



Hancock County Port & Harbor Commission
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEARS ENDED 9/30/2019 & 9/30/2018



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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, 2019 and 2018



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

March 3, 2020

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, 2019. 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 2019, Hancock County's total population totaled 47,758. As of 2019, the region's population increased by 3.9% since 2014, growing by 1,784. The population is expected to increase by 3.4% between 2019 and 2024, adding 1,615.

Jobs grew by 395 over the last 5 years and are projected to grow by 1,107 over the next 5 years. From 2014 to 2019, jobs increased by 2.6% from 15,365 to 15,760. This change fell short of the national growth rate of 7.3% by 4.7%. As the number of jobs increased, the labor force participation rate decreased from 48.7% to 47.7% between 2014 and 2019. Concerning educational attainment, 13.9% of Hancock County residents possess a Bachelor's Degree (5.0% below the national average), and 8.3% hold an Associate's Degree (0.2% above the national average).

Hancock County has 8,365 millennials (ages 25-39). The national average for an area this size is 9,731. Retirement risk is high as the national average for an area this size is 13,414 people 55 or older, while there are 16,262 here. Hancock County has 4,290 veterans. The national average for an area this size is 2,818.

Concerning educational attainment, 13.9% of Hancock County, MS residents possess a Bachelor's Degree (5.0% below the national average), and 8.3% hold an Associate's Degree (0.2% above the national average).

Principal NAICS industry employers, in 2019 in Hancock County, include Government (4,509); Accommodation and Food Services (2,393); Retail Trade (1,585); Professional, Scientific, and Technical Services (1,267); Administrative and Support and Waste Management and Remediation Services (1,178); Health Care and Social Assistance (1,068); Manufacturing (891); and Construction (826).

Hancock County's Gross Domestic Product (GDP) for 2018 (most recent available data) was \$1.6 billion. Manufacturing contributed 10.6% to the GDP of the county. Gross Domestic Product (GDP) is the total value of goods and services produced by a region. In 2018, nominal GDP in Hancock County, Mississippi expanded 3.6%. This follows growth of 1.6% in 2017. As of 2018, total GDP in Hancock County, Mississippi was \$1,597,485,000. Of the sectors in Hancock County, Mississippi, Public Administration contributed the largest portion of GDP in 2018, \$363,860,000. The next-largest contributions came from Manufacturing (\$169,596,000); Professional, Scientific, and Technical Services (\$138,719,000); and Real Estate and Rental and Leasing (\$120,216,000).

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 27% by FYE 2022. 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 9/30/2022 details \$44.7 million in capital investment. Of that \$37 million is considered strategic investment, \$7 million is attributable to life-cycle maintenance, and \$739,000 addresses immediate safety concerns.

Port Bienville Industrial Park will benefit from 41% 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 acreage to Port Bienville Industrial Park's footprint. Stennis International Airport will benefit from 49% of the total capital investment, adding 2 new aircraft hangars with adjacent apron, an additional air strip to used in various flight operation exercises, and several safety measures. The remaining 10% will fund construction of additional rail spurs and sidings, rail track and ballast will be upgraded, improved switches utilizing new technologies and a fuel farm upgrade.

The Commission pledged \$19 million of its reserves and future revenues to fund the \$44.7 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 \$3.5 million of the capital plan.

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. Between 2017 and 2019, we partnered with Hancock County Chamber of Commerce to interview 114 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. Fifty-seven of the companies interviewed intend to expand adding 161 new jobs and an investment of \$396,620,001 over the next five 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. The County will be up for recertification in 2021.

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.

Highlights include:

- Expansion of Calgon Carbon in Hancock County. The project was in a development phase for over 5 years and Hancock County competed again 5 other states: Additional 18 jobs created and over \$18,500,000 investment in the next three years. Significant increase to wharfage and dockage.
- Relocation win of Lockheed Martin Space Systems from California to Stennis Space Center in Hancock County, MS. This resulted in \$20,500,000 and 30 new jobs.
- 200 job location of Relativity Space, first autonomous rocket manufacturing center in the world. \$60,000,000 investment.
- Goodnight Terminal Services location – 14 employees currently; significant rail revenue increase (\$500k year to date). 10-year deal negotiated, including incentives, infrastructure improvements pro-rated through term, multi-modal grant from State, escalators to coincide with CPI-U for commercial real estate.
- SNF Polychemie expansion - \$5,300,000 investment and additional 12 employees in 2019.
- Jindal Tubular expansion – 100 additional employees to support contracts; \$500,000 in wharfage increases.

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.

Pearl River Community College broke ground in December on the Phil Bryant Aviation and Aerospace Technology Academy in Hancock County.

The facility is being built at Stennis International Airport and is possible thanks to a \$2,000,000 grant from the Department of Economic Development Administration (EDA). The academy will be an estimated 25,000 square feet and will consist of eight classrooms, five labs, lobby with reception area, faculty and staff offices, break room/kitchenette for staff, indoor sitting/vending area for students and an outdoor courtyard sitting area. That facility is expected to be complete in 2021.

The hangar, which should be finished by the end of 2020, will be an estimated 18,000 square feet and will consist of: two classrooms with labs, open hangar area with hands-on lab stations, outdoor covered area for equipment training, lobby with reception area, faculty and staff offices, break room/kitchenette for staff, small vending area for students. The hangar will offer the following programs: Airframe & Propulsion Technology, Unmanned Aerial Systems and Precision Manufacturing.

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. This dredging is under contract and will be complete in FY 2020.

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, 2017 and 2018. 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 budgets in FY 2017, 2018 and 2019. This award is the first GFOA awarded for budgets in the State of Mississippi in over 6 years, further demonstrating our leadership in transparency in financial reporting. 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

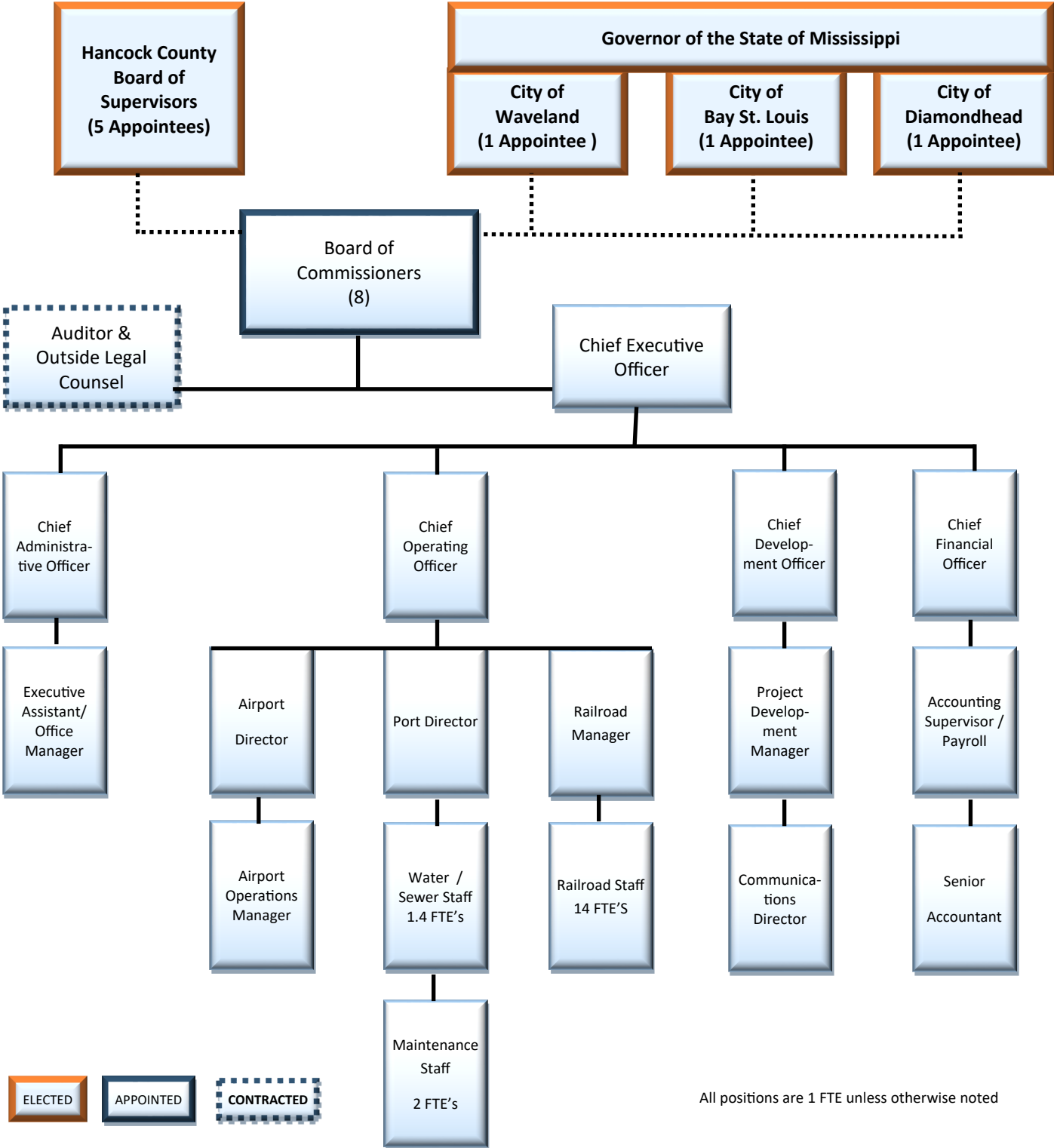
Board of Commissioners **(as of publication)**

Robert Kane	President
Paula Jordan	Vice President
Daryl Cornell	Treasurer
Tom Koger	Secretary
Bob Swanson	Commissioner
Robert Martin	Commissioner
Derek Necaie	Commissioner
Michael Bennett	Commissioner

Executive Staff **(as of publication)**

William “Bill” Cork	Chief Executive Officer
William “Bill” Cotter Jr., C.M.	Chief Operating Officer
Madeline Walker, J.D.	Chief Administrative Officer
Janet Sacks, C.P.A.	Chief Financial Officer
Janel Carothers	Chief Development Officer
Chanse Watson	Director of Stennis International Airport
Beau Gex	Interim Port Director
Shane Lafontaine	Railroad Manager

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, 2018

Christopher P. Morill

Executive Director/CEO



Financial Section





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

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

March 3, 2020

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, 2019 and 2018, 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, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

9490 Three Rivers Road | Gulfport, MS 39503 | (228) 863-0411 | Fax (228) 863-1165 | E-Mail: info@avlcpa.com | www.avlcpa.com
304 N. Vardaman Street | P.O. Box 749 | Wiggins, MS 39577 | (601) 928-4416 | Fax (601) 928-4417 | E-Mail: info@avlcpa.com | www.avlcpa.com
831 Hwy. 90 | Bay St. Louis, MS 39520 | (228) 467-1402 | Fax (228) 467-2594 | E-Mail: info@avlcpa.com | www.avlcpa.com

Members: American Institute of CPAs, Mississippi Society of CPAs, The AICPA Alliance for CPA Firms-
Partnering for CPA Practice Success, National Association of Certified Valuation Analysts

To the Board of Commissioners
Hancock County Port and Harbor Commission
March 3, 2020

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


Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hancock County Port and Harbor Commission's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020, on our consideration of the Hancock County Port and Harbor Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock County Port and Harbor Commission's internal control over financial reporting and compliance.


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



HANCOCK COUNTY PORT & HARBOR COMMISSION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, with selected comparisons to the prior fiscal year ended September 30, 2017.

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 net income from operations in the current fiscal year of \$1,098,901. The significant attributable contributions are further discussed below.
- The Commission's operating revenue increased 3.2% over fiscal year 2018 while operating expenses decreased 9.3%. Net position increased 3% during 2019.
- Assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$91,297,223 (reported as "net position"). Of this \$16,501,292 is unrestricted and may be used to meet ongoing financial obligations. The balance of \$74,795,931 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, 2019 AND 2018**

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, 2019 and 2018 with comparative amounts for September 30, 2017 is as follows:

Condensed Statement of Net Position			
Changes in Net Position			
	2019	2018	2017
Assets and Deferred Outflow of Resources			
Current and other assets	\$ 20,680,112	\$ 21,971,718	\$ 20,250,999
Capital assets, net	75,700,679	71,123,820	66,538,532
Total assets	<u>96,380,791</u>	<u>93,095,538</u>	<u>86,789,531</u>
Deferred Outflows of Resources			
Deferred outflows for pensions	<u>82,423</u>	<u>61,830</u>	<u>162,747</u>
Liabilities, Deferred Inflow of Resources and Net Position			
Current and other liabilities	1,393,607	948,529	1,028,881
Long-term Net Pension Liability	3,518,409	3,326,594	3,324,679
Long-term liabilities	<u>185,412</u>	<u>168,029</u>	<u>138,330</u>
Total liabilities	<u>5,097,428</u>	<u>4,443,152</u>	<u>4,491,890</u>
Deferred Inflows of Resources			
Deferred inflows for pensions	<u>68,563</u>	<u>102,512</u>	<u>72,610</u>
Net Position			
Net investment in capital assets	74,795,931	70,748,412	66,173,974
Unrestricted	<u>16,501,292</u>	<u>17,863,292</u>	<u>16,213,804</u>
Total net position	<u><u>\$ 91,297,223</u></u>	<u><u>\$ 88,611,704</u></u>	<u><u>\$ 82,387,778</u></u>

The Year Ended September 30, 2019

The Commission's net position increased 3% (\$91,297,223 as compared with \$88,611,704) at fiscal year end 2019. This increase is attributed to an increase in capital assets of \$4,576,859 over the prior fiscal year. Current assets decreased by 5.8% as cash reserves were used to fund capital projects and grant revenues reflected in receivables were reduced through collections. Payables related to construction in progress increased at year end by more than \$500,000 while all other payables decreased; the net effect of which resulted an increase in current liabilities of 4.7%.

The increase in capital assets in 2019 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, 2019 AND 2018**

through depreciation over the estimated useful lives of those assets. (Refer to Note 7, 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 2019 of \$4,576,859 is comprised of the following:

- Acquisition of 748 acres just North of Port Bienville Industrial Park boundaries;
- Roadway improvements within Port Bienville;
- Infrastructure improvements to an unimproved site to include bulkhead, docking, rail and transload sites;
- Dredging and mooring dolphins;
- At Stennis International Airport new safety equipment was installed in the air traffic control tower including backup support systems;
- Improved airfield lighting and wayfinding;
- Replacement of the terminal building's entire HVAC system;
- 3 new aircraft hangars approximating 35,000 square feet of space under roof;
- Aircraft aprons;
- A multi-user airstrip parallel to the existing runway;
- 3 refurbished locomotives were purchased;
- Additional rail sidings were constructed;
- Culverts under existing rail bed were replaced;
- Rock and timbers were replaced along a small section of existing rail line;
- A utility gator was purchased;
- Expansion of office spaces allowed for consolidation of Port and Rail staff into a single improved facility.

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 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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, 2019 and 2018 with comparative amounts for September 30, 2017 is as follows:

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues			
Charges for sales and services	\$ 6,929,216	\$ 6,472,322	\$ 6,698,727
Rental Income	3,344,257	3,486,227	3,236,527
Other	-	-	15,037
Total Operating Revenues	<u>10,273,473</u>	<u>9,958,549</u>	<u>9,950,291</u>
Operating Expenses			
Port Bienville Short Line Railroad	2,400,512	2,276,935	2,110,146
Port Bienville Industrial Park	1,769,369	1,747,613	1,785,582
Stennis International Airport	<u>1,891,087</u>	<u>1,932,585</u>	<u>1,739,895</u>
Total operating expenses	<u>6,060,968</u>	<u>5,957,133</u>	<u>5,635,623</u>
Operating Income before Depreciation	4,212,505	4,001,416	4,314,668
Depreciation Expense	<u>3,113,604</u>	<u>4,155,493</u>	<u>3,993,986</u>
Operating Income (Loss) after Depreciation	<u>1,098,901</u>	<u>(154,077)</u>	<u>320,682</u>
Nonoperating Revenues/Expenses			
Interest revenue	315,869	169,575	140,007
Grant revenue	-	178,501	4,459
Insurance Proceeds	-	39,497	-
Investment gain (loss)	28,341	(12,137)	(17,330)
Loss on disposal of capital assets	<u>-</u>	<u>(191,488)</u>	<u>(363,591)</u>
Total nonoperating revenues (expenses)	<u>344,210</u>	<u>183,948</u>	<u>(236,455)</u>
Net Income before Capital Contributions	1,443,111	29,871	84,227
Capital contributions	<u>1,242,408</u>	<u>6,194,055</u>	<u>2,495,861</u>
Increase (Decrease) in Net Position	<u>2,685,519</u>	<u>6,223,926</u>	<u>2,580,088</u>
Total Net Position - Beginning	<u>88,611,704</u>	<u>82,387,778</u>	<u>79,807,690</u>
Total Net Position - Ending	<u>\$ 91,297,223</u>	<u>\$ 88,611,704</u>	<u>\$ 82,387,778</u>

The Year Ended September 30, 2019

FYE 2019 revenue improved with wharfage revenue at Port Bienville Industrial Park increasing 67% as port tenants secured new contracts, moving raw product and most finished products through the port via barge. Stennis International Airport realized a 22% increase in revenue as general aviation and military traffic picked up and lease rate escalations in certain lease agreements became

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

effective. Port Bienville Railroad recognized small declines in junction settlements, switching fees, and railcar agent repair fees.

Operating expenses decreased by \$938,054. Contributing factors included the following:

- A decrease in total personnel costs of \$20,780 as vacant staff positions were unfilled.
- Depreciation expense decreased \$1,041,889 as assets in use at Port Bienville Industrial Park's water-sewer and industrial waste treatment plants met the end of their depreciable lives.

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.

ECONOMIC FACTORS AND FISCAL YEAR ENDING SEPTEMBER 30, 2020 BUDGET

The Commission's management considered a variety of factors when setting the Fiscal Year 2020 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:

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

- Major capital initiatives focusing investment and marketing efforts toward maritime activity at Port Bienville Industrial Park by significantly improving ingress and egress, docking, and transloading facilities.
- Airport strategies to develop Mississippi's first Spaceport in support of Governor Phil Bryant's new "Spaceport Initiative" announced in July of 2019 and including a new horizontal launch runway that also supports military assault landing exercises and general aviation traffic.

Both the 2020 Operational Budget and the Capital Improvement Plan Budget elements have been workshopped with the Commission and presented in multiple public forums. 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
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,088,456	\$ 18,266,107
Investments	1,675,000	1,646,659
Restricted Cash	123,451	125,033
Accounts receivable, net	818,542	631,528
Investment interest receivable	98,654	1,977
Investment in capital leases, current	15,915	15,103
Due from other governments	462,440	864,412
Prepaid expenses	364,550	378,056
Inventories	19,189	13,013
Total current assets	<u>20,666,197</u>	<u>21,941,888</u>
NONCURRENT ASSETS		
Capital assets		
Land and construction in progress	13,470,930	10,759,150
Other capital assets, net of accumulated depreciation	<u>62,229,749</u>	<u>60,364,670</u>
Total capital assets	<u>75,700,679</u>	<u>71,123,820</u>
Investment in capital leases, net of current maturities	<u>13,915</u>	<u>29,830</u>
Total noncurrent assets	<u>75,714,594</u>	<u>71,153,650</u>
TOTAL ASSETS	<u>96,380,791</u>	<u>93,095,538</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows for pensions	<u>82,423</u>	<u>61,830</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	1,100,202	666,248
Retainage payable	-	11,853
Unearned revenue	39,791	11,075
Customer deposits	83,661	113,958
Accrued salaries	46,345	33,375
Compensated absences payable	123,608	112,020
Total current liabilities	<u>1,393,607</u>	<u>948,529</u>
NONCURRENT LIABILITIES		
Compensated absences payable, net of current liability	185,412	168,029
Net Pension Liability	3,518,409	3,326,594
Total noncurrent liabilities	<u>3,703,821</u>	<u>3,494,623</u>
Total liabilities	<u>5,097,428</u>	<u>4,443,152</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow for pensions	<u>68,563</u>	<u>102,512</u>
NET POSITION		
Net investment in capital assets	74,795,931	70,748,412
Unrestricted	<u>16,501,292</u>	<u>17,863,292</u>
TOTAL NET POSITION	<u>\$ 91,297,223</u>	<u>\$ 88,611,704</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for sales and services		
Port Bienville Shortline Railroad	\$ 4,845,849	\$ 5,113,498
Port Bienville Industrial Park	1,540,218	922,995
Stennis International Airport	543,149	435,829
Total charges for sales and services	<u>6,929,216</u>	<u>6,472,322</u>
Rental Income		
Port Bienville Shortline Railroad	1,503,804	1,490,231
Port Bienville Industrial Park	301,410	479,780
Stennis International Airport	1,539,043	1,516,216
Total rental income	<u>3,344,257</u>	<u>3,486,227</u>
Total operating revenues	<u>10,273,473</u>	<u>9,958,549</u>
OPERATING EXPENSES		
Port Bienville Shortline Railroad		
Personal services	1,438,445	1,376,620
Supplies and materials	195,861	213,337
Other services and charges	766,206	686,978
Depreciation and amortization	680,859	642,438
Total Port Bienville Shortline Railroad	<u>3,081,371</u>	<u>2,919,373</u>
Port Bienville Industrial Park		
Personal services	730,773	767,101
Supplies and materials	49,552	41,990
Other services and charges	989,044	938,522
Depreciation and amortization	726,742	2,264,729
Total Port Bienville Industrial Park	<u>2,496,111</u>	<u>4,012,342</u>
Stennis International Airport		
Personal services	652,811	752,184
Supplies and materials	48,470	42,638
Other services and charges	1,189,806	1,137,763
Depreciation and amortization	1,706,003	1,248,326
Total Stennis International Airport	<u>3,597,090</u>	<u>3,180,911</u>
Total operating expenses	<u>9,174,572</u>	<u>10,112,626</u>
INCOME (LOSS) FROM OPERATIONS	<u>1,098,901</u>	<u>(154,077)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	315,869	169,575
Grant revenue	-	178,501
Insurance proceeds	-	39,497
Investment gain (loss)	28,341	(12,137)
Loss on disposal of capital assets	-	(191,488)
Total nonoperating revenue	<u>344,210</u>	<u>183,948</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>1,443,111</u>	<u>29,871</u>
Capital contributions - federal	360,344	4,254,751
Capital contributions - other	882,064	1,939,304
Total capital contributions	<u>1,242,408</u>	<u>6,194,055</u>
CHANGE IN NET POSITION	<u>2,685,519</u>	<u>6,223,926</u>
TOTAL NET POSITION - BEGINNING	<u>88,611,704</u>	<u>82,387,778</u>
TOTAL NET POSITION - ENDING	<u>\$ 91,297,223</u>	<u>\$ 88,611,704</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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 10,115,175	\$ 9,912,133
Cash payments for goods and services	(3,338,848)	(3,049,856)
Cash payments for employee services	(2,642,815)	(2,713,691)
(Refunds) receipts of customer deposits	(30,297)	163
Other Income	-	-
Net cash provided by operating activities	<u>4,103,215</u>	<u>4,148,749</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal received on notes/leases	15,102	158,448
Principal paid on debt	-	(68,500)
Investment security redeemed	-	5,250,000
Proceeds from capital grants	1,644,380	6,923,230
Proceeds from insurance settlement	-	39,497
Acquisitions and construction of capital assets	(7,161,123)	(8,837,486)
Proceeds from sale of assets	-	2,500
Net cash provided by (used in) capital and related financing activities	<u>(5,501,641)</u>	<u>3,467,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>219,173</u>	<u>174,781</u>
Net cash provided by investing activities	<u>219,173</u>	<u>174,781</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,179,253)</u>	<u>7,791,219</u>
Cash and cash equivalents:		
Beginning of year	<u>18,391,160</u>	<u>10,599,941</u>
End of year	<u>\$ 17,211,907</u>	<u>\$ 18,391,160</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 17,088,456	\$ 18,266,107
Restricted Cash	<u>123,451</u>	<u>125,033</u>
Total cash and cash equivalents	<u>\$ 17,211,907</u>	<u>\$ 18,391,140</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Loss on sale of assets	\$ -	\$ (191,488)
Total non-cash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ (191,488)</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income (Loss) from operations	<u>\$ 1,098,901</u>	<u>\$ (154,077)</u>
Adjustment to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	3,113,603	4,155,493
Bad Debt Expense	-	(17,936)
Pension expense adjustment	137,273	132,736
(Increase)decrease in operating assets:		
Accounts receivable	(187,014)	71,996
Prepaid expenses	13,506	25,075
Inventories	(6,176)	(3,056)
Increase(decrease) in operating liabilities:		
Accounts payable	(107,239)	(10,647)
Unearned revenue	28,716	(100,496)
Accrued salaries	12,971	(21)
Compensated absences	28,971	49,499
Customer Deposits	(30,297)	163
Total adjustments	<u>3,004,314</u>	<u>4,302,806</u>
Net cash provided by operating activities	<u>\$ 4,103,215</u>	<u>\$ 4,148,729</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, 2019, and 2018

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, 2019 and 2018.

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, 2019, and 2018

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, 2019 and 2018 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>2019</u>	<u>2018</u>
Fuel	<u>\$ 19,189</u>	<u>\$ 13,013</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, 2019, and 2018

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

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 11.)

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 11.)

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.

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019, and 2018

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:

- Net investment in capital assets - 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. 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, 2019, 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	<u>\$ 17,314,418</u>	<u>\$ 17,211,907</u>

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:

Investment	2019	2018
U.S. Government securities and agencies	<u>\$ 1,675,000</u>	<u>\$ 1,646,659</u>

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

Investment	Credit Rating	2019	2018
U.S. Government securities and agencies	AA+	<u>\$ 1,675,000</u>	<u>\$ 1,646,659</u>

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NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2019	2018
Administration	\$ 1,106	\$ 2,661
Port Bienville Industrial Park	260,624	119,348
Port Bienville Railroad	538,533	476,858
Stennis International Airport	52,439	32,661
Total	852,702	631,528
Less allowance for doubtful accounts	34,160	-
Total accounts receivable, net	<u>\$ 818,542</u>	<u>\$ 631,528</u>

In fiscal year 2019, \$34,160 of accounts receivable is considered uncollectible and in 2018 the Commission recognized \$17,936 of bad debt expense as a result of tenant non-payment for rent and services.

NOTE 5: 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 and was recorded as a lease-purchase. At the end of the lease term, the company had the right to exercise an option to purchase the land for \$1,000. 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, 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.

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NOTE 5: INVESTMENT IN CAPITAL LEASES *(Continued...)*

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, 2019, and 2018 the note had remaining outstanding balances of \$29,830 and \$44,933, respectively.

Future Expected Payments

Future expected payments to be received on the outstanding capital leases are as follows at September 30, 2019:

September 30,	Principal	Interest	Total
2020	\$ 15,915	\$ 1,187	\$ 17,102
2021	13,915	343	14,258
Totals	<u>\$ 29,830</u>	<u>\$ 1,530</u>	<u>\$ 31,360</u>

NOTE 6: 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:

	2019	2018
Federal Aviation Administration - Airport Projects	\$ 360,343	\$ 21,650
Mississippi Department of Transportation - Multimodal Projects	102,097	842,762
	<u>\$ 462,440</u>	<u>\$ 864,412</u>

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NOTE 7: CAPITAL ASSETS

Summary of changes in capital assets for the year ended September 30, 2019:

	Balance September 30, 2018	Additions	Deletions	Transfers	Balance September 30, 2019
Capital assets, not being depreciated:					
Land	\$ 9,738,048	\$ 1,727,900	\$ -	\$ -	\$ 11,465,948
Construction in progress	1,021,102	7,731,636	-	(6,747,756)	2,004,982
Total capital assets, not being depreciated	10,759,150	9,459,536	-	(6,747,756)	13,470,930
Capital assets being depreciated:					
Buildings and improvements	24,285,415	548,939	-	(296,547)	24,537,807
Improvements other than Buildings	85,752,066	1,062,356	-	-	86,814,422
Machinery and equipment	2,327,527	453,472	-	-	2,780,999
Railroad track and bed	21,248,796	1,431,113	-	-	22,679,909
Railroad equipment	453,621	1,779,350	-	-	2,232,971
Total capital assets being depreciated	134,067,426	5,275,230	-	(296,547)	139,046,109
<u>Less</u> accumulated depreciation for:					
Buildings and improvements	5,247,231	483,857	-	-	5,731,088
Improvements other than buildings	60,460,294	1,795,038	-	-	62,255,332
Machinery and equipment	1,193,872	190,523	-	-	1,384,395
Railroad track and bed	6,446,430	611,360	-	-	7,057,790
Railroad equipment	354,929	32,826	-	-	387,755
Total accumulated depreciation	73,702,756	3,113,604	-	-	76,816,360
Total capital assets being depreciated, net	60,364,670	2,161,626	-	(296,547)	62,229,749
Capital assets, net	<u>\$ 71,123,820</u>	<u>\$11,621,162</u>	<u>\$ -</u>	<u>\$(7,044,303)</u>	<u>\$ 75,700,679</u>

Assets capitalized at Stennis International Airport during 2019 include:

- In May of 2019 the Commission completed a Federal Aviation Administration (FAA) Airport Improvement Project (AIP) project replacing the Automatic Weather Observation System (AWOS) and all airfield signage. The project was necessary as the then existing AWOS system's manufacturer ceased support of that system, exposing the airport to the risk of a lengthy shutdown in the event of malfunction. Total project cost of \$556,826 was funded with \$331,486 of Federal Aviation Administration (FAA) grant monies, \$18,416 from Mississippi Department of Transportation's (MDOT) Aeronautics Division, with the Commission funding the balance.
- Safety upgrades to air traffic control tower communications equipment and generator backup support systems were placed in service. The Commission paid \$217,000 for these upgrades.
- In 2014 the Commission closed a significant capital project constructing a new terminal and adjacent hangar facility for approximately \$7.8M. Since that time, flaws in construction have been revealed, litigated, and settled. One of those failures was the HVAC system. In 2019 the Commission replaced that system at a cost of \$215,662.

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NOTE 7: CAPITAL ASSETS *(Continued...)*

Expansion to Port Bienville Industrial Park's footprint will help ease capacity constraints. 2019's capital additions include:

- A 400' extension to Port Bienville Industrial Park's Road "A" opens access to barge traffic tying to future mooring dolphins and improves ingress/egress for Jindal Tubular traffic. MDOT awarded \$469,824 of grant funds to the Commission's match of \$11,030 for construction of this project.
- In December of 2018 the Commission purchased approximately 748 acres of property for \$1,650,748 just North of Port Bienville's existing park. This acreage is well positioned for new business attraction or existing industry expansion. The acquisition is an important step toward mitigating development constraints within the existing boundary.

Newly capitalized assets for Port Bienville's Railroad include:

- The Commission bought 3 refurbished locomotives through a reverse auction bid process at a total cost of \$1,764,113. This acquisition includes an MP15 switcher and 2 GP-38's. With more horsepower and lower fuel consumption we expect an increase in efficiency and less down time for repairs and maintenance.
- A new utility gator was purchased at a cost of \$15,237 from a negotiated Mississippi State contract. Utility vehicles are a necessary mode of transportation along track sidings for maintenance.
- Additional track was constructed in 2 areas of the park for a total cost of \$928,756, \$615,560 of which was funded by MDOT. These 2 sidings will store 25-30 cars and are critical for park tenant operations as demand for rail storage exceeds capacity. Additionally, these tracks are constructed with 50-year steel crossties; a significant improvement over the treated wood ties of past construction.
- Culverts under the existing rail beds face life-cycle maintenance issues. Replacement of one of these culverts in 2019 was funded with Commission cash reserves at a cost of \$186,118.
- Rail line rock and timbers require periodic replacement and in 2019 the Commission spent \$316,239 for that purpose.
- In 2006 the railroad staff repurposed a building originally intended for use as a fire station for use as office space. In 2019 the Commission expanded the port's primary office space to include additional and updated space to consolidate Port and Rail staff. This project includes improved technology for administrative and operational functions in the field. Installation and training on operational software continues into FYE 2020. The \$296,548 cost of this expansion and consolidation was paid with Commission reserves.

Depreciation expense for all depreciable assets was \$3,113,604 and \$4,155,493 in 2019 and 2018 respectively. The 25% drop in depreciation expense in 2019 is the result of water sewer assets at Port Bienville Industrial Park reaching the end of their depreciable lives.

Projects in process in 2019 but not yet complete as of September 30, 2019 are categorized in the above table as construction in progress. Included in that \$2,004,982 balance are the following:

- A new site for transloading to include a rail spur and bulkhead which are currently in design.
- "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 and mooring dolphins will be installed at several locations within the boundaries of the park.
- Bids for construction of an additional 22,000 square foot aircraft hangar at Stennis International Airport will be accepted the later part of 2019 with construction set to begin early 2020.
- Design of a new multi-user air strip is planned parallel to the airport's existing runway to support military training and advancements in space and unmanned technology.
- An additional aircraft hangar and adjacent apron are designed to accommodate transient corporate aircraft.

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NOTE 7: CAPITAL ASSETS *(Continued...)*

- The Commission will complete installation of wayfinding markers at Stennis International airport and Port Bienville Industrial Park.
- With 2019's capital budget the Commission committed funds to pursue spaceport licensing through the FAA.

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
<u>Less</u> 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	<u>\$ 66,538,532</u>	<u>\$ 14,667,264</u>	<u>\$ (201,403)</u>	<u>\$ (9,880,573)</u>	<u>\$ 71,123,820</u>

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.
- \$180,820 of Commission cash reserves was spent replacing roofs on two of the buildings under lease to tenants.

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NOTE 7: CAPITAL ASSETS *(Continued...)*

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.
- Bulkhead improvements to property under a long-term lease using State grant dollars and Commission reserves for a total cost of \$440,361.
- \$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.
- 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.
- 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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Assets not recorded on financial statements

The Commission and the industries 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; however, the care, custody, and control of those assets reside with the Hancock County Port and Harbor Commission. The aggregated value of those assets approximates \$37,000,000.

NOTE 8: LONG-TERM LIABILITIES

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

For the Year Ended September 30, 2019

	Balance October 1, 2018	Additions	Adjustments	Principal Payments Reductions	Balance September 30, 2019	Amount Due within Twelve Months
Compensated absences	\$ 280,049	\$ 197,181	\$ -	\$ (168,210)	\$ 309,020	\$ 123,608
Net Pension Liability	3,326,594	-	191,815	-	3,518,409	-
TOTAL	\$ 3,606,643	\$ 197,181	\$ 191,815	\$ (168,210)	\$ 3,827,429	\$ 123,608

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	-
TOTAL	\$ 3,623,729	\$ 186,724	\$ 1,915	\$ (205,725)	\$ 3,606,643	\$ 112,020

A. Notes Payable

The Commission's has no outstanding debt.

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NOTE 9: 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, 2019

	Cost	Accumulated Depreciation	Net Value
Land	\$ 466,930	\$ -	\$ 466,930
Buildings and track	21,638,403	5,756,932	15,881,471
	<u>\$ 22,105,333</u>	<u>\$ 5,756,932</u>	<u>\$ 16,348,401</u>

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>

Future minimum rentals for the more significant non-cancelable leases, not including contingent rentals, are as follows at September 30, 2019:

Year Ending September 30,	Amount
2020	\$ 338,366
2021	342,429
2022	346,981
2023	319,187
2024	304,503
Thereafter	751,079
Total	<u>\$ 2,402,545</u>

The minimum future rentals for these leases were determined using the rates in effect at September 30, 2019, include escalations which are stated as a set percentage or dollar value but do not consider future CPI-U adjustments or renewal options as they are uncertain. Income under this portion of the leases is not included in future minimum rental amounts. Rental income for fiscal years 2019 and 2018, respectively, received through all leases, including contingent rentals, was \$3,344,257 and \$3,486,227.

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NOTE 10: UNEARNED REVENUE

Unearned revenue consists of the following at September 30:

	2019	2018
Prepaid rent	\$ 14,791	\$ 11,075
Mississippi Cooperative Energy	25,000	-
	<u>\$ 39,791</u>	<u>\$ 11,075</u>

NOTE 11: 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, 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, 2019, 2018, and 2017, the Commission's contribution rates were 17.4%, 15.75%, and 15.75% of annual covered payroll, respectively. The Commission's contributions to PERS for the years ended September 30, 2019, 2018, and 2017 were \$183,683; \$176,421; and \$196,005; respectively, and are equal to the required contributions for each year.

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NOTE 11: DEFINED BENEFIT PENSION PLAN *(Continued...)*

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

At September 30, 2019, the Commission recognized \$3,518,409 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 and 2018, the Commission's proportion was 0.017852 percent and 0.018304 percent, respectively.

For the year ended September 30, 2019, the Commission recognized expense of \$320,929, and an increase in pension liability of \$191,815. 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	\$ 2,081	\$ 3,787
Changes in assumptions	34,495	-
Net difference between projected and actual earnings on Plan investments	-	38,493
Differences between Commission's contributions and proportionate share of contributions	-	26,283
Commission contributions	45,847	-
Total	<u>\$ 82,423</u>	<u>\$ 68,563</u>

The Commission's contributions subsequent to the measurement date, \$45,847 will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2020	\$ 5,573
2021	(59,623)
2022	6,001
2023	16,063
	<u>\$ (31,986)</u>

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NOTE 11: DEFINED BENEFIT PENSION PLAN *(Continued...)*

Actuarial Assumptions

The total pension liability in the June 30, 2019 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	3.00 - 18.25 percent, including inflation
Inflation	2.75 percent

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. The expectation of retired life mortality was changed to the PubS.H-2018(B) retiree Table with adjustments for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119 and for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

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 %
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.25%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019, and 2018

NOTE 11: DEFINED BENEFIT PENSION PLAN *(Continued...)*

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

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

	Discount Rate	Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$ 4,625,050
Current discount rate	7.75%	\$ 3,518,409
1% increase	8.75%	\$ 2,604,949

NOTE 12: 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, 2019 and 2018.

The Commission's contributions to RRB for the years ended September 30, 2019, 2018, and 2017, were \$130,045, \$125,848 and, \$113,246, respectively.

HANCOCK COUNTY PORT AND HARBOR COMMISSION
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SEPTEMBER 30, 2019, and 2018

NOTE 13: 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 14: 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.

NOTE 15: 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 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, depreciated over the 20-year term of the lease.

NOTE 16: 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 15 above to provide for the receiving, measuring, transporting, treating and disposing of wastewater from Wellman.

HANCOCK COUNTY PORT AND HARBOR COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019, and 2018

NOTE 16: PUBLICLY OWNED TREATMENT WORKS (POTW) (Continued...)

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, 2019, and 2018 DAK (formerly Wellman) had been billed a total of \$275,128 and \$288,706, 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 \$115,128 and \$128,706 for the years ended September 30, 2019 and 2018, respectively, that is included in charges for services in the statements of revenues, expenses, and changes in net position.

NOTE 17: MISSISSIPPI COAST FOREIGN TRADE ZONE, INC.

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

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

NOTE 18: 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, 2019, which will be paid from internal funding and grants:

Port Bienville Railroad	\$	5,500
Port Bienville Industrial Park		69,419
Stennis International Airport		92,966
Federal Aviation Administration		2,338
Total	\$	<u>170,223</u>

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019, and 2018

NOTE 18: COMMITMENTS AND CONTINGENCIES *(Continued...)*

B. 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 19: RISK MANAGEMENT

A. Risk Management

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

B. Federal Grants

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

NOTE 20: SUBSEQUENT EVENTS

The Commission has evaluated events occurring subsequent to year end through March 3, 2020, 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, construction contract change orders, and fixed asset purchase contracts totaling \$6,928,596.

HANCOCK COUNTY PORT AND HARBOR COMMISSION

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's proportion of the net pension liability	0.0020%	0.0020%	0.0020%	0.0020%	0.0020%	0.0020%
Commission's proportionate share of the net pension liability	\$ 3,518,409	\$ 3,326,594	\$ 3,324,679	\$ 3,572,499	\$ 3,091,606	\$ 2,427,634
Commission's covered payroll	\$ 1,162,641	\$ 1,168,876	\$ 1,179,168	\$ 1,224,734	\$ 1,357,587	\$ 1,364,933
Commission's proportionate share of the net pension liability as a percentage of covered payroll	302.62%	284.60%	281.95%	291.70%	227.73%	177.86%
Plan fiduciary net position as a percentage of total pension liability	62.59%	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 SIX YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 205,151	\$ 201,158	\$ 202,074	\$ 201,513	\$ 196,794	\$ 192,481
Contributions in relation to contractually required contribution	<u>183,116</u>	<u>184,098</u>	<u>185,719</u>	<u>192,896</u>	<u>213,820</u>	<u>214,977</u>
Contribution deficiency (excess)	<u>\$ 22,035</u>	<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>\$1,138,619</u>	<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>
Contributions as a percentage of covered payroll	<u>16.16%</u>	<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
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1: CHANGES OF ASSUMPTIONS

- 2019
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%
 - Withdrawal rates, pre-retirement mortality 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 7% to 9%.
- 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.

See independent auditors' report

- 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.

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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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



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Statistics Section



HANCOCK COUNTY PORT AND HARBOR COMMISSION

TABLE OF CONTENTS - STATISTICAL SECTION (UNAUDITED)

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)

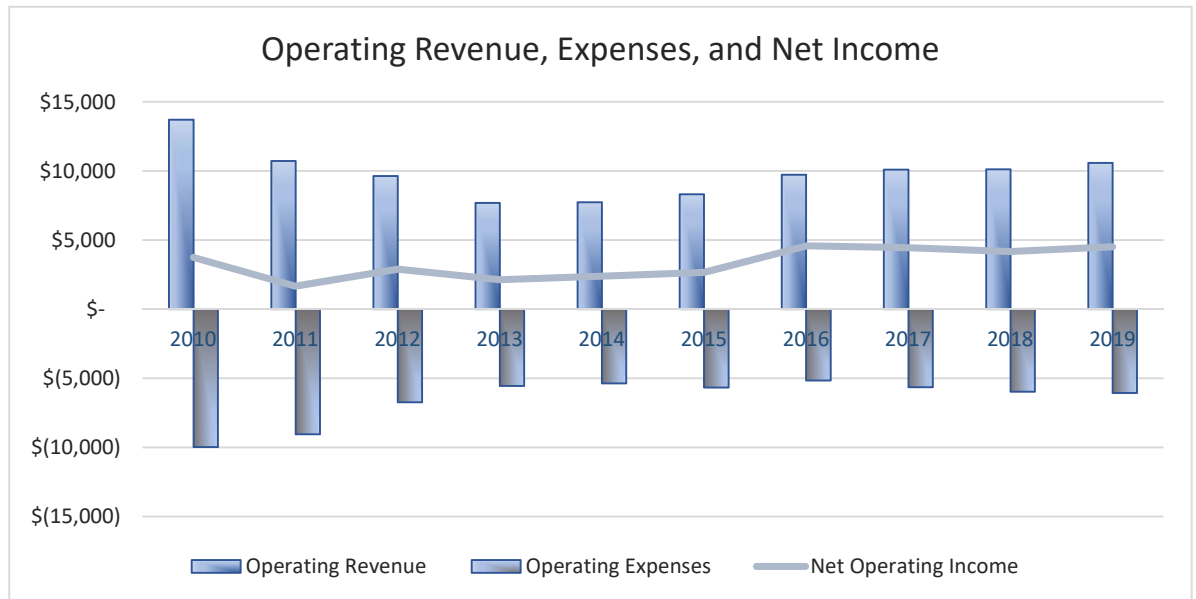
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenue										
Sales and Services										
Port Bienville Railroad	\$ 5,354	\$ 3,715	\$ 4,230	\$ 4,274	\$ 4,117	\$ 4,224	\$ 4,555	\$ 5,120	\$ 5,113	\$ 4,846
Port Bienville Industrial Park	1,124	1,033	975	935	883	1,080	1,335	1,129	923	1,540
Stennis International Airport	4,555	3,144	1,361	113	161	260	379	450	436	543
Rental Income										
Port Bienville Railroad	842	904	873	706	768	931	1,399	1,363	1,490	1,504
Port Bienville Industrial Park	230	121	215	258	251	253	438	435	480	301
Stennis International Airport	1,391	1,509	1,242	1,265	1,299	1,480	1,501	1,438	1,516	1,539
Other Operating Revenue	65	154	623	24	155	5	7	15	-	-
Total Operating Revenues	13,561	10,580	9,519	7,575	7,634	8,233	9,614	9,950	9,959	10,273
Non-Operating Revenue										
Interest Revenue	154	134	118	109	100	94	125	140	170	316
Investment Gain	-	-	-	-	-	-	1	-	-	28
Grants and Capital Contributions	3,397	3,124	4,200	3,053	1,631	1,229	2,546	2,500	6,373	1,242
Gain on Disposal of Assets	2	8	-	-	-	-	-	-	-	-
Project Surety Settlement	-	-	-	-	-	-	1,450	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	39	-
Debt Forgiveness	-	970	-	-	180	-	-	-	-	-
Total Non-Operating Revenues	3,553	4,236	4,318	3,162	1,911	1,323	4,122	2,640	6,582	1,587
Total Revenues	\$ 17,114	\$ 14,816	\$ 13,837	\$ 10,737	\$ 9,545	\$ 9,556	\$ 13,736	\$ 12,590	16,540	11,860
Operating Expenses										
Port Bienville Railroad										
Personal Services	\$ 999	\$ 891	\$ 852	\$ 1,030	\$ 1,042	\$ 1,145	\$ 1,110	\$ 1,257	1,377	1,438
Supplies and Materials	140	159	193	214	180	143	130	183	213	196
Other Services and Charges	524	488	466	563	542	525	493	670	687	766
Depreciation and Amortization	436	405	453	490	509	488	464	547	642	681
Port Bienville Industrial Park										
Personal Services	948	970	1,009	921	990	1,033	885	944	767	731
Supplies and Materials	54	92	77	70	58	58	68	59	42	50
Other Services and Charges	2,108	1,388	1,101	1,040	926	1,083	718	783	939	989
Depreciation and Amortization	2,318	2,312	2,360	2,378	2,266	2,261	2,264	2,273	2,265	727
Stennis International Airport										
Personal Services	830	1,028	955	816	778	811	894	827	752	653
Supplies and Materials	44	71	44	31	40	19	25	39	43	48
Other Services and Charges	4,321	3,960	2,039	869	795	838	836	874	1,138	1,190
Depreciation and Amortization	1,068	1,020	991	1,039	1,043	1,171	1,116	1,174	1,248	1,706
Total Operating Expenses	13,790	12,784	10,540	9,461	9,169	9,575	9,003	9,630	10,113	9,175
Non-Operating Expenses										
Interest Expense	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	-	-	-
Total Non-Operating Expenses	186	178	432	78	45	124	877	380	204	0
Total Expenses	13,976	12,962	10,972	9,539	9,214	9,699	9,880	10,010	10,316	9,175
Change in Fund Net Position	\$ 3,138	\$ 1,854	\$ 2,865	\$ 1,198	\$ 331	\$ (143)	\$ 3,856	\$ 2,580	\$ 6,224	\$ 2,686

HANCOCK COUNTY PORT AND HARBOR COMMISSION
Net Position by Component
Last Ten Fiscal Years
(Unaudited)
(amounts in thousands)

	2010	2011	2012	2013	2014
Net investment in capital assets	\$ 59,721	\$ 60,214	\$ 67,460	\$ 68,529	\$ 68,008
Restricted	127	127	-	-	-
Unrestricted	12,677	14,038	9,784	9,914	10,766
Total Net Position	\$ 72,525	\$ 74,379	\$ 77,244	\$ 78,443	\$ 78,774

	2015	2016	2017	2018	2019
Net investment in capital assets	\$ 65,779	\$ 65,387	\$ 66,174	\$ 70,748	\$ 74,796
Restricted	-	-	-	-	-
Unrestricted	10,173	14,421	16,214	17,863	16,501
Total Net Position	\$ 75,952	\$ 79,808	\$ 82,388	\$ 88,611	\$ 91,297

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



Operating Expenses as a Percentage of Operating Revenue

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
72.7%	84.4%	69.9%	72.3%	69.2%	67.9%	53.0%	55.9%	58.8%	57.2%

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)

	<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>	<u>2019</u>
Commission Usage/Service Fees										
Railroad Junction Settlements	\$ 4,674	\$ 3,121	\$ 3,480	\$ 3,394	\$ 3,249	\$ 3,124	\$ 3,322	\$ 3,735	\$ 3,698	\$ 3,511
Railcar Switching	595	418	575	689	565	645	820	976	1,027	1,032
Railcar Repair Services	19	55	156	139	209	255	203	174	191	123
Rail Scale Fees	3	13	14	17	74	175	191	225	185	164
Port Wharfage	292	223	197	179	133	220	296	104	128	774
Port Dockage	31	60	46	61	59	110	217	291	96	59
Port Park Assessment	122	119	123	121	127	124	139	131	133	106
Airport Landing, Tie Down, Ramp Fees	34	12	11	9	8	10	18	15	9	52
Airport Fuel Sales	4,274	2,904	1,203	-	-	-	-	-	-	-
Airport Fuel Flowage	67	26	42	48	48	104	167	196	189	195
Tenant Utility and Insurance Pass-Through	327	346	156	131	174	258	236	290	309	360
Total Commission Usage/Service Fees	10,437	7,295	6,004	4,789	4,645	5,025	5,609	6,137	5,963	6,377
Percentage of Total Operating Revenue	77.0%	69.0%	63.1%	63.2%	60.8%	61.0%	58.3%	61.7%	59.9%	62.1%
Land and Building Lease, Rental, Use Fees										
Buildings and Land Rent	1,716	1,691	1,505	1,583	1,611	1,821	2,048	1,965	2,089	1,948
Railcar Storage	747	843	825	646	707	830	1,301	1,255	1,385	1,398
Total Land and Building Lease, Rental, Use Fees	2,463	2,534	2,330	2,229	2,318	2,651	3,349	3,220	3,474	3,347
Percentage of Total Operating Revenue	18.2%	24.0%	24.5%	29.4%	30.4%	32.2%	34.8%	32.4%	34.9%	32.6%
Tenant Utilities										
Water	65	61	51	45	44	55	80	72	83	97
Sewer	142	140	101	82	87	106	150	135	149	177
Single Tenant POTW I Fees	389	396	410	406	385	391	419	371	289	275
Total Tenant Utilities	596	597	562	533	516	552	649	578	521	550
Percentage of Total Operating Revenue	4.4%	5.6%	5.9%	7.0%	6.8%	6.7%	6.8%	5.8%	5.2%	5.4%
Other Operating Revenues										
Other	65	154	623	24	155	5	7	15	-	-
Total Other Operating Revenue	65	154	623	24	155	5	7	15	-	-
Percentage of Total Operating Revenue	0.5%	1.5%	6.5%	0.3%	2.0%	0.1%	0.1%	0.2%	0.0%	0.0%
Total Operating Revenues	\$ 13,561	\$ 10,580	\$ 9,519	\$ 7,575	\$ 7,634	\$ 8,233	\$ 9,614	\$ 9,950	\$ 9,959	\$ 10,273

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

Railroad Junction Settlements					
FYE 2019			FYE 2010		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 2,251,360	64.1%	Wellman, Inc. (now DAK)	\$ 2,867,287	61.3%
Polychemie	612,492	17.4%	GE Plastics (now SABIC)	415,008	8.9%
SABIC Innovative Plastics, LLC	547,472	15.6%	PSL, NA (Now Jindal Tubular USA LLC)	794,118	17.0%
Jindal Tubular USA LLC	35,782	1.0%	Calgon	136,887	2.9%
Flint Hills Resources	62,639	1.8%	Polychemie	277,623	5.9%
Goodnight Terminal Services	1,499	0.0%	Flint Hills Resources	60,379	1.3%
Others	-	0.0%	Others	122,502	2.6%
Total	\$ 3,511,244	100.0%	Total	\$ 4,673,804	100.0%

Buildings and Land Rent (excludes Railcar Storage)					
FYE 2019			FYE 2010		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
US Airforce	\$ 582,589	29.9%	US Airforce	485,491	28.3%
Tyonek Services Group, Inc. (formerly Selex Galileo, Inc.)	272,163	14.0%	Selex Galileo, Inc. (now Tyonek Services Group, Inc.)	202,800	11.8%
US Coast Guard PSU 308	146,795	7.5%	US Corp of Engineers	187,155	10.9%
US Corps of Engineers	137,586	7.1%	US Coast Guard PSU 308	183,276	10.7%
Optech, Inc.	120,000	6.2%	PSL, NA (now Jindal Tubular)	149,675	8.7%
Andersons	108,000	5.5%	Optech, Inc.	129,042	7.5%
Others	581,321	29.8%	Others	379,026	22.1%
Total	\$ 1,948,453	100.0%	Total	\$ 1,716,465	100.0%

Railcar Storage (track rental)					
FYE 2019			FYE 2010		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
SABIC Innovative Plastics, LLC	\$ 713,186	51.0%	GE Plastics (now SABIC)	\$ 207,326	27.8%
DAK Americas Mississippi, Inc.	474,990	34.0%	Wellman, Inc. (now DAK)	423,000	56.6%
Polychemie	78,970	5.6%	PSL, NA (now Jindal Tubular)	79,730	10.7%
Goodnight Terminal Services	105,594	7.6%	Polychemie	26,140	3.5%
Others	25,483	1.8%	Others	10,630	1.4%
Total	\$ 1,398,223	100.0%	Total	\$ 746,826	100.0%

Railcar Switching					
FYE 2019			FYE 2010		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 475,650	46.1%	Wellman, Inc. (now DAK)	\$ 267,547	45.0%
SABIC Innovative Plastics, LLC	236,653	22.9%	GE Plastics (now SABIC)	153,208	25.8%
Goodnight Terminal Services,	138,875	13.5%	PSL, NA (now Jindal Tubular)	117,675	19.8%
Polychemie	171,375	16.6%	Polychemie	41,475	7.0%
Others	9,121	0.9%	Others	15,020	2.5%
Total	\$ 1,031,674	100.0%	Total	\$ 594,925	100.0%

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

2019		
Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc. (formerly Wellman, Inc.)	\$ 3,551,885	34.6%
SABIC Innovative Plastics, LLC (formerly G.E. Plastics Company)	1,719,905	16.7%
Polychemie	900,103	8.8%
Jindal Tubular USA LLC	817,603	8.0%
United States of America Air Force	582,589	5.7%
Freeman Holdings of Mississippi	395,977	3.9%
Goodnight Terminal Services	376,833	3.7%
Tyonek Services Group, Inc. (formerly Selex Galileo, Inc.)	372,672	3.6%
The Andersons, Inc.	267,509	2.6%
Corps of Engineers	216,291	2.1%
SSA Gulf, Inc.	161,832	1.6%
U.S. Coast Guard PSU 308	146,855	1.4%
Optech, Inc.	120,729	1.2%
Warehouse Services, Inc.	116,064	1.1%
Others	526,626	5.1%
TOTAL REVENUE 2019	\$ 10,273,473	100.0%

2010		
Customer	Revenue	Percentage of Total
Wellman, Inc. (now DAK Americas)	\$ 3,776,593	27.8%
DESC / DFAS	1,318,388	9.7%
PSL, NA	1,327,292	9.8%
Marine Spill Response Corp.	1,202,226	8.9%
G.E. Plastics Company (now SABIC)	1,019,110	7.5%
Rolls Royce North America, Inc.	774,163	5.7%
United States of America Air Force	582,589	4.3%
Polychemie	457,885	3.4%
Selex Sensors & Airborne Systems, Inc. (now Tyonek Services)	241,004	1.8%
SSA Gulf, Inc.	188,649	1.4%
U.S. Corps of Engineers	187,155	1.4%
U.S. Coast Guard	185,776	1.4%
Calgon	136,887	1.0%
The Andersons, Inc.	128,735	0.9%
Others	2,034,561	15.0%
TOTAL REVENUE 2010	\$ 13,561,013	100.0%

HANCOCK COUNTY PORT AND HARBOR COMMISSION										
REVENUE RATES (as published)										
Last Ten Fiscal Years										
(Unaudited)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Stennis International Airport & Effective Date of Change	8/6/2012 8/1/2013 4/1/2015									
Fuel Flowage Fee (per gallon)										
Av Gas	0.07	0.07	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Jet A	0.07	0.07	0.14	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	0.14	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	6.25
Hangar Office	3.50	3.50	6.75	6.75	6.75					
Hangar with Fire Suppression						2.75	2.75	2.75	2.75	2.75
Hangar without Fire Suppression						2.00	2.00	2.00	2.00	2.00
Hangar Deck	1.80	1.80	1.80	1.80	1.80					
Hangar Storage						6.75	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
Port Bienville Industrial Park & Effective Date of Change	4/27/2015									
Wharfage (per ton)										
General Commodities	1.32	1.32	1.32	1.32	1.32	1.40	1.40	1.40	1.40	1.40
Hazardous Cargo	2.69	2.69	2.69	2.69	2.69	4.00	4.00	4.00	4.00	4.00
Bulk Commodities	0.60	0.60	0.60	0.60	0.60	1.00	1.00	1.00	1.00	1.00
USDA (bagged commodities)	0.60	0.60	0.60	0.60	0.60	1.00	1.00	1.00	1.00	1.00
Forest Products	0.35	0.35	0.35	0.35	0.35	1.00	1.00	1.00	1.00	1.00
Iron and/or Steel Articles	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50
Fabricated Steel	1.25	1.25	1.25	1.25	1.25	2.50	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	1.00	1.00	1.00	1.00	1.00
each day thereafter	0.36	0.36	0.36	0.36	0.36	1.00	1.00	1.00	1.00	1.00
Port Bienville Industrial Park Water & Sewer Rates & Effective Date of Change	4/27/2015									
Water & Sewer Rates										
Water first 12,000 gallons	50.00	50.00	50.00	50.00	50.00					
Water first 8,000 gallons						75.00	75.00	75.00	75.00	75.00
each 1,000 gallons thereafter	0.80	0.80	0.80	0.80	0.80	1.00	1.00	1.00	1.00	1.00
Sewer first 12,000 gallons	100.00	100.00	100.00	100.00	100.00					
Sewer first 8,000						150.00	150.00	150.00	150.00	150.00
each 1,000 gallons thereafter	1.60	1.60	1.60	1.60	1.60	2.00	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
Port Bienville Railroad & Effective Date	4/27/2015									
Railcar Switching (per car)										
Intra-Plant	75.00	75.00	75.00	75.00	75.00	125.00	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	150.00	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)

Fiscal Year	General Obligation Bond Issues	Notes and Capital Leases Payable	Total Debt	As a Percentage of Total Assets	Per Capita
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
2019	\$ -	\$ -	\$ -	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)

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Principal	Debt Service Interest	Total	Coverage Ratio
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	\$ 10,090	\$ 5,636	\$ 4,454	\$ 82	\$ -	\$ 82	54.32
2018	\$ 10,128	\$ 5,957	\$ 4,171	\$ 68	\$ -	\$ 68	61.34
2019	\$ 10,589	\$ 6,061	\$ 4,528	\$ -	\$ -	\$ -	n/a

(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)

Year	Population	Personal Income	Personal Income Per Capita	Median Age	Public High School Graduation Rates	Total Public School Enrollment	Unemployment Rate
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%
2018	47,334	1,669,094	35,262	44.0	82.8%	6,250	4.6%

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

Sources:

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

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

NAICS	Description	2019 Jobs	Percentage of Total
901199	Federal Government, Civilian, Excluding Postal Service	1,932	12.3%
721120	Casino Hotels	1,100	7.0%
903611	Elementary and Secondary Schools (Local Government)	850	5.4%
903999	Local Government, Excluding Education and Hospitals	837	5.3%
561210	Facilities Support Services	779	4.9%
901200	Federal Government, Military	773	4.9%
722511	Full-Service Restaurants	619	3.9%
541512	Computer Systems Design Services	550	3.5%
722513	Limited-Service Restaurants	485	3.1%
623110	Nursing Care Facilities (Skilled Nursing Facilities)	383	2.4%
	All Remaining Industries	7,451	47.3%
	Total Employed	15,760	100%

NAICS	Description	2010 Jobs	Percentage of Total
901199	Federal Government, Civilian, Excluding Postal Service	1,935	12.0%
561210	Facilities Support Services	875	5.4%
903611	Elementary and Secondary Schools (Local Government)	838	5.2%
901200	Federal Government, Military	765	4.7%
903999	Local Government, Excluding Education and Hospitals	746	4.6%
721120	Casino Hotels	674	4.2%
713210	Casinos (except Casino Hotels)	540	3.3%
722513	Limited-Service Restaurants	443	2.7%
541330	Engineering Services	412	2.6%
452311	Warehouse Clubs and Supercenters	383	2.4%
	All Remaining Industries	8,524	52.8%
	Total Employed	16,134	100.0%

HANCOCK COUNTY PORT AND HARBOR COMMISSION

STAFFING BY DIVISION/DEPARTMENT (FTE's)

Last Ten Years

(Unaudited)

	<u>2010¹</u>	<u>2011¹</u>	<u>2012¹</u>	<u>2013¹</u>	<u>2014¹</u>	<u>2015²</u>	<u>2016²</u>	<u>2017²</u>	<u>2018²</u>	<u>2019²</u>
Executive Director	1	1	1	1	1	1	1	1	1	1
General Administration	3	3	3	3	1.5	1	2	2.5	2.5	3
Economic Development	2	2	2	2	2.5	2	3	3	2	3
Finance and Accounting	6	6	5	5	4	4	4	3	3	3
Railroad	10	8	8	9	10	9	11	12	12	12.35
Port	8	8	7	7	7	6	4.5	4	4.35	4.35
Port Security (outsourced in 2008)	1	1	1	1	1	0	0	0	0	0
Airport	9	10	7	7	7	6	5.5	3.5	3.5	4
	40	39	34	35	34	29	31	29	28.35	30.7

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

² Note: Data presented as of fiscal year end.

HANCOCK COUNTY PORT AND HARBOR COMMISSION

INSURANCE COVERAGE

As of September 30, 2019

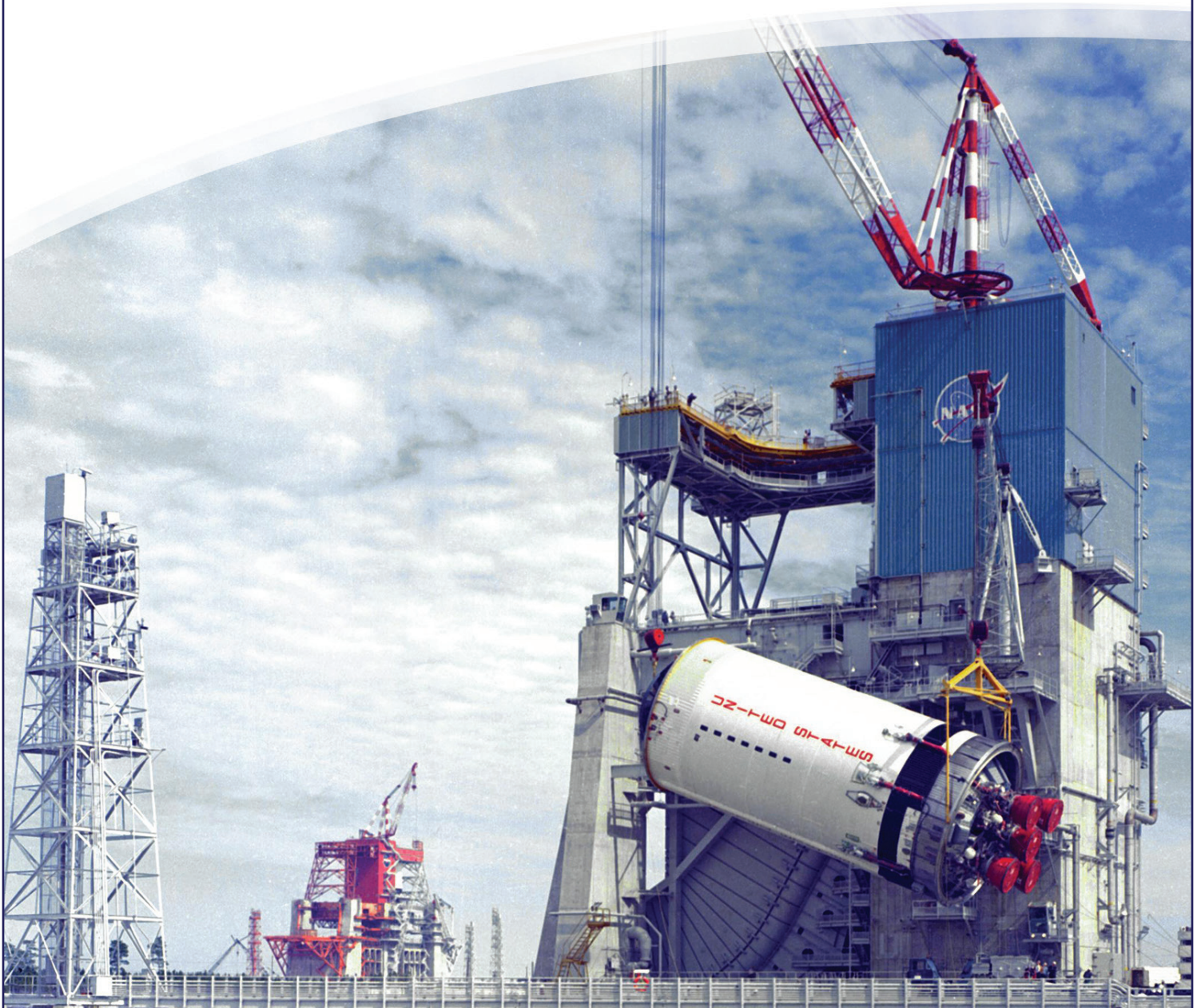
(unaudited)

		<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>Employee Theft</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 & Employment Practices</i>	\$	5,000,000
<i>Employee Benefits - Aggregate</i>	\$	2,000,000
<i>Employers</i>	\$	1,000,000
<i>Garagekeepers</i>	\$	1,000,000
<i>Hunting Lease - Aggregate</i>	\$	2,000,000
Airport Liability & Hangarkeepers	\$	1,000,000
Railroad Liability	\$	4,000,000
Pollution Liability	\$	5,000,000
Property Coverages		
<i>Total Maximum Limit</i>	\$	42,670,988
	<u>Sublimits</u>	<u>Amount</u>
<i>Buildings</i>	\$	37,404,884
<i>Personal Property</i>	\$	1,628,292
<i>Inland Marine (Rolling Stock/Equipment)</i>	\$	3,637,812
National Flood		
<i>Flood - Buildings</i>	\$	9,022,800
<i>Flood - Contents</i>	\$	2,215,500
Equipment Floater	\$	3,371,527
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**

March 3, 2020

Board of Commissioners
Hancock County Port and Harbor Commission
Kiln, 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, 2019, and the related notes to the financial statements, which collectively comprise Hancock County Port and Harbor Commission's basic financial statements, and have issued our report thereon dated March 3, 2020.

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*.

9490 Three Rivers Road | Gulfport, MS 39503 | (228) 863-0411 | Fax (228) 863-1165 | E-Mail: info@avlcpa.com | www.avlcpa.com
304 N. Vardaman Street | P.O. Box 749 | Wiggins, MS 39577 | (601) 928-4416 | Fax (601) 928-4417 | E-Mail: info@avlcpa.com | www.avlcpa.com
831 Hwy. 90 | Bay St. Louis, MS 39520 | (228) 467-1402 | Fax (228) 467-2594 | E-Mail: info@avlcpa.com | www.avlcpa.com

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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