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**Hancock County Port & Harbor Commission**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR FISCAL YEARS ENDED 9/30/2018 & 9/30/2017**



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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, 2018 and 2017**



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

# HANCOCK COUNTY PORT AND HARBOR COMMISSION

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## *Introductory Section*





HANCOCK COUNTY PORT & HARBOR COMMISSION

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

February 25, 2019

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

Dear Commissioners:

We are pleased to submit Hancock County Port and Harbor Commission's (HCPHC or Commission) Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2018. 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 our 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 facilities in addition to providing economic development leadership efforts for Hancock County. HCPHC currently has an 8-member appointed board of Commissioners and as of this publication, 29 full-time and 2 part-time employees.

## **Local Economic Conditions**

In 2018, Hancock County’s population approximates 47,484 with 19,410 residents in the labor force, 18,381 employed, and an estimated 15,424 jobs in the county. The median household income of these occupations are \$46,500. Hancock County’s unemployment rate is 4.8%. The state of Mississippi is 4.7% and the National average is 3.9%. As of 2018 the region’s population increased by 4.4% since 2013, growing by 1,994. Population is expected to increase by 3.6% between 2018 and 2023, adding 1,697.

From 2013 to 2018, jobs declined by 0.2% in Hancock County, MS from 15,462 to 15,424. This change fell short of the national growth rate of 7.4% by 7.6%. As the number of jobs declined, the labor force participation rate decreased from 51.0% to 49.3% between 2013 and 2018. Concerning educational attainment, 13.7% of Hancock County, MS residents possess a Bachelor’s Degree (4.9% below the national average), and 8.8% hold an Associate’s Degree (0.8% above the national average).

Hancock County, MS has 8,038 millennials (ages 22-37). The national average for an area this size is 9,746. Retirement risk is high in Hancock County, MS. The national average for an area this size is 13,414 people 55 or older, while there are 16,262 here. Hancock County, MS has 4,290 veterans. The national average for an area this size is 2,818.

Principal NAICS industry employers, in 2018 in Hancock County, include Government (4,736); Accommodation and Food Services (2,314); Retail Trade (1,608); Professional, Scientific, and Technical Services (1,187); Admin and Support Waste Management and Remediation Services (1,138); Manufacturing (824); Construction (809); and Health Care and Social Assistance (805).

While these industry-specific jobs are scattered within the boundaries of Hancock County, HCPHC directly supports 708 jobs through companies located on the grounds of Port Bienville Industrial Park, 427 jobs through business at Stennis International Airport, and indirectly supports 407 of the 5,047 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, Japan, England, Canada, and Mexico.

## **Long-Term Financial Planning**

HCPHC’s executive leadership, comprised of board members and senior management meet regularly to ascertain how best to use existing resources to increase Hancock County’s jobs numbers, tax base, and Commission revenues, to determine whether the use of those resources is consistent with the



Commission's evolving strategic plan and to determine when external resources are needed to close financial gaps or provide other means of support.

The major initiatives discussed below are integral to the eventual success of this evolving plan. The stages of development of each as of this publication are varied. Our aggressive capital improvement plan will increase the Commission's net position nearly 35% by FYE 2021. As these newly capitalized construction projects convert to revenue producing public assets, the Commission will also recognize improved operating cash flow and income diversity. Initiatives re-aligning economic development objectives to improve outcomes in Hancock County are also underway.

### ***Capital Asset Planning***

The multi-year capital plan ending 9/30/2021 details \$50.5 million in capital investment. Of that \$45.2 million is considered strategic investment, \$4.6 million is attributable to life-cycle maintenance, and \$705,000 addresses immediate safety concerns.

Port Bienville Industrial Park will benefit from 55% of the total capital plan, the majority of which will greatly improve assets needed for maritime customers with new bulkhead and mooring facilities, an extensive dredging project providing safer, faster ingress and egress, and property acquisitions adding approximately 748 acres to Port Bienville Industrial Park's footprint. Stennis International Airport will benefit from 34% of the total capital investment, adding 2 new aircraft hangars with adjacent apron, a military operations assault landing strip, and several safety measures. The remaining 11% will fund construction of additional rail spur and sidings, rail track and ballast will be upgraded, and 3 locomotives will replace the existing fleet of locomotives.

The Commission has pledged \$19.5 million of its reserves and future revenues to fund the \$50.5 million multi-year plan, recognizing that debt or other grant sources may be leveraged as out-year projects develop. The Commission was fortunate to be the recipient of several federal capital grants. Those grants represent over \$25 million of total funding sources and have been obligated by the Federal Aviation Administration, Katrina Community Development Block Grant funds, and Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies (RESTORE) of the Gulf Coast Act of 2012. The State of Mississippi is estimated to fund \$5.3 million of the capital plan and \$1 million may be sourced through a financing arrangement for the locomotive purchases.

### ***Economic Development***

The Commission and staff have adopted several innovative and forward-leaning programs to ensure Hancock County's success now and into the future.

*Business Retention and Expansion (BR&E)* – To protect and grow the business and industry already extant in Hancock County, the Commission implemented the Synchronist® system to evaluate our existing industries. In partnership with the Hancock Chamber of Commerce we surveyed 120 companies in the County to determine what policies and services will support their long-term viability and to review their operational plans for the near term. Seventy of the companies interviewed intend to expand adding 2,658 jobs and an investment of \$413,165,000 over the next three years.

A significant outcome of the BR&E program in FY 2017 was the need for available and skilled employees. In response, the ACT® Work Keys program was initiated. Hancock County understands that workforce development is essential to companies looking to relocate or existing industries looking to grow. In 2017, Hancock County was accepted in the Work Ready Communities program set forth by ACT, and a few short months later Hancock County officially launched the program in the county. This is an effort put forth by the economic developers, business leaders, and educators within the county. We all have a stake in making our county more competitive and closing the skills gap that threatens to paralyze our economy. Change starts at the grassroots level, by providing a community-based framework that:



- Links workforce development to education
- Aligns with the economic development needs of communities, regions and states
- Matches individuals to jobs based on skill levels

As of this publication Hancock County is now certified as an ACT® Work Ready Community.

*Capitalize on Obvious Strengths* – As an epicenter for commercial space, aviation and unmanned systems research, development and testing, an Aviation and Aerospace Optimization Plan was developed in FY 2017 and implemented in FY 2018. A couple of key supporting initiatives were programmed including participation and implementation in the Governor’s Ocean Task Force (unmanned systems); Federal Aviation Administration (FAA) licensure for a “spaceport” at Stennis International Airport; and development of Project Ready Sites at Stennis International Airport, Port Bienville Industrial Park, and in the Fee Area at Stennis Space Center. The expansions announced at DAK Americas, Calgon Carbon, SNF Polychemie and others create opportunities for existing partnerships to grow.

*Emerging Markets* – The Commission is constantly striving for new market opportunities and assets in Hancock County are well positioned to attract industries in the fastest growing emerging markets, unmanned systems and aerospace. Competitive advantages include a unique location along an existing aerospace corridor with unencumbered and under-utilized real estate and our relationship with NASA Stennis Space Center as a partner in marketing their commercially available assets. Development of the Project Ready Site at SSC and “spaceport” at the airport address these new market capture opportunities.

Funding has been secured through RESTORE grants 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 aerospace industry to Stennis International Airport and NASA Stennis Space Center.

A new maritime approach is being dredged from the mouth of the Pearl River (east fork) to Port Bienville and development of expanded capabilities at our primary dock at the mouth of the port (commonly referred to as the Linea dock) create opportunities for container on barge and related markets that the port cannot presently service.

*Leverage Partnerships* – The Commission is renewing its work with the Gulf Coast Alliance for Economic Development, the Hancock Chamber of Commerce, national/regional/local professional economic development organizations and the State Chamber of Commerce. Our close relationship with the Mississippi Development Authority has evolved our market development in chemicals and aerospace, and foreign trips planned for the UK, India, Mexico and Saudi Arabia will be facilitated through their foreign investment office. Our partnership with Stennis Space Center is strong and growing. We partnered on several site location proposals and are actively working to create a multi-tenant, multi-use facility for new industry and existing expansions and diversification. We also strengthened our relationship with Hancock County municipalities as the new leadership at HCPHC is more integrated into the community.

#### **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 years ending September 30, 2015, 2016, and 2017. 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.

Good financial reporting starts with good financial planning. This CAFR is the result of such good planning, which included a Distinguished Budget Presentation Award by GFOA for our budget year beginning October 1, 2017. This award is the first GFOA awarded for budgets in the State of Mississippi in over 4 years, further demonstrating our leadership in transparency in financial reporting. We prepared an application to GFOA for a similar award for our fiscal year beginning October 1, 2018. We pledge to you our continuing commitment to best-in-class effort.

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 the 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



#### **List of Officials**

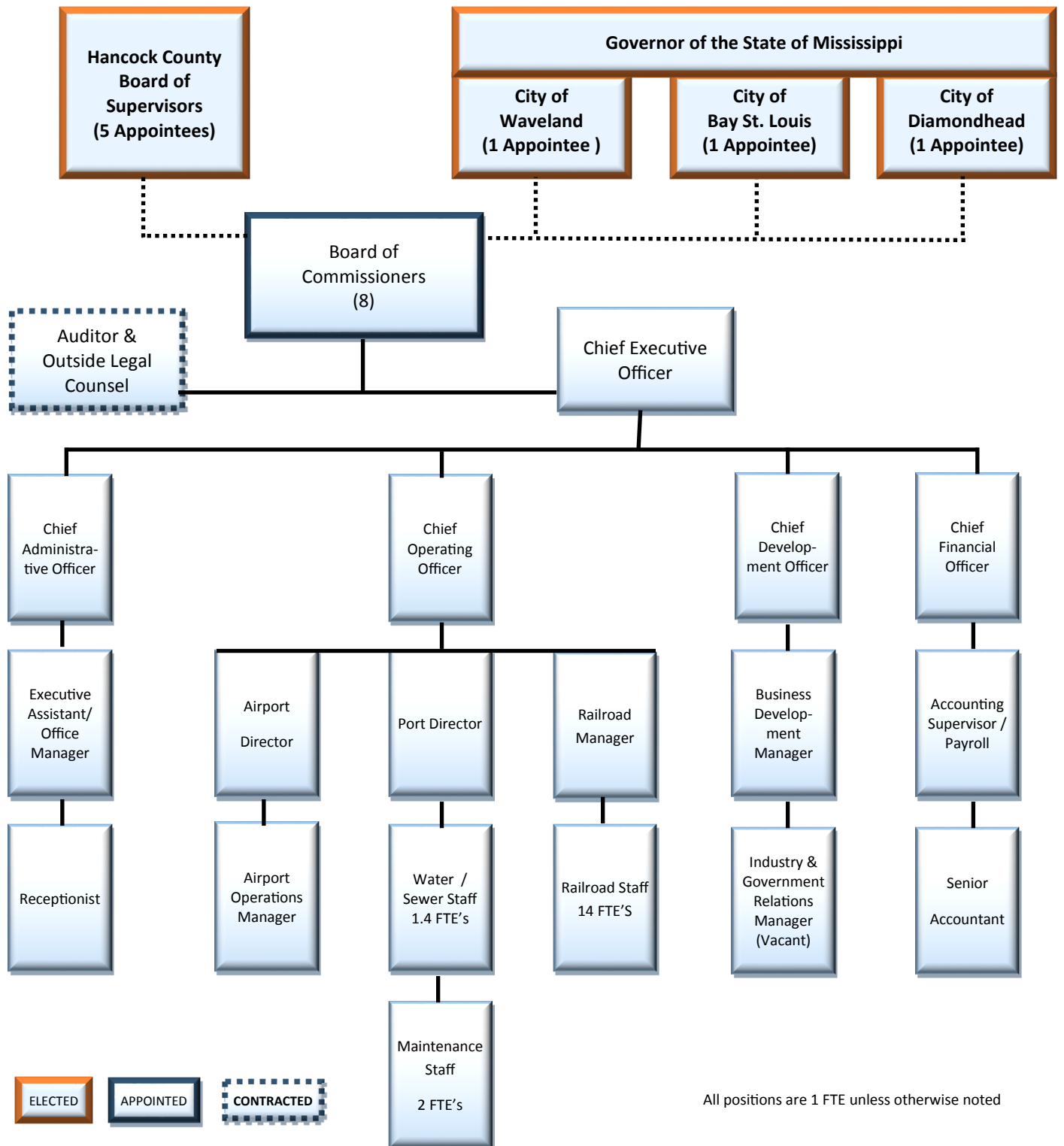
##### **Board of Commissioners** **(as of publication)**

<b>Robert Kane</b>	<b>President</b>
<b>Jon Ritten, Jr.</b>	<b>Vice President</b>
<b>Paula Jordan</b>	<b>Secretary</b>
<b>Daryl Cornell</b>	<b>Treasurer</b>
<b>Tom Koger</b>	<b>Commissioner</b>
<b>David Malley</b>	<b>Commissioner</b>
<b>Christopher “Packer” Ladner</b>	<b>Commissioner</b>
<b>Bob Swanson</b>	<b>Commissioner</b>

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

<b>William “Bill” Cork</b>	<b>Chief Executive Officer</b>
<b>William “Bill” Cotter Jr., C.M.</b>	<b>Chief Operating Officer</b>
<b>Ronnie Wade Robertson, J.D.</b>	<b>Chief Administrative Officer</b>
<b>Janet Sacks, C.P.A.</b>	<b>Chief Financial Officer</b>
<b>Janel Carothers</b>	<b>Chief Development Officer</b>
<b>Kevin Carlisle</b>	<b>Director of Stennis International Airport</b>

# Organizational Chart







Government Finance Officers Association

**Certificate of  
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Presented to

**Hancock County  
Port and Harbor Commission  
Mississippi**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*



## *Financial Section*





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

AVL WEALTHCARE, LLC  
Wealth Management

## INDEPENDENT AUDITORS' REPORT

February 6, 2019

To the Board of Commissioners  
Hancock County Port and Harbor Commission  
Kiln, 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, 2018 and 2017, 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 opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hancock County Port and Harbor Commission, as of September 30, 2018 and 2017, 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.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Commission's proportionate share of net pension liability, and schedule of the Commission's pension contributions be presented to supplement the basic financial statements as included on the table of contents. 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 February 6, 2019, 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.

### **Change in Accounting Principle**

In fiscal year 2018, the Commission adopted new accounting guidance, GASB No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, see Note 2 accordingly. Our opinion is not modified with respect to this matter.

*Alexander, Van Loon, Sloan, Levens & Favre, PLLC*

**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, 2018 AND 2017**

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, 2018 and 2017, with selected comparisons to the prior fiscal year ended September 30, 2016.

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 a net loss from operations in the current fiscal year of \$154,077. The significant attributable contributions are further discussed below.
- The Commission's operating revenue increased .08% over fiscal year 2017 while operating expenses increased 5.7%. Net position increased 7.55% during 2018 as capital contributions offset the net operating loss.
- Assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$88,611,704 (reported as "net position"). Of this \$17,863,292 is unrestricted and may be used to meet ongoing financial obligations. The balance of \$70,748,412 is invested in capital assets. Additions to capital 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, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. 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 operate similarly 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, 2018 AND 2017**

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, 2018 and 2017 with comparative amounts for September 30, 2016 is as follows:

**Condensed Statement of Net Position**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Assets and Deferred Outflow of Resources</b>			
Current and other assets	\$ 21,971,718	\$ 20,250,999	\$ 18,230,387
Capital assets, net	71,123,820	66,538,532	66,393,799
Total assets	<u>93,095,538</u>	<u>86,789,531</u>	<u>84,624,186</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows for pensions	<u>61,830</u>	<u>162,747</u>	<u>563,129</u>
<b>Liabilities, Deferred Inflow of Resources and Net Position</b>			
Current and other liabilities	948,529	1,028,881	1,729,134
Long-term Net Pension Liability	3,326,594	3,324,679	3,572,499
Long-term liabilities	<u>168,029</u>	<u>138,330</u>	<u>68,500</u>
Total liabilities	<u>4,443,152</u>	<u>4,491,890</u>	<u>5,370,133</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows for pensions	<u>102,512</u>	<u>72,610</u>	<u>9,493</u>
<b>Net position</b>			
Net investment in capital assets	70,748,412	66,173,974	65,387,011
Unrestricted	<u>17,863,292</u>	<u>16,213,804</u>	<u>14,420,679</u>
Total net position	<u>\$ 88,611,704</u>	<u>\$ 82,387,778</u>	<u>\$ 79,807,690</u>

**The Year Ended September 30, 2018**

The Commission's net position increased by 7.55% (\$88,611,704 as compared with \$82,387,778) during fiscal year 2018. Most of this increase is reflected in capital assets at 6.89% or \$4,585,288 above the prior fiscal year. The Commission also continues to recognize annual decreases in liabilities (just over 1%). Net position also benefited from an increase in current and other assets of 8.49%.

The increase in capital assets in 2018 reflects real property additions, completed construction projects, and work in process to be completed at a future date. These include land, land development costs, buildings, maritime infrastructure, rail and major lifespan improvements, all of which is reflected in capital assets at cost and except for land, land development costs, and work in process, these capitalized dollars are expensed

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

through depreciation over the estimated useful lives of those assets. (Refer to Note 8, Capital Assets, of the accompanying notes to the financial statements for a more complete description.)

The net addition to fixed assets (before depreciation and including work in progress) during 2018 of \$7,794,266 is comprised of the following:

- 1,260 acres of land adjacent to Stennis International Airport;
- An overlay of the airport runway;
- Improved pilot control lighting;
- A designated fuel truck parking area near the airport's fuel farm;
- A new assault landing strip and 2 new aircraft hangars in design phase;
- Various building improvements;
- Installation of a heavy lift area on the port's public dock;
- Bulkhead improvements;
- Railroad lights and gates at two crossings along a public roadway;
- Multiple new rail spurs for storage and various improvements along existing rail lines;
- Access roadways to sites being readied for development and the costs of readying those sites for development;
- Warehouse improvements to accommodate expansion of tenant operations; and
- Dredging Port Bienville's waterway ingress/egress has been permitted.

**The Year Ended September 30, 2017**

At September 30, 2017, the Commission's assets (exclusive of deferred outflows for pensions) exceeded liabilities (exclusive of deferred inflows for pensions) by \$82 million, a \$3 million increase over September 30, 2016. For the fiscal year ended September 30, 2017, the largest portion of the Commission's net position represents its investment in capital assets. The Commission uses these capital assets to provide services to tenants and other users of Port Bienville Industrial Park and Stennis International Airport. These assets are not available for future spending.

The Commission's non-current assets as of September 30, 2017, amounted to \$66.6 million, of which capital assets represent greater than 99% of that number (net of accumulated depreciation). This investment in capital assets includes land, buildings, facility and infrastructure improvements and enhancements, equipment, furniture and fixtures, and construction work in progress. Capital asset acquisitions are capitalized at cost and depreciated over estimated useful lives using the straight-line method. The total increase in the Commission's investment in capital after accumulated depreciation for FY2017 0.22% for the reasons stated below.

The following major projects totaling \$5.5 million (some of which are still in progress) comprised the majority of the increase in the Commission's capital assets:

- Completion of a new headquarters facility;
- Extensions and improvements to Port Bienville's rail infrastructure;
- A waterline extension at Port Bienville Industrial Park;
- Safety lights and gates at the intersection of Port Bienville Railroad's interchange and Lower Bay Road;
- New parking for fuel trucks at Stennis International Airport including overspill containment features;
- 2 new railroad vehicles;
- Roof and warehouse door replacements; and
- Airport safety improvements including pilot control lighting, firefighting gear and a fire truck.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

The Commission's capital assets are funded by a combination of surplus funds and federal and state grant funds. Additional information on the Commission's capital assets can be found in note 8 to the financial statements.

The Commission's outstanding debt of \$68,500 represents a single interest free note maturing in 2018.

**The Year Ended September 30, 2016**

The Commission's total net position increased \$3.9 million in 2016. Cash, investments, and restricted cash increased by \$4.1 million over 2015; a 39.2% increase, contributing to a \$4.4 million 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.

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.

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.

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.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

The Statement of Revenues, Expenses and Changes in Net Position is an indicator of whether the overall fiscal condition of the Commission has improved or worsened during the year. Following is a summary of the Statement of Revenues, Expenses and Net Position:

*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, 2018 and 2017 with comparative amounts for September 30, 2016 is as follows:

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Operating Revenues</b>			
Charges for sales and services	\$ 6,472,322	\$ 6,698,727	\$ 6,268,990
Rental Income	3,486,227	3,236,527	3,338,629
Other	-	15,037	6,879
Total Operating Revenues	<u>9,958,549</u>	<u>9,950,291</u>	<u>9,614,498</u>
<b>Operating Expenses</b>			
Port Bienville Short Line Railroad	2,276,935	2,110,146	1,733,672
Port Bienville Industrial Park	1,747,613	1,785,582	1,671,161
Stennis International Airport	1,932,585	1,739,895	1,755,226
Total operating expenses	<u>5,957,133</u>	<u>5,635,623</u>	<u>5,160,059</u>
Operating Income before Depreciation	4,001,416	4,314,668	4,454,439
Depreciation Expense	<u>4,155,493</u>	<u>3,993,986</u>	<u>3,843,362</u>
<b>Operating Income (Loss) after Depreciation</b>	<u>(154,077)</u>	<u>320,682</u>	<u>611,077</u>
<b>Nonoperating Revenues/Expenses</b>			
Interest revenue	169,575	140,007	125,191
Grant revenue	178,501	4,459	1,931
Project Surety Settlement	-	-	1,450,000
Insurance Proceeds	39,497	-	-
Investment gain (loss)	(12,137)	(17,330)	1,126
Loss on disposal of capital assets	(191,488)	(363,591)	-
Loss on Impairment of capital asset	-	-	(872,695)
Interest Expense	-	-	(5,045)
Total nonoperating revenues (expenses)	<u>183,948</u>	<u>(236,455)</u>	<u>700,508</u>
<b>Net Income before Capital Contributions</b>	29,871	84,227	1,311,585
Capital contributions	<u>6,194,055</u>	<u>2,495,861</u>	<u>2,544,102</u>
<b>Increase (Decrease) in Net Position</b>	<u>6,223,926</u>	<u>2,580,088</u>	<u>3,855,687</u>
<b>Total Net Position - Beginning</b>	<u>82,387,778</u>	<u>79,807,690</u>	<u>75,952,003</u>
<b>Total Net Position - Ending</b>	<u>\$ 88,611,704</u>	<u>\$ 82,387,778</u>	<u>\$ 79,807,690</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**The Year Ended September 30, 2018**

The Commission's revenue was largely unchanged from 2017 though a few departmental revenue sources varied as described here. Port Bienville Industrial Park's charges for services declined as 2017 benefited from a one-time \$200,000 dockage charge; the circumstances surrounding which warranted a premium for risk mitigation. Rental income increased across-the-board as demand for rail car storage, warehousing and office space increased and newly negotiated rate structures took effect.

Operating expenses increased 5.7% as the Commission dedicated resources to aggressively market our region, better defining the types of industries suited to this area and planning infrastructure to attract them. An investment in long-term planning for Stennis International Airport and Stennis Space Center supporting new technologies in aerospace was completed and planning the Port's near and long term strategies to coincide with completion of several strategic maritime assets is underway.

**The Year Ended September 30, 2017**

Listed below are the highlights of changes between fiscal year ended September 30, 2017 and 2016, as shown in the Statement of Revenues, Expenses and Changes in Net Position above:

- Operating revenues increased 3.5% or \$335,793 primarily due to an increase in rail car junction settlements and switching activity.
- Operating expenses increased 7% or \$626,188 as fuel, repairs and maintenance, and personnel expenses attributable to increased rail activity were recognized. Personnel costs increased slightly for Port Bienville as the position of Port Director was filled and personnel costs at Stennis International Airport declined as two employees terminated employment after which their responsibilities were outsourced.
- Depreciation increased \$150,624 during the year as construction projects were placed into service, beginning depreciable lives at various times through the fiscal year.
- Non-operating revenues decreased substantially as the Commission recognized a one-time settlement with a contractor's surety in 2016. Interest income increased slightly as a full year of income was recognized on investments made in 2016.
- 2017's non-operating losses include a \$17,330 investment loss on the value of Treasury securities and a \$363,591 loss on the sale of the Commission's prior headquarters.
- Capital contributions remained largely unchanged. Grant funds are recognized as revenue when expenses for which the grant funds are obligated are incurred.

**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**ECONOMIC FACTORS AND FISCAL YEAR ENDING SEPTEMBER 30, 2019 BUDGET**

The Commission's management considered a variety of factors when setting the Fiscal Year 2019 operating and capital budgets.

While our categories of implementing objectives will always align with two distinct areas – Asset Development and Market/Economic Development – the Commission also placed emphasis in the coming years on three distinct sub objectives:

- Focused investment and marketing of the Port Bienville Industrial Canal and growth in wharfage and dockage fees and related services.
- Spaceport feasibility and new mission growth at Stennis International Airport.
- Assessing the feasibility of implementing a partnership with Stennis Space Center (SSC) for the development of an industrial park within the Fee Area of SSC to create an upland industrial complex tied to the aerospace sector.

Both the 2019 Operational Budget and the Capital Improvement Plan Budget elements have been workshopped with the Commission and presented in multiple public forums. Our Capital budget was an all-day workshop done in a mobile workshop fashion where the Commission, County officials and the general public were invited to "walk" the project sites and see firsthand the recently completed, work-in-progress, and proposed projects. We are excited about the future and the rare opportunity to leverage a sound financial position into future jobs, tax base and revenue for the benefit of Hancock County, the State of Mississippi and the broader coastal region.

**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, 2018 AND 2017**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 18,266,107	\$ 10,374,474
Investments	1,646,659	6,908,796
Restricted Cash	125,033	225,467
Accounts receivable, net	631,528	703,524
Investment interest receivable	1,977	7,184
Note receivable, current	-	2,807
Investment in capital leases, current	15,103	155,641
Due from other governments	864,412	1,415,086
Prepaid expenses	378,056	403,130
Inventories	13,013	9,957
Total current assets	<u>21,941,888</u>	<u>20,206,066</u>
<b>NONCURRENT ASSETS</b>		
Capital assets		
Land and construction in progress	10,759,150	10,226,137
Other capital assets, net of accumulated depreciation	<u>60,364,670</u>	<u>56,312,395</u>
Total capital assets	<u>71,123,820</u>	<u>66,538,532</u>
Investment in capital leases, net of current maturities	<u>29,830</u>	<u>44,933</u>
Total noncurrent assets	<u>71,153,650</u>	<u>44,933</u>
<b>TOTAL ASSETS</b>	<u>93,095,538</u>	<u>86,789,531</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows for pensions	<u>61,830</u>	<u>162,747</u>

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

<b>CURRENT LIABILITIES</b>		
Accounts payable	666,248	490,369
Retainage payable	11,853	119,030
Unearned revenue	11,075	111,571
Customer deposits	113,958	113,795
Accrued salaries	33,375	33,396
Current maturities of notes payable	-	68,500
Compensated absences payable	112,020	92,220
Total current liabilities	<u>948,529</u>	<u>1,028,881</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences payable, net of current liability	168,029	138,330
Net Pension Liability	3,326,594	3,324,679
Total noncurrent liabilities	<u>3,494,623</u>	<u>3,463,009</u>
Total liabilities	<u>4,443,152</u>	<u>4,491,890</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow for pensions	<u>102,512</u>	<u>72,610</u>
<b>NET POSITION</b>		
Net investment in capital assets	70,748,412	66,173,974
Unrestricted	<u>17,863,292</u>	<u>16,213,804</u>
<b>TOTAL NET POSITION</b>	<u>\$ 88,611,704</u>	<u>\$ 82,387,778</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, 2018 AND 2017**

	2018	2017
<b>OPERATING REVENUES</b>		
Charges for sales and services		
Port Bienville Shortline Railroad	\$ 5,113,498	\$ 5,120,059
Port Bienville Industrial Park	922,995	1,128,727
Stennis International Airport	435,829	449,941
Total charges for sales and services	<u>6,472,322</u>	<u>6,698,727</u>
Rental Income		
Port Bienville Shortline Railroad	1,490,231	1,362,637
Port Bienville Industrial Park	479,780	435,324
Stennis International Airport	1,516,216	1,438,566
Total rental income	<u>3,486,227</u>	<u>3,236,527</u>
Other	-	15,037
Total operating revenues	<u>9,958,549</u>	<u>9,950,291</u>
<b>OPERATING EXPENSES</b>		
Port Bienville Shortline Railroad		
Personal services	1,376,620	1,257,326
Supplies and materials	213,337	182,529
Other services and charges	686,978	670,291
Depreciation and amortization	642,438	547,271
Total Port Bienville Shortline Railroad	<u>2,919,373</u>	<u>2,657,417</u>
Port Bienville Industrial Park		
Personal services	767,101	943,645
Supplies and materials	41,990	58,743
Other services and charges	938,522	783,194
Depreciation and amortization	2,264,729	2,272,616
Total Port Bienville Industrial Park	<u>4,012,342</u>	<u>4,058,198</u>
Stennis International Airport		
Personal services	752,184	827,070
Supplies and materials	42,638	38,634
Other services and charges	1,137,763	874,191
Depreciation and amortization	1,248,326	1,174,099
Total Stennis International Airport	<u>3,180,911</u>	<u>2,913,994</u>
Total operating expenses	<u>10,112,626</u>	<u>9,629,609</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(154,077)</u>	<u>320,682</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	169,575	140,007
Grant revenue	178,501	4,459
Insurance proceeds	39,497	-
Investment gain (loss)	(12,137)	(17,330)
Loss on disposal of capital assets	(191,488)	(363,591)
Total nonoperating revenue (loss)	<u>183,948</u>	<u>(236,455)</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>29,871</u>	<u>84,227</u>
Capital contributions - federal	4,254,751	1,183,884
Capital contributions - other	1,939,304	1,311,977
Total capital contributions	<u>6,194,055</u>	<u>2,495,861</u>
<b>CHANGE IN NET POSITION</b>	<u>6,223,926</u>	<u>2,580,088</u>
<b>TOTAL NET POSITION - BEGINNING</b>	<u>82,387,778</u>	<u>79,807,690</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 88,611,704</u></u>	<u><u>\$ 82,387,778</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 9,912,113	\$ 9,829,299
Cash payments for goods and services	(3,049,856)	(3,177,723)
Cash payments for employee services	(2,713,691)	(2,783,732)
(Refunds) receipts of customer deposits	163	(6,648)
Other Income	-	15,037
Net cash provided by operating activities	<u>4,148,729</u>	<u>3,876,233</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal received on notes/leases	158,448	162,813
Principal paid on debt	(68,500)	(82,200)
Investment security redeemed	5,250,000	-
Proceeds from capital grants	6,923,230	3,572,001
Proceeds from insurance settlement	39,497	-
Acquisitions and construction of capital assets	(8,837,486)	(4,556,270)
Proceeds from sale of assets	2,500	-
Net cash provided by (used in) capital and related financing activities	<u>3,467,689</u>	<u>(903,656)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>174,781</u>	<u>140,007</u>
Net cash provided by investing activities	<u>174,781</u>	<u>140,007</u>
Net increase in cash and cash equivalents	7,791,199	3,112,584
Cash and cash equivalents:		
Beginning of year	<u>10,599,941</u>	<u>7,487,357</u>
End of year	<u>\$ 18,391,140</u>	<u>\$ 10,599,941</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 18,266,107	\$ 10,374,474
Restricted Cash	<u>125,033</u>	<u>225,467</u>
Total cash and cash equivalents	<u>\$ 18,391,140</u>	<u>\$ 10,599,941</u>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Loss on sale of assets	<u>(191,488)</u>	<u>(363,591)</u>
Total non-cash investing, capital, and financing activities	<u>\$ (191,488)</u>	<u>\$ (363,591)</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income (Loss) from operations	<u>\$ (154,077)</u>	<u>\$ 320,682</u>
Adjustment to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	4,155,493	3,993,986
Bad Debt Expense	(17,936)	(17,412)
Pension expense adjustment	132,736	215,679
(Increase)decrease in operating assets:		
Accounts receivable	71,996	(99,307)
Prepaid expenses	25,075	(42,696)
Inventories	(3,056)	(438)
Increase(decrease) in operating liabilities:		
Accounts payable	(10,647)	(527,007)
Unearned revenue	(100,496)	10,764
Accrued salaries	(21)	4,937
Compensated absences	49,499	23,693
Customer Deposits	163	(6,648)
Total adjustments	<u>4,302,806</u>	<u>3,555,551</u>
Net cash provided by operating activities	<u>\$ 4,148,729</u>	<u>\$ 3,876,233</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, 2018, and 2017**

**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, 2018 and 2017.

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.

**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, 2018, and 2017**

**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 as such 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, 2018 and 2017 are recorded as prepaid items.

**Inventories**

Inventory consists of fuel used to operate 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>2018</u>	<u>2017</u>
Fuel	<u>\$ 13,013</u>	<u>\$ 9,957</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, 2018, and 2017**

**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

In the current fiscal year, the Commission adopted new accounting guidance, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. In accordance with the standard, there is no capitalized interest for the year ended September 30, 2018.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position reports 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 reports 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.

**Unearned Revenue**

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

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

**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	39%
Port Bienville Industrial Park	32%
Stennis International Airport	<u>29%</u>
Total	100%

**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.

**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, 2018, deposits (including restricted deposits) were as follows:

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

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 18,496,031	\$ 18,391,140

**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, 2018:

	2018	2017
U.S. Government securities and agencies	\$ 1,646,659	\$ 6,908,796

**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, 2018, the Commission's investments had the following credit ratings as published by Standard and Poor:

Investment	Credit Rating	2018	2017
U.S. Government securities and agencies	AA+	\$ 1,646,659	\$ 6,908,796



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**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2018	2017
Administration	\$ 2,661	\$ -
Port Bienville Industrial Park	119,348	177,310
Port Bienville Railroad	476,858	480,022
Stennis International Airport	32,661	46,192
Total	631,528	703,524
Less allowance for doubtful accounts	-	-
Total accounts receivable, net	<u>\$ 631,528</u>	<u>\$ 703,524</u>

In fiscal year 2018 and 2017 the Commission recognized \$17,936 and \$17,412 of bad debt expense, respectively, as a result of tenant non-payment for rent and services.

**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, 2017, the note had a remaining outstanding balance of \$2,807. The debt was paid in full in October 2017. The outstanding balance at September 30, 2017, is reported as a current note receivable on the balance sheet.

**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, 2018, and 2017 the note had remaining outstanding balances of \$0 and \$141,309, respectively. As of the writing of these notes the company has not exercised its option to purchase.

**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 the final payment for which was submitted in September of 2016. On October 9, 2015

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

the company notified the Commission of its intent to exercise the aforementioned option. Because of certain requirements stipulated by the U.S. Department of Housing and Urban Development, ownership of facilities constructed with Community Development Block Grant program funds shall be retained by the unit of local government facilitating the flow of grant funds for a period of 5 years after grant closeout. Therefore, 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, 2018, and 2017 the note had remaining outstanding balances of \$44,933 and \$59,265, respectively.

**Future Expected Payments**

Future expected payments to be received on the outstanding capital leases are as follows at September 30, 2018:

September 30,	Principal	Interest	Total
2019	\$ 15,103	\$ 1,999	\$ 17,102
2020	15,915	1,187	17,102
2021	13,915	343	14,258
Totals	<u>\$ 44,933</u>	<u>\$ 3,529</u>	<u>\$ 48,462</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:

	2018	2017
Federal Emergency Management Association (Mississippi Emergency Management Association) - Hurricane Katrina Projects	\$ -	\$ 158,713
Federal Aviation Administration - Airport Projects	21,650	383,226
Mississippi Department of Transportation - Multimodal Projects	842,762	873,147
	<u>\$ 864,412</u>	<u>\$ 1,415,086</u>

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**NOTE 8: CAPITAL ASSETS**

Summary of changes in capital assets for the year ended September 30, 2018:

	Balance September 30, 2017	Additions	Deletions	Transfers	Balance September 30, 2018
Capital assets, not being depreciated:					
Land	\$ 8,424,507	\$ 1,313,541	\$ -	\$ -	\$ 9,738,048
Construction in progress	1,801,630	9,004,908	-	(9,785,436)	1,021,102
Total capital assets, not being depreciated	10,226,137	10,318,449	-	(9,785,436)	10,759,150
Capital assets being depreciated:					
Buildings and improvements	24,349,733	180,819	(150,000)	(95,137)	24,285,415
Improvements other than Buildings	79,617,510	6,134,556	-	-	85,752,066
Machinery and equipment	2,697,068	61,339	(430,880)	-	2,327,527
Railroad track and bed	19,177,452	2,071,344	-	-	21,248,796
Railroad equipment	431,397	56,249	(34,025)	-	453,621
Total capital assets being depreciated	126,273,160	8,504,308	(614,905)	(95,137)	134,067,426
Less accumulated depreciation for:					
Buildings and improvements	4,773,500	473,731	-	-	5,247,231
Improvements other than buildings	57,520,902	2,939,392	-	-	60,460,294
Machinery and equipment	1,440,145	136,606	(382,879)	-	1,193,872
Railroad track and bed	5,855,906	590,524	-	-	6,446,430
Railroad equipment	370,312	15,240	(30,623)	-	354,929
Total accumulated depreciation	69,960,765	4,155,493	(413,502)	-	73,702,756
Total capital assets being depreciated, net	56,312,395	4,348,815	(201,403)	(95,137)	60,364,670
Capital assets, net	\$ 66,538,532	\$14,667,264	\$ (201,403)	\$ (9,880,573)	\$ 71,123,820

Assets capitalized at Stennis International Airport during 2018 include:

- In December of 2017, the Commission purchased 1,260 +/- acres of property just South of Stennis International Airport abutting Interstate 10 for a total acquisition cost of \$1,263,651;
- Other projects capitalized at Stennis International Airport include \$4,874,096 to overlay and improve the existing runway. This project was funded with a combination of State and Federal Aviation Administration dollars;
- Pilot control lighting was improved at Commission expense of \$42,519;
- A parking area for fuel trucks was constructed adjacent to the fuel farm at a cost of \$267,982 and was funded by a combination of State Multimodal dollars and Commission reserves; and
- \$180,820 of Commission cash reserves was spent replacing roofs on two of the buildings under lease to tenants.

Infrastructure to improve maritime transportation continues to be a top priority at Port Bienville Industrial Park. 2018's completed projects include:

- Construction of a heavy lift pad on the Port's public dock area at a cost of \$509,597, funded with State multimodal dollars and Commission reserves;

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

- Bulkhead improvements to property under a long-term lease using State grant dollars and Commission reserves for a total cost of \$440,361; and
- \$49,890 of abstracting services for multiple parcels at Port Bienville Industrial Park were capitalized as land development costs which will benefit future prospect placement.

Newly capitalized assets for Port Bienville Railroad include:

- Installation of lights and gates at 2 crossings along Lower Bay Road to provide better safety for traffic and for railroad personnel at a cost of \$683,788 split between Federal and State granting agencies;
- Approximately \$660,000 of Commission reserves was spent increasing the life of existing track with new ballast and longer-lived timbers; and
- 2 new rail spurs were constructed increasing rail car storage capacity at a cost of \$729,000, \$398,000 of which was provided through a State Multimodal grant; and
- The rail car weigh station provided for tenant use was upgraded at a cost to the Commission of \$56,250.

Depreciation expense for all depreciable assets was \$4,155,493 and \$3,993,986 in 2018 and 2017, respectively.

Expenses incurred on projects in 2018 that were not yet complete as of September 30, 2018 are categorized in the above table as construction in progress. Included in that \$1,021,101 balance are the following:

- Renovations to Port personnel office space to accommodate Rail personnel and freeing up that space for Port tenant use;
- An additional rail spur to accommodate a tenant's request for dedicated railcar storage;
- A rail siding to provide storage and ease congestion;
- Reconstruction of the Port's "Linea" dock which has been deteriorating for years and is largely unusable. This project will put it back in service and increase the number of berths for docking.
- A new site for transloading to include a rail spur and bulkhead;
- "Shovel-ready" sites at Port Bienville and Stennis International Airport are under development, increasing marketability of those locations.
- A significant amount of dredging is planned to improve barge ingress and egress to the Port. Permitting is nearly complete as of this writing.
- Road "A" is being extended to improve access to undeveloped parcels at Port Bienville.
- A partition dividing Port Bienville's Warehouse #2 is under construction to accommodate 2 tenants under the same roof.
- Bids for construction of an additional 22,000 square foot aircraft hangar at Stennis International Airport will be accepted in early 2019.
- A military-style assault landing strip is planned parallel to the airport's existing runway to support military training.
- An additional aircraft hangar will be constructed to accommodate a new flight school.
- Safety upgrades to the air traffic control tower, a new automated weather observation system (AWOS) and directional signage are being installed.

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

Summary of changes in capital assets for the year ended September 30, 2017:

	Balance September 30, 2016	Additions	Deletions	Transfers	Balance September 30, 2017
Capital assets, not being depreciated:					
Land	\$ 8,379,204	\$ 163,913	\$ (118,610)	\$ -	\$ 8,424,507
Construction in progress	3,288,929	4,108,340	(49,742)	(5,545,897)	1,801,630
Total capital assets, not being depreciated	<u>11,668,133</u>	<u>4,272,253</u>	<u>(168,352)</u>	<u>(5,545,897)</u>	<u>10,226,137</u>
Capital assets being depreciated:					
Buildings and improvements	22,333,195	2,339,975	(323,437)	-	24,349,733
Improvements other than Buildings	78,143,300	1,484,351	(10,141)	-	79,617,510
Machinery and equipment	2,107,072	589,996	-	-	2,697,068
Railroad track and bed	17,809,308	1,368,144	-	-	19,177,452
Railroad equipment	388,169	43,228	-	-	431,397
Total capital assets being depreciated	<u>120,781,044</u>	<u>5,825,694</u>	<u>(333,578)</u>	<u>-</u>	<u>126,273,160</u>
<u>Less</u> accumulated depreciation for:					
Buildings and improvements	4,400,144	461,955	(88,599)	-	4,773,500
Improvements other than buildings	54,649,884	2,871,018	-	-	57,520,902
Machinery and equipment	1,291,391	148,754	-	-	1,440,145
Railroad track and bed	5,350,374	505,532	-	-	5,855,906
Railroad equipment	363,585	6,727	-	-	370,312
Total accumulated depreciation	<u>66,055,378</u>	<u>3,993,986</u>	<u>(88,599)</u>	<u>-</u>	<u>69,960,765</u>
Total capital assets being depreciated, net	<u>54,725,666</u>	<u>1,831,708</u>	<u>(244,979)</u>	<u>-</u>	<u>56,312,395</u>
Capital assets, net	<u>\$ 66,393,799</u>	<u>\$6,103,961</u>	<u>\$ (413,331)</u>	<u>\$(5,545,897)</u>	<u>\$ 66,538,532</u>

Projects completed and capitalized during 2017 include \$2,405,538 for the Commission's new administrative headquarters, \$163,913 of which represents site preparation and infrastructure for the undeveloped parcel on which it was constructed, as well as \$157,777 of furnishings. This project was funded with a combination of FEMA Hurricane Katrina grant money and Commission reserves. The FAA funded the majority of Stennis International Airport's \$1,118,880 main apron expansion. Other items funded by the Commission and capitalized as part of buildings and improvements were two new roofs on hangars at Stennis International Airport and warehouse improvements at Port Bienville Industrial Park. The airport also added new safety equipment for firefighters. The value of a fire truck donated by the Mississippi Forestry Commission was recognized as contributed capital and added to that value was the cost of improvements to prepare that truck for service.

In addition, \$289,551 was invested in a waterline extension at Port Bienville Industrial Park and Port Bienville Railroad purchased two new vehicles and completed several projects adding rail spurs and improving existing rail infrastructure. These projects were paid for with State grants and Commission reserves.

Depreciation expense was \$3,993,986 and \$3,843,362 in 2017 and 2016, respectively.



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

Expenses incurred on projects in 2017 that were not yet complete as of September 30, 2017 are categorized above as construction in progress. Included in that \$1,801,630 balance are the following:

- Costs of land abstracting, surveying, and project ready development;
- Rail safety lights and gates along the rail line's interchange intersecting with Lower Bay Road in two locations;
- Rail spur projects and rail line improvements;
- Dock and bulkhead reconstruction;
- Roadway extension on Port grounds;
- Dredging waterways inside the Port perimeter and in a section of the connecting Pearl River;
- Mill and overlay of the Airport's runway;
- A new parking area for Airport fuel trucks with overspill containment features;
- Air traffic pilot control lighting replacement; and
- Safety upgrades to our air traffic control tower.

**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, 2018

	Balance October 1, 2017	Additions	Adjustments	Principal Payments Reductions	Balance September 30, 2018	Amount Due within Twelve Months
Notes payable	\$ 68,500	\$ -	\$ -	\$ (68,500)	\$ -	\$ -
Compensated absences	230,550	186,724	-	(137,225)	280,049	112,020
Net Pension Liability	3,324,679	-	1,915	-	3,326,594	-
<b>TOTAL</b>	<b>\$ 3,623,729</b>	<b>\$ 186,724</b>	<b>\$ 1,915</b>	<b>\$ (205,725)</b>	<b>\$ 3,606,643</b>	<b>\$ 112,020</b>

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

For the Year Ended September 30, 2017

	Balance October 1, 2016	Additions	Adjustments	Principal Payments Reductions	Balance September 30, 2017	Amount Due within Twelve
Notes payable	\$ 150,700	\$ -	\$ -	\$ (82,200)	\$ 68,500	\$ 68,500
Compensated absences	206,857	241,256	-	(217,563)	230,550	92,220
Net Pension Liability	3,572,499	-	(247,820)	-	3,324,679	-
<b>TOTAL</b>	<b>\$ 3,930,056</b>	<b>\$ 241,256</b>	<b>\$ (247,820)</b>	<b>\$ (299,763)</b>	<b>\$ 3,623,729</b>	<b>\$ 160,720</b>

**A. Notes Payable**

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

	Original Amt.	Outstanding September 30,	
		2018	2017
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	\$ -	\$ 68,500
Total	<u>\$ 740,000</u>	-	68,500
Less current portion		-	(68,500)
Long-term portion		<u>\$ -</u>	<u>\$ -</u>

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

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

As of September 30, 2018

	Cost	Accumulated Depreciation	Net Value
Land	\$ 466,930	\$ -	\$ 466,930
Buildings and track	21,216,574	5,224,922	15,991,652
	<u>\$ 21,683,504</u>	<u>\$ 5,224,922</u>	<u>\$ 16,458,582</u>

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

As of September 30, 2017

	Cost	Accumulated Depreciation	Net Value
Land	\$ 466,930	\$ -	\$ 466,930
Buildings and track	17,697,575	4,225,548	13,472,027
	<u>\$ 18,164,505</u>	<u>\$ 4,225,548</u>	<u>\$ 13,938,957</u>

Future minimum rentals for the more significant non-cancelable leases, not including contingent rentals, are as follows at September 30, 2018:

Year Ending September 30,	Amount
2019	\$ 238,307
2020	239,847
2021	239,847
2022	238,307
2023	158,847
Thereafter	624,843
Total	<u>\$ 1,739,998</u>

The minimum future rentals for these leases were determined using the rates in effect at September 30, 2018, 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 2018 and 2017, respectively, received through all leases, including contingent rentals, was \$3,486,227 and \$3,236,527.

**NOTE 11: UNEARNED REVENUE**

Unearned revenue consists of the following at September 30, 2018:

	2018	2017
FEMA grants received	\$ -	\$ 73,560
Prepaid rent	11,075	564
Mississippi Department of Transportation	-	37,447
	<u>\$ 11,075</u>	<u>\$ 111,571</u>

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**NOTE 12: DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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

**Benefits Provided**

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

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

**Contributions**

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. For the periods ending September 30, 2018, 2017, and 2016, the Commission's contribution rates were 15.75%, 15.75%, and 15.75% of annual covered payroll, respectively. The Commission's contributions to PERS for the years ended September 30, 2018, 2017, and 2016 were \$176,421, \$196,005, and \$177,781, 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, 2018, the Commission recognized \$3,326,594 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 and 2017, the Commission's proportion was 0.018304 percent, and 0.018381 percent, respectively.

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

For the year ended September 30, 2018, the Commission recognized expense of \$309,155 and an increase in pension liability of \$1,915. 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	\$ 14,584	\$ 14,023
Changes in assumptions	1,963	1,837
Net difference between projected and actual earnings on Plan investments	-	66,128
Differences between Commission's contributions and proportionate share of contributions	-	20,524
Commission contributions	45,283	-
Total	<u>\$ 61,830</u>	<u>\$ 102,512</u>

The Commission's contributions subsequent to the measurement date, \$45,283 will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2019	\$ 28,063
2020	(16,937)
2021	(82,133)
2022	(14,958)
	<u>\$ (85,965)</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 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	3.25 - 18.50 percent, including inflation
Inflation	3.00 percent

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017. Mortality rates were based on the RP-2014 Health Annuitant Blue Collar Table projected with Scale BB to 2022, set forward one year for males.

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

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	27.00%	4.60%
International equities	18.00%	4.50%
Emerging markets equities	4.00%	4.75%
Global	12.00%	4.75%
Fixed income	18.00%	0.75%
Real estate	10.00%	3.50%
Private equities	8.00%	5.10%
Emerging debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

**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 former employer contribution rate (15.75%) through June 30, 2019 and the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Discount Rate	Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$ 4,380,170
Current discount rate	7.75%	\$ 3,326,594
1% increase	8.75%	\$ 2,450,934

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**NOTE 13: RAILROAD RETIREMENT PLAN**

**Plan Description**

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

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

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, 2018 and 2017.

The Commission's contributions to RRB for the years ended September 30, 2018, 2017, and 2016, were \$125,848, \$113,246, and \$102,595, respectively.

**NOTE 14: 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 15: 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 16: 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), now DAK Americas LLC (DAK), 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 leased to Wellman for 20 years (expiring on December 31, 2018) with automatic extensions of up to 99 years.

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.

The lease includes an irrevocable option allowing DAK 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 DAK 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.

**NOTE 17: 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 16 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, 2018, and 2017 DAK (formerly Wellman) had been billed a total of \$288,706 and \$371,189, respectively, for POTW I costs. The annual credit of \$160,000 has been applied against the POTW I costs billed to DAK resulting in net revenue from the POTW I agreement of \$128,706 and \$211,189 for the years ended September 30, 2018 and 2017, respectively, that is included in charges for services in the statements of revenues, expenses, and changes in net position.

**NOTE 18: 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.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**NOTE 18: MISSISSIPPI COAST FOREIGN TRADE ZONE, INC. (Continued...)**

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

**NOTE 19: 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, 2018, which will be paid from internal funding and grants:

Port Bienville Railroad	\$ 544,325
Port Bienville Industrial Park	269,550
Stennis International Airport	687,720
Federal Aviation Administration	<u>301,610</u>
Total	<u>\$ 1,803,205</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 20: 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.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**NOTE 20: RISK MANAGEMENT** *(Continued...)*

**B. Federal Grants**

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

**NOTE 21: SUBSEQUENT EVENTS**

The Commission has evaluated events occurring subsequent to year end through February 6, 2019, which is the date the statements were available to be issued. The following events have been identified:

Subsequent to year end, the commission entered into construction contracts and construction contract change orders totaling \$234,869.

In December of 2018, the commission purchased approximately 747.7 acres of land as part of an expansion plan for Port Bienville Industrial Park. The purchase price for this property was \$1,750,000.

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's proportion of the net pensi	0.0020%	0.0020%	0.0020%	0.0020%	0.0020%
Commission's proportionate share of the net pension liability	\$3,326,594	\$3,324,679	\$3,572,499	\$3,091,606	\$2,427,634
Commission's covered payroll	\$1,168,876	\$1,179,168	\$1,224,734	\$1,357,587	\$1,364,933
the net pension liability as a percentage of covered payroll	284.60%	281.95%	291.70%	227.73%	177.86%
Plan fiduciary net position as a percentage of total pension liability	61.49%	61.49%	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 FIVE YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 201,158	\$ 202,074	\$ 201,513	\$ 196,794	\$ 192,481
Contributions in relation to contractually required contribution	<u>184,098</u>	<u>185,719</u>	<u>192,896</u>	<u>213,820</u>	<u>214,977</u>
Contribution deficiency (excess)	<u>\$ 17,060</u>	<u>\$ 16,355</u>	<u>\$ 8,617</u>	<u>\$ (17,026)</u>	<u>\$ (22,496)</u>
Commission's covered payroll	<u>\$1,120,140</u>	<u>\$1,244,470</u>	<u>\$1,128,771</u>	<u>\$1,367,565</u>	<u>\$1,339,421</u>
of covered payroll	<u>15.75%</u>	<u>15.75%</u>	<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, 2018**

**NOTE 1: CHANGES OF ASSUMPTIONS**

- 2017
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
  - The wage inflation assumption was reduced from 3.75% to 3.25%.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
  - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 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.

**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.

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, 2017**

**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 (June 30, 2016 valuation for the June 30, 2018 fiscal year end). 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	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**NOTE 4:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

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

Table 1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Operating Revenue</b>										
Sales and Services										
Port Bienville Railroad	\$ 4,527	\$ 5,354	\$ 3,715	\$ 4,230	\$ 4,274	\$ 4,117	\$ 4,224	\$ 4,555	\$ 5,120	\$ 5,113
Port Bienville Industrial Park	1,355	1,124	1,033	975	935	883	1,080	1,335	1,129	923
Stennis International Airport	1,348	4,555	3,144	1,361	113	161	260	379	450	436
Rental Income										
Port Bienville Railroad	1,138	842	904	873	706	768	931	1,399	1,363	1,490
Port Bienville Industrial Park	151	230	121	215	258	251	253	438	435	480
Stennis International Airport	595	1,391	1,509	1,242	1,265	1,299	1,480	1,501	1,438	1,516
Other Operating Revenue	9	65	154	623	24	155	5	7	15	-
<b>Total Operating Revenues</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>9,950</b>	<b>9,959</b>
<b>Non-Operating Revenue</b>										
Interest Revenue	283	154	134	118	109	100	94	125	140	170
Investment Gain	-	-	-	-	-	-	-	1	-	-
Grants and Capital Contributions	2,531	3,397	3,124	4,200	3,053	1,631	1,229	2,546	2,500	6,373
Gain on Disposal of Assets	-	2	8	-	-	-	-	-	-	-
Project Surety Settlement	-	-	-	-	-	-	-	1,450	-	-
Insurance Proceeds	223	-	-	-	-	-	-	-	-	39
Debt Forgiveness	-	-	970	-	-	180	-	-	-	-
<b>Total Non-Operating Revenues</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>1,323</b>	<b>4,122</b>	<b>2,640</b>	<b>6,582</b>
<b>Total Revenues</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>\$ 9,556</b>	<b>\$ 13,736</b>	<b>\$ 12,590</b>	<b>16,540</b>
<b>Operating Expenses</b>										
Port Bienville Railroad										
Personal Services	\$ 998	\$ 999	\$ 891	\$ 852	\$ 1,030	\$ 1,042	\$ 1,145	\$ 1,110	\$ 1,257	1,377
Supplies and Materials	129	140	159	193	214	180	143	130	183	213
Other Services and Charges	545	524	488	466	563	542	525	493	670	687
Depreciation and Amortization	433	436	405	453	490	509	488	464	547	642
Port Bienville Industrial Park										
Personal Services	1,042	948	970	1,009	921	990	1,033	885	944	767
Supplies and Materials	74	54	92	77	70	58	58	68	59	42
Other Services and Charges	1,113	2,108	1,388	1,101	1,040	926	1,083	718	783	939
Depreciation and Amortization	2,308	2,318	2,312	2,360	2,378	2,266	2,261	2,264	2,273	2,265
Stennis International Airport										
Personal Services	783	830	1,028	955	816	778	811	894	827	752
Supplies and Materials	52	44	71	44	31	40	19	25	39	43
Other Services and Charges	2,038	4,321	3,960	2,039	869	795	838	836	874	1,138
Depreciation and Amortization	985	1,068	1,020	991	1,039	1,043	1,171	1,116	1,174	1,248
<b>Total Operating Expenses</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>9,630</b>	<b>10,113</b>
<b>Non-Operating Expenses</b>										
Interest Expense	241	186	178	108	62	45	15	5	-	-
Investment Loss	-	-	-	-	-	-	-	-	17	12
Loss on Disposal of Assets	-	-	-	324	16	-	109	-	363	191
Loss on Impairment of Capital Asset	-	-	-	-	-	-	-	872	-	-
<b>Total Non-Operating Expenses</b>	<b>241</b>	<b>186</b>	<b>178</b>	<b>432</b>	<b>78</b>	<b>45</b>	<b>124</b>	<b>877</b>	<b>380</b>	<b>204</b>
<b>Total Expenses</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>9,699</b>	<b>9,880</b>	<b>10,010</b>	<b>10,316</b>
<b>Change in Fund Net Position</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>	<b>\$ 2,580</b>	<b>\$ 6,224</b>

HANCOCK COUNTY PORT AND HARBOR COMMISSION

Table 2

Net Position by Component

Last Ten Fiscal Years

(Unaudited)

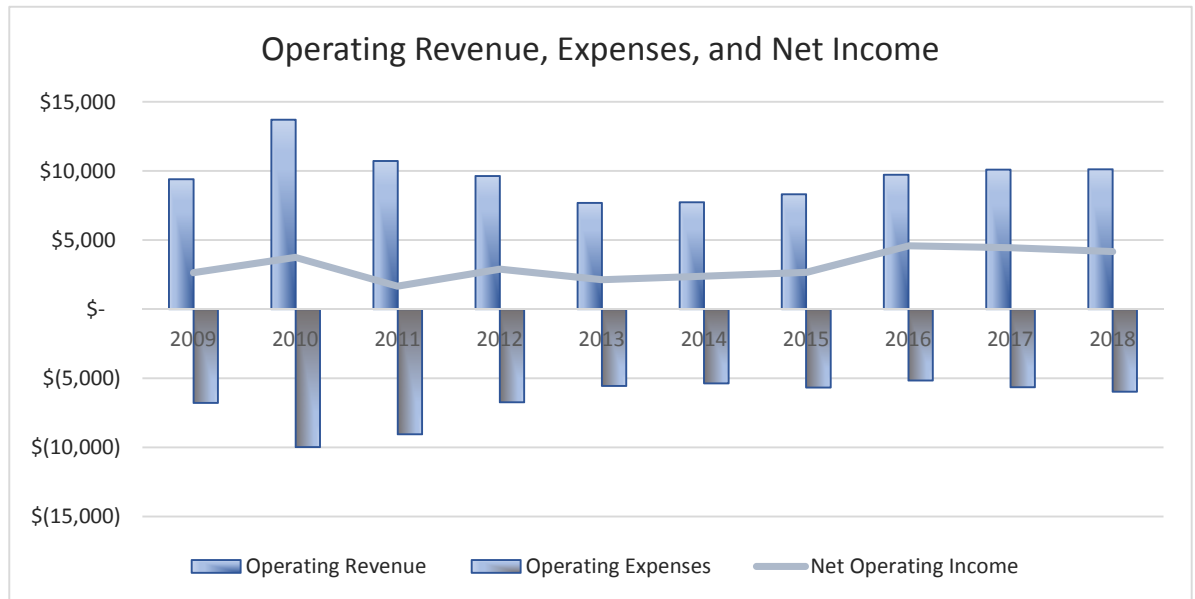
(amounts in thousands)

	2009	2010	2011	2012	2013
Net investment in capital assets	\$ 59,156	\$ 59,721	\$ 60,214	\$ 67,460	\$ 68,529
Restricted	-	127	127	-	-
Unrestricted	10,232	12,677	14,038	9,784	9,914
Total Net Position	\$ 69,388	\$ 72,525	\$ 74,379	\$ 77,244	\$ 78,443

	2014	2015	2016	2017	2018
Net investment in capital assets	\$ 68,008	\$ 65,779	\$ 65,387	\$ 66,174	\$ 70,748
Restricted	-	-	-	-	-
Unrestricted	10,766	10,173	14,421	16,214	17,863
Total Net Position	\$ 78,774	\$ 75,952	\$ 79,808	\$ 82,388	\$ 88,612

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

Table 3



**Operating Expenses as a Percentage of Operating Revenue**

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
72.0%	72.7%	84.4%	69.9%	72.3%	69.2%	67.9%	53.0%	55.9%	58.8%

*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 as it 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 cost of goods sold component of airport operations.*

*note # 2: For illustration purposes interest revenue is included in operating income. Depreciation expense 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Commission Usage/Service Fees</b>										
Railroad Junction Settlements	\$ 3,865	\$ 4,674	\$ 3,121	\$ 3,480	\$ 3,394	\$ 3,249	\$ 3,124	\$ 3,322	\$ 3,735	\$ 3,698
Railcar Switching	557	595	418	575	689	565	645	820	976	1,027
Railcar Repair Services	-	19	55	156	139	209	255	203	174	191
Rail Scale Fees	5	3	13	14	17	74	175	191	225	185
Port Wharfage	170	292	223	197	179	133	220	296	104	128
Port Dockage	37	31	60	46	61	59	110	217	291	96
Port Park Assessment	117	122	119	123	121	127	124	139	131	133
Airport Landing, Tie Down, Ramp Fees	10	34	12	11	9	8	10	18	15	9
Airport Fuel Sales	1,124	4,274	2,904	1,203	-	-	-	-	-	-
Airport Fuel Flowage	22	67	26	42	48	48	104	167	196	189
Tenant Utility and Insurance Pass-Through	564	327	346	156	131	174	258	236	290	309
<b>Total Commission Usage/Service Fees</b>	<b>6,472</b>	<b>10,437</b>	<b>7,295</b>	<b>6,004</b>	<b>4,789</b>	<b>4,645</b>	<b>5,025</b>	<b>5,609</b>	<b>6,137</b>	<b>5,963</b>
<b>Percentage of Total Operating Revenue</b>	<b>70.9%</b>	<b>77.0%</b>	<b>69.0%</b>	<b>63.1%</b>	<b>63.2%</b>	<b>60.8%</b>	<b>61.0%</b>	<b>58.3%</b>	<b>61.7%</b>	<b>59.9%</b>
<b>Land and Building Lease, Rental, Use Fees</b>										
Buildings and Land Rent	931	1,716	1,691	1,505	1,583	1,611	1,821	2,048	1,965	2,089
Railcar Storage	1,034	747	843	825	646	707	830	1,301	1,255	1,385
<b>Total Land and Building Lease, Rental, Use Fees</b>	<b>1,965</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>3,220</b>	<b>3,474</b>
<b>Percentage of Total Operating Revenue</b>	<b>21.5%</b>	<b>18.2%</b>	<b>24.0%</b>	<b>24.5%</b>	<b>29.4%</b>	<b>30.4%</b>	<b>32.2%</b>	<b>34.8%</b>	<b>32.4%</b>	<b>34.9%</b>
<b>Tenant Utilities</b>										
Water	57	65	61	51	45	44	55	80	72	83
Sewer	122	142	140	101	82	87	106	150	135	149
Single Tenant POTW I Fees	460	389	396	410	406	385	391	419	371	289
<b>Total Tenant Utilities</b>	<b>639</b>	<b>596</b>	<b>597</b>	<b>562</b>	<b>533</b>	<b>516</b>	<b>552</b>	<b>649</b>	<b>578</b>	<b>521</b>
<b>Percentage of Total Operating Revenue</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>5.8%</b>	<b>5.2%</b>
<b>Other Operating Revenues</b>										
Other	47	65	154	623	24	155	5	7	15	-
<b>Total Other Operating Revenue</b>	<b>47</b>	<b>65</b>	<b>154</b>	<b>623</b>	<b>24</b>	<b>155</b>	<b>5</b>	<b>7</b>	<b>15</b>	<b>-</b>
<b>Percentage of Total Operating Revenue</b>	<b>0.5%</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>0.1%</b>	<b>0.2%</b>	<b>0.0%</b>
<b>Total Operating Revenues</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>\$ 9,950</b>	<b>\$ 9,959</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 2018			FYE 2009		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 2,524,481	68.3%	Wellman, Inc. (now DAK)	\$ 2,750,594	71.2%
Polychemie	576,502	15.6%	GE Plastics (now SABIC)	346,421	9.0%
SABIC Innovative Plastics, LLC	460,769	12.5%	Polychemie	224,486	5.8%
Jindal Tubular USA LLC	73,650	2.0%	LA Ash	146,580	3.8%
Flint Hills Resources	59,972	1.6%	PSL, NA (Now Jindal Tubular USA LLC)	168,882	4.4%
Goodnight Terminal Services	2,376	0.1%	Calgon	70,818	1.8%
Others	-	0.0%	Others	156,729	4.1%
<b>Total</b>	<b>\$ 3,697,750</b>	<b>100.0%</b>	<b>Total</b>	<b>\$ 3,864,510</b>	<b>100.0%</b>

<b>Buildings and Land Rent (excludes Railcar Storage)</b>					
FYE 2018			FYE 2009		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
US Airforce	\$ 582,589	27.7%	Selex Galileo, Inc. (now Tyonek Services Group, Inc.)	\$ 202,800	21.8%
Tyonek Services Group, Inc. (formerly Selex Galileo, Inc.)	248,755	11.8%	PSL, NA (now Jindal Tubular)	148,703	16.0%
SSA Gulf, Inc.	150,163	7.1%	US Coast Guard PSU 308	133,229	14.3%
US Coast Guard PSU 308	142,111	6.8%	US Corp of Engineers	122,846	13.2%
US Corps of Engineers	127,112	6.0%	The Andersons	108,000	11.6%
Optech, Inc.	120,000	5.7%	Optech, Inc.	75,938	8.2%
Others	733,267	34.9%	Others	139,575	15.0%
<b>Total</b>	<b>\$ 2,103,996</b>	<b>100.0%</b>	<b>Total</b>	<b>\$ 931,090</b>	<b>100.0%</b>

<b>Railcar Storage (track rental)</b>					
FYE 2018			FYE 2009		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
SABIC Innovative Plastics, LLC	\$ 753,156	54.5%	GE Plastics (now SABIC)	\$ 472,596	45.7%
DAK Americas Mississippi, Inc.	424,150	30.7%	Wellman, Inc. (now DAK)	424,156	41.0%
Viper Railcar	101,736	7.4%	The Andersons, Inc.	43,760	4.2%
Polychemie	71,300	5.2%	Polychemie	36,850	3.6%
Goodnight Terminal Services	25,116	1.8%	PSL, NA (now Jindal Tubular)	31,340	3.0%
Others	6,774	0.5%	Other	25,060	2.4%
<b>Total</b>	<b>\$ 1,382,231</b>	<b>100.0%</b>	<b>Total</b>	<b>\$ 1,033,761</b>	<b>100.0%</b>

<b>Railcar Switching</b>					
FYE 2018			FYE 2009		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 524,875	51.1%	Wellman, Inc. (now DAK)	\$ 278,587	50.0%
SABIC Innovative Plastics, LLC	212,269	20.7%	GE Plastics (now SABIC)	167,744	30.1%
Polychemie	154,225	15.0%	BP Amoco, Inc.	36,541	6.6%
Goodnight Terminal Services,	95,850	9.3%	Polychemie	36,450	6.5%
The Andersons, Inc.	30,290	2.9%	PSL, NA (now Jindal Tubular)	28,050	5.0%
Viper Railcar	9,600	0.9%	The Andersons, Inc.	9,525	1.7%
<b>Total</b>	<b>\$ 1,027,109</b>	<b>100.0%</b>	<b>Total</b>	<b>\$ 556,897</b>	<b>100.0%</b>

HANCOCK COUNTY PORT AND HARBOR COMMISSION

Table 6

Largest Customers (includes interest revenue)

Current Fiscal Year and Ten Fiscal Years Prior

(Unaudited)

<b>2018</b>		
Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc. (formerly Wellman, Inc.)	\$ 4,023,700	40.4%
SABIC Innovative Plastics, LLC (formerly G.E. Plastics Company)	1,674,295	16.8%
Polychemie	841,856	8.5%
United States of America Air Force	582,589	5.9%
Freeman Holdings of Mississippi	355,462	3.6%
The Andersons, Inc.	341,387	3.4%
Tyonek Services Group, Inc. (formerly Selex Galileo, Inc.)	320,608	3.2%
SSA Gulf, Inc.	313,661	3.1%
Jindal Tubular USA LLC	233,954	2.3%
Goodnight Terminal Services	227,295	2.3%
Corps of Engineers	203,591	2.0%
U.S. Coast Guard PSU 308	142,111	1.4%
Optech, Inc.	127,890	1.3%
Viper Railcar Storage	111,336	1.1%
Warehouse Services, Inc.	103,325	1.0%
Others	355,488	3.6%
<b>TOTAL REVENUE 2018</b>	<b>\$ 9,958,549</b>	<b>100.0%</b>

<b>2009</b>		
Customer	Revenue	Percentage of Total
Wellman, Inc. (now DAK Americas)	\$ 3,966,141	43.5%
G.E. Plastics Company (now SABIC)	1,078,872	11.8%
DESC / DFAS	638,246	7.0%
PSL, NA	452,243	5.0%
Polychemie	309,660	3.4%
Rolls Royce North America, Inc.	254,334	2.8%
Selex Sensors & Airborne Systems, Inc. (now Tyonek Services)	247,265	2.7%
GP Cellulose	241,736	2.6%
The Andersons, Inc.	201,964	2.2%
LA Ash	152,800	1.7%
U.S. Coast Guard	148,321	1.6%
U.S. Corps of Engineers	122,846	1.3%
Calgon Carbon Corporation	105,137	1.2%
Optech, Inc.	88,944	1.0%
Others	1,114,877	12.2%
<b>TOTAL REVENUE 2009</b>	<b>\$ 9,123,386</b>	<b>100.0%</b>

HANCOCK COUNTY PORT AND HARBOR COMMISSION REVENUE RATES (as published) Last Ten Fiscal Years (Unaudited)										Table 7
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Stennis International Airport &amp; Effective Date of Change</b>										
				8/6/2012	8/1/2013		4/1/2015			
Fuel Flowage Fee (per gallon)										
Av Gas	0.07	0.07	0.07	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Jet A	0.07	0.07	0.07	0.14	0.14	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	0.14	0.14	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	6.25	6.25
Hangar Office	3.50	3.50	3.50	6.75	6.75	6.75				
Hangar with Fire Suppression							2.75	2.75	2.75	2.75
Hangar without Fire Suppression							2.00	2.00	2.00	2.00
Hangar Deck	1.80	1.80	1.80	1.80	1.80	1.80				
Hangar Storage							6.75	6.75	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	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00
End Storage Units (small)	100.00	100.00	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	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	1.40	1.40	1.40	1.40
Hazardous Cargo	2.69	2.69	2.69	2.69	2.69	2.69	4.00	4.00	4.00	4.00
Bulk Commodities	0.60	0.60	0.60	0.60	0.60	0.60	1.00	1.00	1.00	1.00
USDA (bagged commodities)	0.60	0.60	0.60	0.60	0.60	0.60	1.00	1.00	1.00	1.00
Forest Products	0.35	0.35	0.35	0.35	0.35	0.35	1.00	1.00	1.00	1.00
Iron and/orSteel Articles	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50
Fabricated Steel	1.25	1.25	1.25	1.25	1.25	1.25	2.50	2.50	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	1.00	1.00	1.00	1.00
each day thereafter	0.36	0.36	0.36	0.36	0.36	0.36	1.00	1.00	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				
Water first 8,000 gallons							75.00	75.00	75.00	75.00
each 1,000 gallons thereafter	0.80	0.80	0.80	0.80	0.80	0.80	1.00	1.00	1.00	1.00
Sewer first 12,000 gallons	100.00	100.00	100.00	100.00	100.00	100.00				
Sewer first 8,000							150.00	150.00	150.00	150.00
each 1,000 gallons thereafter	1.60	1.60	1.60	1.60	1.60	1.60	2.00	2.00	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	125.00	125.00	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	150.00	150.00	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	General Obligation Bond Issues	Notes and Capital Leases Payable	Total Debt	As a Percentage of Total Assets	Per Capita
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%	\$ 172.64
2011	\$ 1,795,000	\$ 3,575,305	\$ 5,370,305	6.42%	\$ 119.97
2012	\$ 1,155,000	\$ 2,431,250	\$ 3,586,250	4.29%	\$ 79.12
2013	\$ 885,000	\$ 1,910,370	\$ 2,795,370	3.36%	\$ 61.31
2014	\$ 605,000	\$ 455,100	\$ 1,060,100	1.30%	\$ 23.03
2015	\$ 310,000	\$ 302,900	\$ 612,900	0.76%	\$ 13.20
2016	\$ -	\$ 150,700	\$ 150,700	0.19%	\$ 3.22
2017	\$ -	\$ 68,500	\$ 68,500	0.09%	\$ 1.45
2018	\$ -	\$ -	\$ -	n/a	n/a

(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 2017 is estimated based upon prior years growth

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

DEBT COVERAGE RATIO  
Current Fiscal Year and Ten Fiscal Years Prior  
(Unaudited)

Table 9

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Principal	Debt Service Interest	Total	Coverage Ratio
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
2017	\$ 10,128	\$ 5,957	\$ 4,171	\$ 82	\$ -	\$ 82	50.87

(a) (a)

(a) for illustration purposes interest revenue is included in Gross Revenues and depreciation expense is excluded from Operating Expenses

HANCOCK COUNTY, MISSISSIPPI  
Demographic and Economic Statistics  
Last Ten Years  
(Unaudited)

Table 10

Year	Population	Personal Income	Personal Income Per Capita	Median Age	Public High School Graduation Rates	Total Public School Enrollment	Unemployment Rate
2007	41,707	\$ 1,721,893	\$ 41,285	41.5	75.6%	5,889	5.2%
2008	42,764	\$ 1,448,326	\$ 33,868	41.6	84.9%	5,979	5.5%
2009	43,471	\$ 1,414,714	\$ 32,544	41.3	73.9%	6,005	8.0%
2010	44,102	\$ 1,461,740	\$ 33,145	40.8	67.6%	6,115	9.0%
2011	44,762	\$ 1,407,396	\$ 31,442	41.0	71.9%	6,256	9.5%
2012	45,327	\$ 1,439,674	\$ 31,762	40.5	79.9%	6,426	8.5%
2013	45,592	\$ 1,435,492	\$ 31,486	41.0	82.6%	6,428	7.9%
2014	46,035	\$ 1,524,088	\$ 33,107	41.2	88.3%	6,498	7.3%
2015	46,420	\$ 1,536,863	\$ 33,108	41.8	89.3%	6,392	6.4%
2016	46,791	\$ 1,520,089	\$ 32,487	41.8	88.8%	6,438	6.1%
2017	47,053	\$ 1,627,109	\$ 34,580	43.2	81.4%	6,417	5.4%

(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	2018 Jobs	Percentage of Total
901199	Federal Government, Civilian, Excluding Postal Service	1,903	12.3%
721120	Casino Hotels	1,148	7.4%
903611	Elementary and Secondary Schools (Local Government)	849	5.5%
903999	Local Government, Excluding Education and Hospitals	842	5.5%
901200	Federal Government, Military	780	5.1%
561210	Facilities Support Services	716	4.6%
722511	Full-Service Restaurants	515	3.3%
541512	Computer Systems Design Services	460	3.0%
722513	Limited-Service Restaurants	454	2.9%
452311	Warehouse Clubs and Supercenters	359	2.3%
325211	Plastics Material and Resin Manufacturing	268	1.7%
903622	Hospitals (Local Government)	261	1.7%
	All Remaining Industries	6,869	44.5%
	Total Employed	15,424	100%

NAICS	Description	2009 Jobs	Percentage of Total
901199	Federal Government, Civilian, Excluding Postal Service	1,839	11.3%
903611	Elementary and Secondary Schools (Local Government)	865	5.3%
561210	Facilities Support Services	844	5.2%
901200	Federal Government, Military	766	4.7%
903999	Local Government, Excluding Education and Hospitals	745	4.6%
721120	Casino Hotels	742	4.5%
713210	Casinos (except Casino Hotels)	565	3.5%
722513	Limited-Service Restaurants	439	2.7%
452311	Warehouse Clubs and Supercenters	408	2.5%
541330	Engineering Services	358	2.2%
903622	Hospitals (Local Government)	345	2.1%
722511	Full-Service Restaurants	326	2.0%
	All Remaining Industries	8,078	49.5%
	Total Employed	16,320	100.0%

HANCOCK COUNTY PORT AND HARBOR COMMISSION

Table 12

STAFFING BY DIVISION/DEPARTMENT

Last Ten Years

(Unaudited)

	<u>2009<sup>1</sup></u>	<u>2010<sup>1</sup></u>	<u>2011<sup>1</sup></u>	<u>2012<sup>1</sup></u>	<u>2013<sup>1</sup></u>	<u>2014<sup>1</sup></u>	<u>2015<sup>2</sup></u>	<u>2016<sup>2</sup></u>	<u>2017<sup>2</sup></u>	<u>2018<sup>2</sup></u>
Executive Director	1	1	1	1	1	1	1	1	1	1
General Administration	3	3	3	3	3	1.5	1	2	2.5	2.5
Economic Development	3	2	2	2	2	2.5	2	3	3	2
Finance and Accounting	6	6	6	5	5	4	4	4	3	3
Railroad	11	10	8	8	9	10	9	11	12	12
Port	7	8	8	7	7	7	6	4.5	4	4.35
Port Security (outsourced in 2008)	1	1	1	1	1	1	0	0	0	0
Airport	8.5	9	10	7	7	7	6	5.5	3.5	3.5
	40.5	40	39	34	35	34	29	31	29	28.35

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

<sup>2</sup> Note: Data presented as of fiscal year end.



HANCOCK COUNTY PORT AND HARBOR COMMISSION  
INSURANCE COVERAGE  
As of September 30, 2018  
(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 Aggregate</i>	\$ 3,000,000
<i>Crime Coverage</i>	\$ 1,000,000
<i>Automobile</i>	\$ 1,000,000
<i>Umbrella</i>	\$ 1,000,000
<i>Failure to Supply Aggregate</i>	\$ 3,000,000
<i>Public Officials &amp; Employment Practices</i>	\$ 5,000,000
<i>Employee Benefits Liability Aggregate</i>	\$ 2,000,000
<i>Employers Liability</i>	\$ 1,000,000
Airport Liability & Hangarkeepers	\$ 1,000,000
Railroad Liability	\$ 4,000,000
Pollution Liability	\$ 5,000,000
Property Coverages	
<i>Total Maximum Limit</i>	\$ 42,430,988
	<u>Sublimits</u> <u>Amount</u>
<i>Named Storm max per occurrence</i>	\$ 32,126,527
<i>Wind/Hail</i>	\$ 32,126,527
<i>Buildings</i>	\$ 37,194,884
<i>Personal Property</i>	\$ 1,598,292
<i>Inland Marine (Rolling Stock/Equipment)</i>	\$ 3,637,812
National Flood	
<i>Flood - Buildings</i>	\$ 8,322,800
<i>Flood - Contents</i>	\$ 1,765,500
Equipment Floater	\$ 1,508,060
Auto Physical Damage	\$ 532,347



**HANCOCK**  
MISSISSIPPI  
PORT • AIR • SPACE

***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***

February 6, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the component unit financial statements of the business-type activities of Hancock County Port and Harbor Commission (a component unit of Hancock County, Mississippi), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Board of Commissioners  
Hancock County Port and Harbor Commission  
February 6, 2019

**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**



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

AVL WEALTHCARE, LLC  
Wealth Management

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

February 6, 2019

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

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

We have audited Hancock County Port and Harbor Commission's (a component unit of Hancock County, Mississippi) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hancock County Port and Harbor Commission's major federal program for the year ended September 30, 2018. Hancock County Port and Harbor Commission's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Hancock County Port and Harbor Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hancock County Port and Harbor Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, Hancock County Port and Harbor Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.



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

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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**

**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JANUARY 0, 1900**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Identifying Number</b>	<b>Federal Expenditures</b>
<i>U.S. Department of Transportation</i>			
<i>Federal Highway Administration</i>			
US DOT # 911-747T	20.215	US DOT # 911-747T	\$ 62
US DOT # 911-748A	20.215	US DOT # 911-748A	61
<i>Total Federal Highway Administration</i>			<u>123</u>
<i>Federal Aviation Administration</i>			
Airport Improvement Program -2016	20.106	3-28-0005-31-2017	4,219,648
Airport Improvement Program -2017	20.106	3-28-0005-32-2018	34,980
<i>Total Federal Aviation Administration</i>			<u>4,254,628</u>
<i>Total U. S. Department of Transportation</i>			<u>4,254,751</u>
<i>U.S. Department of Homeland Security</i>			
<i>Passed through Mississippi Emergency Management Agency</i>			
Public Assistance Grant - Hurricane Katrina	97.036	PW4379	209
		PW4892	13
		PW5772	20,535
		PW6292	961
		PW6352	5,189
		PW6362	2,919
		PW6365	34,355
		PW6371	12,761
		PW6433	16,712
		PW6435	17,550
		PW6497	181
		PW6499	26,403
		PW6750	1,082
		PW6833	1,848
		PW7914	1,413
		PW9900	16,533
		PW9942	2,492
		PW9951	84
		PW11108	77
		PW6052	947
<i>Total U.S. Economic Department of Homeland Security</i>			<u>162,264</u>
<b>Total Federal Financial Assistance Programs</b>			<u><u>\$ 4,417,015</u></u>

See accompanying notes to the schedule.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 1- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Hancock County Port and Harbor Commission (Commission) under programs of the federal government for the year ended September 30, 2018 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hancock County Port and Harbor Commission.

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

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. The cost principles are applied based on the period of expenditures.

The Hancock County Port and Harbor Commission has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – RECONCILIATION TO GRANT REVENUE**

Federal revenues are reported in statement of revenues, expenses, and changes in net position for the year ended September 30, 2018 as follows:

Capital contributions - federal	\$ 4,254,751
Grant revenue	178,501
Less: State grants	<u>(16,237)</u>
Total federal revenues	<u><u>\$ 4,417,015</u></u>



**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

**Financial Statements**

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

**Federal Awards**

Internal Control Over Major Programs:	
Material Weaknesses identified?	No
Significant Deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	None Reported

Federal programs identified as major programs:

CFDA Number  
20.106

Name of Federal Program  
*U.S. Department of Transportation  
Federal Aviation Administration  
Airport Improvement Program*

Dollar threshold used to distinguish between type A and type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings**

None reported.