003	\$ 680,000	\$ -	\$ 680,000	\$ -
Capital leases	<u>-</u>	<u>34,737</u>	<u>4,825</u>	<u>29,912</u>
<b>Total amounts</b>	<b><u>\$ 680,000</u></b>	<b><u>\$ 34,737</u></b>	<b><u>\$ 684,825</u></b>	<b><u>\$ 29,912</u></b>

A. General Obligation Bonds Payable

On October 7, 1996, the Hattiesburg Convention Commission adopted a resolution acknowledging and approving a general bond resolution of the City of Hattiesburg, Mississippi dated September 17, 1996 setting forth the terms and provisions for the issuance of convention revenue bonds of the City, Series 1996, in the principal amount of \$6,500,000. The interest rate was 5.75%. On November 21, 2002, the Convention Commission adopted a resolution requesting the City of Hattiesburg, Mississippi to issue revenue refunding bonds for the purpose of refunding and prepaying the Series 1996 bonds. The bonds were issued on May 1, 2003 in the amount of \$4,980,000 and matured on May 1, 2012. The entity paid off the bonds during the year ended September 30, 2012.

B. Capital Lease Commitments

At September 30, 2012 assets recorded under capital leases are as follows (amounts expressed in thousands):

	<u>Principal</u>	<u>Interest</u>
Vehicles	\$ 34,737	\$ -
Accumulated Depreciation	<u>(4,825)</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 29,912</u></b>	<b><u>\$ -</u></b>

**HATTIESBURG CONVENTION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TEN**

**YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 5 - LONG-TERM OBLIGATIONS (Cont.)**

The Hattiesburg Convention Commission entered into two capital leases during the year ended September 30, 2012 for vehicles. The future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>
September 30, 2013	\$ 11,579
September 30, 2014	11,579
September 30, 2015	<u>6,754</u>
<b>Total</b>	<u><u>\$ 29,912</u></u>

**NOTE 6 - SAENGER THEATER**

The Hattiesburg Convention Commission executed a contract in 1997 to pay the City of Hattiesburg \$11,548 per month or \$139,000 annually for 20 years. These payments began October 1, 1998, and are to reimburse the City of Hattiesburg for debt service relating to the City's 1998 General Obligation Bond Issue for the Saenger Theater renovation. During FY 2012, this monthly reimbursement amount was adjusted to \$10,427 as a result of the City's refunding of the bond issue.

**NOTE 7 - HATTIESBURG ZOO**

The Hattiesburg Convention Commission executed a contract in 2010 with the City of Hattiesburg and Hattiesburg Tourism Commission for the management of the Hattiesburg Zoo at Kamper Park. In May 2012, a new agreement was entered into by the City of Hattiesburg and Hattiesburg Convention Commission where the Hattiesburg Convention Commission agreed to accept full financial responsibility for any subsidy requirement necessary for operations of the Hattiesburg Zoo. 6 months prior to the end date of the contract (September 30, 2015), all parties agree to review the financial status of the Zoo operations and work out a new financial plan if necessary.

**HATTIESBURG CONVENTION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE ELEVEN**

**YEAR ENDED SEPTEMBER 30, 2012**

***NOTE 8 - SUBSEQUENT EVENT***

***Subsequent Events*** - Management of the Commission has evaluated subsequent events as of March 6, 2013, which is the date the financial statements were available to be issued.

On February 10, 2013, the Hattiesburg area was hit by an F4 tornado. The Hattiesburg Convention Commission incurred damages on the USO museum contents and the Eureka building. Recovery efforts as of the date of this report, March 6, 2013, are ongoing and involve the City of Hattiesburg, insurance carriers and federal and state agencies.

***REQUIRED SUPPLEMENTARY INFORMATION***

HATTIESBURG CONVENTION COMMISSION

SCHEDULE 1

BUDGETARY COMPARISON SCHEDULE - COMPREHENSIVE BUDGET ALL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Special sales tax (2% food and beverage tax revenue)	\$ 3,751,062	\$ 3,908,371	\$ 4,463,604	\$ 555,233
Saenger Theater, Convention Center, USO, Zoo revenue	683,391	833,391	1,105,591	272,200
Food and beverage revenue	613,968	734,437	904,865	170,428
Interest earned	2,589	1,789	1,406	(383)
Zoo - City Support	483,862	544,346	544,346	-
Total revenues	<u>5,534,872</u>	<u>6,022,334</u>	<u>7,019,812</u>	<u>997,478</u>
<b>EXPENDITURES</b>				
Debt Service				
Principle and interest - Convention Center bonds	708,050	708,050	708,050	-
Principle and interest - Saenger bonds	138,576	97,417	97,417	-
	<u>846,626</u>	<u>805,467</u>	<u>805,467</u>	<u>-</u>
Facilities Operations (Convention Center, Visitors Center, Saenger Theater, USO, Eureka, Zoo)				
Utilities, telecommunications, janitorial supplies, safety equipment, training, contracted services, paper products	1,513,761	1,717,189	1,708,280	8,909
Repairs, Refurbishment, and Fixed Assets				
Refurbishment of facilities, replacement of equipment, fixtures	461,287	461,287	301,754	159,533
Insurance, Professional Services, and Marketing				
Trustee fees, insurance, surety bonds, audit and legal fees, marketing materials, etc.	442,020	541,995	538,921	3,074
Staffing Costs (including benefits)	2,608,808	2,608,808	2,598,286	10,522
Special Projects				
Historic USO Club & Museum Development	30,000	30,000	-	30,000
Historic Eureka School Musuem Renovation/Development	210,000	210,000	168,287	41,713
Saenger Theater	10,000	10,000	-	10,000
Trolleys	8,000	8,000	2,994	5,006
Zoo	175,000	175,000	158,272	16,728
Sub-total special projects	<u>433,000</u>	<u>433,000</u>	<u>329,553</u>	<u>103,447</u>
Total expenditures	<u>6,305,502</u>	<u>6,567,746</u>	<u>6,282,261</u>	<u>285,485</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(770,630)	(545,412)	737,551	1,282,963
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (770,630)</u>	<u>\$ (545,412)</u>	737,551	<u>\$ 1,282,963</u>
<b>ADJUSTMENTS</b>				
Adjustments for accrued receivables and payables			4,148	
<b>FUND BALANCE</b>				
Beginning of year, as restated			<u>3,819,032</u>	
End of year			<u>\$ 4,560,731</u>	

## **HATTIESBURG CONVENTION COMMISSION**

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED SEPTEMBER 30, 2012**

#### ***NOTE 1 - BASIS OF PRESENTATION***

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the budgetary cash basis, and variances between the final budget and the actual data.

#### ***NOTE 2 - BUDGET AMENDMENTS AND REVISIONS***

The budget is adopted by the Board of Commissioners and approved by the Hattiesburg City Council. Amendments can be made on the approval of the Council. A comprehensive budget including all funds is presented for budgetary comparison consistent with accounting principles generally accepted in the United States of America.

#### ***NOTE 3 - SPECIAL PROJECTS***

The budget for special projects is approved in total and may be used as needed between the projects. Budgetary performance for individual projects should be evaluated based on total expenditures for special projects rather than by each individual project. In total, for fiscal year 2012, there is a positive variance in the special projects category.

***SUPPLEMENTARY INFORMATION***

SCHEDULE 2

**HATTIESBURG CONVENTION COMMISSION**

**COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2012**

	<u>O &amp; M Fund</u>	<u>Revenue Fund</u>	<u>Investment in Lease Fund</u>	<u>Total General Funds (Exhibit C)</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds (Exhibit C)</u>	<u>Total Governmental Funds (Exhibit C)</u>
<b>ASSETS</b>								
Cash and investments with fiscal agent	\$ 3,560,753	\$ 9,673	\$ 211,506	\$ 3,781,932	\$ 451,581	\$ -	\$ 451,581	\$ 4,233,513
Special sales tax receivable	-	362,438	-	362,438	-	-	-	362,438
Accounts receivable	170,243	-	-	170,243	-	-	-	170,243
Other receivable	24,465	-	-	24,465	-	-	-	24,465
Due from other governments	-	-	-	-	12,994	-	12,994	12,994
Inventory – food and beverage	44,619	-	-	44,619	-	-	-	44,619
<b>Total assets</b>	<u>\$ 3,800,080</u>	<u>\$ 372,111</u>	<u>\$ 211,506</u>	<u>\$ 4,383,697</u>	<u>\$ 464,575</u>	<u>\$ -</u>	<u>\$ 464,575</u>	<u>\$ 4,848,272</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 176,868	\$ -	\$ -	\$ 176,868	\$ 33,673	\$ -	\$ 33,673	\$ 210,541
Events deposits liability	47,627	-	-	47,627	-	-	-	47,627
Other taxes payable	18,946	-	-	18,946	-	-	-	18,946
Due to City of Hattiesburg	-	10,427	-	10,427	-	-	-	10,427
<b>Total liabilities</b>	<u>243,441</u>	<u>10,427</u>	<u>-</u>	<u>253,868</u>	<u>33,673</u>	<u>-</u>	<u>33,673</u>	<u>287,541</u>
<b>FUND BALANCE</b>								
Nonspendable	44,619	-	-	44,619	-	-	-	44,619
Restricted	3,512,020	361,684	211,506	4,085,210	430,902	-	430,902	4,516,112
<b>Total fund balance</b>	<u>3,556,639</u>	<u>361,684</u>	<u>211,506</u>	<u>4,129,829</u>	<u>430,902</u>	<u>-</u>	<u>430,902</u>	<u>4,560,731</u>
<b>Total liabilities and fund balance</b>	<u>\$ 3,800,080</u>	<u>\$ 372,111</u>	<u>\$ 211,506</u>	<u>\$ 4,383,697</u>	<u>\$ 464,575</u>	<u>\$ -</u>	<u>\$ 464,575</u>	<u>\$ 4,848,272</u>

SCHEDULE 3

**HATTIESBURG CONVENTION COMMISSION**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>O &amp; M Fund</u>	<u>Revenue Fund</u>	<u>Investment in Lease Fund</u>	<u>Total General Funds (Exhibit D)</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds (Exhibit D)</u>	<u>Total Governmental Funds (Exhibit D)</u>
<b>REVENUES</b>								
Sales tax revenue	\$ -	\$ 4,479,089	\$ -	\$ 4,479,089	\$ -	\$ -	\$ -	\$ 4,479,089
Interest earned on investments	933	141	-	1,074	907	(9)	898	1,972
Room rental-events revenue	352,495	-	-	352,495	-	-	-	352,495
Ticket revenue	33,937	-	-	33,937	-	-	-	33,937
Food and beverage revenue	898,315	-	-	898,315	-	-	-	898,315
Saenger Theater revenue	114,914	-	-	114,914	-	-	-	114,914
Zoo revenue (earned income & subsidies)	1,130,169	-	-	1,130,169	-	-	-	1,130,169
Transfer from City of Hattiesburg – Zoo Improvement	-	-	-	-	149,217	-	149,217	149,217
Other miscellaneous revenue	82,208	-	-	82,208	4,800	-	4,800	87,008
Total revenues	<u>2,612,971</u>	<u>4,479,230</u>	<u>-</u>	<u>7,092,201</u>	<u>154,924</u>	<u>(9)</u>	<u>154,915</u>	<u>7,247,116</u>
<b>EXPENDITURES</b>								
Staffing costs	2,611,051	-	-	2,611,051	-	-	-	2,611,051
Legal fees	21,596	-	-	21,596	-	-	-	21,596
Advertising and public relations	123,255	-	-	123,255	-	-	-	123,255
Miscellaneous operating costs and supplies	438,181	-	-	438,181	-	-	-	438,181
Food and beverage expenses	560,758	-	-	560,758	-	-	-	560,758
Saenger Theater expenses	195,982	-	-	195,982	-	-	-	195,982
Audit and accounting fees	18,450	-	-	18,450	-	-	-	18,450
Dues and subscriptions	8,036	-	-	8,036	-	-	-	8,036
Insurance costs	121,396	-	-	121,396	-	-	-	121,396
Repairs, maintenance and landscaping	350,397	-	-	350,397	-	-	-	350,397
Utilities	449,996	-	-	449,996	-	-	-	449,996
Office supplies and expense	246,074	-	-	246,074	-	-	-	246,074
Transfer to City of Hattiesburg – Saenger Bonds	-	107,844	-	107,844	-	-	-	107,844

SCHEDULE 3

**HATTIESBURG CONVENTION COMMISSION**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>O &amp; M Fund</u>	<u>Revenue Fund</u>	<u>Investment in Lease Fund</u>	<u>Total General Funds (Exhibit D)</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds (Exhibit D)</u>	<u>Total Governmental Funds (Exhibit D)</u>
<b>EXPENDITURES (Cont.)</b>								
Capital outlay	\$ 34,737	\$ -	\$ -	\$ 34,737	\$ 540,026	\$ -	\$ 540,026	\$ 574,763
Debt service – principal	4,825	-	-	4,825	-	680,000	680,000	684,825
Debt service – interest and fees	-	-	-	-	-	28,050	28,050	28,050
Total expenditures	<u>5,184,734</u>	<u>107,844</u>	<u>-</u>	<u>5,292,578</u>	<u>540,026</u>	<u>708,050</u>	<u>1,248,076</u>	<u>6,540,654</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(2,571,763)	4,371,386	-	1,799,623	(385,102)	(708,059)	(1,093,161)	706,462
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	3,515,257	-	-	3,515,257	150,000	353,977	503,977	4,019,234
Transfers out	-	(4,019,234)	-	(4,019,234)	-	-	-	(4,019,234)
Proceeds from capital leases	34,737	-	-	34,737	-	-	-	34,737
Proceeds from sale of asset	-	-	-	-	500	-	500	500
Total other financing sources (uses)	<u>3,549,994</u>	<u>(4,019,234)</u>	<u>-</u>	<u>(469,240)</u>	<u>150,500</u>	<u>353,977</u>	<u>504,477</u>	<u>35,237</u>
<b>Net change in fund balances</b>	<u>978,231</u>	<u>352,152</u>	<u>-</u>	<u>1,330,383</u>	<u>(234,602)</u>	<u>(354,082)</u>	<u>(588,684)</u>	<u>741,699</u>
<b>FUND BALANCE</b>								
<b>Beginning of year</b>	<u>2,578,408</u>	<u>9,532</u>	<u>211,506</u>	<u>2,799,446</u>	<u>665,504</u>	<u>354,082</u>	<u>1,019,586</u>	<u>3,819,032</u>
<b>End of year</b>	<u>\$ 3,556,639</u>	<u>\$ 361,684</u>	<u>\$ 211,506</u>	<u>\$ 4,129,829</u>	<u>\$ 430,902</u>	<u>\$ -</u>	<u>\$ 430,902</u>	<u>\$ 4,560,731</u>

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

To the Board of Commissioners  
Hattiesburg Convention Commission  
Hattiesburg, Mississippi 39401

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Hattiesburg Convention Commission as of and for the year ended September 30, 2012, which collectively comprise the Hattiesburg Convention Commission's basic financial statements, and have issued our report thereon dated March 6, 2013. 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, we considered the Hattiesburg Convention Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Hattiesburg Convention Commission's internal control over financial reporting. 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 time basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

To the Board of Commissioners  
Hattiesburg Convention Commission

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hattiesburg Convention 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 with state laws and regulations that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Hattiesburg, Mississippi  
March 6, 2013

SCHEDULE 4

**HATTIESBURG CONVENTION COMMISSION**

**SCHEDULE OF FINDINGS  
YEAR ENDED SEPTEMBER 30, 2012**

***Section I - Summary of Auditor's Results***

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

***Section II - Financial Statement Findings***

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.