



**Hancock County Port & Harbor Commission**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR FISCAL YEARS ENDED 9/30/2016 & 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 Years Ended September 30, 2016 and 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

March 27, 2017

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, 2016 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 2016. Details regarding HCPHC's FYE 2016 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 46,420 with 20,559 of those employed in Hancock County and surrounding communities. The median income of these jobs is \$43,355. Hancock County's unemployment rate currently approximates 6.2%. Principal NAICS industry employers in Hancock County include Public Administration (2,428); Accommodation and Food Services (1,760); Retail Trade (1,626); Professional, Scientific, and Technical Services (1,251); Health Care and Social Services (1,183); Admin and Support Waste Management and Remediation Services (1,153); Educational Services (1,003); and Manufacturing (913). While these industry-specific jobs are scattered within the boundaries of Hancock County, HCPHC directly supports 646 jobs through industry located on the grounds of Port Bienville Industrial Park, 342 jobs through business and industry at Stennis International Airport, and indirectly supports 364 of the 4,920 jobs at the John C. Stennis Space Center. 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, 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. On May 2, 2016, Bill Cork began employment with HCPHC as Chief Executive Officer and during fiscal year ending 2015 the Commission transitioned 6 of the 8 Commissioners. This new leadership refreshed the Commission's vision, establishing new and/or revised 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**

Consistent with the working draft of the Strategic Plan drafted In August of 2015, the HCPHC has begun to implement many of the objectives stated therein. The categories of objectives are divided into two distinct areas: Asset Development and Market/Economic Development.

**Asset Development.** The development of new product to put into the market is a key overarching goal of the Commission. All airport buildings are leased and nearly all port properties are leased. Railroad storage is at capacity. While there are still hundreds of developable acres to work as greenfield projects, key infrastructure at the port is in dire need of improvement and the airport needs ready-to-lease facilities to meet demand. The overall asset development program involves multi-year strategies that include the following elements:

*Life Cycle Management Planning* – improvement of existing buildings and infrastructure to serve current and future markets. Key elements here include: dredging ingress/egress points at Port Bienville; significant life cycle repair of port bulkheads and barge staging areas as well as rail lines and replacement of one or more locomotives with enhanced "green" technology; and repairs to roofs and HVAC units at the airport, to name a few.

*Master Planning and Long Term Capital Investment* – in 2017, the Commission approved the development of new Master Plans for both the Port and Airport. The primary deliverable to be included in those plans are multi-year capital improvement schedules. For budget year 2016, staff prepared and the Commission and Board of Supervisors adopted a 5-year capital improvement plan based on known backlog and delegated authorities to the Commission staff to streamline procurement and accelerate delivery of program.

*Rapidly and Successfully Complete Work-In-Progress* – several ongoing projects had been languishing or were in dispute. The Commission staff was reorganized by a new Chief Executive Officer to place emphasis on construction delivery and efficiencies. A new Chief Operations Officer was named and tasked with overall responsibility and accountability for Asset Development.

*Operational Excellence.* The operations and maintenance teams of both the port and airport were consolidated, supporting offices integrated and a new HQ building was completed where airport and executive leadership were housed together. These efforts streamlined communication, reduced redundancy and position the Commission for enhanced execution going forward. In addition, a new Chief Administrative Officer with a legal background was hired and a full time, outsourced, staff engineering contract was let to provide the Commission with continuous engineering support as the capital and operational efforts advance.

*Participation in Revenue Planning* – the Asset Development team members are now fully integrated with market and economic development staff leaders to participate and coordinate proposals and revenue planning.

**Market and Economic Development.** Critical to our revenue planning is the development of a pipeline of agreement renewals and new revenue opportunities. To do this the Commission has adopted several innovative and forward-leaning programs to ensure success now and into the future.

*Business Retention and Expansion* – To protect and grow the business and industry already extant in Hancock County, the Commission has implemented the Synchronist® system to evaluate our existing industries. In partnership with the Hancock County Chamber of Commerce we will initially survey 60-80 of the largest companies in the County and determine what policies or other initiatives will support their long-term viability. We will use the tool to spot opportunities in the short term and measure our success through follow-on surveys in the years to come.

*Capitalize on Obvious Strengths* – Hancock County has clearly established competitive advantages in the industrial development universe in the following areas: Aerospace, Defense, Chemicals/Polymers, and Bulk Commodity Logistics. Several grant-funded initiatives are underway in the current year that will produce vertical market strategies to enhance future industrial attraction opportunities and complement our Asset Development planning.

*Identify Emerging Markets* – The Commission is seeking opportunities to capitalize on emerging trends. Towards this end our primary multi-year initiative is the development of a secondary railway from Port Bienville to Nicholson, MS. This 26-mile long, \$120 million project is presently in the Environmental Analysis stage through the MS Department of Transportation and the Federal Railroad Administration. The Commission is refining new market origination opportunities for use of this railway in anticipation of environmental clearance.

*Leverage Partnerships* – The Commission is renewing its work with the Gulf Coast Alliance For Economic Development to tackle foreign direct investment opportunities in Europe, North Africa and elsewhere. We are also working with the Hancock Chamber, as previously mentioned, and working much more closely with the Mississippi Development Authority on strategic initiatives in aerospace and chemicals. Our relationship with NASA Stennis Space Center as a partner in marketing their commercially available assets is also maturing and will grow in the next few years. We are also working much more closely with Hancock County municipalities to support smaller scale economic development activities and joint marketing initiatives.

### **Major Initiatives**

DAK Americas, which operates the largest plastic-resin manufacturer in North America, has begun construction on 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 December of 2015 Mississippi's Governor announced projects under the RESTORE Act, two of which will be constructed and operated by HCPHC. Memoranda of Agreement on these projects will be executed and the projects will begin in 2017.

- Stennis International Airport will receive \$2 million (matched by ~\$2 million locally) for Phase II of its 2013 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 image 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 Bienville users' ability to move product between modes of transportation and will increase Port throughput in support of industry both onsite and offsite.

The top layer of runway asphalt at Stennis International Airport will be milled to make way for new asphalt and runway markings adding 20 years to the useful life of that infrastructure. The estimated \$3.8 million cost will be funded with grant dollars from the Federal Aviation Administration, Mississippi's Department of Transportation, and a local funding match.

The Governor has also announced the award of a \$9 million Katrina Community Development Block Grant project to rebuild the Port Bienville Heavy Lift Dock and at the mouth of the port.

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 approximately 26 miles of rail line. Phase II should be complete by December 2017.

Negotiations and preliminary funding have advanced for an Aerospace and Industry Academy in partnership with the Pearl River Community College (PRCC) 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.

#### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hancock County Port and Harbor Commission for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015. This was the first year that the Commission received this prestigious award. To be awarded a Certificate of Achievement, the Commission had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report represents the combined effort of the entire staff of the Finance Department of Hancock County Port and Harbor Commission, other departments who provided key information to this report and the accounting firm of Alexander, Van Loon, Sloan, Levens, Favre, PLLC. We gratefully acknowledge their contributions.

Finally, we express the deepest appreciation to Hancock County Port and Harbor Commissioners and Hancock County's Board of Supervisors for their guidance and leadership toward ensuring the fiscal integrity of this organization.

Respectfully Submitted,



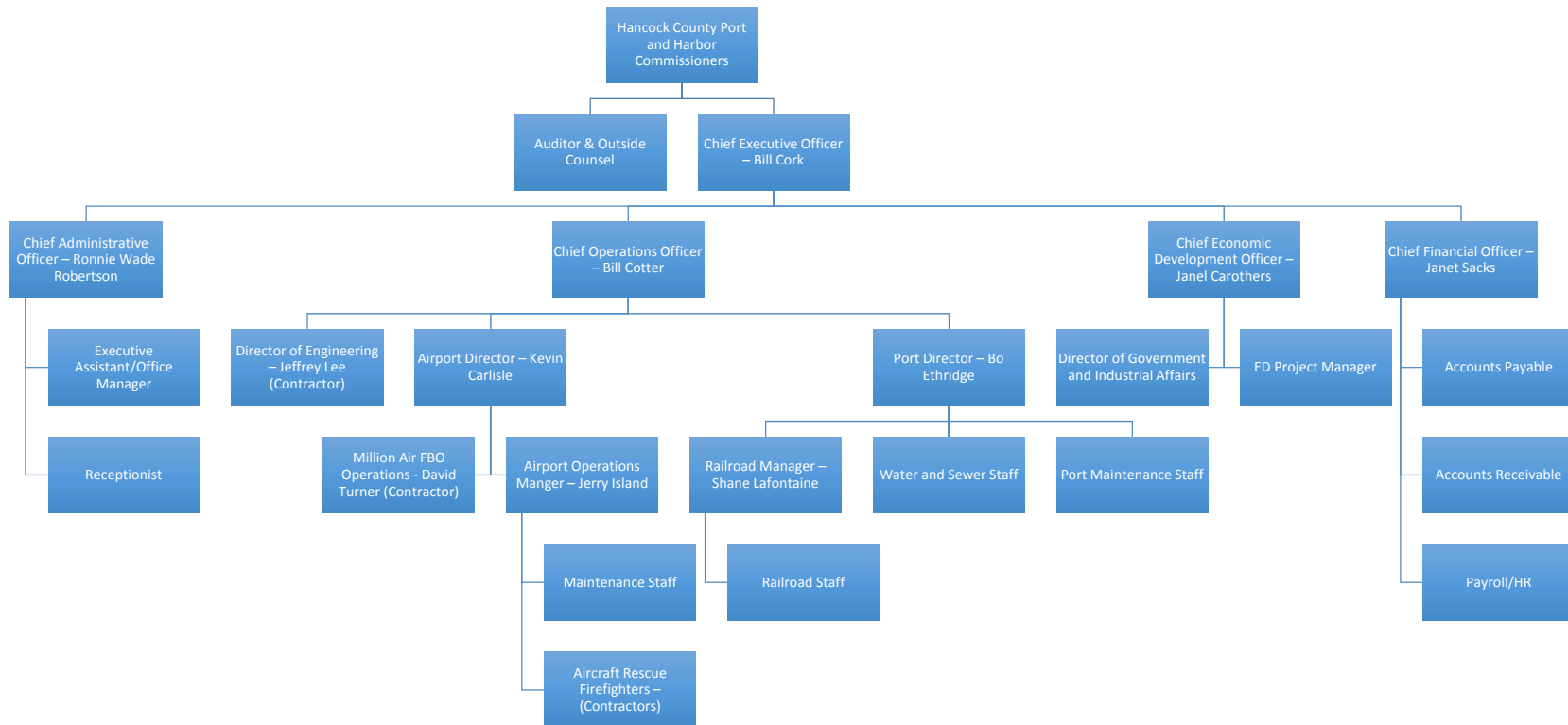
William V. Cork  
Chief Executive Officer



Janet E. Sacks, CPA  
Chief Financial Officer

# Hancock County Port and Harbor Commission Staff Organization 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>Daryl Cornell</b>	<b>Treasurer</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>
<b>Bob Swanson</b>	<b>Commissioner</b>

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

<b>Bill Cork</b>	<b>Chief Executive Officer</b>
<b>William P. Cotter Jr., C.M.</b>	<b>Chief Operating Officer</b>
<b>Ronnie Wade Robertson, J.D.</b>	<b>Chief Administrative Officer</b>
<b>Janet E. Sacks, C.P.A.</b>	<b>Chief Financial Officer</b>
<b>Janel L. Carothers</b>	<b>Chief Development Officer</b>
<b>Bo Ethridge, C.P.E.</b>	<b>Director of Port Bienville Industrial Park</b>
<b>Kevin Carlisle</b>	<b>Director of Stennis International Airport</b>



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**Hancock County  
Port and Harbor Commission  
Mississippi**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO



## *Financial Section*





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

AVL WEALTHCARE, LLC  
Wealth Management

## INDEPENDENT AUDITORS' REPORT

March 17, 2017

To the Board of Commissioners  
Hancock County Port and Harbor Commission  
Bay St. Louis, Mississippi

### Report on the Financial Statements

We have audited the accompanying comparative financial statements of the Hancock County Port and Harbor Commission (the Commission), as of and for the year ended September 30, 2016 and 2015, 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 financial position of the Hancock County Port and Harbor Commission, as of September 30, 2016 and 2015, 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  
March 17, 2017

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 10, schedule of the Commission's proportionate share of net pension liability on page 39, and schedule of the Commission's pension contributions on page 40 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, 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, 2016 AND 2015**

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, 2016 and 2015, with selected comparisons to the prior fiscal year ended September 30, 2014.

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 Commission recognized income from operations in the current fiscal year of \$611,077. The significant attributable contributions are further discussed below.
- The Commission's operating revenue increased 16.77% over fiscal year 2015 while operating expenses decreased 5.97%. Net position increased 5.08% during 2016.
- The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows by \$79,807,690 (reported as "net position"). Of this \$65,387,011 is invested in capital assets. Additions to fixed assets are further discussed below.

### **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, 2016 AND 2015**

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

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and notes thereto which can be found following financial statement notes.

*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, 2016 and 2015 with comparative amounts for September 30, 2014 is as follows:

**Condensed Statement of Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets and Deferred Outflow of Resources</b>			
Current and other assets	\$ 18,230,387	\$ 13,612,253	\$ 12,172,591
Capital assets, net	<u>66,393,800</u>	<u>66,625,332</u>	<u>69,292,620</u>
Total assets	<u>84,624,187</u>	<u>80,237,585</u>	<u>81,465,211</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows for pensions	<u>563,129</u>	<u>415,955</u>	<u>100,000</u>
<b>Liabilities, Deferred Inflow of Resources and Net Position</b>			
Current and other liabilities	1,729,134	1,376,195	2,062,997
Long-term Net Pension Liability	3,572,499	3,091,606	2,427,634
Long-term liabilities	<u>68,500</u>	<u>150,700</u>	<u>627,900</u>
Total liabilities	<u>5,370,133</u>	<u>4,618,501</u>	<u>5,118,531</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows for pensions	<u>9,493</u>	<u>83,036</u>	<u>351,903</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	65,387,011	65,779,328	68,008,422
Unrestricted	<u>14,420,679</u>	<u>10,172,675</u>	<u>8,086,355</u>
Total net position	<u>\$ 79,807,690</u>	<u>\$ 75,952,003</u>	<u>\$ 76,094,777</u>

**The Year Ended September 30, 2016**

The Commission's total net position increased \$3,855,687 in 2016. Cash, investments, and restricted cash increased by \$4,059,123 over 2015; a 39.2% increase, contributing to a \$4,386,602 increase in total assets (excluding an increase of \$147,174 in deferred outflows of resources). The significant increase in cash, investment, and restricted cash can be attributed to collections of amounts recorded as due from governments primarily resulting from Hurricane Katrina FEMA projects; a cash settlement with a construction contractor's surety for non-performance; and an improved revenue stream, 99% of which was collected in the current year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

Current liabilities increased as expenses for several capital projects were recorded as fiscal year 2016 closed. Net pension liability increased \$480,893 as actuarial valuations apportioned to participating governments increased.

**CAPITAL AND DEBT ADMINISTRATION**

Investments in capital projects are capitalized as a fixed asset and depreciated over the estimated useful life of the asset or are recorded as construction in progress until the project is complete. Total investments in both capitalized assets and construction in progress totaled \$3.6 million in 2016. Completed projects of \$1.5 million were capitalized and approximately \$3.3 million of expenses are considered capital-in-process at fiscal year end.

Completed projects capitalized during 2016 include:

- \$639,441 of rail projects consisting of a rehabilitation to our mainline, an upgrade to existing rail bridge, and replacement of a culvert over which the mainline runs.
- Replacement of a bulkhead on behalf of a Port tenant in the amount of \$544,381.
- \$245,597 of upgrades to the aircraft fueling/defueling station at Stennis International Airport and the addition of an aircraft rescue firefighting truck at a cost of \$230,672, also at the airport.

Expenses totaling \$1.9 million were added to balances for capital in progress at fiscal year-end include:

- A net addition to the administration's new headquarters of \$518,891. This is a reduction from actual expenditures toward building completion as a prime contractor's contract default resulted in an asset re-valuation as required by GASB Statement No. 42 and further discussed in Note 8 to the financial statements.
- Work began to expand the main apron at Stennis International Airport.
- Port Bienville Railroad began construction on a 580' rail spur and replaced rock and timber support along the rail line in select areas.
- Port Bienville replaced sections of water lines and began work to improve an area of bulkhead to be used for heavier trans-loading than existing facilities can safely accommodate.

The Commission's capital program is funded through a combination of federal and state grants and surplus operating funds. Additional information on the Commission's capital assets can be found in Note 8 in the accompanying notes to the financial statements.

**Debt**

The Commission's outstanding debt at year end includes the balance of a single interest free note maturing in 2018. The Commission will continue to pay down the \$150,700 balance through July of 2018.

**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

*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, 2016 and 2015 with comparative amounts for September 30, 2014 is as follows:

<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Operating Revenues</b>			
Charges for sales and services	\$ 6,268,990	\$ 5,563,841	\$ 5,161,226
Rental Income	3,338,629	2,664,244	2,317,202
Other	6,879	5,391	155,398
Total Operating Revenues	<u>9,614,498</u>	<u>8,233,476</u>	<u>7,633,826</u>
<b>Operating Expenses</b>			
Port Bienville Short Line Railroad	1,733,672	1,812,343	1,763,843
Port Bienville Industrial Park	1,671,161	2,173,949	1,973,714
Stennis International Airport	1,755,226	1,668,682	1,612,982
Total operating expenses	<u>5,160,059</u>	<u>5,654,974</u>	<u>5,350,539</u>
Operating Income before Depreciation	4,454,439	2,578,502	2,283,287
Depreciation Expense	<u>3,843,362</u>	<u>3,919,844</u>	<u>3,818,293</u>
<b>Operating Income (Loss) after Depreciation</b>	<u>611,077</u>	<u>(1,341,342)</u>	<u>(1,535,006)</u>
<b>Nonoperating Revenues/Expenses</b>			
Interest revenue	125,191	93,688	100,474
Grant revenue	12,341	392,805	678,975
Project Surety Settlement	1,450,000	-	-
Investment Gain	1,126	-	-
Loss on Impairment of capital asset	(872,695)	-	-
Gain/Loss on sale of capital assets	-	(109,124)	-
Interest Expense	<u>(5,045)</u>	<u>(14,893)</u>	<u>(44,639)</u>
Total nonoperating revenues (expenses)	<u>710,918</u>	<u>362,476</u>	<u>734,810</u>
<b>Net Income (Loss) before Capital Contributions</b>	1,321,995	(978,866)	(800,196)
Capital contributions	2,533,692	836,092	952,068
Special Item – Debt Forgiveness	<u>-</u>	<u>-</u>	<u>179,534</u>
<b>Increase (Decrease) in Net Position</b>	<u>3,855,687</u>	<u>(142,774)</u>	<u>331,406</u>
<b>Total Net Position - Beginning, before restatement</b>	75,952,003	76,094,777	78,442,909
Cumulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>(2,679,538)</u>
<b>Net Position - Restated</b>	<u>75,952,003</u>	<u>76,094,777</u>	<u>75,763,371</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 79,807,690</u></u>	<u><u>\$ 75,952,003</u></u>	<u><u>\$ 76,094,777</u></u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**The Year Ended September 30, 2016**

FYE 2016 revenue for each operational division improved over 2015 by an aggregate total of \$1,381,022, a 16.77% increase. \$826,118 of this increase results from an increase in railcar storage of \$454,778, an increase in railroad junction settlements of \$197,126, and an additional \$174,214 in railcar switching charges. Port Bienville Industrial Park recognized an increase of \$229,965 in wharfage and dockage over the prior year and the balance of the favorable revenue variance is largely attributable to increases in real property rental rates at both Port Bienville Industrial Park and Stennis International Airport & Airpark.

Operating expenses decreased by \$571,397. Contributing factors included the following:

- A decrease in total personnel costs of \$99,202 as vacant staff positions were unfilled.
- During 2015 the Commission incurred a one-time expense of \$85,000 for organization-wide re-branding efforts. There were no expenses for the service in 2016.
- The Commission chose to cease security services at the entrances of Port Bienville Industrial Park beginning fiscal year 2016 reducing contract services expenses approximately \$168,000.
- Stennis International Airport re-programmed fire-fighting services for a savings approximating \$50,000.
- The Commission recognized a reduction of \$91,000 in out-sourced legal fees.

**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.

**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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

**ECONOMIC FACTORS AND FISCAL YEAR ENDING SEPTEMBER 30, 2017 BUDGET**

The Commission's management considered a variety of factors when setting the Fiscal Year 2017 operating and capital budgets.

Operating revenues are expected to show continued favorable effects from renegotiated lease terms and newly revised published rates and charges instituted in the last 12 to 18 months.

Operating expenses anticipate new projects and studies to enhance the competitive position of the Commission and greater Hancock County for industry attraction and business retention. Included in these are the following major initiatives:

- Updated and revised master plans for Stennis International Airport, Port Bienville Industrial Park, and Port Bienville Railroad. In addition to an extensive review and update of plans generated approximately 5 years ago additional planning will include assessments of immediate life-cycle maintenance needs of Commission assets and life-cycle planning systems for ongoing maintenance requirements. These plans will also include narratives to assist management in steering economic development efforts toward those businesses and industries thought to be best fits for those assets in current and future markets.
- An Economic Development Administration-funded aerospace optimization plan is currently under way in concert with efforts by the Mississippi Development Authority to capitalize on emerging trends in the aviation and aerospace industries.
- Assessment of potential sources of funds to add an additional 26 miles of rail line linking Port Bienville Industrial Park and Stennis Space Center to a second class I rail line North of Hancock County as the Mississippi Department of Transportation and the Federal Railroad Administration continue through the Environmental Analysis stage of this project.

The Commission approved a 5-year capital plan beginning 2017 in which just over \$35 million of capital improvements are budgeted over that 5-year period. Projects budgeted to kick off in 2017 represent nearly \$12 million of that amount.

Included in that \$12 million to be initiated in 2017 is a \$100,000 earmark to abstract a significant amount of acreage within the boundaries of Port Bienville Industrial Park and Stennis International Airport with all encumbrances to those properties defined. An additional \$200,000 is allocated to bring six sites to a nationally recognized "Project Ready" certification.

\$1,225,580 of capital projects budgeted to develop Port Bienville Railroad include new and upgraded rail lines, a culvert replacement, additional office space for Railroad staff, a road relay adjacent to the interchange, and 2 new support trucks.

Port Bienville Industrial Park plans \$5,545,000 of significant development to support water transport of goods to include complete re-design, construction, and expansion of its primary dock area and construction of an additional trans-loading facility to include new bulkhead as well as rail infrastructure. An additional \$200,000 is budgeted for the preparation of "shovel ready" sites in 2017. The Planning and Permitting work scheduled for FY 2018 to dredge the waterways that provide ingress to Port Bienville from the Intercoastal Waterway is being front-loaded to 2017.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

Stennis International Airport budgeted \$4,551,131, the majority (\$3,120,000) of which is allocated to mill and overlay of the existing runway. The balance is spread among various building and safety upgrades to the air traffic control tower, safety gear for firefighters as well as expanded parking for those vehicles, roof repairs, replacement of multiple air conditioning units at various facilities, and engineering dollars for Phase II of the terminal's adjacent hangar.

**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, 14054 Fred & Al Key Road, Kiln, Mississippi, 39556.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2016 AND 2015**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,303,554	\$ 10,026,538
Investments	6,926,126	-
Restricted Cash	183,803	327,822
Accounts receivable, net	586,805	638,893
Investment interest receivable	7,184	-
Note receivable, current	13,820	13,017
Investment in capital leases, current	138,400	157,711
Due from other governments	2,486,768	1,675,285
Prepaid expenses	360,435	399,079
Inventories	9,519	7,714
Total current assets	<u>18,016,414</u>	<u>13,246,059</u>
<b>NONCURRENT ASSETS</b>		
Capital assets		
Land and construction in progress	11,668,133	9,727,176
Other capital assets, net of accumulated depreciation	54,725,666	56,898,156
Total capital assets	<u>66,393,799</u>	<u>66,625,332</u>
Notes receivable, net of current maturities	13,400	27,220
Investment in capital leases, net of current maturities	200,574	338,974
Total noncurrent assets	<u>66,607,773</u>	<u>66,991,526</u>
<b>TOTAL ASSETS</b>	<u>84,624,187</u>	<u>80,237,585</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows for pensions	<u>563,129</u>	<u>415,955</u>

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

<b>CURRENT LIABILITIES</b>		
Accounts Payable	916,478	148,460
Retainage payable	311,337	168,758
Unearned revenue	73,560	257,904
Customer deposits	110,243	104,420
Accrued salaries	28,459	87,142
Accrued interest payable	-	1,002
Current maturities of general obligation bonds payable	-	310,000
Current maturities of notes payable	82,200	152,200
Compensated absences payable	206,857	146,309
Total current liabilities	<u>1,729,134</u>	<u>1,376,195</u>
<b>NONCURRENT LIABILITIES</b>		
Notes payable, net of current maturities	68,500	150,700
Net Pension Liability	3,572,499	3,091,606
Total noncurrent liabilities	<u>3,640,999</u>	<u>3,242,306</u>
Total liabilities	<u>5,370,133</u>	<u>4,618,501</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow for pensions	<u>9,493</u>	<u>83,036</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	65,387,011	65,779,328
Unrestricted	14,420,679	10,172,675
<b>TOTAL NET POSITION</b>	<u>\$ 79,807,690</u>	<u>\$ 75,952,003</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Charges for sales and services		
Port Bienville Shortline Railroad	\$ 4,554,678	\$ 4,223,580
Port Bienville Industrial Park	1,334,713	1,080,468
Stennis International Airport	379,599	259,793
Total charges for sales and services	<u>6,268,990</u>	<u>5,563,841</u>
Rental Income		
Port Bienville Shortline Railroad	1,399,047	930,765
Port Bienville Industrial Park	438,267	252,765
Stennis International Airport	1,501,315	1,480,714
Total rental income	<u>3,338,629</u>	<u>2,664,244</u>
Other	6,879	5,391
Total operating revenues	<u>9,614,498</u>	<u>8,233,476</u>
<b>OPERATING EXPENSES</b>		
Port Bienville Shortline Railroad		
Personal services	1,110,417	1,144,382
Supplies and materials	130,117	142,722
Other services and charges	493,138	525,239
Depreciation and amortization	463,562	487,745
Total Port Bienville Shortline Railroad	<u>2,197,234</u>	<u>2,300,088</u>
Port Bienville Industrial Park		
Personal services	884,752	1,032,651
Supplies and materials	68,250	57,944
Other services and charges	718,159	1,083,354
Depreciation and amortization	2,263,941	2,261,239
Total Port Bienville Industrial Park	<u>3,935,102</u>	<u>4,435,188</u>
Stennis International Airport		
Personal services	893,945	811,283
Supplies and materials	25,064	19,446
Other services and charges	836,217	837,953
Depreciation and amortization	1,115,859	1,170,860
Total Stennis International Airport	<u>2,871,085</u>	<u>2,839,542</u>
Total operating expenses	<u>9,003,421</u>	<u>9,574,818</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>611,077</u>	<u>(1,341,342)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	125,191	93,688
Grant revenue - federal	1,931	1,588
Project Surety Settlement	1,450,000	-
Investment gain	1,126	-
Loss on disposal of capital assets	-	(109,124)
Loss on impairment of capital asset	(872,695)	-
Interest expense	(5,045)	(14,893)
Total nonoperating revenues	<u>700,508</u>	<u>(28,741)</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>1,311,585</u>	<u>(1,370,083)</u>
Capital contributions - federal	283,044	976,995
Capital contributions - other	2,261,058	250,314
Total capital contributions	<u>2,544,102</u>	<u>1,227,309</u>
<b>CHANGE IN NET POSITION</b>	<u>3,855,687</u>	<u>(142,774)</u>
<b>TOTAL NET POSITIOIN - BEGINNING</b>	<u>75,952,003</u>	<u>76,094,777</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 79,807,690</u>	<u>\$ 75,952,003</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, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 9,480,107	\$ 7,443,447
Cash payments for goods and services	(1,482,618)	(2,811,408)
Cash payments for employee services	(2,627,073)	(2,902,238)
Receipts from customer deposits	5,823	-
Other Income	6,880	5,391
Net cash provided by operating activities	<u>5,383,119</u>	<u>1,735,192</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal received on notes/leases	170,729	225,603
Principal paid on debt	(462,200)	(447,200)
Proceeds from capital grants	1,734,549	1,627,806
Proceeds from contractor surety	1,450,000	-
Acquisitions and construction of capital assets	(4,331,177)	(1,360,931)
Proceeds from sale of assets	-	8,257
Interest paid on debt	(6,047)	(15,846)
Net cash provided by (used in) capital and related financing activities	<u>(1,444,146)</u>	<u>37,689</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(7,500,000)	-
Investment call	575,000	-
Interest received	118,007	93,688
Net cash provided by (used in) investing activities	<u>(6,806,993)</u>	<u>93,688</u>
Net increase (decrease) in cash and cash equivalents	(2,868,020)	1,866,569
Cash and cash equivalents:		
Beginning of year	<u>10,355,377</u>	<u>8,488,808</u>
End of year	<u>\$ 7,487,357</u>	<u>\$ 10,355,377</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 7,303,554	\$ 10,026,538
Restricted Cash	<u>183,803</u>	<u>327,822</u>
Total cash and cash equivalents	<u>\$ 7,487,357</u>	<u>\$ 10,354,360</u>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Loss on impairment of capital asset	(872,695)	-
Total non-cash investing, capital, and financing activities	<u>\$ (872,695)</u>	<u>\$ -</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income (Loss) from operations	<u>\$ 611,077</u>	<u>\$ (1,341,342)</u>
Adjustment to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	3,843,362	3,919,844
Pension expense adjustment	260,176	79,147
(Increase)decrease in operating assets:		
Accounts receivable	59,693	(170,146)
Bad Debt Expense	(2,861)	(13,903)
Prepaid expenses	38,644	(25,746)
Inventories	(1,805)	11,172
Increase(decrease) in operating liabilities:		
Accounts payable	751,488	(130,175)
Unearned revenue	(184,344)	(600,589)
Accrued salaries	(58,683)	(11,112)
Compensated absences	60,549	18,042
Customer Deposits	5,823	-
Total adjustments	<u>4,772,042</u>	<u>3,076,534</u>
Net cash provided by operating activities	<u>\$ 5,383,119</u>	<u>\$ 1,735,192</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, 2016, and 2015**

**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, 2016 and 2015.

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, 2016, and 2015**

**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.

**Investments**

The Commission reports investments at fair value which are readily available market quotations. Unrealized gains and losses are reported in interest and other investment income in the statements of revenues, expenses, and changes in net position.

**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, 2016 and 2015 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>2016</u>	<u>2015</u>
Fuel	<u>\$ 9,519</u>	<u>\$ 7,714</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, 2016, and 2015**

**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 acquisition 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, 2016 and 2015 a total of \$0 and \$1,996, 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.

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**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	37%
Port Bienville Industrial Park	33%
Stennis International Airport	30%
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.

**New Accounting Principles**

GASB Statement No. 72, "Fair Value Measurement and Application," addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Commission's fiscal year 2016 financial statements. There was no effect on beginning net position.

**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.

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**NOTE 3: DEPOSITS AND INVESTMENTS**

**A. Deposits**

**Custodial Credit Risk**

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, 2016, deposits (including restricted deposits) were as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 8,412,204	\$ 7,487,357

**B. Investments**

Section 59-9-19(f), Mississippi Code of 1972 and the Commission's investment policy authorize the Commission 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 categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All Commission investments are measured using Levels 1 inputs.

Fair value measurements of the Commission's investments are as follows at September 30, 2016:

	2016	2015
U.S. Government securities and agencies	\$ 6,926,126	\$ -

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

**Credit Risk**

Credit Risk is the risk that an issuer or other counterparty will not fulfill its obligation. Mississippi State law requires a minimum quality rating of A-3 by Standard and Poor for corporate short-term obligations. This law also requires corporate and taxable municipal bonds to be of investment grade as rated by Standard and Poor, with bonds rated BAA/BBB not to exceed 5% of the total fixed income investments. The highest credit rating that can be obtained from Standard and Poor is AAA.

As of September 30, 2016, the Commission's investments had the following credit ratings as published by Standard and Poor:

Investment	Credit Rating	2016	2015
U.S. Government securities and agencies	AA+	\$ 6,926,126	\$ -

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2016	2015
Port Bienville Industrial Park	\$ 236,747	\$ 144,799
Port Bienville Railroad	325,413	413,409
Stennis International Airport	24,645	80,459
Other	-	226
Total	586,805	638,893
Less allowance for doubtful accounts	-	-
Total accounts receivable, net	\$ 586,805	\$ 638,893

In fiscal year 2016 the Commission recognized \$2,861 of bad debt expense as a result of tenant non-payment for rent and services. \$13,903 was recognized in 2015.

**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, 2016 and 2015 the note had remaining outstanding balances of \$27,220 and \$40,237 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: NOTES RECEIVABLE** *(Continued...)*

Future expected payments to be received on the outstanding note are as follows at September 30, 2016:

Note Receivable Year Ending September 30,	Principal	Interest	Total
2017	\$ 13,820	\$ 1,257	\$ 15,077
2018	13,400	399	13,799
Totals	<u>\$ 27,220</u>	<u>\$ 1,656</u>	<u>\$ 28,876</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, 2016 and 2015 the note had remaining outstanding balances of \$266,109 and \$376,330, 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, 2016 and 2015 the note had remaining outstanding balances of \$0 and \$34,584, 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, 2016 and 2015 the note had remaining outstanding balances of \$72,859 and \$85,771, 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, 2016:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 138,400	\$ 38,701	\$ 177,101
2018	155,642	21,461	177,103
2019	15,103	1,999	17,102
2020	15,915	1,187	17,102
2021	13,914	343	14,257
Totals	<u>\$ 338,974</u>	<u>\$ 63,691</u>	<u>\$ 402,665</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:

	2016	2015
Federal Emergency Management Agency (Mississippi Emergency Management Agency) - Hurricane Katrina Projects	\$ 1,057,554	\$ 1,442,328
Federal Aviation Administration - Airport Projects	294,108	60,782
Mississippi Department of Transportation - Multimodal Projects	1,135,106	172,175
	<u>\$ 2,486,768</u>	<u>\$ 1,675,285</u>

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**NOTE 8: CAPITAL ASSETS**

Summary of changes in capital assets for the year ended September 30, 2016

	Balance September 30, 2015	Additions	Deletions	Transfers	Balance September 30, 2016
Capital assets, not being depreciated:					
Land	\$ 8,379,203	\$ -	\$ -	\$ -	\$ 8,379,203
Construction in progress	1,347,973	4,266,741	(872,695)	(1,453,089)	3,288,930
Total capital assets, not being depreciated	9,727,176	4,266,741	(872,695)	(1,453,089)	11,668,133
Capital assets being depreciated:					
Buildings and improvements	22,333,195	-	-	-	22,333,195
Improvements other than Buildings	77,588,137	555,163	-	-	78,143,300
Machinery and equipment	1,630,804	476,268	-	-	2,107,072
Railroad track and bed	17,169,867	639,443	-	-	17,809,310
Railroad equipment	388,169	-	-	-	388,169
Total capital assets being depreciated	119,110,172	1,670,874	-	-	120,781,046
Less accumulated depreciation for:					
Buildings and improvements	3,970,636	429,508	-	-	4,400,144
Improvements other than buildings	51,797,112	2,852,772	-	-	54,649,884
Machinery and equipment	1,179,107	112,284	-	-	1,291,391
Railroad track and bed	4,901,576	448,799	-	-	5,350,375
Railroad equipment	363,585	-	-	-	363,585
Total accumulated depreciation	62,212,016	3,843,363	-	-	66,055,379
Total capital assets being depreciated, net	56,898,156	(2,172,489)	-	-	54,725,667
Capital assets, net	\$ 66,625,332	\$ 2,094,252	\$ (872,695)	\$ (1,453,089)	\$ 66,393,800

Construction in progress at September 30, 2016 represents seven projects at Port Bienville Industrial Park including water line replacements, bulkhead improvements, rail line rock and timber replacement, a new 580' rail spur, expansion of the rail carwash and repair facilities, and installation of safety lights and gates along Lower Bay Road at two railway crossings. Stennis International Airport began construction on a new aircraft apron and additional fuel truck parking.

As described in this note to financial statements for the fiscal year end 2015 construction in progress included \$1,082,832 of expenditures for the Commission's new administrative facility on Stennis International Airpark grounds. In addition, Note 22 to those same financial statements described a settlement reached with the building contractor's surety as a result of that contract termination. During FYE 2016 the Commission entered into a new contract for completion of the facility. Total expenditures through completion of this project are determined to be materially more than actual value at completion. For that reason the following asset impairment calculation resulted in \$872,695 non-operating loss on impairment of capital asset and equivalent reduction in construction in progress.

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

Summary of changes in capital assets for the year ended September 30, 2016 *(Continued)*

Construction in progress	\$ 2,368,044
Remaining contract balances	790,920
Total estimated cost to completion	3,158,964
Estimated \$285 cost per square foot for construction of like facilities. Total building is 8,022 square feet.	2,286,269
Impaired asset adjustment	\$ (872,695)

Transfers are completed projects which have been reclassified from construction in progress to various fixed asset categories and include completion of three rail project consisting of track rehabilitation, culvert replacements and a bridge upgrade. An aircraft defueling system and aircraft rescue fire-fighting truck were reclassified as improvements and equipment, respectively. Finally, improvements to a leased bulkhead were transferred from construction in progress.

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
Less 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)	-	51,797,111
Machinery and equipment	1,083,662	105,406	(9,960)	-	1,179,108
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

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

Summary of changes in capital assets for the year ended September 30, 2015 *(Continued)*

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.

**Assets not recorded on financial statements**

The Commission and the industries it supports within the boundaries of Port Bienville Industrial Park and Stennis International Airport benefit from various capital assets constructed with Community Development Block Grant funds. These capital assets are not reflected on the Commission's Statements of Net Position as the associated grant revenues and contracts for the construction of these projects are required to be administered by the Hancock County Board of Supervisors (BOS).

Though the assets are not reflected in the financial statements the care, custody, and control of those assets reside with the Hancock County Port and Harbor Commission. The aggregated value of those assets approximates \$19,000,000

**NOTE 9: LONG-TERM LIABILITIES**

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

For the Year Ended September 30, 2016

	Balance October 1, 2015	Additions	Principal Payments Reductions	Balance September 30, 2016	Amount Due within Twelve Months
General obligation bonds	\$ 310,000	\$ -	\$ (310,000)	\$ -	\$ -
Notes payable	302,900	-	(152,200)	150,700	82,200
Compensated absences	146,309	275,059	(214,511)	206,857	206,857
Net Pension Liability	3,091,606	480,893	-	3,572,499	-
<b>TOTAL</b>	<b>\$ 3,850,815</b>	<b>\$ 755,952</b>	<b>\$ (676,711)</b>	<b>\$ 3,930,056</b>	<b>\$ 289,057</b>

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

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>

**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 a liability of the Commission and have been recorded in the financial statements herein.

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

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

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

**B. Notes Payable**

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

	<u>Original Amt.</u>	<u>Outstanding September 30,</u>	
		2016	2015
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	\$ 150,700	\$ 232,900
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
Total	<u>\$ 1,440,000</u>	150,700	302,900
Less current portion		(82,200)	(152,200)
Long-term portion		<u>\$ 68,500</u>	<u>\$ 150,700</u>

Principal maturities will be as follows at September 30, 2016:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Total</u> <u>Requirements</u>
2017	\$ 82,200	\$ 82,200
2018	68,500	68,500
Total	<u>\$ 150,700</u>	<u>\$ 150,700</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.

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

The Commission leases property and certain facilities to various tenants within its industrial park and airpark. 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, 2016

	Cost	Accumulated Depreciation	Net Value
Land	\$ 466,773	\$ -	\$ 466,773
Buildings and track	17,865,099	4,016,838	13,848,261
	<u>\$ 18,331,872</u>	<u>\$ 4,016,838</u>	<u>\$ 14,315,034</u>

As of September 30, 2015

	Cost	Accumulated Depreciation	Net Value
Land	\$ 466,773	\$ -	\$ 466,773
Buildings and track	17,827,947	4,115,704	13,712,243
	<u>\$ 18,294,720</u>	<u>\$ 4,115,704</u>	<u>\$ 14,179,016</u>

Future minimum rentals for the more significant non-cancelable leases, not including contingent rentals, are as follows at September 30, 2016:

Year Ending September 30,	Amount
2016	\$ 82,914
2017	82,914
2018	82,914
2019	82,914
2020	82,914
Thereafter	267,216
Total	<u>\$ 681,786</u>

The minimum future rentals for these leases were determined using the rates in effect at September 30, 2016, 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 2016 and 2015, respectively, received through all leases, including contingent rentals, was \$3,338,629 and \$2,664,244.

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**NOTE 11: UNEARNED REVENUE**

Unearned revenue consists of the following at September 30, 2016:

	2016	2015
FEMA grants received	\$ 73,560	\$ 73,560
Railcar storage lease payment – DAK	-	149,760
Advance lease payment	-	34,584
	<u>\$ 73,560</u>	<u>\$ 257,904</u>

**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.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**SEPTEMBER 30, 2016, and 2015**

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

**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, 2016, 2015, and 2014, the Commission's contribution rates were 15.75%, 15.75%, and 14.26% of annual covered payroll, respectively. The Commission's contributions to PERS for the years ended September 30, 2016, 2015, and 2014 were \$260,176, \$222,991, and \$210,959, respectively, and are equal to the required contributions for each year.

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

At September 30, 2016, the Commission recognized \$3,572,499 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, 2016 and 2015, the Commission's proportion was .019145 percent and .02173 percent, respectively.

For the year ended September 30, 2016, the Commission recognized expense of \$453,072 and an increase in pension liability of \$480,893. 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	\$ 99,647	\$ -
Changes in assumptions	168,415	9,493
Net difference between projected and actual earnings on Plan investments	242,019	-
Commission contributions	53,048	-
Total	<u>\$ 563,129</u>	<u>\$ 9,493</u>

The Commission's contributions subsequent to the measurement date, \$46,674, will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2017	\$ 180,536
2018	131,671
2019	124,179
2020	70,575
	<u>\$ 506,961</u>

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**NOTE 12: DEFINED BENEFIT PENSION PLAN** *(Continued...)*

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 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

The actuarial assumptions used in the June 30, 2016 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.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**NOTE 12: DEFINED BENEFIT PENSION PLAN** *(Continued...)*

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

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

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

	<u>Discount Rate</u>	<u>Proportionate Share of Net Pension Liability</u>
1% decrease	6.75%	\$ 2,290,373
Current discount rate	7.75%	\$ 1,786,250
1% increase	8.75%	\$ 1,367,991

**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:

	<u>As Previously Stated</u>	<u>As Restated</u>	<u>Effect of Correction Increase (Decrease)</u>
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.

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**NOTE 14: RAILROAD RETIREMENT PLAN** *(Continued...)*

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

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.

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 4.9% under Tier II of their covered salary, and the Commission is required to contribute 7.65% under Tier I and 13.1% under Tier II as of September 30, 2016 and 2015.

The Commission's contributions to RRB for the years ended September 30, 2016, 2015, and 2014 were \$102,595, \$103,624, and \$92,314, 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).

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**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.

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, 2016 and 2015 DAK (formerly Wellman) had been billed a total of \$374,922 and \$390,731, 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 \$214,922 and \$230,731 for the years ended September 30, 2016 and 2015, respectively, that is included in charges for services in the statements of revenues, expenses, and changes in net position.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
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**NOTE 18: PUBLICLY OWNED TREATMENT WORKS (POTW) (Continued...)**

**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 SABIC had fulfilled its commitment with a cumulative total of \$393,046 having been 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.

**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.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016, and 2015**

**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, 2016, which will be paid from internal funding and grants:

General Operating Fund	\$ 907,791
Port Bienville Railroad	63,649
Port Bienville Industrial Park	66,638
Stennis International Airport	25,821
Federal Aviation Administration	146,817
Total	<u>\$ 1,210,716</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.

**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.

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The Commission has evaluated events occurring subsequent to year end through March 17, 2016, 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 \$1,303,283 and accepted capital grant awards totaling \$985,207.

The Commission sold its administration building and real property located at 706 Highway 90 in Waveland, Mississippi for an amount of \$260,000 and relocated administration and airport personnel into the newly constructed facility on grounds of Stennis International Airpark.

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

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**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN**  
**LAST THREE YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's proportion of the net pension liability	0.0020%	0.0020%	0.0020%
Commission's proportionate share of the net pension liability	\$ 3,572,499	\$ 3,091,606	\$ 2,427,634
Commission's covered employee payroll	\$ 1,209,592	\$ 1,357,587	\$ 1,364,933
Commission's proportionate share of the net pension liability as a percentage of covered employee payroll	295.35%	227.73%	177.86%
Plan fiduciary net position as a percentage of total pension liability	57.47%	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 THREE YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 201,513	\$ 196,794	\$ 192,481
Contributions in relation to contractually required contribution	<u>188,415</u>	<u>213,820</u>	<u>214,977</u>
Contribution deficiency (excess)	<u>\$ 13,098</u>	<u>\$ (17,026)</u>	<u>\$ (22,496)</u>
Commission's covered employee payroll	<u>\$ 1,196,284</u>	<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>	<u>15.75%</u>

See independent auditors' report

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 1: CHANGES OF ASSUMPTIONS**

- 2015
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using the Scale BB rather than the RP-2000 Mortality Table, which was used prior to 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.
  - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
  - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.
- 2016
  - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

**NOTE 2: CHANGES IN BENEFIT PROVISIONS**

- 2016
  - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

**NOTE 3: 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 (2016 Employer contributions are developed from 2014 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 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



*Statistics Section*



## HANCOCK COUNTY PORT AND HARBOR COMMISSION

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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>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>	<u>2016</u>
<b>Operating Revenue</b>										
Sales and Services										
Port Bienville Railroad	\$ 4,413	\$ 3,535	\$ 4,527	\$ 5,354	\$ 3,715	\$ 4,230	\$ 4,274	\$ 4,117	\$ 4,224	\$ 4,555
Port Bienville Industrial Park	872	908	1,278	1,124	1,033	975	935	883	1,080	1,335
Stennis International Airport	1,308	2,679	1,348	4,555	3,144	1,361	113	161	260	379
Rental Income										
Port Bienville Railroad	678	1,126	1,139	842	904	873	706	768	931	1,399
Port Bienville Industrial Park	73	158	228	230	121	215	258	251	253	438
Stennis International Airport	247	497	595	1,391	1,509	1,242	1,265	1,299	1,480	1,501
Other Operating Revenue	18	6	8	65	154	623	24	155	5	7
<b>Total Operating Revenues</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>9,614</b>
<b>Non-Operating Revenue</b>										
Interest Revenue	1,065	377	283	154	134	118	109	100	94	125
Investment Gain										1
Grants and Capital Contributions	1,450	1,964	2,531	3,397	3,124	4,200	3,053	1,631	1,229	2,546
Gain (Loss) on Disposal of Assets				2	8				(109)	
Project Surety Settlement										1,450
Insurance Proceeds	2,171	1,119	223							
Debt Forgiveness					970			180		
<b>Total Non-Operating Revenues</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>4,122</b>
<b>Total Revenues</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>\$ 13,736</b>
<b>Operating Expenses</b>										
Port Bienville Railroad										
Personal Services	\$ 827	\$ 954	\$ 998	\$ 999	\$ 891	\$ 852	\$ 1,030	\$ 1,042	\$ 1,145	\$ 1,110
Supplies and Materials	127	205	129	140	159	193	214	180	143	130
Other Services and Charges	661	685	545	524	488	466	563	542	525	493
Depreciation and Amortization	404	403	433	436	405	453	490	509	488	464
Loss on Asset Impairment										
Port Bienville Industrial Park										
Personal Services	959	974	1,042	948	970	1,009	921	990	1,033	885
Supplies and Materials	59	73	74	54	92	77	70	58	58	68
Other Services and Charges	1,547	1,042	1,113	2,108	1,388	1,101	1,040	926	1,083	718
Depreciation and Amortization	2,357	2,279	2,308	2,318	2,312	2,360	2,378	2,266	2,261	2,264
Loss on Asset Impairment										
Stennis International Airport										
Personal Services	585	764	783	830	1,028	955	816	778	811	894
Supplies and Materials	60	75	52	44	71	44	31	40	19	25
Other Services and Charges	1,537	3,025	2,038	4,321	3,960	2,039	869	795	838	836
Depreciation and Amortization	681	868	985	1,068	1,020	991	1,039	1,043	1,171	1,116
Loss on Asset Impairment										
<b>Total Operating Expenses</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>9,003</b>
<b>Non-Operating Expenses</b>										
Interest Expense	953	306	241	186	178	108	62	45	15	5
Loss on Disposal of Assets	28	46	-		-	324	16	-		
Loss on Impairment of Capital Asset										872
<b>Total Non-Operating Expenses</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>877</b>
<b>Total Expenses</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>9,880</b>
<b>Change in Fund Net Position</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>	<b>\$ 3,856</b>

HANCOCK COUNTY PORT AND HARBOR COMMISSION

*Table 2*

Net Position by Component

Last Ten Fiscal Years

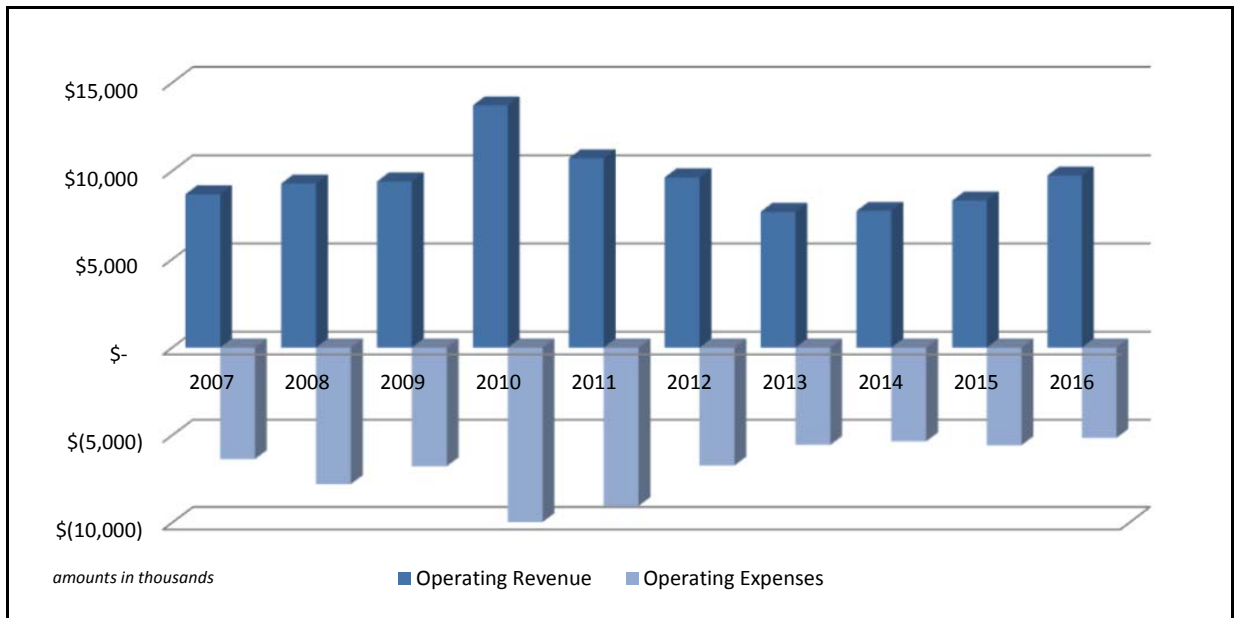
(amounts in thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net investment in capital assets	\$ 54,273	\$ 58,432	\$ 59,156	\$ 59,721	60,214
Restricted	-	-	-	127	127
Unrestricted	13,026	9,738	10,232	12,677	14,038
Total Net Position	67,299	68,170	69,388	72,525	\$ 74,379

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net investment in capital assets	67,460	68,529	68,008	65,779	66,243
Restricted	-	-	-	-	-
Unrestricted	9,784	9,914	10,766	10,173	13,565
Total Net Position	\$ 77,244	\$ 78,443	\$ 78,774	\$ 75,952	\$ 79,808

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:

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
73.35%	83.97%	72.02%	72.68%	84.44%	69.90%	72.28%	69.19%	67.91%	52.98%

*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>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>	<u>2016</u>
<b>Commission Usage/Service Fees</b>										
Railroad Junction Settlements	\$ 3,684	\$ 3,024	\$ 3,936	\$ 4,674	\$ 3,121	\$ 3,480	\$ 3,394	\$ 3,249	\$ 3,124	\$ 3,322
Railcar Switching	668	480	567	595	418	575	689	565	645	820
Railcar Repair Services	-	-	-	19	55	156	139	209	255	203
Rail Scale Fees	-	16	5	3	13	14	17	74	175	191
Port Wharfage	143	51	173	292	223	197	179	133	220	296
Port Dockage	28	32	38	31	60	46	61	59	110	217
Port Park Assessment	110	112	119	122	119	123	121	127	124	139
Airport Landing, Tie Down, Ramp Fees	8	8	10	34	12	11	9	8	10	18
Airport Fuel Sales	1,177	2,401	1,145	4,274	2,904	1,203	-	-	-	-
Airport Fuel Flowage	23	25	22	67	26	42	48	48	104	167
Tenant Utility and Insurance Pass-Through	157	364	575	327	346	156	131	174	258	236
<b>Total Commission Usage/Service Fees</b>	<b>5,998</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>5,609</b>
<b>Percentage of Total Operating Revenue</b>	<b>78.8%</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>58.3%</b>
<b>Land and Building Lease, Rental, Use Fees</b>										
Buildings and Land Rent	407	763	851	1,716	1,691	1,505	1,583	1,611	1,821	2,048
Railcar Storage	591	1,018	1,034	747	843	825	646	707	830	1,301
<b>Total Land and Building Lease, Rental, Use Fees</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>3,349</b>
<b>Percentage of Total Operating Revenue</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>34.8%</b>
<b>Tenant Utilities</b>										
Water	65	61	57	65	61	51	45	44	55	80
Sewer	136	133	122	142	140	101	82	87	106	150
Single Tenant POTW I Fees	389	414	460	389	396	410	406	385	391	423
<b>Total Tenant Utilities</b>	<b>590</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>653</b>
<b>Percentage of Total Operating Revenue</b>	<b>7.8%</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>6.8%</b>
<b>Other Operating Revenues</b>										
Other	25	6	8	65	154	623	24	155	5	3
<b>Total Other Operating Revenue</b>	<b>25</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>3</b>
<b>Percentage of Total Operating Revenue</b>	<b>0.3%</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>0.0%</b>
<b>Total Operating Revenues</b>	<b>\$ 7,611</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>	<b>\$ 9,614</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 2016			FYE 2007		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 1,950,277	58.7%	Wellman, Inc. (now DAK)	\$ 2,719,565	73.8%
SABIC Innovative Plastics, LLC	668,847	20.1%	GE Plastics (now SABIC)	637,597	17.3%
Polychemie	434,519	13.1%	Polychemie	242,427	6.6%
DAK America, LLC	84,684	2.5%	BP Amoco	53,214	1.4%
Jindal Tubular USA LLC	109,303	3.3%	Eagle Brook	(20)	0.0%
A&R Transport	64,559	1.9%	Calgon	25,214	0.7%
Sunbelt	9,663	0.3%	Manuab	4,433	0.1%
			A&R Transportation	1,951	0.1%
Total	\$ 3,321,852	100.0%	Total	\$ 3,684,381	100.0%

<b>Buildings and Land Rent</b>					
FYE 2016			FYE 2007		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
US Airforce	\$ 582,589	28.5%	US Corps of Engineers	\$ 107,751	26.4%
Tyonek Services Group, Inc. (formerly Selex Galileo, Inc.)	208,337	10.2%	Optech, Inc.	43,875	10.8%
US Corp of Engineers	155,771	7.6%	Port of Paradise Properties	30,000	7.4%
SSA Gulf, Inc.	195,475	9.5%	Design Precast	24,000	5.9%
Optech, Inc.	145,056	7.1%	Calgon Carbon Corp.	18,000	4.4%
US Coast Guard PSU 308	134,358	6.6%	Pegasus International	16,500	4.0%
Freeman Holdings of MS	107,115	5.2%	Cellular South	14,400	3.5%
Miscellaneous	518,882	25.3%	Miscellaneous	153,153	37.6%
Total	\$ 2,047,583	100.0%	Total	\$ 407,679	100.0%

<b>Railcar Storage (track rental)</b>					
FYE 2016			FYE 2007		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
SABIC Innovative Plastics, LLC	\$ 589,166	45.3%	Wellman, Inc. (now DAK)	\$ 423,770	71.7%
DAK Americas Mississippi, Inc.	423,000	32.5%	GE Plastics (now SABIC)	129,433	21.9%
Viper Railcar	208,662	16.0%	Polychemie	32,420	5.5%
Polychemie	47,020	3.6%	The Anderson's	5,304	0.9%
Jindal Tubular	26,250	2.0%			
Flint Hills Resources	6,770	0.5%			
Total	\$ 1,300,868	100.0%	Total	\$ 590,927	100.0%

<b>Railcar Switching</b>					
FYE 2016			FYE 2007		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 389,308	47.5%	GE Plastics (now SABIC)	\$ 299,705	44.9%
SABIC Innovative Plastics, LLC	246,629	30.1%	Wellman, Inc. (now DAK)	322,874	48.4%
Polychemie	99,825	12.2%	Polychemie	44,100	6.6%
The Andersons, Inc.	18,970	2.3%	Calgon Carbon	1,050	0.2%
DAK America, LLC	24,326	3.0%			
Viper Railcar	17,175	2.1%			
Jindal Tubular USA LLC	22,375	2.7%			
A&R Transport	1,125	0.1%			
Total	\$ 819,733	100.0%	Total	\$ 667,729	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>2016</b>			Percentage of
Customer			Total
DAK Americas Mississippi, Inc.	\$ 3,295,427		34.3%
SABIC Innovative Plastics, LLC	1,796,265		18.7%
Polychemie	611,187		6.4%
SSA Gulf, Inc.	587,750		6.1%
Unites States of America Air Force	582,589		6.1%
Jindal Tubular USA, LLC	403,066		4.2%
Freeman Holdings of Mississippi	347,360		3.6%
The Andersons, Inc.	342,583		3.6%
Tyonek Services Group, Inc. (formerly Selex Galileo, Inc.)	263,813		2.7%
Viper Railcar Storage	225,837		2.3%
U.S. Corps of Engineers	192,348		2.0%
Teledyne Optech, Inc.	153,261		1.6%
U. S. Coast Guard PSU 308	134,358		1.4%
Warehouse Services, Inc.	84,745		0.9%
Warehouse Services, Inc.	593,909		6.2%
<b>TOTAL REVENUE 2015</b>	<b>\$ 9,614,498</b>		<b>100.0%</b>

<b>2007</b>			Percentage of
Customer	Revenue		Total
Wellman, Inc. (now DAK Americas)	\$ 3,614,886		47.5%
G.E. Plastics Company (now SABIC)	1,429,237		18.8%
Polychemie	327,784		4.3%
DESC / DFAS	160,434		2.1%
SSA Gulf, Inc.	137,705		1.8%
The Andersons, Inc.	115,171		1.5%
U.S. Corps of Engineers	107,751		1.4%
Purcell Co., Inc.	96,225		1.3%
Rolls Royce Corp	79,365		1.0%
Design Precast, Inc.	72,868		1.0%
Optech, Inc.	57,203		0.8%
Calgon Carbon Corporation	57,175		0.8%
Sabic Innovative Plastics	40,859		0.5%
Pegasus International Group, Inc.	38,135		0.5%
Solvay Advanced Polymers	36,149		0.5%
Port of Paradise	33,140		0.4%
Others	1,205,444		15.8%
<b>TOTAL REVENUE 2007</b>	<b>\$ 7,609,531</b>		<b>100.0%</b>

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

Table 7

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<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	0.14	0.14	0.14	0.14	0.14
Jet A	0.07	0.07	0.07	0.07	0.07	0.14	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	0.14	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	6.25
Hangar Office	3.50	3.50	3.50	3.50	3.50	6.75	6.75	6.75		
Hangar with Fire Suppression									2.75	2.75
Hangar without Fire Suppression									2.00	2.00
Hangar Deck	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80		
Hangar Storage									6.75	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	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00
End Storage Units (small)	75.00	75.00	100.00	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	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	1.40	1.40
Hazardous Cargo	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	4.00	4.00
Bulk Commodities	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	1.00	1.00
USDA (bagged commodities)	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	1.00	1.00
Forest Products	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	1.00	1.00
Iron and/or Steel Articles	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50
Fabricated Steel	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	2.50	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	1.00	1.00
each day thereafter	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	1.00	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		
Water first 8,000 gallons									75.00	75.00
each 1,000 gallons thereafter	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	1.00	1.00
Sewer first 12,000 gallons	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00		
Sewer first 8,000									150.00	150.00
each 1,000 gallons thereafter	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	2.00	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	125.00	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	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
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%	\$ 13.20
2016	\$ -	\$ 150,700	\$ 150,700	0.19%	\$ 3.21

(a) (b)

Note: Details regarding the Commission's outstanding debt can be found in note 9 to the financial statements. Total assets will be found in the financial statements.

(a) population for year ended 2016 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
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
2016	\$ 9,740	\$ 5,160	\$ 4,580	\$ 462	\$ 6	\$ 468	9.79

(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
2006	40,087	1,190,740	27,711	40.8	82.5%	4,180	9.6%
2007	41,707	1,721,893	29,237	41.5	81.6%	4,265	5.2%
2008	42,764	1,448,326	30,563	41.6	79.0%	4,300	5.5%
2009	43,471	1,414,714	29,801	41.3	70.9%	4,354	8.0%
2010	44,102	1,461,740	30,569	40.8	68.0%	4,424	9.0%
2011	44,762	1,407,396	31,758	41.0	66.5%	4,459	9.5%
2012	45,327	1,439,674	32,912	40.5	76.2%	4,469	8.5%
2013	45,592	1,435,492	33,321	41.0	80.2%	4,434	7.9%
2014	46,035	1,524,088	34,139	41.2	83.9%	4,544	7.2%
2015	46,420	1,536,863	34,771	41.8	89.2%	4,490	6.6%

(d)                      (d)                      (d)                      (a)                      (c)                      (c)                      (b)

Sources:

- (a) Fact Finder, US Census Bureau
- (b) Mississippi Department of Employment Security
- (c) Mississippi Department of Education
- (d) U.S. Department of Commerce Bureau of Economic Analysis, Interactive Data

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

**Table 11**

NAICS	Description	2016 Jobs	Percentage of Total
928110	National Security	1,120	7.7%
611110	Elementary and Secondary Schools	825	5.6%
561210	Facilities Support Services	704	4.8%
921140	Executive and Legislative Offices, Combined	636	4.4%
721120	Casino Hotels	610	4.2%
722511	Full-Service Restaurants	499	3.4%
722513	Limited-Service Restaurants	488	3.3%
713210	Casinos (except Casino Hotels)	444	3.0%
927110	Space Research and Technology	442	3.0%
452910	Warehouse Clubs and Supercenters	391	2.7%
541512	Computer Systems Design Services	381	2.6%
541330	Engineering Services	346	2.4%
622110	General Medical and Surgical Hospitals	281	1.9%
325211	Plastics Material and Resin Manufacturing	221	1.5%
	Other	7,221	49.4%
	Total Employed	14,609	100%

NAICS	Description	2007 Jobs	Percentage of Total
928110	National Security	1,181	7.7%
611110	Elementary and Secondary Schools	842	5.5%
721120	Casino Hotels	721	4.7%
561210	Facilities Support Services	654	4.2%
713210	Casinos (except Casino Hotels)	620	4.0%
921140	Executive and Legislative Offices, Combined	460	3.0%
452910	Warehouse Clubs and Supercenters	424	2.7%
722513	Limited-Service Restaurants	404	2.6%
722511	Full Service Restaurants	393	2.5%
541330	Engineering Services	385	2.5%
927110	Space Research and Technology	372	2.4%
622110	General Medical and Surgical Hospitals	328	2.1%
447110	Gasoline Stations with Convenience Stores	284	1.8%
444110	Home Centers	272	1.8%
325211	Plastics Material and Resin Manufacturing	253	1.6%
541511	Custom Computer Programming Services	245	1.6%
	Other	7,582	49.2%
	Total Employed	15,420	100.0%

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

**Table 12**

	<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 <sup>2</sup></u>	<u>2016 <sup>2</sup></u>
Executive Director	1	1	1	1	1	1	1	1	1	1
General Administration	2	3	3	3	3	3	3	1.5	1	2
Economic Development	1	3	3	2	2	2	2	2.5	2	3
Finance and Accounting	6	6	6	6	6	5	5	4	4	4
Railroad	10	11	11	10	8	8	9	10	9	11
Port	8	7	7	8	8	7	7	7	6	4.5
Port Security (outsourced in 2008)	16.5	1	1	1	1	1	1	1	0	0
Airport	8	8.5	8.5	9	10	7	7	7	6	5.5
	52.5	40.5	40.5	40	39	34	35	34	29	31

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

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

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
INSURANCE COVERAGE  
As of September 30, 2016  
(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>	\$	41,746,708
	<u>Sublimits</u>	<u>Amount</u>
<i>Named Storm max per occurrence</i>	\$	31,817,247
<i>Wind/Hail</i>	\$	31,817,247
<i>Buildings</i>	\$	36,980,604
<i>Personal Property</i>	\$	1,548,292
<i>Inland Marine (Rolling Stock/Equipment)</i>	\$	2,470,600
National Flood		
<i>Flood - Buildings</i>	\$	7,673,100
<i>Flood - Contents</i>	\$	1,932,900
Auto Physical Damage	\$	255,952



## *Compliance 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***

March 17, 2017

To the Board of Commissioners  
Hancock County Port and Harbor Commission  
Bay St. Louis, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hancock County Port and Harbor Commission (the Commission), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 17, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 the Hancock County Port and Harbor Commission's financial statements are free from 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*.

To the Board of Commissioners  
Hancock County Port and Harbor Commission  
March 17, 2017

**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*

**ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC**

**Certified Public Accountants**

**Gulfport, Mississippi**