

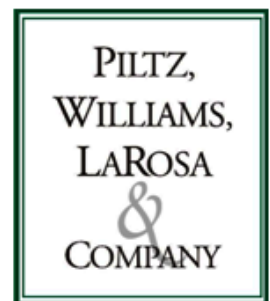


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**Financial Statements**  
**Mississippi Coast Coliseum Commission**  
**Component Unit of the State of Mississippi**  
**June 30, 2015 and 2014**

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CERTIFIED PUBLIC ACCOUNTANTS  
*A Professional Association*

**Mississippi Coast Coliseum Commission  
Component Unit of the State of Mississippi**

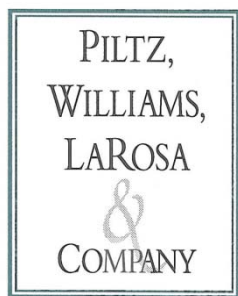
**Financial Statements**

\_\_\_\_\_  
June 30, 2015 and 2014  
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**Contents**

	<u>Page</u>
Independent Auditors' Report .....	1-2
Statements of Net Position.....	3
Statements of Revenues, Expenses and Changes in Net Position .....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-15
Required Supplementary Information:	
Schedule of the Commission's Proportionate Share of the Net Pension Liability .....	16
Schedule of Commission Contributions .....	17
Notes to Required Supplementary Information .....	18
Independent Auditors' 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> .....	19-20

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A Professional Association

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## Independent Auditors' Report

Board of Commissioners  
Mississippi Coast Coliseum Commission  
Biloxi, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the Mississippi Coast Coliseum Commission, a component unit of the State of Mississippi, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Mississippi Coast Coliseum 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mississippi Coast Coliseum Commission at June 30, 2015 and 2014, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of the commission's proportionate share of net pension liability and the schedule of commission contributions on pages 16 and 17 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 the financial reporting. 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 with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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 the 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.

### *Change in Accounting Principle*

As discussed in Note K to the financial statements, in 2015 the Commission adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015, on our consideration of the Mississippi Coast Coliseum Commission's internal control over financial reporting and 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* in considering Mississippi Coast Coliseum Commission's internal control over financial reporting and compliance.



Certified Public Accountants

**Mississippi Coast Coliseum Commission**  
**Statements of Net Position**

3

<b>Assets</b>	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,145,741	\$ 486,289
Cash and cash equivalents, events	409,769	479,394
Investments	1,628,555	2,018,872
Accounts receivable	562,802	584,601
Accrued interest receivable	36,946	47,081
Prepaid expenses	168,746	203,580
Total current assets	<u>3,952,559</u>	<u>3,819,817</u>
<b>Noncurrent assets</b>		
Investments, restricted	7,000,000	7,000,000
Capital assets, net of accumulated depreciation	113,994,488	116,820,504
Deferred outflows of resources - proportionate share	232,820	-
Total noncurrent assets	<u>121,227,308</u>	<u>123,820,504</u>
Total assets	<u><u>\$ 125,179,867</u></u>	<u><u>\$ 127,640,321</u></u>
<b>Liabilities and Net Position</b>		
<b>Current liabilities</b>		
Accrued expenses and payroll withholdings	\$ 370,227	\$ 106,639
Accrued compensated absences	86,777	103,666
Reservation deposits	122,002	118,481
Show deposits	411,470	475,763
Unearned revenue	18,000	22,000
Total current liabilities	<u>1,008,476</u>	<u>826,549</u>
<b>Noncurrent liabilities</b>		
Deferred inflows of resources - proportionate share	379,563	-
Proportionate share of collective net pension liability	2,618,446	-
Total noncurrent liabilities	<u>2,998,009</u>	<u>-</u>
Total liabilities	<u>4,006,485</u>	<u>826,549</u>
<b>Net Position</b>		
Net investment in capital assets, net of related debt	113,994,488	116,820,504
Permanently restricted, nonexpendable	7,000,000	7,000,000
Unrestricted	178,894	2,993,268
Total net position	<u>121,173,382</u>	<u>126,813,772</u>
Total liabilities and net position	<u><u>\$ 125,179,867</u></u>	<u><u>\$ 127,640,321</u></u>

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

**Mississippi Coast Coliseum Commission**  
**Statements of Revenues, Expenses and Changes in Net Position**

4

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating revenues</b>		
Rents, commissions and fees	<u>\$ 4,345,050</u>	<u>\$ 3,951,511</u>
<b>Operating expenses</b>		
Personnel services	1,832,518	2,006,407
Supportive services	949,753	789,910
Utilities and telephone	1,060,757	965,011
Repairs and maintenance	399,591	379,376
Other contractual services	704,082	711,444
Supplies and materials	198,159	225,133
Depreciation	3,930,109	4,166,835
Bad debt expense	2,454	5,266
Total operating expenses	<u>9,077,423</u>	<u>9,249,382</u>
Operating loss	<u>(4,732,373)</u>	<u>(5,297,871)</u>
<b>Non-operating revenues (expenses)</b>		
Interest income on restricted investments	183,541	177,598
Other interest income	10,393	2,194
FEMA lease revenue	1,485,330	1,485,330
FEMA grant contributions	-	22,527
Unrealized gain on investments	72,306	98,433
Contribution from Harrison County (CDBG)	120,238	48,980
Loss on disposal of assets	-	(1,441)
Other revenues	-	19,386
Total non-operating revenues (expenses)	<u>1,871,808</u>	<u>1,853,007</u>
Change in net position	<u>(2,860,565)</u>	<u>(3,444,864)</u>
Total net position, beginning of year	126,813,772	130,258,636
Prior period adjustment	(2,779,825)	-
Total net position, beginning of year - as restated	<u>124,033,947</u>	<u>130,258,636</u>
Total net position, ending of year	<u>\$ 121,173,382</u>	<u>\$ 126,813,772</u>

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



**Mississippi Coast Coliseum Commission**  
**Statements of Cash Flows**

5

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 4,298,123	\$ 4,140,806
Payments to employees	(1,864,043)	(2,008,021)
Payments to suppliers	(3,013,920)	(3,092,763)
Net cash used for operating activities	<u>(579,840)</u>	<u>(959,978)</u>
<b>Cash flows from non-operating activities</b>		
FEMA lease revenue	1,485,330	1,485,330
<b>Cash flows from capital and related financing activities</b>		
Proceeds on asset disposal	1,500	500
Acquisition and construction of capital assets	(1,104,093)	(874,741)
Contributions from Harrison County (CDBG)	120,238	-
Net cash used for capital and related financing activities	<u>(982,355)</u>	<u>(874,241)</u>
<b>Cash flows from investing activities</b>		
Net investments	663,544	515,270
Interest from operating accounts	3,148	2,335
Net cash provided by investing activities	<u>666,692</u>	<u>517,605</u>
Net increase in cash and cash equivalents	589,827	168,716
Cash and cash equivalents, beginning of year	<u>965,683</u>	<u>796,967</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,555,510</u></u>	<u><u>\$ 965,683</u></u>
<b>Reconciliation of operating loss to net cash used by operations</b>		
Operating loss	\$ (4,732,373)	\$ (5,297,871)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	3,930,109	4,166,835
Bad debt expense	2,454	5,266
Expense of previously capitalized assets	-	6,064
Noncash contributions received	-	2,700
Net changes in assets and liabilities:		
Accounts receivable	17,845	(278,599)
Prepaid expenses	34,834	7,595
Operating trust fund events	-	50,348
Accrued expenses and payroll withholding	263,588	(38,248)
Accrued compensated absences	(16,889)	(1,614)
Deferred outflows of resources	(14,636)	-
Show deposits	(64,293)	396,453
Unearned revenue	(4,000)	(5,500)
Reservation deposits	3,521	26,593
Net cash used for operating activities	<u><u>\$ (579,840)</u></u>	<u><u>\$ (959,978)</u></u>

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

**Note A – Summary of Significant Accounting Policies**

**The reporting entity** – The Mississippi Coast Coliseum Commission (the Commission), a legally separate political subdivision and a component unit of the state of Mississippi, was created in 1968 by Senate Bill 2406. The purpose of the Commission is to operate the Mississippi Coast Coliseum and supporting facilities for Harrison County, Mississippi.

The Commission is composed of six voting commissioners and one nonvoting commissioner appointed as follows: voting commissioners - three by the Governor of Mississippi, two by the Harrison County Board of Supervisors, one by the Mayors of the cities within Harrison County; nonvoting commissioner - the Executive Director of the Mississippi Gulf Coast Regional Convention and Visitors Bureau. Each voting commissioner serves a four year term.

**Basis of accounting and presentation** – The financial statements of the Commission are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government entities, and as prescribed by the Governmental Accounting Standards Board (GASB). The Commission's financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Commission's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statement presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the current fiscal year. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. Expenses are recognized at the time the liability is incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for rent or services. Principle operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements.

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the Commission.

**Cash and cash equivalents** - The Commission's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits. For purposes of reporting cash flows, the Commission considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

7

**Investments** - Investments are stated at fair value.

**Capital assets** - Capital assets including land, buildings, furniture and equipment, are recorded at historical cost. Donated capital assets are recorded at their estimated fair value. The Commission defines capital assets as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest cost was capitalized during the current fiscal year.

Land improvements, buildings, furniture and equipment of the Commission are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	40
Vehicles	3-10
Furniture and office equipment	5-15
Computer equipment	3
Other equipment	5-15

The Commission recognizes impairments of assets whenever events or changes in circumstances indicate the carrying amount of the asset is not recoverable. Upon sale or other disposition, any gain or loss is reported in the Statement of Revenue, Expenses and Changes in Net Position.

**Restricted assets** - Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

**Accrued compensated absences** - The Commission accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee.

**Unearned revenue** - Certain customers are billed in advance for advertising and marquee sponsorships. Such amounts are accounted for as unearned revenue and are recognized as revenue over the period the services are provided.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates.

**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

8

**Net position** - The Statement of Net Position includes:

Net investment in capital assets, net of related debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Permanently restricted, nonexpendable - The component of net position that reports the funds that are restricted in a perpetual trust fund. Only the income generated from these monies is used for operating purposes.

Unrestricted - The difference between the assets and liabilities that is not reported in the components of Net Position detailed above.

**Note B – Deposits and Investments**

**Deposits**

The collateral for public entities' deposits in financial institutions are 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 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. At June 30, 2015, deposits are as follows:

	<u>Bank Balance</u>	<u>Cash Carrying Amount</u>
Cash and cash equivalents	<u>\$ 1,803,124</u>	<u>\$ 1,555,510</u>

**Investments**

Pursuant to State Law, and in accordance with agreements between money managers, the Mississippi Coast Coliseum Commission has provided for investment of funds in accounts or securities, with various maturity dates, such as U.S. Treasury Bills, U.S. Treasury Notes and Bonds, Federal Agency Securities, Federal Mortgage-Backed Securities, and short-term money market funds invested in the United States Government and U.S. Government Agencies. All interest, dividend, or other income earned by invested funds is remitted monthly to the Commission for use in operations.

Credit risk - The Commission's investments in U. S. Government agencies are rated AAA and Aaa, respectively.

**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

9

Concentration of credit risk - GAAP requires disclosure when any one issuer is 5% or more of the investment portfolio. The Commission's concentration of credit risk at June 30, 2015 is as follows:

Federal Home Loan Bank	63%
Federal Farm Credit Bank	6%

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, Mississippi Coast Coliseum Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal policy that addresses custodial credit risk.

Interest rate risk - As of June 30, 2015, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1-5	6-10
Certificates of Deposit	\$ 1,360,000	\$ 870,000	\$ 490,000	\$ -
Goldman Sachs Money Market Funds	1,077,185	1,077,185	-	-
Government National Mortgage Association	5,574	143	-	5,431
Federal Home Loan Bank	5,449,366	-	1,936,023	3,513,343
Federal National Mortgage Association	7,898	-	-	7,898
Federal Farm Credit Bank	535,749	-	-	535,749
American Express Centurion	192,783	-	192,783	-
Total	<u>\$ 8,628,555</u>	<u>\$ 1,947,328</u>	<u>\$ 2,618,806</u>	<u>\$ 4,062,421</u>
Restricted investments	\$ 7,000,000			
Unrestricted investments	1,628,555			
Total	<u>\$ 8,628,555</u>			

**Note C – Accounts Receivable**

Accounts receivable consists of the following at June 30, 2015 and 2014:

	Year Ended June 30,	
	2015	2014
Aramark receivable	\$ 191,033	\$ 168,903
Performance receivable	362,773	406,866
Less allowance for doubtful accounts	-	(5,266)
Sponsor's receivable	8,996	12,598
Other receivable	-	1,500
Total	<u>\$ 562,802</u>	<u>\$ 584,601</u>

**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

10

**Note D – Capital Assets**

Capital asset activity for the Commission for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,762,370	\$ 158,702	\$ -	\$ 4,921,072
Construction in progress	125,921	26,102	(125,921)	26,102
Total capital assets not being depreciated	<u>4,888,291</u>	<u>184,804</u>	<u>(125,921)</u>	<u>4,947,174</u>
Capital assets being depreciated:				
Buildings and improvements	135,964,074	11,418	-	135,975,492
Machinery and equipment	9,221,376	56,133	-	9,277,509
Site improvements	5,414,384	851,738	125,921	6,392,043
Total capital assets being depreciated	<u>150,599,834</u>	<u>919,289</u>	<u>125,921</u>	<u>151,645,044</u>
Less accumulated depreciation for:				
Buildings and improvements	29,893,748	2,968,428	-	32,862,176
Machinery and equipment	6,673,845	768,909	-	7,442,754
Site improvements	2,100,028	192,772	-	2,292,800
Total accumulated depreciation	<u>38,667,621</u>	<u>3,930,109</u>	<u>-</u>	<u>42,597,730</u>
Total capital assets being depreciated, net	<u>111,932,213</u>	<u>(3,010,820)</u>	<u>125,921</u>	<u>109,047,314</u>
Total capital assets, net	<u>\$ 116,820,504</u>	<u>\$ (2,826,016)</u>	<u>\$ -</u>	<u>\$ 113,994,488</u>

**Note E – Convention Center Expansion Bond Issue**

Harrison County – General Obligation Bonds

Effective February 2, 2005, the Harrison County Board of Supervisors issued \$68,000,000 of general obligation bonds to facilitate the construction project of the Coliseum and Convention Center. The construction project funds will be used for repairing, equipping, remodeling, expanding and improving the facilities. Funding for the debt service will primarily come from an increase in the existing hotel/motel room tax, however, should the tax be inadequate or be discontinued, the County is liable for the debt.

**Note F - Lease Revenues**

**Office space lease**

The Commission entered into a lease agreement with FEMA for the lease of approximately 60,720 square feet of office space. The Commission will also provide certain janitorial services for FEMA during the lease term. The term of this lease commences on July 1, 2011 for thirty months, and month to month thereafter not to exceed twenty-four months, with a thirty day written cancellation notice to the Commission. FEMA will continue to pay the Commission lease payments in arrears in the amount of \$122,577 per month for a total annual amount of \$1,470,924. The Commission also has a trailer pad lease with FEMA in the amount of \$3,600 quarterly. FEMA paid the Commission lease revenue and service charges in the amount of \$1,485,330 and \$1,485,330 for the years ended June 30, 2015 and 2014, respectively.

**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

11

Since the Commission is not primarily engaged in renting its facility space on such long-term agreements, the income received under these lease agreements is reported as non-operating income on the Statements of Revenues, Expenses and Changes in Net Position.

**Real property lease**

The Commission has also entered into a lease agreement with C-Spire Wireless for tower use. The lease term began November 1, 2011 for a period of five years with monthly lease payments of \$925 plus an additional \$225 for each co-location. There is an option to renew for an additional five year period upon the same terms and additions with an increase in monthly payments.

**Note G – Commitments and Contingencies**

The Commission is contingently liable under a contract with Aramark Sports and Entertainment Services, Inc. whereby Aramark purchases food service equipment and the Coliseum agrees to an early termination fee to the vendor's contract. If the Agreement for Aramark to provide food and beverages at the Mississippi Coast Coliseum is terminated by either party at any time for any reason prior to the expiration of the term, the Commission agrees to pay to Aramark a payment in the amount equal to the unamortized balance of the equipment as of the date of such termination.

On July 1, 2013, the Commission extended its contract with Aramark for an additional five year term through June 30, 2018. The early termination fee balance on that date of \$192,580 was increased by \$200,000 for additional equipment to be purchased during the extended contract period. The adjusted early termination fee of \$392,580 is to be amortized over the 5 years of the extended contract. The early termination fee balance remaining at June 30, 2015 was \$235,548 and will be reduced by \$78,516 per year over the remaining 3 years of the extended contract period.

The Commission is party to routine legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such actions will have no material impact on the Commission's financial condition.

**Note H- Pension Plan**

**General information about the Pension Plan**

**Plan description**

All of the Commission's fulltime employees participate in the Public Employees' Retirement System of Mississippi (PERS) - a cost sharing multiple-employer defined benefit plan. 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 can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

12

**Benefits provided**

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 2.00% 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% 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 age 65, whichever is less. Average compensation is the average of the employee's earnings during the 4 highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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 as well as annual COLA adjustments. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

**Contributions**

PERS' members are required to contribute 9% of their annual covered salary and the 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 are established and may be amended only by the State of Mississippi Legislature. The Commission's contributions to PERS for the years ending June 30, 2015, and 2014 were \$191,973 and \$207,611, respectively. These amounts were 100% of the required contributions.

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

At June 30, 2015, the Commission reported a liability of \$2,618,446 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Commission's proportion was .021572%, which was an increase of .000224% from its proportion measured as of June 30, 2013.



**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

13

For the year ended June 30, 2015, the Commission recognized pension expense of \$177,337. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Outflows of Resources</b>	<b>Inflows of Resources</b>
Differences between expected and actual experience	\$ 40,847	\$ -
Net difference between projected and actual earnings on pension plan investments	-	379,563
Commission contributions subsequent to the measurement date	191,973	-
<b>Totals</b>	<b>\$ 232,820</b>	<b>\$ 379,563</b>

\$191,973 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 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:

<b>Year ended June 30,</b>	<b>Net Outflows &amp; Inflows of Resources</b>	<b>Amortization of difference between expected and actual experience</b>	<b>projected and actual earnings</b>
2016	\$ (80,198)	\$ 14,693	\$ (94,891)
2017	(80,198)	14,693	(94,891)
2018	(83,430)	11,461	(94,891)
2019	(94,890)	-	(94,890)
<b>Total</b>	<b>\$ (338,716)</b>	<b>\$ 40,847</b>	<b>\$ (379,563)</b>

**Actuarial assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.25-19.50%, average, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

14

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 as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	<u>100.00%</u>	

**Discount rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 8.00%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Net pension liability	\$ 3,569,722	\$ 2,618,446	\$ 1,824,940

**Pension plan fiduciary net position**

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

**Mississippi Coast Coliseum Commission**  
**Notes to Financial Statements**  
(Continued)

15

**Note I – Deferred Compensation Plan**

In addition to PERS, fulltime employees may also participate in a Section 457 deferred compensation plan funded through Mississippi Deferred Compensation (MDC). All contributions are made by the employees through salary deferral elections. Employees are permitted to make contributions up to the applicable Internal Revenue Code limits. Participants are fully vested in all contributions and earnings thereon. Participant's investments are self-directed from a list of funds provided. With respect to the Section 457 plan, the Commission has no unfunded pension liability or fiduciary responsibility.

**Note J – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for these risks.

**Note K – Prior Period Adjustment – Change in Accounting Principle**

In fiscal year 2015, the Commission implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This statement requires employers to recognize a liability as employees earn their pension benefits. The Commission will now recognize its proportionate share of the collective pension amounts for all benefits provided through the plan. As a result of implementing GASB 68, the Commission has restated the beginning net position in the Statements of Revenues, Expenses, and Changes in Net Position, effectively decreasing net position as of July 1, 2014 by \$2,779,825.

**Note L – Subsequent Events**

Management has evaluated subsequent events through August 28, 2015, the date on which the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

## **Required Supplementary Information**

**Mississippi Coast Coliseum Commission**  
**Schedule of the Commission's Proportionate Share of the Net Pension Liability**  
**Public Employees Retirement Plan of Mississippi**  
**Last Two Fiscal Years**

16

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Commission's proportion of the net pension liability	<b>0.021572%</b>	0.021348%
Commission's proportionate share of the net pension liability	<b>\$ 2,618,446</b>	\$ 2,957,965
Commission's covered-employee payroll	<b>\$ 1,318,164</b>	\$ 1,305,640
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>198.64%</b>	226.55%
Plan fiduciary net position as a percentage of the total pension liability	<b>67.21%</b>	61.02%

**Mississippi Coast Coliseum Commission**  
**Schedule of Commission Contributions**  
**Public Employee's Retirement System of Mississippi**  
Last Eight Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 191,973	\$ 207,611	\$ 186,060	\$ 161,684	\$ 151,739	\$ 152,936	\$ 139,598	\$ 109,730
Contributions in relation to the contractually required contribution	191,973	207,611	186,060	161,684	151,739	152,936	139,598	109,730
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered-employee payroll	\$ 1,218,873	\$ 1,318,164	\$ 1,305,640	\$ 1,297,338	\$ 1,264,907	\$ 1,274,470	\$ 1,178,041	\$ 925,992
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	14.25%	12.46%	12.00%	12.00%	11.85%	11.85%

**Mississippi Coast Coliseum Commission**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2015**

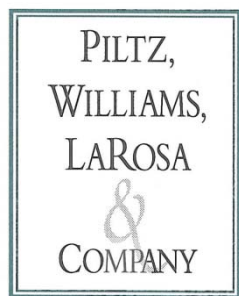
18

**Changes of Assumptions**

In 2013 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2013. In 2013, withdrawal rates, pre-retirement mortality rates, disability rates and retirement rates were adjusted to more closely reflect actual experience. In 2013, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**Independent Auditors' 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***





CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Association

MEMBERS  
American Institute of CPAs  
AICPA Private Companies Practice Section  
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AICPA Center for Audit Quality  
AICPA Employee Benefit Plan Audit Quality Center  
Mississippi Society of CPAs

Stephen P. Theobald, CPA, CVA  
Michael D. O'Neill, CPA  
John D. Prentiss, CPA  
Eric B. Bland, CPA  
David C. Neumann, CPA, CBA

19

Gerald Piltz, CPA (1925-2013)  
Stanford A. Williams, Jr., CPA (Retired)  
Sam J. LaRosa, Jr., CPA (Retired)  
William S. Thompson, CPA (Retired)  
Gene M. Clark, Jr., CPA (Retired)  
Darrell L. Galey, CPA  
Margaret D. Closson, CPA

**Independent Auditors' 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***

Board of Commissioners  
Mississippi Coast Coliseum Commission  
Biloxi, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mississippi Coast Coliseum Commission (hereafter Commission) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Commission's basic financial statements, and have issued our report thereon dated August 28, 2015.

**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 (internal control) to determine the 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Commission's internal control.

*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 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. 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 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 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Biloxi, Mississippi  
August 28, 2015