



**Hancock County Port & Harbor Commission**  
(A Component Unit of Hancock County, Mississippi)

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED 9/30/2015**



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**Hancock County Port and Harbor Commission**  
**(A Component Unit of Hancock County, Mississippi)**

**Comprehensive Annual Financial Report**

**For Fiscal Year Ended September 30, 2015**



**Prepared by: Finance Department**  
**Janet E. Sacks, Chief Financial Officer**

# HANCOCK COUNTY PORT AND HARBOR COMMISSION

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**HANCOCK**  
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PORT • AIR • SPACE

***Introductory Section***





HANCOCK COUNTY PORT & HARBOR COMMISSION

Economic Development • Stennis International Airport • Port Bienville Industrial Park • Port Bienville Railroad

Date after auditor's report date

Board of Commissioners  
Hancock County Port and Harbor Commission  
PO Box 2267  
Bay St. Louis, MS 39521

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Hancock County Port and Harbor Commission (HCPHC) for the year ended September 30, 2015 is hereby submitted for your review. Responsibility for both the accuracy of the data and the completeness, reliability and fairness of the presentation, including all disclosures, rests with the management of HCPHC. To the best of my knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the HCPHC. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities and operations have been included.

The Chief Financial Officer of HCPHC is responsible for establishing and maintaining an effective internal control structure to safeguard its assets, assuring the reliability of its accounting records, and promoting operational efficiencies. Based upon a comprehensive internal control framework that is established for this purpose and recognizing that the cost of such controls should not outweigh their benefits, HCPHC's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free of any material misstatements.

The enclosed CAFR has been prepared in accordance with guidelines recommended by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

An audit of the financial statements of HCPHC has been completed by an independent certified public accounting firm, Alexander, Van Loon, Sloan, Levens & Favre, PLLC. Their opinion is included in the Financial Section of this Annual Financial Report. A full discussion of HCPHC's accounting practices is included in the Notes to the Financial Statements.

Certain demographic information and miscellaneous statistics included in the CAFR were not obtained from the financial records of HCPHC but are presented for the CAFR user's information and understanding of HCPHC and the environment in which HCPHC operates.

Governmental accounting and auditing principles require that management provide an introduction, overview and analysis in narrative form to accompany the basic financial statements. This narrative,

entitled Management's Discussion and Analysis (MD&A), can be found immediately following the Independent Auditors' Report in the Financial Section of the CAFR. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of HCPHC**

Hancock County Port and Harbor Commission was created in 1963 by Hancock County pursuant to Title 59 of the Mississippi Code of 1972, as amended (the "Act"). The Act provides HCPHC the power to acquire property, establish industrial parks, purchase, sell, construct, invest, lease or contract. HCPHC is also authorized to operate and maintain any facilities and lands created or placed under its authority. The Act states that it is the public policy of the State of Mississippi to encourage expansion and development of the State's ports and harbors. HCPHC is vested with jurisdiction by Hancock County over the ports, terminals, harbors, channels, passes, wharves, and designated industrial parks that are not under the jurisdiction of any municipal port commission and accordingly owns and operates Port Bienville Industrial Park, Port Bienville Railroad, and Stennis International Airport. HCPHC is responsible for submitting an annual proposed budget to the Hancock County Board of Supervisors for the operation and development of the aforementioned facilities in addition to providing economic development leadership efforts for Hancock County. HCPHC currently has an 8-member appointed board of Commissioners and 31 employees.

### **Factors Affecting HCPHC's Financial Condition**

Despite the economic uncertainties of recent years, HCPHC has maintained solid financial performance through FYE 2015. Details regarding HCPHC's FYE 2015 financial performance are discussed in the MD&A included in the Financial Section of the CAFR. HCPHC's current and future financial condition is somewhat dependent upon a number of key factors. Below is a brief discussion of some of those.

### **Local Economy**

Hancock County's population currently approximates 46,519 with 21,399 jobs averaging earnings of \$50,331 and 1,255 residents unemployed. Principal NAICS industry employers in Hancock County include Government (4,730); Retail Trade (2,104); Accommodation and Food Services (2,054); Professional, Scientific, and Technical Services (1,683); Admin and Support Waste Management and Remediation Services (1,676); Construction (1,572); Health Care and Social Services (1,167); and Manufacturing (1,005). While these industry-specific jobs are scattered within the boundaries of Hancock County, HCPHC directly supports 747 jobs through industry located on the grounds of Port Bienville Industrial Park and 228 jobs through business and industry at Stennis International Airport. In addition to domestic industries many industries located at Port Bienville and Stennis Airport are headquartered internationally in countries such as Saudi Arabia, France, India, Italy, England, Canada, and Mexico.

### **Business Policies and Strategies**

While the financial stability and success of HCPHC is critical to continuing operations of infrastructure and services at its owned facilities it is also critical to Hancock County's recruitment of new industry and expansion of existing business within the entire boundary of the County in cooperation with its regional partners. HCPHC has re-evaluated and in some cases revised various strategies and policies in support of

continued growth of both HCPHC and the County at large some of which are described in sections below.

### **Long-Term Financial and Business Planning**

In August of 2015 HCPHC was presented a strategic plan drafted by the Commission's then Executive Director with support of management staff. While the majority of the plan is a descriptive narrative of the Commission's past performance, the County's economic analysis, its targeted industries for recruitment and the applicable incentives and development financing alternatives for attracting those industries, the section titled "2014-2015 Organization Plan" is dedicated to defining both immediate and long-term economic development strategies for both existing industry and new industry recruitment. Specific objectives include cataloging local and state incentives, conducting industry needs and satisfaction surveys, preparing sites as "development ready" and better cataloging properties available for development, creating a workforce training and development strategy, establishment of an existing industry advisory council(s), infrastructure enhancement, and performing a quality of life and community needs assessment. To date our Economic Development team has largely met each of these objectives and continue to refine the processes and strategies of Hancock County's economic development efforts based on the outcomes of these objectives and the changing demographics of Hancock County.

In addition to the aforementioned objectives HCPHC committed to rebranding in an effort to better inform outsiders of the mission and capabilities of HCPHC. While we retain our statutory name, "Hancock County Port and Harbor Commission", "Hancock Mississippi, Port-Air-Space" has been adopted as a quasi Doing Business As (DBA) to better leverage the existing transportation, manufacturing, and aerospace industry clusters. The outcome of these rebranding efforts can be explored at [portairspace.com](http://portairspace.com).

During 2015 rate studies were performed on our rates and charges at both Stennis International Airport and Port Bienville Industrial Park and Railroad. Outcomes of these studies revealed room for rate increases in water/sewer utility charges; wharfage and dockage; rail switching and weighing; and some real property rental rates. In addition to increases in these published rates and charges Stennis International Airport also increased its fuel flowage rate prior to conducting the study.

Multiple service contracts have been re-negotiated or re-procured over the last two years to the benefit of HCPHC in both service and cost. These have included telephone service, property and medical insurance brokers and carriers, waste management services, cleaning services, grass cutting, and engineering services for various project types.

The effect of the rate increases and expense reductions will be further highlighted in the MD&A.

### **Major Initiatives**

DAK Americas, which operates the largest plastic-resin manufacturer in North America, has announced a new manufacturing plant at their existing site at Port Bienville Industrial Park and is planned to produce 230 million pounds of polyester staple fibers a year. The polyester fibers are used by the automotive and textile industries, among others, and will include \$40 million of direct investment while adding 87 new full-time jobs.

In August of 2015, NASA and Aerojet Rocketdyne, a subsidiary of Aerojet Rocketdyne Holdings Inc., successfully test-fired the Space Launch System's first RS-25 flight engine, E2059, for 500 seconds at NASA's Stennis Space Center located in Hancock County. The Space Launch System (SLS) is America's next-generation heavy lift launch vehicle and will be capable of lifting three times more payload capability than any existing launch vehicle.

In 2014 SpaceX was successfully recruited to Stennis Space Center (SSC) to test their methane fueled Raptor Engine. In February 2015, HCPHC received the state-wide Mississippi Economic Development Council award for recruitment of this company. Hancock County continues to work with SpaceX to encourage further expansion of its operations at SSC. In support of SpaceX and the aerospace cluster at large the E-2 test stand for advanced research and development was rehabilitated, solidifying the region as a top choice for next generation space exploration.

Jindal Tubular USA LLC, one of the largest global manufacturers of large diameter steel pipe, was successful bidder on a steel pipe manufacturing plant at Port Bienville Industrial Park in 2015 and immediately invested \$10 million in plant expansions to add a production line for the manufacture of mortar lined pipe for drinking water. Since beginning operations in August of 2015, Jindal has increased employment from less than 50 to 200.

An airport terminal/hangar project at Stennis International Airport opened in 2014 and with it came the expansion of an existing tenant's operations, SELEX-Galileo, an aviation Maintenance, Repair & Overhaul (MRO). HCPHC was also able to increase rentable tenant office space within the building and Million Air (fixed base operators) opened Jet-A-Way Café within the terminal offering breakfast and lunch with a view of aircraft activities on ramps and runway. The 22,000 square foot hangar adjacent to the terminal meets the Department of Defense requirements to house and work on government aircraft, with foam fire suppression, security access control system, and commercial air for pneumatic tooling. Stennis recorded a total of 29,010 takeoffs and landings in fiscal year 2015, up from 22,008 the previous year. The numbers were compiled by Quadrex Aviation, an international airport development services company, based on Federal Aviation Administration data collected at contract towers and FAA-staffed towers. In December 2015, the announcement was made for Phase II of the project to build a mirror 22,000 square foot hangar on the opposite side of the terminal to be funded with monies from the Restore Act (Deepwater Horizon Oil Spill).

In December of 2015 Mississippi's Governor announced projects under the RESTORE Act two of which will be constructed and operated by HCPHC.

- Stennis International Airport will receive \$2 million for Phase II of its Terminal Hangar project to construct an additional hangar. The proposed facility will increase the capability of the Airport to provide aeronautical services to the Mississippi Gulf Coast. Stennis International Airport and Airpark are presently leased to capacity with no additional facilities available for new industry or expansion of existing industry. This project will construct a new 24,000 square foot hangar to house industrial aeronautical companies. The hangar will be a mirror of the existing hangar adjacent to the terminal, similarly constructed to accommodate maintenance, repair, and overhaul operations, and is expected to create as many as 20 direct new jobs at Stennis International Airport. This project is expected to generate a significant economic impact for HCPHC and Hancock County.

- Port Bienville Industrial Park will receive \$8 million for the construction of a trans-loading dock and complimentary infrastructure including rail-line expansion. This project will improve Port users' ability to move product between modes of transportation and will increase Port throughput in support of industry both onsite and offsite.

Hancock County's industrial development message has been refined with the creation of a new brand and website, video and marketing materials. HCPHC will receive an award of excellence from the Mississippi Economic Development Council in early 2016. The new brand, Hancock Mississippi: PortAirSpace represents the Commission's focus on aerospace, manufacturing, and transportation development projects. See [www.portairspace.com](http://www.portairspace.com).

In 2015 HCPHC entered into a second option agreement with EmberClear for a 100-acre site at Port Bienville for the proposed location of a \$1.2 billion methane production plant. The site is ideal because of its proximity to deepwater ports and access to the Gulf of Mexico, and because it has the requisite natural gas and electric utilities needed for a plant of this type. EmberClear has received its air permit and is negotiating with potential investors. An estimated 1,200 construction workers will be required to build the plant. The plant is expected to hire 100 permanent workers.

HCPHC continues its commitment to the development of a second Class I rail line from Port Bienville to the Norfolk Southern Line at the North end of SSC. Phase II of the project study is currently underway and includes both environmental due diligence and a preliminary design for this ~ 24 miles of rail line. Phase II should be complete in early 2018.

The State of Mississippi has increased its efforts to attract the film industry to the State and accordingly the University of Southern Mississippi in Long Beach has launched a film studies program. Stennis International Airport was chosen as a film site for movies in 2014 and 2015, *Precious Cargo* and *Midnight Special*. The productions had both an economic impact and high market exposure to the areas where the films were produced.

HCPHC has submitted a request for a \$13 million Aerospace and Industry Academy in partnership with the Pearl River Community College (PRCC) through the Restore Act for expansion of facilities for PRCC's career tech workforce training programs in Hancock County, and to support efforts to recruit an aerospace industry to Stennis International Airport and NASA Stennis Space Center.

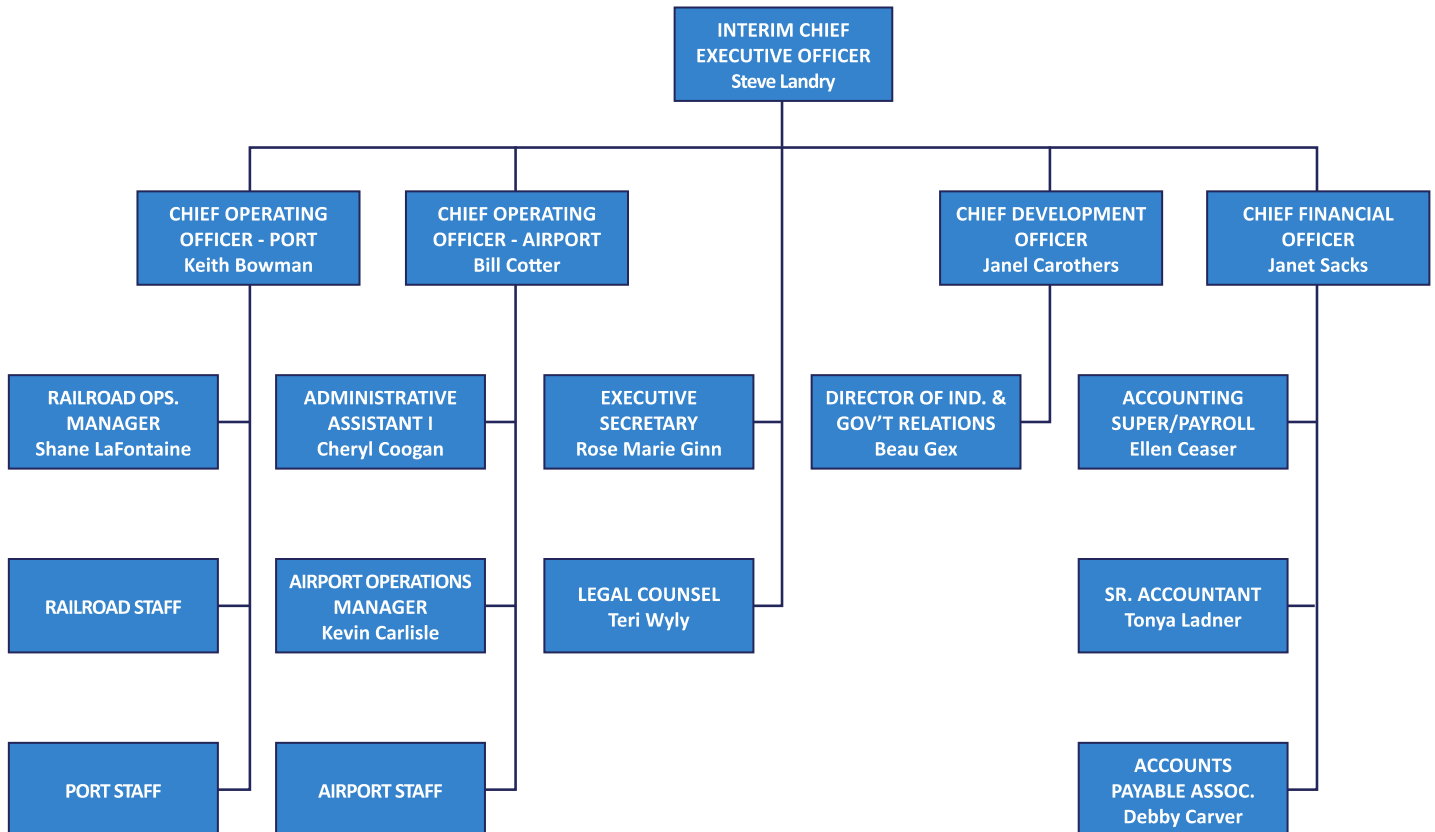
Respectfully submitted,



Janet E. Sacks  
Chief Financial Officer

# Hancock County Port & Harbor Commission Orgaizational Chart

AS OF REPORT PUBLICATION





## **List of Officials**

### **Board of Commissioners** **(as of publication)**

<b>Robert R. Kane</b>	<b>President</b>
<b>Jon W. Ritten, Jr.</b>	<b>Vice President</b>
<b>Sherri Carr Bevis</b>	<b>Secretary</b>
<b>Charles J. Gallagher, Jr.</b>	<b>Treasurer</b>
<b>Daryl Cornell</b>	<b>Commissioner</b>
<b>Paula C. Jordan</b>	<b>Commissioner</b>
<b>David D. Malley</b>	<b>Commissioner</b>
<b>Christopher R. "Packer" Ladner</b>	<b>Commissioner</b>

### **Executive Staff** **(as of publication)**

<b>Steve Landry</b>	<b>Interim Chief Executive Officer</b>
<b>Janel L. Carothers</b>	<b>Chief Development Officer</b>
<b>Janet E. Sacks</b>	<b>Chief Financial Officer</b>
<b>William P. Cotter</b>	<b>Chief Operating Officer – Airport</b>
<b>Keith Bowman</b>	<b>Chief Operating Officer – Port</b>



## *Financial Section*





ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC  
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC  
Wealth Management

## INDEPENDENT AUDITORS' REPORT

April 20, 2016

To the Board of Commissioners  
Hancock County Port and Harbor Commission  
Waveland, Mississippi

### Report on the Financial Statements

We have audited the accompanying comparative financial statements of the Hancock County Port and Harbor Commission (the Commission), a component unit of Hancock County, Mississippi, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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 auditors' 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 auditors consider 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 respective financial position of the Hancock County Port and Harbor Commission, as of September 30, 2015 and 2014, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Commissioners  
Hancock County Port and Harbor Commission  
April 20, 2016

### **Emphasis of Matter**

As discussed in Notes 12 and 13 to the financial statements, in 2015, the Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Commission's proportionate share of net pension liability, and schedule of the Commission's contributions 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.

#### *Other Information*


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hancock County Port and Harbor Commission's basic financial statements. The introductory section and the statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2016,, on our consideration of the Hancock County Port and Harbor 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* in considering Hancock County Port and Harbor Commission's internal control over financial reporting and compliance.

  
**ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC**  
**Certified Public Accountants**  
**Gulfport, Mississippi**



HANCOCK COUNTY PORT & HARBOR COMMISSION

Economic Development • Stennis International Airport • Port Bienville Industrial Park • Port Bienville Railroad

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

The following Management's Discussion and Analysis ("MD&A") of the financial performance and activity of Hancock County Port and Harbor Commission ("Commission"), a component unit of Hancock County, Mississippi, is intended to provide an introduction to and understanding of the financial statements of the Commission for the fiscal years ended ("FYE") September 30, 2015 and 2014, with selected comparisons to the prior fiscal year ended September 30, 2013.

Following this MD&A are the basic financial statements of the Commission together with the notes thereto. The information presented in them should be read in conjunction with this MD&A as they are each essential to a full understanding of the data contained in this report.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows by \$75,952,003 (reported as "net position"). Of this \$65,779,328 is invested in capital assets.
- The Commission's operating revenue increased 7.86% over fiscal year 2014 while operating expenses increased 4.43%. Net position decreased by \$142,774 during 2015.
- The Commission implemented a new pension reporting requirement according to GASB 68 restating the 2014 net position. This new requirement and its effect on the financial statements herein are further discussed in the notes to the financial statements at Notes 12 and 13.

### **FINANCIAL STATEMENT OVERVIEW**

Governmental accounting policy, practice and procedures fall under the auspices of the Governmental Accounting Standards Board ("GASB"). The Commission's financial transactions and subsequent statements are prepared according to the GASB Statement 34 reporting model, as mandated by the GASB. The purpose of the GASB 34 reporting model is to consolidate two basic forms of governmental accounting, governmental (such as municipalities) and proprietary (those entities which generate their own revenues and therefore are similar to a private business such as the Commission) operations, into statements that give the reader a clearer picture of the financial position of the enterprise. The Commission is considered a proprietary form of government and its financial transactions are recorded in a single Enterprise Fund.

The financial statements are prepared on the accrual basis of accounting, therefore revenues are recognized when earned and expenses are recognized when incurred. Capital assets, except land, are capitalized and depreciated over their useful life. Please refer to Note 1 in the accompanying financial statements for a summary of the Commission's significant accounting policies. Following this MD&A are the basic financial statements and statistical and supplemental schedules. These statements and schedules, along with the MD&A are designed to provide readers with a complete understanding of the Commission's finances.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements.

*Statements of Net Position*

The Statements of Net Position present the financial position of the Commission at the end of the fiscal year. The statements include all assets, deferred outflows and inflows of resources and liabilities of the Commission. Net Position, the difference between total assets, deferred outflows/inflows of resources and total liabilities, is an indicator of the current fiscal health of the organization and the Commission's financial position over time. A summarized comparison of the Commission's net position at September 30, 2015 and 2014 with comparative amounts for September 30, 2013 is as follows:

<b>Condensed Statements of Net Position</b>			
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Assets and Deferred Outflows of Resources</b>			
Current and other assets	\$ 13,612,253	\$ 12,172,591	\$ 11,963,780
Capital assets, net	66,625,332	69,292,620	71,302,999
Total assets	80,237,585	81,465,211	83,266,779
<b>Deferred Outflows of Resources</b>			
Deferred outflows for pensions	415,955	100,000	-
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
Current and other liabilities	1,376,195	2,062,997	2,783,158
Long-term Net Pension Liability	3,091,606	2,427,634	-
Long-term liabilities	150,700	627,900	2,040,712
Total liabilities	4,618,501	5,118,531	4,823,870
<b>Deferred Inflows of Resources</b>			
Deferred inflows for pensions	83,036	351,903	-
<b>Net position</b>			
Invested in capital assets, net of related debt	65,779,328	68,008,422	68,528,638
Unrestricted	10,172,675	8,086,355	9,914,271
Total net position	\$ 75,952,003	\$ 76,094,777	\$ 78,442,909

**The Year Ended September 30, 2015**

At September 30, 2015, the Commission's assets and deferred outflow of resources exceeded liabilities by \$75.9 million, a \$143 thousand decrease over September 30, 2014. For the fiscal year ended September 30, 2015, the largest portion of the Commission net position represents its investment in capital assets. The Commission uses those capital assets to provide services to tenants and customers of Stennis International Airport, Port Bienville Industrial Park, and Port Bienville Railroad.

Total liabilities decreased \$500,030 during fiscal year 2015 despite an additional \$663,972 net pension liability accrual (see Note 12 for details related to the net pension liability). The decrease in liabilities was

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**The Year Ended September 30, 2015** *(Continued...)*

primarily the result of a \$600,590 reduction in unearned revenue and a continued bond and other loan payments as further discussed in Note 9.

With the additional net pension liability of \$663,972 attributable to FYE 2015 the Commission added \$315,955 to deferred outflows for pensions primarily as the Plan's actuarial assumptions changed during this period. Deferred outflows for pensions decreased \$268,867 during that same period as actual earnings on plan investments exceeded those projected.

The total decrease in the Commission's investment in capital assets after accumulated depreciation for FYE 2015 was 3%. Changes in those assets include the following:

Reductions include

- Depreciation expense for the current year reduced capital asset value by \$3.9 million.
- \$114 thousand of net assets were removed from Stennis Airport's fixed assets schedule as demolition of the old terminal and related infrastructure made room for the newly opened terminal, hangar, and adjacent infrastructure.

Additions include

- Airport apron additions, taxiway markings, perimeter fencing, and completion of the new terminal facility and hangar.

The Commission's capital program is funded through a combination of state and federal grants as well as surplus operating revenues.

**The Year Ended September 30, 2014**

Total current and other assets increased in 2014 primarily due to an increase in cash position as cash flow from operating and investing activities exceeded the net outflow of cash for capital projects and debt service. Net capital assets declined approximately \$2 million as a result of \$3.8 million of depreciation expense for the fiscal year on assets which increased approximately \$1.8 million during that same period.

Total liabilities increased \$294,661 in 2014 due to a pension liability accrual of \$2,427,634 which resulted from GASB 68 as further discussed in Notes 12 and 13 to the financial statements. All other liabilities decreased \$2,132,973 as the Commission chose early extinguishment of \$1,735,270 of debt. Reductions in both unearned revenues and accounts payable also decreased liabilities.

*Statements of Revenues, Expenses, and Changes in Net Position*

A summarized comparison of the Commission's revenues, expenses, and changes in net position for the fiscal year ended September 30, 2015 and 2014 with comparative amounts for September 30, 2013 is as follows:

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**Condensed Statements of Revenues, Expenses, and  
Changes in Net Position**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Operating Revenues</b>			
Charges for sales and services	\$ 5,563,841	\$ 5,161,226	\$ 5,321,517
Rental Income	2,664,244	2,317,202	2,229,068
Other	5,391	155,398	24,654
Total Operating Revenues	<u>8,233,476</u>	<u>7,633,826</u>	<u>7,575,239</u>
<b>Operating Expenses</b>			
Port Bienville Short Line Railroad	1,812,343	1,763,843	1,807,335
Port Bienville Industrial Park	2,173,949	1,973,714	2,030,797
Stennis International Airport	1,668,682	1,612,982	1,716,016
Total operating expenses	<u>5,654,974</u>	<u>5,350,539</u>	<u>5,554,148</u>
Operating Income before Depreciation	2,578,502	2,283,287	2,021,091
Depreciation expense	<u>3,919,844</u>	<u>3,818,293</u>	<u>3,906,715</u>
<b>Operating Loss after Depreciation</b>	<u>(1,341,342)</u>	<u>(1,535,006)</u>	<u>(1,885,624)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest revenue	93,688	100,474	108,755
Grant revenue	392,805	678,975	1,003,107
(Loss) on sale of capital assets	(109,124)	-	(15,508)
Interest expense	<u>(14,893)</u>	<u>(44,639)</u>	<u>(61,897)</u>
Total nonoperating revenues (expenses)	<u>362,476</u>	<u>734,810</u>	<u>1,034,457</u>
<b>Net Income (Loss) before Capital Contributions</b>	(978,866)	(800,196)	(851,167)
Capital contributions	836,092	952,068	2,049,567
Special Item – Debt Forgiveness	<u>-</u>	<u>179,534</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	<u>(142,774)</u>	<u>331,406</u>	<u>1,198,400</u>
<b>Total Net Position - Beginning, before restatement</b>	76,094,777	78,442,909	77,244,509
Cumulative effect of change in accounting principle	<u>-</u>	<u>(2,679,538)</u>	<u>-</u>
<b>Net Position - Restated</b>	<u>76,094,777</u>	<u>75,763,371</u>	<u>77,244,509</u>
<b>Total Net Position - Ending</b>	<u>\$ 75,952,003</u>	<u>\$ 76,094,777</u>	<u>\$ 78,442,909</u>

**The Year Ended September 30, 2015**

Operating revenues increased 7.8% over FYE 2014 primarily due to increased use of Commission infrastructure increasing port wharfage and dockage; rail switching, storage, weighing, and car repair agent fees; and airport fuel flowage. An increase in published rates and charges resulted from the completion of two reports analyzing the Commission's published rates and charges as compared to competitors and industry standards. Rates for port wharfage and dockage as well as water/sewer rates, rail switching, airport flowage, and some rental fees increased because of the data within these reports. Opportunities to renegotiate some tenant lease terms upon expiration resulted in more positive rental revenue and almost all rental properties are now under lease.

Operating expenses increased 5.6% over FYE 2014 as administrative personnel and hiring costs increased.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**The Year Ended September 30, 2014**

The Commission recognized a reduction in charges for sales and services in the amount of \$160,291 in 2014 largely due to a decline in both rail and wharfage fees. The majority of Other Operating Revenue resulted from a re-payment of construction costs in the amount of \$148,567 paid by the Commission to a contractor for Hurricane Katrina repairs to a facility for which the contractor was unable to establish validity of the invoices paid.

Total operating expenses declined slightly largely as a result of 4 unfilled administrative employee positions during the majority of the year; 2 of which have recently been filled.

Interest revenue decreased as notes receivable balances decline.

Non-capital grant revenue is comprised primarily of Hurricane Katrina FEMA grants. The prior year's amount includes several large projects that were closed at which time FEMA obligated (and at which point the Commission may recognize) additional funds that had not been obligated prior to project close. Interest expense has declined as a result of a declining balance in notes and bonds payable. Capital contributions declined as projects constructed and paid with certain grant sources were fewer than the prior year.

The Commission was forgiven the remaining balance of a post Hurricane Katrina Community Disaster Loan in the amount of \$179,534.

**CAPITAL AND DEBT ADMINISTRATION**

**2015 Capitalized Projects** – The Commission capitalized \$4,864,115 of construction projects and \$2,901 in land in 2015 and has another \$1,347,973 in progress at year end, all of which will be paid from grant and internal funds. Highlights of these projects include:

**Stennis International Airport**

- Completion and opening of a new terminal building with adjacent aircraft hangar, apron, and parking.
- Airport perimeter (wildlife) fencing
- Expansion of an apron at the Northern area of airport grounds
- Rehabilitation of an existing apron
- New taxiway markings
- Completion of a drop zone area on the West side of airport grounds for purposes of air-drop exercises

**Port Bienville Industrial Park**

- Purchase of a .96 acre parcel of land at the intersection of Lower Bay Road and Highway 90 and construction and placement of signage for Port Bienville Industrial Park
- Water line replacement and extension
- Bulkhead replacement in support of tenant product movement
- HVAC replacement at the port Training Center

**Port Bienville Railroad**

- Rehabilitation of the main rail line
- Expansion of the rail car wash and adjacent rail line
- Culvert replacements
- Lights and gates at two rail crossings on Lower Bay Road

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**CAPITAL AND DEBT ADMINISTRATION** *(Continued...)*

**General Administration**

- Construction continues on a new administration facility on airpark grounds continues

**Debt**

The Commission's outstanding debt at year end includes balances on two interest-free loans and a balance on a 2006 bond issue. Of the \$612,900 remaining at year end \$462,200 will be paid during fiscal year end 2016. The Commission will continue to pay down its final interest free loan through July of 2018.

**ECONOMIC FACTORS AND FISCAL YEAR ENDING SEPTEMBER 30, 2016 BUDGET**

The Commission's management considered a variety of factors when setting the Fiscal Year 2016 budget. Among them, concern over Port Bienville Railroad activity as Port Bienville tenants express concern over Class I rail service and rates, exposing the Commission to a greater risk of reduced rail revenue as tenants assess alternative means of transporting product. Because of these concerns management budgeted a decrease in the Commission's greatest source of revenue (junction settlements) from FYE 2015.

Management also faced upcoming tenant agreement expirations providing opportunity for more favorable negotiating terms to the Commission. Having completed rate studies for Stennis International Airport, Port Bienville Industrial Park, and Port Bienville Railroad, the Commission increased many of the published rates and charges. This combined with upcoming contract expirations provided opportunity for management to increase revenue in nearly every category.

Capital projects budgeted for FYE 2016 total just over \$8.8 million and include just under \$1 million for completion of the administration building; \$2.5 million of railroad projects; \$1.5 million for Port Bienville dock improvements, dredging, and waterline replacements; and \$3.8 million of improvements at Stennis International Airport including a new hangar adjacent to the recently opened terminal building and an extension to an existing taxiway, in addition to smaller infrastructure improvements. These projects are budgeted to be funded with \$1.5 million of Federal Aviation Administration (FAA) dollars, \$3.4 million of State multimodal funds, \$2 million of Restore Act monies, with the remainder funded by Commission cash reserves.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission finances and to demonstrate its commitment to accountability for receipts and expenditures of funds. Questions concerning this report or requests for additional financial information may be addressed to Janet E. Sacks, CPA, Chief Financial Officer, Hancock County Port and Harbor Commission, P.O. Box 2267, Bay St. Louis, MS 39521.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2015 AND 2014**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	2015	2014
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 10,026,538	\$ 7,663,141
Accounts receivable, net	638,893	454,844
Note receivable, current	13,017	12,260
Investment in capital leases, current	157,711	213,342
Due from other governments	1,675,285	2,074,193
Prepaid expenses	399,079	373,335
Inventories	7,714	18,886
Total current assets	<u>12,918,237</u>	<u>10,810,001</u>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	<u>327,822</u>	<u>825,667</u>
<b>NONCURRENT ASSETS</b>		
Capital assets		
Land and construction in progress	9,727,176	13,247,298
Other capital assets, net of accumulated depreciation	<u>56,898,156</u>	<u>56,045,322</u>
Total capital assets	<u>66,625,332</u>	<u>69,292,620</u>
Notes receivable, net of current maturities	27,220	40,237
Investment in capital leases, net of current maturities	<u>338,974</u>	<u>496,686</u>
Total noncurrent assets	<u>66,991,526</u>	<u>69,829,543</u>
<b>TOTAL ASSETS</b>	<u>80,237,585</u>	<u>81,465,211</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows for pensions	<u>415,955</u>	<u>100,000</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	148,461	359,410
Retainage payable	168,758	78,980
Unearned revenue	257,904	858,494
Accrued salaries	87,142	98,254
Accrued interest payable	1,002	1,955
Current maturities of general obligation bonds payable	310,000	280,000
Current maturities of notes payable	152,200	152,200
Compensated absences payable	<u>146,309</u>	<u>128,267</u>
Total current liabilities	<u>1,271,775</u>	<u>1,957,560</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer deposits	<u>104,420</u>	<u>105,437</u>
<b>NONCURRENT LIABILITIES</b>		
General obligation bonds payable, net of current maturities	-	325,000
Notes payable, net of current maturities	150,700	302,900
Net Pension Liability	<u>3,091,606</u>	<u>2,427,634</u>
Total noncurrent liabilities	<u>3,242,306</u>	<u>3,055,534</u>
Total liabilities	<u>4,618,501</u>	<u>5,118,531</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow for pensions	<u>83,036</u>	<u>351,903</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	65,779,328	68,008,422
Unrestricted	<u>10,172,675</u>	<u>8,086,355</u>
<b>TOTAL NET POSITION</b>	<u>\$ 75,952,003</u>	<u>\$ 76,094,777</u>

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

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT OF HANCOCK COUNTY, MISSISSIPPI)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Charges for sales and services		
Port Bienville Shortline Railroad	\$ 4,223,580	\$ 4,116,995
Port Bienville Industrial Park	1,080,468	882,876
Stennis International Airport	259,793	161,355
Total charges for sales and services	<u>5,563,841</u>	<u>5,161,226</u>
Rental Income		
Port Bienville Shortline Railroad	930,765	767,386
Port Bienville Industrial Park	252,765	250,406
Stennis International Airport	1,480,714	1,299,410
Total rental income	<u>2,664,244</u>	<u>2,317,202</u>
Other	5,391	155,398
Total operating revenues	<u>8,233,476</u>	<u>7,633,826</u>
<b>OPERATING EXPENSES</b>		
Port Bienville Shortline Railroad		
Personal services	1,144,382	1,042,140
Supplies and materials	142,722	179,603
Other services and charges	525,239	542,100
Depreciation and amortization	487,745	509,251
Total Port Bienville Shortline Railroad	<u>2,300,088</u>	<u>2,273,094</u>
Port Bienville Industrial Park		
Personal services	1,032,651	990,189
Supplies and materials	57,944	58,109
Other services and charges	1,083,354	925,416
Depreciation and amortization	2,261,239	2,266,039
Total Port Bienville Industrial Park	<u>4,435,188</u>	<u>4,239,753</u>
Stennis International Airport		
Personal services	811,283	777,743
Supplies and materials	19,446	39,879
Other services and charges	837,953	795,360
Depreciation and amortization	1,170,860	1,043,003
Total Stennis International Airport	<u>2,839,542</u>	<u>2,655,985</u>
Total operating expenses	<u>9,574,818</u>	<u>9,168,832</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,341,342)</u>	<u>(1,535,006)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	93,688	100,474
Grant revenue - federal	358,465	650,047
Grant revenue - state	34,340	28,928
Loss on disposal of capital assets	(109,124)	-
Interest expense	(14,893)	(44,639)
Total nonoperating revenues (expenses)	<u>362,476</u>	<u>734,810</u>
<b>NET LOSS BEFORE</b>		
<b>CONTRIBUTION AND SPECIAL ITEM</b>	<u>(978,866)</u>	<u>(800,196)</u>
Capital contributions - federal	620,118	115,867
Capital contributions - other	215,974	836,201
Special item - debt forgiveness	-	179,534
Total capital contributions and special items	<u>836,092</u>	<u>1,131,602</u>
<b>CHANGE IN NET POSITION</b>	<u>(142,774)</u>	<u>331,406</u>
<b>TOTAL NET POSITION - BEGINNING,</b>		
<b>before restatement</b>	76,094,777	78,442,909
Cumulative effect of change in accounting principle	-	(2,679,538)
Net Position - Restated	<u>76,094,777</u>	<u>75,763,371</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 75,952,003</u>	<u>\$ 76,094,777</u>

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

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 7,443,447	\$ 7,232,715
Cash payments for goods and services	(2,811,408)	(2,363,055)
Cash payments for employee services	(2,902,238)	(2,813,084)
Other Income	5,391	155,398
Net cash provided by operating activities	<u>1,735,192</u>	<u>2,211,974</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal received on notes/leases	225,603	203,251
Principal paid on debt	(447,200)	(1,587,245)
Proceeds from capital grants	1,627,806	1,843,360
Acquisitions and construction of capital assets	(1,360,931)	(2,253,646)
Proceeds from sale of assets	8,257	-
Interest paid on debt	(15,846)	(50,707)
Net cash provided by (used in) capital and related financing activities	<u>37,689</u>	<u>(1,844,987)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Repayment of customer deposits	(1,017)	-
Interest received	93,688	100,474
Net cash provided by investing activities	<u>92,671</u>	<u>100,474</u>
Net increase in cash and cash equivalents	1,865,552	467,461
Cash and cash equivalents:		
Beginning of year	8,488,808	8,021,347
End of year	<u>\$ 10,354,360</u>	<u>\$ 8,488,808</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents - current assets	\$ 10,026,538	\$ 7,663,141
Cash and cash equivalents - restricted assets	327,822	825,667
Total cash and cash equivalents	<u>\$ 10,354,360</u>	<u>\$ 8,488,808</u>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Debt cancellation	\$ -	\$ 179,534
Total non-cash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 179,534</u>

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

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Loss from operations	<u>\$ (1,341,342)</u>	<u>\$ (1,535,006)</u>
Adjustment to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	3,919,844	3,818,293
Pension expense adjustment	79,147	-
(Increase)decrease in operating assets:		
Accounts receivable	(170,146)	(184,577)
Bad Debt Expense	(13,903)	-
Prepaid expenses	(25,745)	(14,941)
Inventories	11,172	(1,687)
Increase(decrease) in operating liabilities:		
Accounts payable	(130,175)	194,041
Unearned revenue	(600,589)	(121,168)
Accrued salaries	(11,112)	7,036
Compensated absences	18,042	(10,049)
Customer Deposits	-	60,032
Total adjustments	<u>3,076,534</u>	<u>3,746,980</u>
Net cash provided by operating activities	<u>\$ 1,735,192</u>	<u>\$ 2,211,974</u>

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

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015, and 2014**

**NOTE 1: ORGANIZATION AND REPORTING ENTITY**

The Hancock County Port and Harbor Commission (the Commission) complies with accounting principles generally accepted in the United States of America. The Commission's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB), unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Commission's financial activities for the fiscal years ended September 30, 2015 and 2014.

The Hancock County Port and Harbor Commission was created on April 1, 1963, by resolution of the Hancock County Board of Supervisors under the provision of Title 59 of the Mississippi Code of 1972, as amended. The Commission developed and now operates the Port Bienville Industrial Park, Stennis International Airport and Industrial Air Park, Port Bienville Shortline Railroad, and publicly-owned treatment works facilities. The purpose of the Commission is to promote, develop, construct, maintain and operate harbors, seaports and industrial parks and develop commercial, industrial and manufacturing enterprises for the encouragement of employment within the boundaries of Hancock County, Mississippi.

The Commission is a component unit of Hancock County, Mississippi. Accordingly, the financial statements of the Commission would be included in the financial statements of Hancock County if the County presented general government financial statements. The accompanying financial statements present the Commission's governmental units over which the Commission exercises significant influence. Significant influence or accountability is based primarily on operational or functional relationships with the Commission (as distinct from legal relationships). However, there have been no identified component units of the Commission.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Reporting**

These financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) relative to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Commission has been identified as an "enterprise fund" as described by GAAP for governmental entities. Enterprise funds utilize accounting principles in a manner similar to private business enterprises and are accounted for on a flow of economic resources measurement focus.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues consist of user charges, rental income, and miscellaneous charges related to the Port Bienville Shortline Railroad, the Port Bienville Industrial Park, and the Stennis International Airport. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and liabilities associated with the operation of the Commission are included on the statements of net position.

Operating revenues are those revenues that are generated from primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to primary operations. All other expenses are reported as non-operating.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015, and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued...)*

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Commission considers all highly liquid investments (including funds invested in savings type accounts) purchased with maturities of three months or less to be cash equivalents.

**Receivables**

The Commission reports receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2015 and 2014 are recorded as prepaid items.

**Inventories**

Inventory consists of fuel used to operate grounds maintenance equipment and rail locomotives. This inventory is stated at cost using the first-in/first-out (FIFO) method. Inventories as of September 30 are as follows:

	<u>2015</u>	<u>2014</u>
Fuel	<u>\$ 7,714</u>	<u>\$ 18,886</u>

**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 externally imposed by creditors, contributors, grantors, or laws. Restricted assets consist of funds that are restricted for improvements, customer deposits subject to refund, and unspent proceeds and reserve accounts from the issuance of debt. When both restricted and non-restricted assets are available for use, restricted assets are used first.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015, and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued...)*

**Capital Assets**

Property and equipment exceeding the Commission's capitalization thresholds are stated at historical cost. Donated assets are recorded at their estimated fair value at the date of donation. Maintenance and repairs are expensed as incurred.

Replacements that improve or extend the lives of property and exceed the thresholds are capitalized. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives and capitalization thresholds are as follows:

Capital Assets	Useful Life (Years)	Capitalization Threshold
Buildings and Improvements	10 - 50	\$ 50,000
Improvements other than buildings	20 - 30	\$ 25,000
Machinery and equipment	5 - 10	\$ 5,000
Railroad track and bed	30	\$ 25,000
Railroad equipment	5 - 7	\$ 5,000

**Capitalized Interest**

Interest costs are capitalized when incurred during the construction period for new assets. For the years ended September 30, 2015 and 2014 a total of \$1,996 and \$5,950, respectively, of interest costs were capitalized and are included in capital assets.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense) until then. The Commission has only one item that qualifies for reporting in this category related to the Commission's participation in the pension plan; the unamortized changes in expected and actual plan experience and plan assumptions. (See Note 12.)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has only one type of item that qualifies for reporting in this category related to the Commission's participation in the pension plan; the difference between projected and actual plan investment earnings. (See Note 12.)

**Compensated Absences**

Full-time employees receive annual leave (paid time off) based upon length of employment. Paid time off includes vacation, sick and personal time and vests with the employee. Therefore, paid time off has been accrued in the financial statements.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015, and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued...)*

**Unearned Revenue**

The Commission defers revenue recognition in connection with resources that have been received, but not yet earned.

**General and Administrative Expense Allocations**

For the purposes of the statements of revenue, expenses and change in net position, general and administrative expenses were allocated to the Port Bienville Shortline Railroad, the Port Bienville Industrial Park and Stennis International Airport as follows:

Port Bienville Shortline Railroad	35%
Port Bienville Industrial Park	38%
Stennis International Airport	27%
Total	<u>100%</u>

**Net Position**

The Commission classifies net assets into three components:

- Invested in capital assets, net of related debt - consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted for capital activity and debt service - consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation.
- Unrestricted net assets - consists of all other net assets not included in the above categories.

**Reclassifications**

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**NOTE 3: DEPOSITS AND INVESTMENTS**

**A. Custodial Credit Risk – Deposits**

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Commission will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Commission does not have a deposit policy for custodial credit risk. However, all of the Commission's bank balances are entirely insured or collateralized. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code. 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. The Commission deposits funds in financial institutions selected by the Commissioners in accordance with Mississippi statutes. At September 30, 2015, deposits (including restricted deposits) were as follows:

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**NOTE 3: DEPOSITS AND INVESTMENTS** *(Continued...)*

**A. Custodial Credit Risk – Deposits** *(Continued...)*

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 10,522,512	\$ 10,354,360

**B. Investments**

The Commission is authorized by State statute to invest excess funds in obligations of the U.S. Treasury, State of Mississippi, counties, municipalities and school districts of the State of Mississippi and, with certain restrictions, repurchase agreements secured by U.S. Government obligations and certificates of deposit.

The Commission deposits funds in financial institutions selected in accordance with State statutes. Furthermore, the Commission currently invests excess funds only in interest-bearing accounts with such depository institutions.

**NOTE 4: ACCOUNTS RECEIVABLES**

Accounts receivable consists of the following:

	2015	2014
Port Bienville Industrial Park	\$ 144,799	\$ 145,888
Port Bienville Railroad	413,409	209,544
Stennis International Airport	80,459	98,659
Other	226	753
Total	638,893	454,844
Less allowance for doubtful accounts	-	-
Total accounts receivable, net	\$ 638,893	\$ 454,844

In fiscal year 2015 the Commission recognized \$13,903 of bad debt expense as a result of tenant non-payment for rent and services. No bad debt was recognized in 2014.

**NOTE 5: NOTE RECEIVABLE**

In September 1992, the Commission sold a building in the Stennis International Airport known as the Thermal Building. The sale was structured and recorded as a lease-purchase. Accordingly, a note receivable was established for the full sales price of \$195,000, as amended. In June 2004, the Commission converted this agreement from a lease-purchase to a straight purchase agreement with no change to the payment terms. As of September 30, 2015 and 2014 the note had remaining outstanding balances of \$40,237 and \$52,497 respectively, and matures August 1, 2018. The outstanding balance at year end is reported as a note receivable, current and non-current on the balance sheets.

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**NOTE 5: NOTE RECEIVABLE** *(Continued...)*

Future expected payments to be received on the outstanding note are as follows at September 30, 2015:

Note Receivable			
Year Ending			
September 30,	Principal	Interest	Total
2016	\$ 13,017	\$ 2,060	\$ 15,077
2017	13,820	1,257	15,077
2018	13,400	399	13,799
Totals	<u>\$ 40,237</u>	<u>\$ 3,716</u>	<u>\$ 43,953</u>

**NOTE 6: INVESTMENT IN CAPITAL LEASES**

**1996 Lease**

In 1996, the Commission entered into a lease agreement with a company for land in the Port Bienville Industrial Park. The lease calls for annual payments of \$160,000 beginning January 1, 1999, through January 1, 2018. At the end of the lease term, the company may purchase the land for \$1,000. The transaction has been recorded as a lease-purchase. Accordingly, a note receivable has been established for the value of the land leased of \$924,941. As of September 30, 2015 and 2014 the note had remaining outstanding balances of \$376,330 and \$473,674, respectively.

**2008 Lease**

On October 17, 2007, the Commission entered into a lease agreement with a company for facilities and property in the Port Bienville Industrial Park. The lease calls for a one time prepayment of all rent and other fees due during the first eight years of the lease in the amount of \$830,000. Additionally as consideration for Katrina CDBG (KCDBG) funds through the Mississippi Development Authority (MDA) in the amount of \$1,990,617, the company agreed to invest \$5,000,000 of private capital and create at least 50 new jobs within 5 years of completion of the rehabilitation. The lease term began February 2008. During the eight year lease term, the company had the option to acquire the buildings and property for an additional \$1. The lease stipulates that if the option is not exercised, the lease term will extend to thirteen years for additional consideration. The transaction was recorded as a lease purchase and accordingly, a note receivable was established for the value of the asset leased of \$830,000. As of September 30, 2015 and 2014 the note had remaining outstanding balances of \$34,584 and \$138,334, respectively. On October 9, 2015 the company notified the Commission of its intent to exercise the aforementioned option. Because the company had not met the jobs requirement and because the MDA retains clawback provisions related to the jobs requirement the Commission has not granted the option and continues to work with the MDA and the company to find a point of resolution on the matter.

**2012 Lease**

During fiscal year 2012, the Commission entered into a lease agreement with a company at Stennis International Airport for the repayment of a monetary match for expansion of facilities. The lease calls for repayment of the \$100,000 match provided by the Commission to commence over 7 years to begin 30 days following the date of certificate of occupancy and with an interest rate of 5.25%. During the term of this lease the company will have the option to acquire the property for the full balance remaining to be paid. As of September 30, 2015 and 2014 the note had remaining outstanding balances of \$85,771 and \$98,020, respectively.

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**NOTE 6: INVESTMENT IN CAPITAL LEASES** *(Continued...)*

**Future Expected Payments**

Future expected payments to be received on the outstanding capital leases are as follows at September 30, 2015:

September 30,	Principal	Interest	Total
2016	\$ 157,711	\$ 53,975	\$ 211,686
2017	138,401	38,701	177,102
2018	155,641	21,461	177,102
2019	15,103	1,999	17,102
2020	15,915	1,187	17,102
2021	13,914	343	14,257
Totals	<u>\$ 496,685</u>	<u>\$ 117,666</u>	<u>\$ 614,351</u>

**NOTE 7: DUE FROM OTHER GOVERNMENTS**

As of September 30, receivables recorded based on costs incurred prior to year end related to grants and loans were as follows:

	2015	2014
Federal Emergency Management Association (Mississippi Emergency Management Association) - Hurricane Katrina Projects	\$ 1,442,328	\$ 1,304,721
Federal Aviation Administration - Airport Projects	60,782	99,078
Mississippi Department of Transportation - Multimodal Projects	172,175	528,283
Mississippi Department of Transportation - Airport Projects	-	142,111
	<u>\$ 1,675,285</u>	<u>\$ 2,074,193</u>

**NOTE 8: CAPITAL ASSETS**

**Change in Treatment of Land Inventory**

In fiscal year 2014, the Board of Commissioners determined that the land inventory should be included in capital assets due to the lack of intent to sell the property. Therefore, land inventory totaling \$4,218,745 was retroactively reclassified to capital assets as of October 1, 2011 in the financial statements. The effects of this reclassification were to decrease current assets and increase noncurrent assets each year by this amount.

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**NOTE 8: CAPITAL ASSETS** *(Continued...)*

Summary of changes in capital assets for the year ended September 30, 2015

	Balance September 30, 2014	Additions	Deletions	Transfers	Balance September 30, 2015
Capital assets, not being depreciated:					
Land	\$ 8,376,302	\$ 2,901	\$ -	\$ -	\$ 8,379,203
Construction in progress	4,870,996	1,464,362	(123,270)	(4,864,115)	1,347,973
Total capital assets, not being depreciated	13,247,298	1,467,263	(123,270)	(4,864,115)	9,727,176
Capital assets being depreciated:					
Buildings and improvements	19,430,688	17,615	(241,449)	3,126,341	22,333,195
Improvements other than Buildings	76,016,371	-	(166,008)	1,737,774	77,588,137
Machinery and equipment	1,638,473	8,331	(16,000)	-	1,630,804
Railroad track and bed	17,169,867	-	-	-	17,169,867
Railroad equipment	388,169	-	-	-	388,169
Total capital assets being depreciated	114,643,568	25,946	(423,457)	4,864,115	119,110,172
<u>Less</u> accumulated depreciation for:					
Buildings and improvements	3,698,323	443,104	(170,791)	-	3,970,636
Improvements other than buildings	49,011,265	2,911,169	(125,323)	-	51,797,112
Machinery and equipment	1,083,662	105,406	(9,960)	-	1,179,107
Railroad track and bed	4,468,730	432,846	-	-	4,901,576
Railroad equipment	336,266	27,319	-	-	363,585
Total accumulated depreciation	58,598,246	3,919,844	(306,074)	-	62,212,016
Total capital assets being depreciated, net	56,045,322	(3,893,898)	(117,383)	4,864,115	56,898,156
Capital assets, net	\$ 69,292,620	\$ (2,426,635)	\$ (240,653)	\$ -	\$ 66,625,332

The majority of the balance of construction in progress at September 30, 2015 includes a balance of \$1,028,832 on the new administration building being constructed on Stennis Airpark grounds. The remaining \$319,141 balance is comprised of rail projects including additional lines, culvert replacement, and the installation of lights and gates along Lower Bay Road and port projects including water line replacement and bulkhead improvements. Transfers are almost exclusively related to Airport development projects reclassified from Construction in Progress to Buildings and Improvements and Improvements other than Buildings including a new terminal building and adjacent hangar, parking for that area, apron expansions, protective wildlife fencing, taxiway markings, and a drop zone for air drop exercises. The Commission acquired a .96 acre parcel of land at the intersection of Hwy 90 and Lower Bay Road for the installation of a sign for Port Bienville Industrial Park. The majority of \$423,457 of deletions was the result of demolition of the old terminal building and its associated infrastructure. The Commission also sold at auction its last remaining mobile home purchased after Hurricane Katrina and a mobile command unit.

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**NOTE 8: CAPITAL ASSETS** *(Continued...)*

Summary of changes in capital assets for the year ended September 30, 2014

	Balance October 1, 2013	Additions	Deletions	Transfers	Balance September 30, 2014
Capital assets, not being					
Land	\$ 8,376,302	\$ -	\$ -	\$ -	\$ 8,376,302
Construction in progress	4,799,738	1,733,841	(101,660)	(1,560,923)	4,870,996
Total capital assets, not being depreciated	13,176,040	1,733,841	(101,660)	(1,560,923)	13,247,298
Capital assets being depreciated:					
Buildings and improvements	19,417,965	12,723	-	-	19,430,688
Improvements other than Buildings	75,300,483	88,004	-	627,884	76,016,371
Machinery and equipment	1,571,578	66,895	-	-	1,638,473
Railroad track and bed	16,236,828	-	-	933,039	17,169,867
Railroad equipment	388,169	-	-	-	388,169
Total capital assets being depreciated	112,915,023	167,622	-	1,560,923	114,643,568
<u>Less accumulated depreciation for:</u>					
Buildings and improvements	3,292,607	405,716	-	-	3,698,323
Improvements other than buildings	46,164,215	2,847,050	-	-	49,011,265
Machinery and equipment	982,040	101,622	-	-	1,083,662
Railroad track and bed	4,043,840	424,890	-	-	4,468,730
Railroad equipment	305,362	30,904	-	-	336,266
Total accumulated depreciation	54,788,064	3,810,182	-	-	58,598,246
Total capital assets being depreciated, net	58,126,959	(3,642,560)	-	1,560,923	56,045,322
Capital assets, net	<u>\$ 71,302,999</u>	<u>\$ (1,908,719)</u>	<u>\$ (101,660)</u>	<u>\$ -</u>	<u>\$ 69,292,620</u>

Construction in progress at September 30, 2014, is primarily composed of a new terminal building with adjacent hangar at Stennis International Airport, a new drop zone constructed west of the existing runway, apron expansion and reconstruction, new taxiway markings. In addition, a new administration building is under construction on airport grounds. At Port Bienville industrial park construction in progress consists of railway rehab and dock reconstruction. Deletions include an amount used for construction in progress on behalf of a tenant expansion which is complete and the amount has been reclassified as investment in capital lease. See Note 5.

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**NOTE 9: LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities is as follows:

For the Year Ended September 30, 2015

	Balance October 1, 2014	Additions	Principal Payments Reductions	Balance September 30, 2015	Amount Due within Twelve Months
General obligation bonds	\$ 605,000	\$ -	\$ (295,000)	\$ 310,000	\$ 310,000
Notes payable	455,100	-	(152,200)	302,900	152,200
Compensated absences *	128,267	178,782	(160,740)	146,309	146,309
Net pension liability	2,427,634	663,972	-	3,091,606	-
<b>TOTAL</b>	<b>\$ 3,616,001</b>	<b>\$ 842,754</b>	<b>\$ (607,940)</b>	<b>\$ 3,850,815</b>	<b>\$ 608,509</b>

For the Year Ended September 30, 2014

	Balance October 1, 2013	Additions	Principal Payments Reductions	Balance September 30, 2014	Amount Due within Twelve
General obligation bonds	\$ 885,000	\$ -	\$ (280,000)	\$ 605,000	\$ 280,000
Notes payable	1,910,370	-	(1,455,270)	455,100	152,200
Compensated absences *	138,316	260,474	(270,523)	128,267	128,267
Net pension liability	-	-	-	2,427,634	-
<b>TOTAL</b>	<b>\$ 2,933,686</b>	<b>\$ 260,474</b>	<b>\$ (2,005,793)</b>	<b>\$ 3,616,001</b>	<b>\$ 560,467</b>

\* The Commission's policy on maximum compensated absences payout on termination is limited to 160 accrued hours, for retirement that number is increased to 240. Therefore additions and reductions to compensated absences include \$104,510 of potential forfeit assuming that all employees are paid the maximum allowed under the policy at fiscal year-end.

\*\* Restatement to beginning balance due to the implementation of GASB Statement No. 68.

**A. General Obligation Bonds Payable**

Hancock County historically issued general obligation bonds for the purpose of providing funds for various capital projects. The bonds are considered to be general obligations of the County payable and secured by an irrevocable pledge of property tax payments. However, these bonds are considered to be a liability of the Commission and have been recorded in the financial statements herein.

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**NOTE 9: LONG-TERM LIABILITIES** *(Continued...)*

**A. General Obligation Bonds Payable** *(Continued...)*

Bonds payable are comprised of the following (all bonds are serial bonds):

Description	Original Issue	Interest Rates	Outstanding September 30,	
			2015	2014
General obligation bonds:				
Port Bonds, Series 2006, due June 2007 to 2016	<u>\$2,500,000</u>	<u>3.90%</u>	<u>\$ 310,000</u>	<u>\$ 605,000</u>

Principal and interest maturities will be as follows at September 30, 2015:

Year Ending Sept. 30,	Principal	Interest	Total Requirements
2016	<u>\$ 310,000</u>	<u>\$ 5,043</u>	<u>\$ 316,045</u>

**B. Notes Payable**

The Commission's outstanding notes payable are described as follows:

	Original Amt.	Outstanding September 30,	
		2015	2014
Coast Electric Power Association Loan (REA Rural Development) for Technology Building Expansion, issued March 18, 2009, due in 108 monthly installments of \$6,850, including interest at 0%, maturing July 15, 2018.	\$ 740,000	\$ 232,900	\$ 315,100
Mississippi Department of Transportation Loan for Capital Improvements, issued August 1, 2005, due in 10 yearly installments of \$70,000, non-interest bearing, maturing May 1, 2016.	700,000	70,000	140,000
Total	<u>\$ 1,440,000</u>	302,900	455,100
Less current portion		(152,200)	(152,200)
Long-term portion		<u>\$ 150,700</u>	<u>\$ 302,900</u>

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**NOTE 9: LONG-TERM LIABILITIES** *(Continued...)*

**B. Notes Payable** *(Continued...)*

Principal maturities will be as follows at September 30, 2015:

Year Ending September 30,	Principal	Total Requirements
2016	\$ 152,200	\$ 152,200
2017	82,200	82,200
2018	68,500	68,500
Total	<u>\$ 302,900</u>	<u>\$ 302,900</u>

**C. Coast Electric Power Association Loan (REA Rural Development)**

The Coast Electric Power Association Loans (REA Rural Development) in the original amount of \$740,000 is for the Technology Building Expansion at Stennis International Airport. This loan is federally funded by REA Rural Development and is secured by bonds totaling \$1,100,000 issued by Hancock County which is not included in these financial statements.

**D. Debt Cancellation**

On December 9, 2013, the Commission was granted partial forgiveness from the U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA) for the cancellation of the Community Disaster Loan (CDL) issued February 27, 2006 to assist in the recovery from Hurricane Katrina. The remaining loan balance was \$148,025 and accrued interest was \$31,509. No payments of interest or principal had been made on this loan. The cancellation resulted in a gain of \$179,534 to the Commission which has been recorded as a special item in the Statements of Revenues, Expenses and Change in Net Position as of September 30, 2014. In December 2011, FEMA had granted a partial forgiveness of the loan and accrued interest totaling \$969,522.

**NOTE 10: LEASE REVENUE (OPERATING LEASES)**

The Commission leases property and certain facilities to various tenants within its industrial park and airport. The majority of these leases are cancelable operating leases. Property leased by the Commission recorded in capital assets is as follows:

As of September 30, 2015

	Cost	Accumulated Depreciation	Net Value
Land	\$ 466,773	\$ -	\$ 466,776
Buildings and track	17,827,947	4,115,704	13,712,243
	<u>\$ 18,294,720</u>	<u>\$ 4,115,704</u>	<u>\$ 14,179,019</u>

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**NOTE 10: LEASE REVENUE (OPERATING LEASES)** *(Continued...)*

As of September 30, 2014

	Cost	Accumulated Depreciation	Net Value
Land	\$ 471,261	\$ -	\$ 471,261
Buildings and track	17,578,207	3,687,783	13,890,424
	<u>\$ 18,049,468</u>	<u>\$ 3,687,783</u>	<u>\$ 14,361,685</u>

Future minimum rentals for the more significant non-cancelable leases, not including contingent rentals, are as follows at September 30, 2015:

Year Ending September 30,	Amount
2016	\$ 109,914
2017	109,914
2018	109,914
2019	109,914
2020	109,914
Thereafter	267,237
Total	<u>\$ 816,807</u>

The minimum future rentals for these leases were determined using the rates in effect at September 30, 2015, and also do not consider renewal options which may be available for certain lease contracts. Income under this portion of the leases is not included in future minimum rental amounts. Rental income for fiscal years 2015 and 2014, respectively, received through all leases, including contingent rentals, was \$2,664,244 and \$2,317,201.

**NOTE 11: UNEARNED REVENUE**

Unearned revenue consists of the following at September 30, 2015:

	2015	2014
FEMA grants received	\$ 73,560	\$ 571,119
Railcar storage lease payment – Wellman	149,760	149,040
Advance lease payment	34,584	138,335
	<u>\$ 257,904</u>	<u>\$ 858,494</u>

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**NOTE 12: DEFINED BENEFIT PENSION PLAN**

The Governmental Accounting Standards Board (GASB) Statement No. 68 – Accounting and Financial Reporting for Pensions has been implemented for the year ended September 30, 2015. Beginning net position has been adjusted for the cumulative effect of implementing the change in accounting principle. See Note 13 for further information.

**Plan Description**

The Commission's employees are provided pensions through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Mississippi's Public Employees' Retirement System's Board of Trustees. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained from its website, [www.pers.ms.gov](http://www.pers.ms.gov), by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS, 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**Benefits Provided**

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 become 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 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited 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. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

**Contributions**

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. For the periods ending September 30, 2015, 2014, and 2013, the Commission's contribution rates were 15.75%, 14.26%, and 12.93% of annual covered payroll, respectively. The Commission's contributions to PERS for the years ended September 30, 2015, 2014, and 2013 were \$222,991, \$210,959, and \$197,837, respectively, and are equal to the required contributions for each year.

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**NOTE 12: DEFINED BENEFIT PENSION PLAN** *(Continued...)*

**Pension Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources**

At September 30, 2015, the Commission recognized \$3,091,606 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the Commission's proportion was .02173 percent, which was a decrease from its proportion measured as of June 30, 2014 of .022337 percent.

For the year ended June 30, 2015, the Commission recognized expense of \$302,140. In addition, the Commission reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,826	\$ -
Changes in assumptions	266,331	-
Net difference between projected and actual earnings on Plan investments	-	83,036
Commission contributions	77,798	-
Total	<u>\$ 415,955</u>	<u>\$ 83,036</u>

The Commission's contributions subsequent to the measurement date, \$54,755, will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2016	\$ 96,806
2017	92,501
2018	43,636
2019	45,221
	<u>\$ 278,164</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75 percent, net of pension plan investment expense and inflation
Projected salary increases	3.75 - 19.00 percent, including inflation
Inflation	3.00 percent

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**NOTE 12: DEFINED BENEFIT PENSION PLAN** *(Continued...)*

**Actuarial Assumptions** *(Continued...)*

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015. Mortality rates were based on the RP-2014 Health Annuitant Blue Collar Table projected with Scale BB to 2016, set forward one year for males.

The long-term expected rate of return on investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and 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 allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return %
U.S. Broad	34.00%	5.20%
International equities	19.00%	5.00%
Emerging markets equities	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equities	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 7.75 percent. The projection of cash flows used to determine the discount rate assumed that 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.

**Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015, and 2014**

**NOTE 12: DEFINED BENEFIT PENSION PLAN** *(Continued...)*

**Discount Rate** *(Continued...)*

	Discount Rate	Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$ 4,075,019
Current discount rate	7.75%	\$ 3,091,606
1% increase	8.75%	\$ 2,275,556

**NOTE 13: IMPLEMENTATION OF NEW ACCOUNTING STANDARD GASB NO. 68**

The implementation of a new accounting standard, GASB 68, required the recording of net pension liability and deferred outflows related to pensions in the fiscal year ended September 30, 2014. The statement of net position for the year ended September 30, 2014, has been restated to reflect the adjustments related to the previous years. The statement of revenues, expenses, and changes in net position has not been restated because it is not practical for the Commission to determine pension expense. The effect of this restatement on the statement of net position is as follows:

	As Previously Stated	As Restated	Effect of Correction Increase (Decrease)
Statement of Net Position			
At September 30, 2014:			
Deferred outflows for pensions	\$ -	\$ 100,000	\$ 100,000
Net pension liability	-	2,427,634	2,427,634
Deferred inflows for pensions	-	351,903	351,903
Net position	\$ 78,774,315	\$ 76,094,777	\$ (2,679,538)

**NOTE 14: RAILROAD RETIREMENT PLAN**

**Plan Description**

The Commission contributes to the U.S. Railroad Retirement Board (RRB) for all eligible railroad workers who are employed by the Commission. The RRB's primary function is to administer comprehensive retirement – survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts.

Legislation enacted in 1974 restructured railroad benefits into two tiers, so as to coordinate them more fully with social security benefits. The first tier (Tier I) is based on combined railroad retirement and social security credits, using social security benefit formulas. The second tier (Tier II) is based on railroad service only and is comparable to the pension paid over and above social security benefits in other heavy industries. Under the Railroad Retirement Act, retirement and disability annuities are paid to railroad workers with at least 10 years of service. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the Commission incurs no expense for postretirement health benefits. If a railroad employee (or his or her survivor) does not qualify for railroad retirement benefits, the RRB transfers the Employee's Railroad Retirement credits to the Social Security Administration, where they are treated as social security credits.

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 14: RAILROAD RETIREMENT PLAN** *(Continued...)*

**Plan Description** *(Continued...)*

The United States Railroad Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information. The information may be obtained from its website @ <https://www.rrb.gov/pdf/oig/REPORTS/1601.pdf> and by writing to the U.S. Railroad Retirement Board, 844 Rush Street, Chicago, IL 60611.

**Funding Policy**

RRB members are required to contribute 7.65% under Tier I and 4.4% under Tier II of their covered salary, and the Commission is required to contribute 7.65% under Tier I and 12.6% under Tier II as of September 30, 2015 and 2014.

The Commission's contributions to RRB for the years ended September 30, 2015, 2014, and 2013 were \$103,624, \$92,314, and \$86,351, respectively.

**NOTE 15: DEFERRED COMPENSATION PLAN**

The Mississippi Public Employees' Retirement System (PERS) offers the Commission's employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Commission employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**NOTE 16: OTHER POST EMPLOYMENT BENEFITS**

Through the PERS Plan of Mississippi (State), retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the State incurs no expense for postretirement health benefits. However, since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GASB Section Po50 as a single employer defined benefit healthcare plan. Effective July 1, 2007, the State implemented GASB Section Po50 prospectively, which requires reporting on an accrual basis, the liability associated with other postemployment benefits. The State does not issue a publicly available financial report on the Plan. However, the required reporting is included in the State's financial statements disclosures available on the State of Mississippi's website at [www.dfa.state.ms.us](http://www.dfa.state.ms.us).

**NOTE 17: INDUCEMENT AGREEMENT**

In April 1996, the Mississippi Department of Economic and Community Development (MDECD), now known as the Mississippi Development Authority (MDA), entered into an inducement agreement with Wellman of Mississippi, Inc. (Wellman) in order to facilitate the location of Wellman to Hancock County. As a result of this agreement, Hancock County agreed to issue Tax Increment Bonds totaling \$5,000,000 for the purchase of the site, site preparation and additional uses related to the project. In addition, on September 30, 1996, the Commission entered into a grant agreement with the MDECD Mississippi Major Economic Impact Authority for a total of \$35,000,000 for the purpose of funding certain facilities related to the Wellman project. Certain improvements funded by the bonds and the grant will remain the property of the Commission and contributed capital was recorded in prior years. The remaining assets totaling \$28,361,581 are being leased to Wellman for 20 years (expiring on December 31, 2018) with automatic extensions of up to 99 years.

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**NOTE 17: INDUCEMENT AGREEMENT** *(Continued...)*

Wellman has the irrevocable option to purchase the assets for \$1,000 upon expiration of the initial term or prior to expiration of the initial term for \$1,000 plus either an annuity contract or a promissory note, which would provide for the payment of \$160,000 per year for the remaining lease term. However, the inducement agreement also provides that Wellman shall receive a credit each year for the first \$160,000 of services provided under the Publicly Owned Treatment Works I service contract during the initial term of the lease. The Commission has recorded the land (costing \$924,941) as investment in lease and the remaining assets totaling \$27,436,640 less \$1,000 are being depreciated over the 20-year term of the lease.

On August 31, 2011, Wellman, Inc. and its subsidiaries were acquired by DAK Americas LLC. All prior agreements entered into with Wellman of Mississippi, Inc. remain in full force as executed. In April 2012, Wellman of Mississippi, Inc.'s name was official changed to DAK Americas Mississippi, Inc.

**NOTE 18: PUBLICLY OWNED TREATMENT WORKS (POTW)**

**POTW I**

In June 2000, the Commission and the Hancock County Board of Supervisors entered into an agreement with Wellman concerning the Publicly Owned Treatment Works (POTW I) constructed with Impact Funds from MDA described in Note 17 above to provide for the receiving, measuring, transporting, treating and disposing of wastewater from Wellman. The Commission owns, operates and maintains the POTW I. However, DAK (formerly Wellman) is financially responsible for the cost of operation and maintenance less any fees collected from any additional contracting parties (as applicable) and provides all funds necessary for the repair, maintenance and operation of the POTW I. The agreement shall continue in effect as long as DAK (formerly Wellman), its successors or assigns operates a manufacturing facility on the site. As of September 30, 2015 and 2014 DAK (formerly Wellman) had been billed a total of \$390,731 and \$384,876, respectively, for POTW I costs. The annual credit of \$160,000 has been applied against the POTW I costs billed to DAK (formerly Wellman) resulting in net revenue from the POTW I agreement of \$230,731 and \$224,876 for the years ended September 30, 2015 and 2014, respectively, that is included in charges for services in the statements of revenues, expenses, and changes in net position.

**POTW II**

In September 2004, the Commission and the Hancock County Board of Supervisors entered into an agreement with General Electric Company (GEC) concerning the expansion of the Publicly Owned Treatment Works II (POTW II), constructed to provide for the receiving, measuring, transporting, treating and disposing of wastewater. The Commission owns, operates and maintains the POTW II. However, GEC agreed to pay charges consisting of a combination of a capital expansion fee, pre-startup costs, and usage fees. On August 31, 2007, GEC's Mississippi facility was sold and the lease assigned to SABIC Innovative Plastics (SABIC). The capital expansion and pre-startup costs consist of payments of \$9,826 quarterly for a term not to exceed ten years and are based upon the actual capital improvements and related costs incurred by the Commission in the expansion of the POTW II totaling \$393,046. Additional customers may reduce SABIC's charges.

The agreement may be terminated or suspended by SABIC at any time by giving the Commission at least thirty days prior notice and payment of the remaining unpaid balance of the capital expansion fee. As of September 30, 2015 and 2014, respectively, a cumulative total of \$393,046 and \$383,223 had been billed and paid for expansion and start-up costs which are included in other services and charges in the statement of revenues, expenses, and changes in net position.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**SEPTEMBER 30, 2015, and 2014**

**NOTE 19: MISSISSIPPI COAST FOREIGN TRADE ZONE, INC.**

In January 1999, the U.S. Department of Commerce Foreign Trade Zone Board approved the expansion of the Greater Gulfport/Biloxi Foreign Trade Zone, Inc. to include Hancock County. Such designation allows foreign or domestic merchandise coming into the Port Bienville Industrial Park and Stennis International Airport to generally be considered as part of international commerce and not officially entered in United States Commerce. Therefore, the usual duties charged on goods may be deferred, reduced, avoided or eliminated. In July, 1999, the Commission, Hancock County's designee, became a member of the corporation which changed its name to Mississippi Coast Foreign Trade Zone, Inc., a not-for-profit organization.

The organization has five corporate members: Harrison County Development Commission (HCDC), Gulfport/Biloxi Regional Airport Authority (GBRAA), Mississippi State Port Authority (MSPA) at Gulfport, Hancock County and Jackson County. The governing board is composed of twelve directors: the Executive Director and one member of the HCDC, the Executive Director and one member of the GBRAA, one member of the MSPA, three persons designated by Hancock County and three persons designated by Jackson County. The primary source of funding for the organization is from annual fees from certain businesses in the zone.

**NOTE 20: COMMITMENTS AND CONTINGENCIES**

**A. Outstanding Construction Commitments**

The Commission had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2015, which will be paid from internal funding and grants:

General Operating Fund	\$ 839,794
Port Bienville Railroad	95,646
Port Bienville Industrial Park	468,148
Total	<u>\$ 1,403,588</u>

**B. Litigation**

In fiscal year 2003, the Commission filed suit against a tenant for past due fees and charges. In response, the tenant filed a countersuit seeking a refund of fees and charges in the amount of \$738,000. No accrual for losses, as a result of the litigation, have been made in the financial statements, as such, losses, if any, are not material, probable and/or determinable.

**C. Estoppel and Consent Agreement**

The commission entered into an agreement collateralizing a tenant's leasehold interest. Per the Commission's legal counsel and review of the agreement, the pledged leasehold interest in Port Bienville property is to collateralize and secure loans with two major lending institutions. On July 22, 2011, the Commission entered into an estoppel and consent agreement with each of these banks. Under those agreements, the Commission consented to assignment of its tenant's interest in the ground leasehold, the granting of liens upon the real property, and the granting of liens upon the personal property collateral in favor of the banks as security for repayment of its tenant's obligations.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015, and 2014**

**NOTE 21: RISK MANAGEMENT**

**A. Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damaged to and destruction of assets; errors and omissions; personal injury and natural disasters for which the Commission carries commercial insurance. The Commission carries pollution insurance to mitigate potential losses relative to various environmental issues. In addition, the Commission is exposed to risks of loss related to wetlands issues for which the Commission is currently developing policies and strategies necessary to reduce its risk of loss from such exposures.

**B. Federal Grants**

In the normal course of operations and as a result of the destruction from Hurricane Katrina, the Commission has received grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

**NOTE 22: SUBSEQUENT EVENTS**

The Commission has evaluated events occurring subsequent to year end through April 20, 2015, which is the date the statements were available to be issued. The following events have been identified:

**A. Construction Contracts**

Subsequent to year end, the Commission entered into construction contracts totaling \$3,606,285 related to completion of a new administration building (\$2,131,000); construction of a new track and repair area for an expanding industry (\$958,378); replacement of a culvert running under an existing rail line (\$335,127); and rehabilitation of existing track line (\$181,780).

**B. Surety Insurance Settlement**

In January of 2015 the Commission settled with The Gray Casualty and Surety Company for good and valuable consideration in exchange for release of any other claims against a contractor's surety for that contractor's failure to perform the terms and conditions as stipulated in a construction contract for construction of an administrative building on Stennis International Airpark grounds.

**C. New Chief Executive Officer**

The Commission has selected Bill Cork as its new Chief Executive Officer effective May 2, 2016.

## **HANCOCK COUNTY PORT AND HARBOR COMMISSION**

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**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN**  
**LAST TWO FISCAL YEARS**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Commission's proportion of the net pension liability	0.0020%	0.0020%
Commission's proportionate share of the net pension liability	\$ 3,091,606	\$ 2,427,634
Commission's covered employee payroll	\$ 1,357,587	\$ 1,364,933
Commission's proportionate share of the net pension liability as a percentage of covered employee payroll	227.73%	177.86%
Plan fiduciary net position as a percentage of total pension liability	61.70%	67.21%

See independent auditors' report.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**SCHEDULE OF COMMISSION'S CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN**  
**LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 196,794	\$ 192,481
Contributions in relation to contractually required contribution	<u>213,820</u>	<u>214,977</u>
Contribution deficiency (excess)	<u>\$ (17,026)</u>	<u>\$ (22,496)</u>
Commission's covered employee payroll	<u>\$ 1,357,587</u>	<u>\$ 1,222,102</u>
Contributions as a percentage of covered employee payroll	<u>15.75%</u>	<u>15.75%</u>

See independent auditors' report.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: CHANGES OF ASSUMPTIONS**

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**NOTE 2: METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2015 Employer contributions are developed from 2013 valuation). The following 2013 actuarial methods and assumptions were used to determine the most recent contribution rate reported:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	32.2 years
Asset valuation method	5 year smoothed market
Price inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

See independent auditors' report



**HANCOCK**  
MISSISSIPPI  
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***Statistical Section***



# HANCOCK COUNTY PORT AND HARBOR COMMISSION

## STATISTICAL SECTION (UNAUDITED)

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### Statistical Section Summary

This part of the Hancock County Port and Harbor Commission's Comprehensive Annual Report presents detailed information as a context for understanding the information in the financial statements and note disclosures and includes important indicators about the Commission's overall financial wellbeing.

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HANCOCK COUNTY PORT AND HARBOR COMMISSION

Table 1

Changes in Fund Net Position  
Last Ten Fiscal Years  
(Unaudited)  
(amounts in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Operating Revenue</b>										
Sales and Services										
Port Bienville Railroad	\$ 2,571	\$ 4,413	\$ 3,535	\$ 4,527	\$ 5,354	\$ 3,715	\$ 4,230	\$ 4,274	\$ 4,117	\$ 4,224
Port Bienville Industrial Park	927	872	908	1,278	1,124	1,033	975	935	883	1,080
Stennis International Airport	683	1,308	2,679	1,348	4,555	3,144	1,361	113	161	260
Rental Income										
Port Bienville Railroad	529	678	1,126	1,139	842	904	873	706	768	931
Port Bienville Industrial Park	73	73	158	228	230	121	215	258	251	253
Stennis International Airport	272	247	497	595	1,391	1,509	1,242	1,265	1,299	1,480
Other Operating Revenue	92	18	6	8	65	154	623	24	155	5
<b>Total Operating Revenues</b>	<b>5,147</b>	<b>7,609</b>	<b>8,909</b>	<b>9,123</b>	<b>13,561</b>	<b>10,580</b>	<b>9,519</b>	<b>7,575</b>	<b>7,634</b>	<b>8,233</b>
<b>Non-Operating Revenue</b>										
Interest Revenue	558	1,065	377	283	154	134	118	109	100	94
Grants and Capital Contributions	16,666	1,450	1,964	2,531	3,397	3,124	4,200	3,053	1,631	1,229
Gain (Loss) on Disposal of Assets	23				2	8				(109)
Insurance Proceeds		2,171	1,119	223						
Debt Forgiveness						970			180	
<b>Total Non-Operating Revenues</b>	<b>17,247</b>	<b>4,686</b>	<b>3,460</b>	<b>3,037</b>	<b>3,553</b>	<b>4,236</b>	<b>4,318</b>	<b>3,162</b>	<b>1,911</b>	<b>1,214</b>
<b>Total Revenues</b>	<b>\$ 22,394</b>	<b>\$ 12,295</b>	<b>\$ 12,369</b>	<b>\$ 12,160</b>	<b>\$ 17,114</b>	<b>\$ 14,816</b>	<b>\$ 13,837</b>	<b>\$ 10,737</b>	<b>\$ 9,545</b>	<b>\$ 9,447</b>
<b>Operating Expenses</b>										
Port Bienville Railroad										
Personal Services	\$ 898	\$ 827	\$ 954	\$ 998	\$ 999	\$ 891	\$ 852	\$ 1,030	\$ 1,042	\$ 1,145
Supplies and Materials	110	127	205	129	140	159	193	214	180	143
Other Services and Charges	2,559	661	685	545	524	488	466	563	542	525
Depreciation and Amortization	256	404	403	433	436	405	453	490	509	488
Loss on Asset Impairment	29									
Port Bienville Industrial Park										
Personal Services	933	959	974	1,042	948	970	1,009	921	990	1,033
Supplies and Materials	61	59	73	74	54	92	77	70	58	58
Other Services and Charges	3,580	1,547	1,042	1,113	2,108	1,388	1,101	1,040	926	1,083
Depreciation and Amortization	2,112	2,357	2,279	2,308	2,318	2,312	2,360	2,378	2,266	2,261
Loss on Asset Impairment	35									
Stennis International Airport										
Personal Services	546	585	764	783	830	1,028	955	816	778	811
Supplies and Materials	30	60	75	52	44	71	44	31	40	19
Other Services and Charges	876	1,537	3,025	2,038	4,321	3,960	2,039	869	795	838
Depreciation and Amortization	584	681	868	985	1,068	1,020	991	1,039	1,043	1,171
Loss on Asset Impairment	13									
<b>Total Operating Expenses</b>	<b>12,622</b>	<b>9,804</b>	<b>11,347</b>	<b>10,500</b>	<b>13,790</b>	<b>12,784</b>	<b>10,540</b>	<b>9,461</b>	<b>9,169</b>	<b>9,575</b>
<b>Non-Operating Expenses</b>										
Interest Expense	585	953	306	241	186	178	108	62	45	15
Loss on Disposal of Assets		28	46	-		-	324	16	-	
<b>Total Non-Operating Revenues</b>	<b>585</b>	<b>981</b>	<b>352</b>	<b>241</b>	<b>186</b>	<b>178</b>	<b>432</b>	<b>78</b>	<b>45</b>	<b>15</b>
<b>Total Expenses</b>	<b>13,207</b>	<b>10,785</b>	<b>11,699</b>	<b>10,741</b>	<b>13,976</b>	<b>12,962</b>	<b>10,972</b>	<b>9,539</b>	<b>9,214</b>	<b>9,590</b>
<b>Change in Fund Net Position</b>	<b>\$ 9,187</b>	<b>\$ 1,510</b>	<b>\$ 670</b>	<b>\$ 1,419</b>	<b>\$ 3,138</b>	<b>\$ 1,854</b>	<b>\$ 2,865</b>	<b>\$ 1,198</b>	<b>\$ 331</b>	<b>\$ (143)</b>

HANCOCK COUNTY PORT AND HARBOR COMMISSION

*Table 2*

Net Position by Component

Last Ten Fiscal Years

(amounts in thousands)

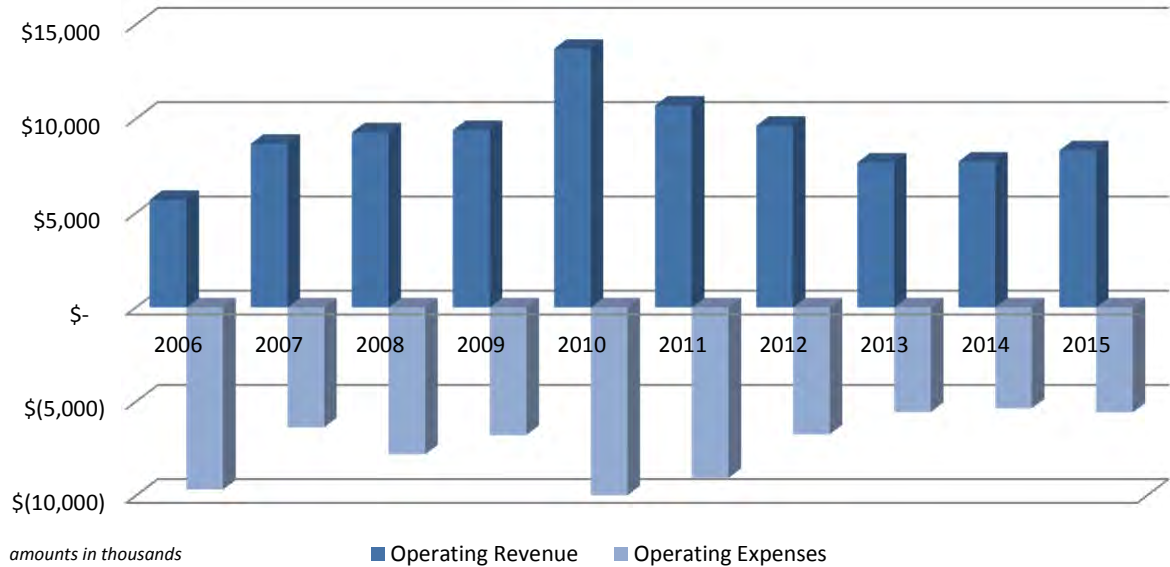
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net investment in capital assets	\$ 37,699	\$ 54,273	\$ 58,432	\$ 59,156	\$ 59,721
Restricted	-	-	-	-	127
Unrestricted	28,090	13,026	9,738	10,232	12,677
Total Net Position	65,789	67,299	68,170	69,388	72,525

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net investment in capital assets	60,214	67,460	68,529	68,009	65,779
Restricted	127	-	-	-	-
Unrestricted	14,038	9,784	9,914	8,086	10,173
Total Net Position	\$ 74,379	\$ 77,244	\$ 78,443	\$ 76,095	\$ 75,952

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
Operating Revenue to Expense Comparison  
Last Ten Fiscal Years  
(amounts in thousands)

Table 3



operating expenses as a percentage of operating revenue

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
169.50%	73.35%	83.97%	72.02%	72.68%	84.44%	69.90%	72.28%	69.19%	67.91%

*note #1: In April of 2010 the Deepwater Horizon Oil Spill occurred in the Gulf of Mexico after which oil dispersant activities positioned at Stennis International Airport dramatically increased both fuel sales and cost of goods sold (cogs) as relates to those sales during fiscal years ended 9/30/2010 and 2011. In addition Stennis International Airport ceased to act as its own FBO in February of 2012 turning that operation over to a contracted third party in exchange for a fuel flowage rate and property leases thereby eliminating the sales and cogs component of airport staff operations thereafter.*

*note #2: for illustration purposes interest revenue is included in operating income / depreciation is excluded from operating expenses.*

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
Principal Revenue Sources and Revenue per Categories  
Last Ten Fiscal Years  
(Unaudited)  
(amounts in thousands)

Table 4

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Commission Usage/Service Fees</b>										
Railroad Junction Settlements	\$ 2,046	\$ 3,674	\$ 3,024	\$ 3,936	\$ 4,674	\$ 3,121	\$ 3,480	\$ 3,394	\$ 3,249	\$ 3,124
Railcar Switching	471	691	480	567	595	418	575	689	565	645
Railcar Repair Services	4	-	-	-	19	55	156	139	209	255
Rail Scale Fees	-	-	16	5	3	13	14	17	74	175
Port Wharfage	239	143	51	173	292	223	197	179	133	220
Port Dockage	21	28	32	38	31	60	46	61	59	110
Port Park Assessment	110	110	112	119	122	119	123	121	127	124
Airport Landing, Tie Down, Ramp Fees	5	8	8	10	34	12	11	9	8	10
Airport Fuel Sales	618	1,177	2,401	1,145	4,274	2,904	1,203	-	-	-
Airport Fuel Flowage	20	23	25	22	67	26	42	48	48	104
Tenant Utility and Insurance Pass-Through	91	157	364	575	327	346	156	131	174	258
<b>Total Commission Usage/Service Fees</b>	<b>3,625</b>	<b>6,011</b>	<b>6,513</b>	<b>6,590</b>	<b>10,438</b>	<b>7,297</b>	<b>6,003</b>	<b>4,788</b>	<b>4,646</b>	<b>5,025</b>
<b>Percentage of Total Operating Revenue</b>	<b>70.4%</b>	<b>79.0%</b>	<b>73.1%</b>	<b>72.2%</b>	<b>77.0%</b>	<b>69.0%</b>	<b>63.1%</b>	<b>63.2%</b>	<b>60.9%</b>	<b>61.0%</b>
<b>Land and Building Lease, Rental, Use Fees</b>										
Buildings and Land Rent	411	407	763	851	1,716	1,691	1,505	1,583	1,611	1,821
Railcar Storage	463	591	1,018	1,034	747	843	825	646	707	830
<b>Total Land and Building Lease, Rental, Use Fees</b>	<b>874</b>	<b>998</b>	<b>1,781</b>	<b>1,885</b>	<b>2,463</b>	<b>2,534</b>	<b>2,330</b>	<b>2,229</b>	<b>2,318</b>	<b>2,651</b>
<b>Percentage of Total Operating Revenue</b>	<b>17.0%</b>	<b>13.1%</b>	<b>20.0%</b>	<b>20.7%</b>	<b>18.2%</b>	<b>23.9%</b>	<b>24.5%</b>	<b>29.4%</b>	<b>30.4%</b>	<b>32.2%</b>
<b>Tenant Utilities</b>										
Water	57	65	61	57	65	61	51	45	44	55
Sewer	138	136	133	122	142	140	101	82	87	106
Single Tenant POTW I Fees	361	382	414	460	389	396	410	406	385	391
<b>Total Tenant Utilities</b>	<b>556</b>	<b>583</b>	<b>608</b>	<b>639</b>	<b>596</b>	<b>597</b>	<b>562</b>	<b>533</b>	<b>516</b>	<b>552</b>
<b>Percentage of Total Operating Revenue</b>	<b>10.8%</b>	<b>7.7%</b>	<b>6.8%</b>	<b>7.0%</b>	<b>4.4%</b>	<b>5.6%</b>	<b>5.9%</b>	<b>7.0%</b>	<b>6.8%</b>	<b>6.7%</b>
<b>Other Operating Revenues</b>										
Other	92	18	6	8	65	154	623	24	155	5
<b>Total Other Operating Revenue</b>	<b>92</b>	<b>18</b>	<b>6</b>	<b>8</b>	<b>65</b>	<b>154</b>	<b>623</b>	<b>24</b>	<b>155</b>	<b>5</b>
<b>Percentage of Total Operating Revenue</b>	<b>1.8%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.5%</b>	<b>1.5%</b>	<b>6.5%</b>	<b>0.3%</b>	<b>2.0%</b>	<b>0.1%</b>
<b>Total Operating Revenues</b>	<b>\$ 5,147</b>	<b>\$ 7,610</b>	<b>\$ 8,908</b>	<b>\$ 9,122</b>	<b>\$ 13,562</b>	<b>\$ 10,582</b>	<b>\$ 9,518</b>	<b>\$ 7,574</b>	<b>\$ 7,635</b>	<b>\$ 8,233</b>

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
Largest Revenue Accounts and Customers  
Current Fiscal Year and Ten Fiscal Years Prior  
(Unaudited)

Table 5

<b>Railroad Junction Settlements</b>					
FYE 2015			FYE 2006		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 1,769,068	56.6%	Wellman, Inc. (now DAK)	\$ 1,367,132	66.8%
SABIC Innovative Plastics, LLC	658,516	21.1%	GE Plastics (now SABIC)	482,639	23.6%
Polychemie	446,576	14.3%	Polychemie	141,197	6.9%
DAK America, LLC	121,204	3.9%	BP Amoco	30,927	1.5%
Jindal Tubular USA LLC	77,367	2.5%	Eagle Brook	11,211	0.5%
A&R Transport	51,996	1.7%	Calgon	8,684	0.4%
			Linea Peninsular	2,760	0.1%
			A&R Transportation	1,449	0.1%
Total	\$ 3,124,727	100.0%	Total	\$ 2,046,000	100.0%

<b>Buildings and Land Rent</b>					
FYE 2015			FYE 2006		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
US Airforce	\$ 582,589	32.0%	US Corps of Engineers	\$ 102,530	24.9%
US Corps of Engineers	192,158	10.6%	The Andersons	79,200	19.3%
Selex Galileo, Inc.	178,507	9.8%	Pegasus International	74,025	18.0%
SSA Gulf, Inc.	152,610	8.4%	Optech, Inc.	27,000	6.6%
Optech, Inc.	145,056	8.0%	Calgon Carbon Corp.	18,000	4.4%
US Coast Guard	128,250	7.0%	Port of Paradise Properties	17,032	4.1%
Freeman Holdings of MS	100,826	5.5%	Design Precast	12,968	3.2%
Miscellaneous	341,005	18.7%	Miscellaneous	80,294	19.5%
Total	\$ 1,821,000	100.0%	Total	\$ 411,049	100.0%

<b>Railcar Storage (track rental)</b>					
FYE 2015			FYE 2006		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
SABIC Innovative Plastics, LLC	\$ 285,426	34.4%	Wellman, Inc. (now DAK)	\$ 334,590	72.2%
DAK Americas Mississippi, Inc.	423,590	51.1%	Polychemie	72,450	15.6%
Viper Railcar	76,194	9.2%	GE Plastics (now SABIC)	49,795	10.7%
Polychemie	44,290	5.3%	Eaglebrook	3,920	0.8%
			A&R Transport	2,500	0.5%
Total	\$ 829,500	100.0%	Total	\$ 463,255	100.0%

<b>Railcar Switching</b>					
FYE 2015			FYE 2006		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 277,820	43.0%	GE Plastics (now SABIC)	\$ 238,534	50.6%
SABIC Innovative Plastics, LLC	210,670	32.6%	Wellman, Inc. (now DAK)	182,888	38.8%
Polychemie	87,775	13.6%	Polychemie	28,725	6.1%
The Andersons, Inc.	30,710	4.8%	The Andersons, Inc.	20,625	4.4%
DAK America, LLC	27,665	4.3%	Eaglebrook	500	0.1%
Viper Railcar	9,225	1.4%	A&R Transport	75	0.0%
Jindal Tubular USA LLC	1,275	0.2%			
	375	0.1%			
Total	\$ 645,515	100.0%	Total	\$ 471,347	100.0%

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
Largest Customers (includes interest revenue)  
Current Fiscal Year and Ten Fiscal Years Prior  
(Unaudited)

**Table 6**

<b>2015</b>		
Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 2,926,374	35.1%
SABIC Innovative Plastics, LLC	1,420,394	17.1%
Polychemie	603,877	7.3%
United States of America Air Force	582,589	7.0%
The Andersons, Inc.	393,622	4.7%
SSA Gulf, Inc.	371,453	4.5%
Freeman Holdings of Mississippi	275,929	3.3%
Selex Galileo, Inc.	229,951	2.8%
U.S. Corps of Engineers	192,158	2.3%
Jindal Tubular USA, LLC	188,693	2.3%
Optech, Inc.	153,804	1.8%
DAK America, LLC	148,869	1.8%
U.S. Coast Guard unit PSU 308	128,250	1.5%
Viper Railcar Storage	85,419	1.0%
A&R Transport, Inc.	60,436	0.7%
Calgon Carbon Corporation	41,640	0.5%
Others	523,706	6.3%
<b>TOTAL REVENUE 2015</b>	<b>\$ 8,327,165</b>	<b>100.0%</b>

<b>2006</b>		
Customer	Revenue	Percentage of Total
Wellman, Inc. (now DAK Americas)	\$ 2,647,306	47.3%
G.E. Plastics Company (now SABIC)	918,768	16.4%
Polychemie	255,773	4.6%
Design Precast, Inc.	146,599	2.6%
The Andersons, Inc.	117,637	2.1%
SSA Gulf, Inc.	99,209	1.8%
U.S. Corps of Engineers	83,021	1.5%
Pegasus International Group, Inc.	83,000	1.5%
Purcell Co., Inc.	73,862	1.3%
R.J. Corman Derailment Services, Inc.	64,242	1.1%
Vulcan Materials Company	46,108	0.8%
Calgon Carbon Corporation	38,328	0.7%
FLI, Inc.	33,863	0.6%
BP Amoco	31,300	0.6%
Optech, Inc.	31,092	0.6%
Linea Peninsular	28,757	0.5%
Others	894,710	16.0%
	<b>\$ 5,593,574</b>	<b>100.0%</b>

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
REVENUE RATES (as published)  
Last Ten Fiscal Years

Table 7

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Stennis International Airport &amp; Effective Date of Change</b>				6/1/2009			8/6/2012	8/1/2013	4/1/2015	
Fuel Flowage Fee (per gallon)										
Av Gas	0.07	0.07	0.07	0.07	0.07	0.07	0.14	0.14	0.14	0.14
Jet A	0.07	0.07	0.07	0.07	0.07	0.07	0.14	0.14	0.14	0.14
Department of Defense	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.14
Rental Rates (per square foot per year)										
Office Space - Private	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Office Space - Public							6.25	6.25	6.25	6.25
Hangar Office	3.50	3.50	3.50	3.50	3.50	3.50	6.75	6.75	6.75	
Hangar with Fire Suppression										2.75
Hangar without Fire Suppression										2.00
Hangar Deck	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	
Hangar Storage										6.75
Undeveloped Land	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
T-Hangars (per month)										
Electric Bi-fold Doors	220.00	220.00	220.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00
End Storage Units (small)	75.00	75.00	75.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
End Storage Units (large)				175.00	175.00	175.00	175.00	175.00	175.00	175.00
<b>Port Bienville Industrial Park &amp; Effective Date of Change</b>										
										4/27/2015
Wharfage (per ton)										
General Commodities	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.40
Hazardous Cargo	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	4.00
Bulk Commodities	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	1.00
USDA (bagged commodities)	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	1.00
Forest Products	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	1.00
Iron and/or Steel Articles	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50
Fabricated Steel	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	2.50
Dockage (per linear foot per day)										
1st 48 hours	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72	1.00
each day thereafter	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	1.00
<b>Port Bienville Industrial Park Water &amp; Sewer Rates &amp; Effective Date of Change</b>										
										4/27/2015
Water & Sewer Rates										
Water first 12,000 gallons	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	
Water first 8,000 gallons										75.00
each 1,000 gallons thereafter	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	1.00
Sewer first 12,000 gallons	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Sewer first 8,000										150.00
each 1,000 gallons thereafter	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	2.00
Park Assessment (per tenant)	485.00	485.00	485.00	485.00	485.00	485.00	485.00	485.00	485.00	485.00
<b>Port Bienville Railroad &amp; Effective Date</b>										
										4/27/2015
Railcar Switching (per car)										
Intra-Plant	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	125.00
Intra-Terminal	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Railcar Storage (each car per day)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Weighing (each car)	-	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	150.00

Note 1: only those rates most significant to the financial statements are presented

Note 2: Published rates and charges are applied absent negotiated rates

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
RATIOS OF OUTSTANDING DEBT  
Current Fiscal Year and Ten Fiscal Years Prior  
(Unaudited)

Table 8

Fiscal Year End	General Obligation Bond Issues	Notes and Capital Leases Payable	Total Debt	As a Percentage of Total Assets	Per Capita
2006	\$ 5,440,000	\$ 18,878,396	\$ 24,318,396	25.05%	606.64
2007	\$ 4,670,000	\$ 5,454,858	\$ 10,124,858	12.27%	242.76
2008	\$ 3,850,000	\$ 4,836,778	\$ 8,686,778	10.68%	203.13
2009	\$ 2,457,500	\$ 5,340,265	\$ 7,797,765	9.61%	179.38
2010	\$ 2,400,000	\$ 5,213,699	\$ 7,613,699	9.16%	172.69
2011	\$ 1,795,000	\$ 3,575,305	\$ 5,370,305	6.42%	120.03
2012	\$ 1,155,000	\$ 2,431,250	\$ 3,586,250	4.29%	79.15
2013	\$ 885,000	\$ 1,910,370	\$ 2,795,370	3.36%	61.32
2014	\$ 605,000	\$ 455,100	\$ 1,060,100	1.30%	23.07
2015	\$ 310,000	\$ 302,900	\$ 612,900	0.76%	13.21

(a) (b)

Note: Details regarding the Commission's outstanding debt can be found in the notes to the financial statements. Total assets will be found in the financial statements.

(a) population for year ended 2015 is estimated based upon prior years growth

(b) population numbers from the U.S. Department of Commerce Bureau of Economic Analysis

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
DEBT COVERAGE RATIO  
Current Fiscal Year and Ten Fiscal Years Prior  
(Unaudited)  
(amounts in thousands)

Table 9

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Principal	Debt Service Interest	Total	Coverage Ratio
2006	\$ 5,706	\$ 13,208	\$ (7,502)	\$ 887	\$ 332	\$ 1,219	-6.15
2007	\$ 8,674	\$ 6,362	\$ 2,312	\$ 14,194	\$ 1,287	\$ 15,481	0.15
2008	\$ 9,286	\$ 7,797	\$ 1,489	\$ 1,438	\$ 308	\$ 1,746	0.85
2009	\$ 9,406	\$ 6,774	\$ 2,632	\$ 1,472	\$ 252	\$ 1,724	1.53
2010	\$ 13,715	\$ 9,968	\$ 3,747	\$ 1,332	\$ 205	\$ 1,537	2.44
2011	\$ 10,714	\$ 9,047	\$ 1,667	\$ 1,387	\$ 179	\$ 1,566	1.06
2012	\$ 9,637	\$ 6,736	\$ 2,901	\$ 1,784	\$ 123	\$ 1,907	1.52
2013	\$ 7,684	\$ 5,554	\$ 2,130	\$ 791	\$ 68	\$ 859	2.48
2014	\$ 7,734	\$ 5,351	\$ 2,383	\$ 1,587	\$ 51	\$ 1,638	1.45
2015	\$ 8,327	\$ 5,655	\$ 2,672	\$ 447	\$ 16	\$ 463	5.77

(a)

(a)

(a) for illustration purposes interest revenue is included in Gross Revenues and depreciation/amortization is excluded from operating expenses

HANCOCK COUNTY, MISSISSIPPI  
Demographic and Economic Statistics  
Last Ten Years

**Table 10**

Year	Population	Personal Income	Personal Income Per Capita	Median Age	Public High School Graduation Rates	Total Public School Enrollment	Unemployment Rate
2005	47,715	1,336,013	28,000	41.3	63.2%	4,324	10.8%
2006	40,087	1,219,174	30,413	40.8	67.5%	4,180	9.6%
2007	41,707	1,758,381	42,160	41.0	69.8%	4,265	5.2%
2008	42,764	1,480,908	34,630	40.5	67.2%	4,300	5.5%
2009	43,471	1,480,417	34,055	41.0	66.4%	4,354	8.0%
2010	44,089	1,510,733	34,266	40.8	74.8%	4,429	9.0%
2011	44,743	1,459,328	32,616	41.0	76.2%	4,459	9.6%
2012	45,310	1,512,446	33,380	40.5	80.2%	4,469	8.5%
2013	45,587	1,525,910	33,472	41.0	67.0%	4,436	8.0%
2014	45,949	1,587,757	34,555	41.2	67.0%	4,544	7.4%
	(e)	(e)	(e)	(a)	(c)	(d)	(b)

Sources:

- (a) <http://datacenter.kidscount.org/data/tables/7689-median-age?loc=26&loct=5#detailed/5/3936/false/1376,1201,1074,880,815/any/14850>
- (b) Mississippi Department of Employment Security
- (c) [www.publicschoolreview.com](http://www.publicschoolreview.com)
- (d) Mississippi Department of Education
- (e) U.S. Department of Commerce Bureau of Economic Analysis

HANCOCK COUNTY  
Principal Employers  
Current Fiscal Year and Ten Fiscal Years Prior  
(Unaudited)

**Table 11**

NAICS	Description	2015 Jobs	Percentage of Total	NAICS	Description	2006 Jobs	Percentage of Total
903999	Local Government, Excluding Education and Hospitals	853	4.1%	903999	Local Government, Excluding Education and Hospitals	554	2.9%
903622	Hospitals (Local Government)	283	1.4%	903622	Hospitals (Local Government)	299	1.6%
903611	Elementary and Secondary Schools (Local Government)	852	4.1%	903611	Elementary and Secondary Schools (Local Government)	800	4.2%
901200	Federal Government, Military	714	3.5%	901200	Federal Government, Military	562	3.0%
901199	Federal Government, Civilian, Excluding Postal Service	1,930	9.4%	901199	Federal Government, Civilian, Excluding Postal Service	1,742	9.3%
722513	Limited-Service Restaurants	543	2.6%	722513	Limited-Service Restaurants	313	1.7%
722511	Full-Service Restaurants	509	2.5%	722511	Full-Service Restaurants	246	1.3%
721120	Casino Hotels	617	3.0%	561720	Janitorial Services	398	2.1%
713210	Casinos (except Casino Hotels)	409	2.0%	561210	Facilities Support Services	526	2.8%
623110	Nursing Care Facilities	237	1.2%	541511	Custom Computer Programming Services	247	1.3%
561720	Janitorial Services	396	1.9%	541380	Testing Laboratories	212	1.1%
561210	Facilities Support Services	604	2.9%	541330	Engineering Services	452	2.4%
541512	Computer Systems Design Services	283	1.4%	531390	Other Activities Related to Real Estate	247	1.3%
541330	Engineering Services	465	2.3%	531210	Offices of Real Estate Agents and Brokers	314	1.7%
452910	Warehouse Clubs and Supercenters	363	1.8%	452910	Warehouse Clubs and Supercenters	290	1.5%
447110	Gasoline Stations with Convenience Stores	236	1.1%	447110	Gasoline Stations with Convenience Stores	218	1.2%
445110	Supermarkets and Other Grocery (except Convenience) Stores	238	1.2%	325991	Custom Compounding of Purchased Resins	249	1.3%
325211	Plastics Material and Resin Manufacturing	316	1.5%	325211	Plastics Material and Resin Manufacturing	231	1.2%
238910	Site Preparation Contractors	235	1.1%	238990	All Other Specialty Trade Contractors	260	1.4%
238220	Plumbing, Heating, and Air-Conditioning Contractors	217	1.1%	238910	Site Preparation Contractors	302	1.6%
	Other	10,273	49.9%	238220	Plumbing, Heating, and Air-Conditioning Contractors	347	1.8%
				238210	Electrical Contractors and Other Wiring Installation Contractors	202	1.1%
				236115	New Single-Family Housing Construction (except For-Sale Builders)	296	1.6%
				111000	Crop Production	246	1.3%
					Other	9,271	49.3%
	Total Employed	20,572	100%		Total Employed	18,822	100.0%

*Note 1: Employers by NAICS are presented here as data by employer name is not available for 2006.*

*Note 2: It should be recognized that Hurricane Katrina struck in August of 2005 and accordingly 2006 presents an unusually high percentage of recovery related codes including various clean-up and construction jobs.*

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
STAFFING BY DIVISION/DEPARTMENT <sup>1</sup>  
Last Ten Years

*Table 12*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u> <sup>2</sup>
Executive Director	1	1	1	1	1	1	1	1	1	1
General Administration	1	2	3	3	3	3	3	3	1.5	1
Economic Development	2	1	3	3	2	2	2	2	2.5	2
Finance and Accounting	5	6	6	6	6	6	5	5	4	4
Railroad	11	10	11	11	10	8	8	9	10	9
Port	9	8	7	7	8	8	7	7	7	6
Port Security (outsourced in 2008)	12	16.5	1	1	1	1	1	1	1	0
Airport	7	8	8.5	8.5	9	10	7	7	7	6
	<u>48</u>	<u>52.5</u>	<u>40.5</u>	<u>40.5</u>	<u>40</u>	<u>39</u>	<u>34</u>	<u>35</u>	<u>34</u>	<u>29</u>

<sup>1</sup> Note: Historical data has been reclassified to reflect current organizational structure and titles for comparative purposes.

<sup>2</sup> Note: 2015 is presented as of report publication

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
INSURANCE COVERAGE  
As of September 30, 2015  
(unaudited)

**Table 13**

		<u>Limits of Coverage</u>
Workers' Compensation & Employers' Liability		
<i>Employee Benefits</i>		Statutory
<i>Employers' Liability</i>	\$	1,000,000
Railroad Workers' Accidental Death & Dismemberment	\$	1,000,000
General Liability		
<i>General/Products/Completed Operations</i>	\$	2,000,000
<i>Crime Coverage</i>	\$	1,000,000
<i>Automobile</i>	\$	1,000,000
<i>Umbrella</i>	\$	1,000,000
<i>Public Officials &amp; Employment Practices</i>	\$	5,000,000
Airport Liability & Hangarkeepers	\$	1,000,000
Railroad Liability	\$	4,000,000
Pollution Liability	\$	5,000,000
Property Coverages		
<i>Total Maximum Limit</i>	\$	37,212,837
	<u>Sublimits</u>	<u>Amount</u>
<i>Named Storm max per occurrence</i>	\$	27,206,845
<i>Wind/Hail</i>	\$	28,133,376
<i>Buildings</i>	\$	27,845,273
<i>Personal Property</i>	\$	1,698,292
<i>Inland Marine (Rolling Stock/Equipment)</i>	\$	1,910,064
National Flood		
<i>Flood - Buildings</i>	\$	7,624,200
<i>Flood - Contents</i>	\$	1,932,900
Auto Physical Damage	\$	255,952



**HANCOCK**  
MISSISSIPPI  
PORT • AIR • SPACE

***Single Audit Section***





ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC  
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC  
Wealth Management

**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***

April 20, 2016

Board of Commissioners  
Hancock County Port & Harbor Commission  
Waveland, 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 component unit financial statements of the business-type activities of Hancock County Port and Harbor Commission (a component unit of Hancock County, Mississippi), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hancock County Port and Harbor 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 Hancock County Port and Harbor Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Hancock County Port and Harbor 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 Hancock County Port and Harbor 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*.

Board of Commissioners  
Hancock County Port and Harbor Commission  
April 20, 2016

**Purpose of this Report**

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



**ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC**  
**Certified Public Accountants**  
**Gulfport, Mississippi**



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC  
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC  
Wealth Management

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

April 20, 2016

Board of Commissioners  
Hancock County Port & Harbor Commission  
Waveland, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited Hancock County Port and Harbor Commission's (a component unit of Hancock County, Mississippi) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Hancock County Port and Harbor Commission's major federal program for the year ended September 30, 2015. Hancock County Port and Harbor Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Hancock County Port and Harbor Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hancock County Port and Harbor Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Hancock County Port and Harbor Commission's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Hancock County Port and Harbor Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.


### **Report on Internal Control over Compliance**

Management of Hancock County Port and Harbor Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hancock County Port and Harbor Commission's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hancock County Port and Harbor Commission's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
**ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC**  
**Certified Public Accountants**  
**Gulfport, Mississippi**

**HANCOCK COUNTY PORT & HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Identifying Number	Federal Expenditures
<i>U. S. Department of Homeland Security, Passed through Mississippi Emergency Management Agency</i>			
Public Assistance Grant - Hurricane Katrina	97.036	PW 2769	\$ 99
		PW 5232	147,876
		PW 7871	1,081
		PW 7948	217,833
		PW 8205	60
<i>Total U. S. Department of Homeland Security</i>			<u>366,949</u>
<i>U.S. Department of Transportation</i>			
<i>Federal Highway Administration</i>			
US DOT # 911-747T	20.215	US DOT # 911-747T	1,000
US DOT # 911-748A	20.215	US DOT # 911-748A	1,000
<i>Total Federal Highway Administration</i>			<u>2,000</u>
<i>Federal Aviation Administration</i>			
Airport Improvement Program -2015	20.106	3-28-0005-029-2015	134
Airport Improvement Program -2014	20.106	3-28-0005-028-2014	181,168
Airport Improvement Program -2013	20.106	3-28-0005-027-2013	436,818
<i>Total Federal Aviation Administration</i>			<u>618,120</u>
<i>Total U. S. Department of Transportation</i>			<u>620,120</u>
 Total Federal Financial Assistance Programs			 <u>\$ 987,069</u>

See accompanying notes to the schedule.

**HANCOCK COUNTY PORT & HARBOR COMMISSION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is included in the federal grant activity of the Hancock County Port and Harbor Commission (Commission) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2- RECONCILIATION TO GRANT REVENUE**

The following reconciles the Total Federal Financial Assistance Programs to revenue recognized in the statement of revenues, expenses, and changes in net position for the year ended September 30, 2015:

Total expenditures of federal awards	\$ 987,069
Overstatement of federal expenditures on	
PW 6350	(1,685)
PW 10180	(6,801)
Total federal revenues	<u>\$ 978,583</u>

Federal revenues are reported in statement of revenues, expenses, and changes in net position for the year ended September 30, 2015 as follows:

Grant revenue - federal	\$ 358,465
Capital contributions - federal	620,118
Total federal revenues	<u>\$ 978,583</u>

**HANCOCK COUNTY PORT & HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued	Unmodified
Internal Control over financial reporting:	
Material Weaknesses identified?	No
Significant Deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal Control Over Major Programs:	
Material Weaknesses identified?	No
Significant Deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section_510(a) of Circular A-133?	None Reported
Federal programs identified as major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	<i>U.S. Department of Transportation Federal Aviation Administration Airport Improvement Program</i>

Dollar threshold used to distinguish between type A and type B Programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings**

None reported.