



Hancock County Port & Harbor Commission
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEARS ENDED 9/30/2017 & 9/30/16



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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, 2017 and 2016



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

January 22, 2018

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

Dear Commissioners:

The Finance Department and I are pleased to submit Hancock County Port and Harbor Commission's (HCPHC or Commission) Comprehensive Annual Financial Report (CAFR) of the for the year ended September 30, 2017. Responsibility for both the accuracy of the data and the completeness, reliability and fairness of the presentation, including all disclosures, rests with the management of HCPHC. To the best of my knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the HCPHC. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities and operations have been included.

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

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

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

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

Governmental accounting and auditing principles require that management provide an introduction, overview and analysis in narrative form to accompany the basic financial statements. This narrative, entitled Management's Discussion and Analysis (MD&A), can be found immediately following the Independent Auditors' Report in the Financial Section of the CAFR. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of HCPHC

Hancock County Port and Harbor Commission was created in 1963 by Hancock County pursuant to Title 59 of the Mississippi Code of 1972, as amended (the "Act"). The Act provides HCPHC the power to acquire property, establish industrial parks, purchase, sell, construct, invest, lease or contract. HCPHC is also authorized to operate and maintain any facilities and lands created or placed under its authority. The Act states that it is the public policy of the State of Mississippi to encourage expansion and development of the State's ports and harbors. HCPHC is vested with jurisdiction by Hancock County over the ports, terminals, harbors, channels, passes, wharves, and designated industrial parks that are not under the jurisdiction of any municipal port commission and accordingly owns and operates Port Bienville Industrial Park, Port Bienville Railroad, and Stennis International Airport. HCPHC is responsible for submitting an annual proposed budget to the Hancock County Board of Supervisors for the operation and development of the aforementioned facilities in addition to providing economic development leadership efforts for Hancock County. HCPHC currently has an 8-member appointed board of Commissioners and 29 employees.

Local Economic Conditions

In FY 2017, Hancock County's population approximates 47,242 with 18,950 residents in the labor force, 17,910 employed, and an estimated 15,333 jobs in the county. The median household income of these occupations are \$43,400. Hancock County's unemployment rate is 5.5%. The state of Mississippi is 5.1% and the National average is 4.4%. As of 2017 the region's population increased by 4.2% since 2012, growing by 1,911. Population is expected to increase by 3.7% between 2017 and 2022, adding 1,726.

From 2012 to 2017, jobs declined by 1.8% in Hancock County, MS from 15,622 to 15,333. This change fell short of the national growth rate of 7.2% by 9.0%. As the number of jobs declined, the labor force participation rate decreased from 53.5% to 49.5% between 2012 and 2017. Concerning educational attainment, 13.4% of Hancock County, MS residents possess a Bachelor's Degree (5.0% below the national average), and 8.1% hold an Associate's Degree (0.2% above the national average).

Hancock County, MS has 8,007 millennials (ages 20-34). The national average for an area this size is 9,711. Retirement risk is high in Hancock County, MS. The national average for an area this size is 7,131 people 65 or older, while there are 8,532 here. Hancock County, MS has 4,247 veterans. The national average for an area this size is 2,721.

Principal NAICS industry employers in Hancock County include Public Administration (4,754); Accommodation and Food Services (1,7878); Retail Trade (1,636); Professional, Scientific, and Technical Services (1,123); Admin and Support Waste Management and Remediation Services (1,103); Manufacturing (846); Construction (820); and Health Care and Social Assistance (759).

While these industry-specific jobs are scattered within the boundaries of Hancock County, HCPHC directly supports 697 jobs through industry located on the grounds of Port Bienville Industrial Park, 371 jobs through business and industry at Stennis International Airport, and indirectly supports 390 of the 4,994 jobs at the John C. Stennis Space Center. In addition to domestic industries many industries located at Port Bienville and Stennis Airport are headquartered internationally in countries such as Saudi Arabia, France, India, England, Canada, and Mexico.

Long-Term Financial Planning

The Commission updated and revised its 2015 Strategic Plan in the current year setting the course for one of its most aggressive capital improvement programs in our history and re-aligning objectives to improve economic development outcomes in Hancock County.

Capital Asset Planning

The five-year capital plan ending 9/30/2021 details \$48.7 million in capital investment. Of that \$40.3 million is considered strategic investment, \$7.8 million is attributable to life-cycle maintenance, and \$636,000 addresses immediate safety concerns.

Port Bienville Industrial Park will benefit from 55.7% of the total capital plan, the majority of which will greatly improve assets needed for maritime customers with new bulkhead and mooring facilities and an extensive dredging project providing safer, faster ingress and egress. Stennis International Airport will benefit from 32.2% of the total capital investment, improving the existing 8,500' runway with a new overlay and striping, new hangar space and several safety measures. Port Bienville Railroad currently has 6 miles of track within the boundary of Port Bienville Industrial Park with another 10 miles of siding and mainline providing connection to CSX for national connectivity. With the remaining 12.1% of the budget maintenance of rail track and ballast are programmed and additional spur, sidings, and a loop track will be constructed.

The Commission has pledged \$20.2 million of its reserves and future revenues to fund the \$48.7 million 5-year plan, recognizing that debt or other grant sources may be leveraged as out-year projects develop. The Commission was fortunate to be the recent recipient of several federal grants. Those grants represent just over \$23.4 million of total funding sources and have been obligated by the Federal Aviation Administration, Katrina Community Development Block Grant funds, and Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies (RESTORE) of the Gulf Coast Act of 2012. The State of Mississippi is estimated to fund \$5.1 million of the capital plan.

Economic Development

The Commission spearheaded a new County-wide business retention and expansion process in partnership with the Hancock County Chamber of Commerce. The methods and tools employed to date have highlighted important data which is now being used to inform future strategic efforts.

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

our Asset Development planning. 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 is also maturing and will grow in the next few years.

Finally, funding has been obligated for an Aerospace and Industry Academy in partnership with the Pearl River Community College (PRCC) for expansion of facilities for PRCC's career tech workforce training programs in Hancock County, and to support efforts to recruit an aerospace industry to Stennis International Airport and NASA Stennis Space Center.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hancock County Port and Harbor Commission for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ending September 30, 2015 and September 30, 2016. To be awarded a Certificate of Achievement, the Commission had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

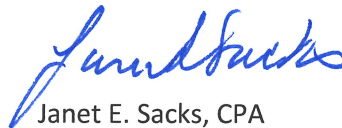
The preparation of this report represents the combined effort of the entire staff of the Finance Department of Hancock County Port and Harbor Commission, other departments who provided key information to this report and the accounting firm of Alexander, Van Loon, Sloan, Levens, Favre, PLLC. We gratefully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

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

Respectfully Submitted,



William V. Cork
Chief Executive Officer



Janet E. Sacks, CPA
Chief Financial Officer



List of Officials

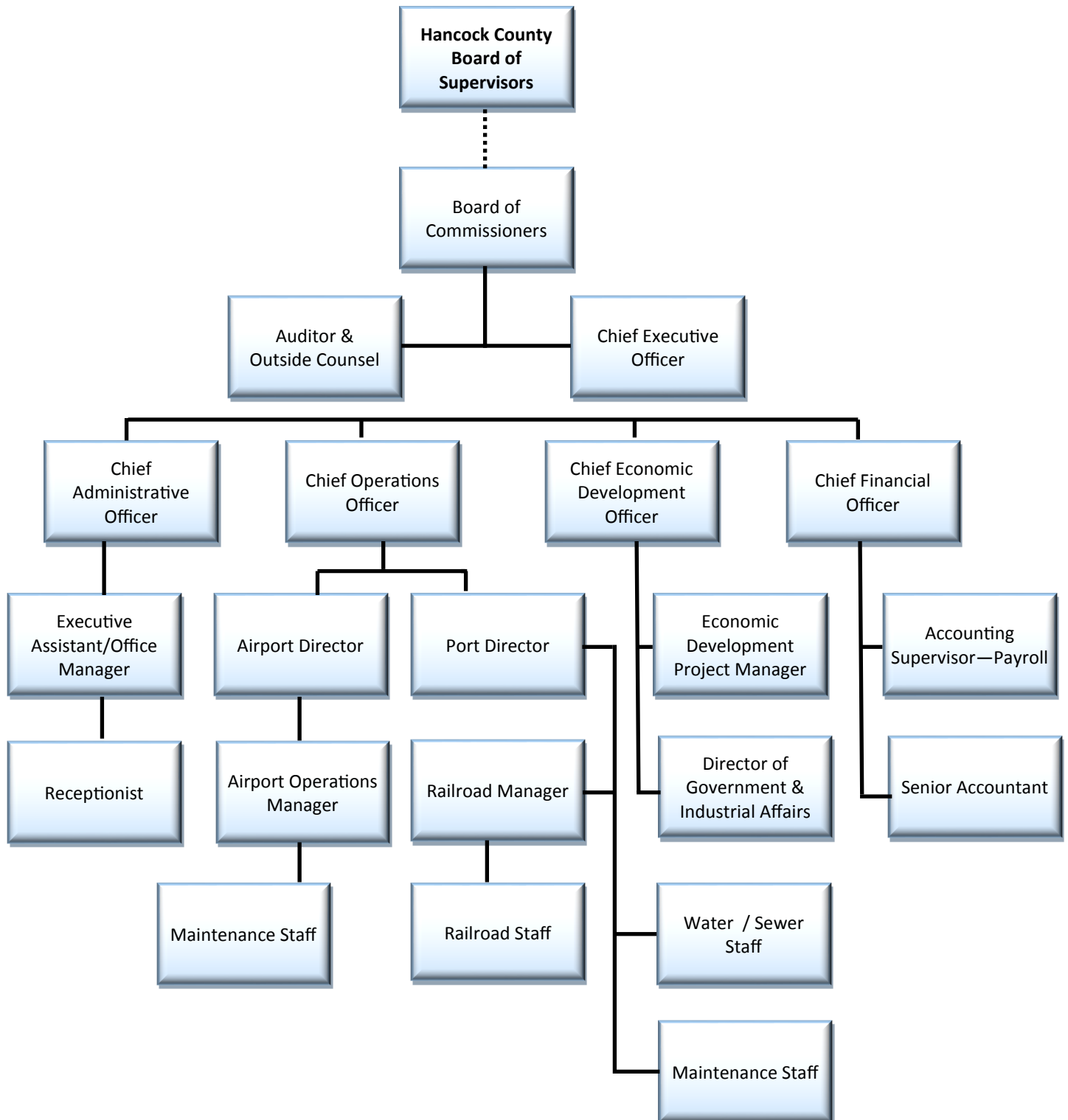
Board of Commissioners
(as of publication)

Robert R. Kane	President
Jon W. Ritten, Jr.	Vice President
Sherri Carr Bevis	Secretary
Daryl Cornell	Treasurer
Paula C. Jordan	Commissioner
David D. Malley	Commissioner
Christopher R. "Packer" Ladner	Commissioner
Bob Swanson	Commissioner

Executive Staff
(as of publication)

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

Organization Chart





Government Finance Officers Association

Certificate of
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**Hancock County Port and Harbor
Commission, Mississippi**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

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

January 24, 2018

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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hancock County Port and Harbor Commission, as of September 30, 2017 and 2016, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hancock County Port and Harbor Commission's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2018, 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, 2017 AND 2016

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, 2017 and 2016, with selected comparisons to the prior fiscal year ended September 30, 2015.

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

FINANCIAL HIGHLIGHTS

- The Commission recognized income from operations in the current fiscal year of \$320,682. The significant attributable contributions are further discussed below.
- The Commission's operating revenue increased 3.5% over fiscal year 2016 while operating expenses increased 7%. Net position increased 3.2% during 2017.
- The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows by \$82,387,778 (reported as "net position"). Of this \$66,173,974 is invested in capital assets. Additions to fixed assets are further discussed below.

FINANCIAL STATEMENT OVERVIEW

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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, 2017 and 2016 with comparative amounts for September 30, 2015 is as follows:

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflow of Resources			
Current and other assets	\$ 20,250,999	\$ 18,230,387	\$ 13,612,253
Capital assets, net	<u>66,538,532</u>	<u>66,393,800</u>	<u>66,625,332</u>
Total assets	<u>86,789,531</u>	<u>84,624,187</u>	<u>80,237,585</u>
 Deferred Outflows of Resources			
Deferred outflows for pensions	<u>162,747</u>	<u>563,129</u>	<u>415,955</u>
 Liabilities, Deferred Inflow of Resources and Net Position			
Current and other liabilities	1,167,211	1,729,134	1,376,195
Long-term Net Pension Liability	3,324,679	3,572,499	3,091,606
Long-term liabilities	<u>-</u>	<u>68,500</u>	<u>150,700</u>
Total liabilities	<u>4,491,890</u>	<u>5,370,133</u>	<u>4,618,501</u>
 Deferred Inflows of Resources			
Deferred inflows for pensions	<u>72,610</u>	<u>9,493</u>	<u>83,036</u>
 Net position			
Net investment in capital assets	66,173,974	65,387,011	65,779,328
Unrestricted	<u>16,213,804</u>	<u>14,420,679</u>	<u>10,172,675</u>
Total net position	<u>\$ 82,387,778</u>	<u>\$ 79,807,690</u>	<u>\$ 75,952,003</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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.

CAPITAL AND DEBT ADMINISTRATION

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. (Refer to Note 8, Capital Assets, of the accompanying notes to the financial statements for a more complete description.) 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
- 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.

The Year Ended September 30, 2016

The Commission's total net position increased \$3.9 million in 2016. Cash, investments, and restricted cash increased by \$4.1 million over 2015; a 39.2% increase, contributing to a \$4.4 million increase in total assets (excluding an increase of \$147,174 in deferred outflows of resources). The significant increase in cash, investment, and restricted cash can be attributed to collections of amounts recorded as due from governments primarily resulting from Hurricane Katrina FEMA projects; a cash settlement with a construction contractor's surety for non-performance; and an improved revenue stream, 99% of which was collected in the current year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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

Completed projects capitalized during 2016 include:

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

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

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

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

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

The Year Ended September 30, 2015

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

Total liabilities decreased \$500,030 during fiscal year 2015 despite an additional \$663,972 net pension liability accrual (see Note 12 for details related to the net pension liability). The decrease in liabilities was primarily the result of a \$600,590 reduction in unearned revenue and a continued bond and other loan payments as further discussed in Note 9.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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

Reductions include

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

Additions include

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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, 2017 and 2016 with comparative amounts for September 30, 2015 is as follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Position			
	2017	2016	2015
Operating Revenues			
Charges for sales and services	\$ 6,698,727	\$ 6,268,990	\$ 5,563,841
Rental Income	3,236,527	3,338,629	2,664,244
Other	15,037	6,879	5,391
Total Operating Revenues	<u>9,950,291</u>	<u>9,614,498</u>	<u>8,233,476</u>
Operating Expenses			
Port Bienville Short Line Railroad	2,110,146	1,733,672	1,812,343
Port Bienville Industrial Park	1,785,582	1,671,161	2,173,949
Stennis International Airport	1,739,895	1,755,226	1,668,682
Total operating expenses	<u>5,635,623</u>	<u>5,160,059</u>	<u>5,654,974</u>
Operating Income before Depreciation	4,314,668	4,454,439	2,578,502
Depreciation Expense	<u>3,993,986</u>	<u>3,843,362</u>	<u>3,919,844</u>
Operating Income (Loss) after Depreciation	<u>320,682</u>	<u>611,077</u>	<u>(1,341,342)</u>
Nonoperating Revenues/Expenses			
Interest revenue	140,007	125,191	93,688
Grant revenue	4,459	1,931	392,805
Project Surety Settlement	-	1,450,000	-
Investment gain (loss)	(17,330)	1,126	-
Loss on disposal of capital assets	(363,591)	-	(109,124)
Loss on Impairment of capital asset	-	(872,695)	-
Interest Expense	<u>-</u>	<u>(5,045)</u>	<u>(14,893)</u>
Total nonoperating revenues (expenses)	<u>(236,455)</u>	<u>700,508</u>	<u>362,476</u>
Net Income (Loss) before Capital Contributions	84,227	1,311,585	(978,866)
Capital contributions	<u>2,495,861</u>	<u>2,544,102</u>	<u>836,092</u>
Increase (Decrease) in Net Position	<u>2,580,088</u>	<u>3,855,687</u>	<u>(142,774)</u>
Total Net Position - Beginning	<u>79,807,690</u>	<u>75,952,003</u>	<u>76,094,777</u>
Total Net Position - Ending	<u>\$ 82,387,778</u>	<u>\$ 79,807,690</u>	<u>\$ 75,952,003</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

The Year Ended September 30, 2017

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

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

The Year Ended September 30, 2016

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

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

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

The Year Ended September 30, 2015

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

ECONOMIC FACTORS AND FISCAL YEAR ENDING SEPTEMBER 30, 2018 BUDGET

The Commission's management considered a variety of factors when setting the Fiscal Year 2018 operating and capital budgets.

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

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

Long -Term Financial and Business Planning

Consistent with the direction of the Commission, overarching strategic plans and long standing policy, the categories of objectives are divided into two distinct areas: Asset Development and Market/Economic Development.

Asset Development. The development of new product to put into the market is a key overarching goal of the Commission. All airport and port industrial park buildings are leased. While there are still hundreds of developable acres to work as greenfield projects, key infrastructure at the port are in dire need of improvement. The overall asset development program involves multi-year strategies that include the following elements:

Life Cycle Management Planning – Improvements of existing buildings and infrastructure to serve current and future markets. In FY 2017, we successfully implemented a five-year capital investment strategy that began to address deferred life cycle maintenance across our asset base.

Master Planning and Long-Term Capital Investment - The Commission approved an investment in the development of new master plans for the port and airport. They also approved the development of an Aviation and Aerospace Optimization Plan. The Aerospace Plan was successfully completed in FY 2017 by Vision First Advisors, and elements of that plan are included in our budget for implementation in 2018.

Operational Excellence – The Administration Department will launch the fully automated board books program ACELA in early 2018, adding significant productivity gains to all the paper we process as well as enhancing our capacity to comply with the Records Retention and Open Records Acts in Mississippi. We also successfully collapsed the stovepipes inherent in such a diverse organization and leveraged the talent across the board. This team approach to decision making and work sharing have made it possible to achieve meaningful change while continuing day-to-day operations at a high level of performance.

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

Business Retention and Expansion – To protect and grow the business and industry already extant in Hancock County, the Commission implemented the Synchronist[®] system to evaluate our existing industries. In partnership with the Hancock Chamber of Commerce we surveyed 60 of the largest industrial and service sectors companies in the County to determine what policies and services will support their long-term viability. A significant outcome of this program in FY 2017 was the need for a career and technical employee certification program.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

The ACT® Work Keys program was selected and in FY 2018 we intend to participate in the implementation of this program with representatives from industry and academia to certify the County as “Work Ready” by 2021. In FY 2018 we also plan to continue the interview process with 60 more companies as well as follow-up surveys with several of the 2017 surveyed companies.

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 will begin implementation in FY 2018. A couple of key items with budgetary impact in FY 2018 include participation and implementation in the Governor’s Ocean Task Force (unmanned systems); development of a Spaceport Feasibility Study for Stennis Airport; focused short-term master plan for the industrial canal at Port Bienville; and development of the Project Ready Sites in the Fee Area at Stennis Space Center for commercial investment. The expansions announced at DAK Americas, Calgon Carbon, SNF Polychemie and others create opportunities for partnerships to grow what we have.

Emerging Markets – The Commission is constantly striving for new market opportunities. This includes the long-term development of a 26-mile rail extension from Port Bienville to Nicholson valued at \$120 million. Development of the Project Ready Site at SSC and Spaceport Feasibility at the airport address these new market capture opportunities. Dredging a new maritime approach 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. The same is true of the new hangars at the airport and the transload facility at the port. These new investments showcased throughout the FY 2018 budget address the Commission’s excitement about new market capture.

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, all of which is budgeted for in FY 2018. Our partnership with Stennis Space Center is strong and growing. In 2017, we partnered on several site location proposals and are actively working a large prospect as the new year begins. We also strengthened our relationship with Hancock County municipalities as the new leadership at HCPHC is more integrated into the community.

Major Capital Initiatives

Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies (RESTORE) of the Gulf Coast States Act of 2012. In December 2015, Mississippi’s Governor announced his nomination of projects under the RESTORE Act, two of which will be constructed and operated by HCPHC. In the Summer of 2017, the Department of Treasury awarded grants to the State of Mississippi for these projects. The HCPHC and Mississippi Department of Environmental Quality, which is the grant recipient of the funds, will negotiate a sub grantee agreement with HCPHC for the construction of the following projects:

Terminal Hangar at Stennis International Airport. \$2 million to construct a hangar adjacent to the SIA terminal building to be matched with approximately \$2 million by HCPHC. This new 24,000 square-foot building will be used to house aviation related storage, maintenance, repair or overhaul and could employ more than 20 people upon completion.

Port Bienville Transload Facility. This \$8 million construction project, paid for entirely by RESTORE funds, will produce a new wharf, dock and rail extension to facilitate maritime-to-rail transloading opportunities. This intermodal terminal will complement our other intermodal investments on a smaller scale as presented in the more detailed budget discussion for the Port and Railroad.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

Aerospace Academy/Pearl River Community College Expansion. Although not directly funded by or through HCPHC, this new facility in Hancock County has been promoted by and through HCPHC. The Governor will announce in November whether this project will be funded with approximately \$5 million to build the first phase of the campus within the Stennis Airpark.

Community Development Block Grant. The last remaining Hurricane Katrina CDBG funds for Hancock County are being earmarked for a \$9 million reconstruction of the main dock at the mouth of Port Bienville (commonly referred to as the Linea Dock). This project will reconstruct the damaged dock and extend its length by 150-300 feet, depending on actual cost. This investment along with our dredging investment will facilitate increased draft barge/shipping traffic into the port and expand the types of vessels and cargo that frequent the port.

Federal Aviation Administration. In FY 2017, we broke ground on an approximately \$5 million runway overlay project at Stennis Airport. This program was essential to the long-term life expectancy of this key asset. Future FAA-funded projects are included in our capital plan and are detailed in the departmental budgets. FAA funding for infrastructure and for the contract tower at KHSa are critical for our ongoing success. Yet, this funding stream is always subject to federal threats of reduction. Stennis International Airport is one of only a handful of small airports in Mississippi that can claim a positive net income from operations. Yet, this income is not sufficient to address long-term depreciation. Sustainability of the airport will rely on growth and new revenue opportunities and this budget reflects new investments in things like a Spaceport feasibility study and the development of an assault landing strip.

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

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission finances and to demonstrate its commitment to accountability for receipts and expenditures of funds. Questions concerning this report or requests for additional financial information may be addressed to Janet E. Sacks, CPA, Chief Financial Officer, Hancock County Port and Harbor Commission, 14054 Fred & Al Key Road, Kiln, Mississippi, 39556.

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,374,474	\$ 7,303,554
Investments	6,908,796	6,926,126
Restricted Cash	225,467	183,803
Accounts receivable, net	703,524	586,805
Investment interest receivable	7,184	7,184
Note receivable, current	2,807	13,820
Investment in capital leases, current	155,641	138,400
Due from other governments	1,415,086	2,486,768
Prepaid expenses	403,130	360,435
Inventories	9,957	9,519
Total current assets	<u>20,206,066</u>	<u>18,016,414</u>
NONCURRENT ASSETS		
Capital assets		
Land and construction in progress	10,226,137	11,668,133
Other capital assets, net of accumulated depreciation	56,312,395	54,725,666
Total capital assets	<u>66,538,532</u>	<u>66,393,799</u>
Notes receivable, net of current maturities	-	13,400
Investment in capital leases, net of current maturities	44,933	200,574
Total noncurrent assets	<u>66,583,465</u>	<u>66,607,773</u>
TOTAL ASSETS	<u>86,789,531</u>	<u>84,624,187</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows for pensions	<u>162,747</u>	<u>563,129</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	490,369	916,478
Retainage payable	119,030	311,337
Unearned revenue	111,571	73,560
Customer deposits	113,795	110,243
Accrued salaries	33,396	28,459
Current maturities of notes payable	68,500	82,200
Compensated absences payable	230,550	206,857
Total current liabilities	<u>1,167,211</u>	<u>1,729,134</u>
NONCURRENT LIABILITIES		
Notes payable, net of current maturities	-	68,500
Net Pension Liability	3,324,679	3,572,499
Total noncurrent liabilities	<u>3,324,679</u>	<u>3,640,999</u>
Total liabilities	<u>4,491,890</u>	<u>5,370,133</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow for pensions	<u>72,610</u>	<u>9,493</u>
NET POSITION		
Net investment in capital assets	66,173,974	65,387,011
Unrestricted	16,213,804	14,420,679
TOTAL NET POSITION	<u>\$ 82,387,778</u>	<u>\$ 79,807,690</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for sales and services		
Port Bienville Shortline Railroad	\$ 5,120,059	\$ 4,554,678
Port Bienville Industrial Park	1,128,727	1,334,713
Stennis International Airport	449,941	379,599
Total charges for sales and services	<u>6,698,727</u>	<u>6,268,990</u>
Rental Income		
Port Bienville Shortline Railroad	1,362,637	1,399,047
Port Bienville Industrial Park	435,324	438,267
Stennis International Airport	1,438,566	1,501,315
Total rental income	<u>3,236,527</u>	<u>3,338,629</u>
Other	15,037	6,879
Total operating revenues	<u>9,950,291</u>	<u>9,614,498</u>
OPERATING EXPENSES		
Port Bienville Shortline Railroad		
Personal services	1,257,326	1,110,417
Supplies and materials	182,529	130,117
Other services and charges	670,291	493,138
Depreciation and amortization	547,271	463,562
Total Port Bienville Shortline Railroad	<u>2,657,417</u>	<u>2,197,234</u>
Port Bienville Industrial Park		
Personal services	943,645	884,752
Supplies and materials	58,743	68,250
Other services and charges	783,194	718,159
Depreciation and amortization	2,272,616	2,263,941
Total Port Bienville Industrial Park	<u>4,058,198</u>	<u>3,935,102</u>
Stennis International Airport		
Personal services	827,070	893,945
Supplies and materials	38,634	25,064
Other services and charges	874,191	836,217
Depreciation and amortization	1,174,099	1,115,859
Total Stennis International Airport	<u>2,913,994</u>	<u>2,871,085</u>
Total operating expenses	<u>9,629,609</u>	<u>9,003,421</u>
INCOME FROM OPERATIONS	<u>320,682</u>	<u>611,077</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	140,007	125,191
Grant revenue - state	4,459	1,931
Project Surety Settlement	-	1,450,000
Investment loss	(17,330)	1,126
Loss on disposal of capital assets	(363,591)	-
Loss on impairment of capital asset	-	(872,695)
Interest expense	-	(5,045)
Total nonoperating revenue (loss)	<u>(236,455)</u>	<u>700,508</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>84,227</u>	<u>1,311,585</u>
Capital contributions - federal	1,183,884	283,044
Capital contributions - other	1,311,977	2,261,058
Total capital contributions	<u>2,495,861</u>	<u>2,544,102</u>
CHANGE IN NET POSITION	<u>2,580,088</u>	<u>3,855,687</u>
TOTAL NET POSITOIN - BEGINNING	<u>79,807,690</u>	<u>75,952,003</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 82,387,778</u></u>	<u><u>\$ 79,807,690</u></u>

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

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 9,829,299	\$ 9,480,107
Cash payments for goods and services	(3,177,723)	(1,482,618)
Cash payments for employee services	(2,783,732)	(2,627,073)
Refunds of customer deposits	(6,648)	5,823
Other Income	15,037	6,880
Net cash provided by operating activities	<u>3,876,233</u>	<u>5,383,119</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal received on notes/leases	162,813	170,729
Principal paid on debt	(82,200)	(462,200)
Proceeds from capital grants	3,572,001	1,734,549
Proceeds from contractor surety	-	1,450,000
Acquisitions and construction of capital assets	(4,556,270)	(4,331,177)
Interest paid on debt	-	(6,047)
Net cash provided by (used in) capital and related financing activities	<u>(903,656)</u>	<u>(1,444,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	(7,500,000)
Investment call	-	575,000
Interest received	140,007	118,007
Net cash provided by (used in) investing activities	<u>140,007</u>	<u>(6,806,993)</u>
Net increase (decrease) in cash and cash equivalents	3,112,584	(2,868,020)
Cash and cash equivalents:		
Beginning of year	<u>7,487,357</u>	<u>10,355,377</u>
End of year	<u>\$ 10,599,941</u>	<u>\$ 7,487,357</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 10,374,474	\$ 7,303,554
Restricted Cash	225,467	183,803
Total cash and cash equivalents	<u>\$ 10,599,941</u>	<u>\$ 7,487,357</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Loss on sale of asset	(363,591)	-
Loss on impairment of capital asset	-	(872,695)
Total non-cash investing, capital, and financing activities	<u>\$ (363,591)</u>	<u>\$ (872,695)</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income (Loss) from operations	<u>\$ 320,682</u>	<u>\$ 611,077</u>
Adjustment to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	3,993,986	3,843,362
Pension expense adjustment	215,679	260,176
(Increase)decrease in operating assets:		
Accounts receivable	(99,307)	59,693
Bad Debt Expense	(17,412)	(2,861)
Prepaid expenses	(42,696)	38,644
Inventories	(438)	(1,805)
Increase(decrease) in operating liabilities:		
Accounts payable	(527,007)	751,488
Unearned revenue	10,764	(184,344)
Accrued salaries	4,937	(58,683)
Compensated absences	23,693	60,549
Customer Deposits	(6,648)	5,823
Total adjustments	<u>3,555,551</u>	<u>4,772,042</u>
Net cash provided by operating activities	<u>\$ 3,876,233</u>	<u>\$ 5,383,119</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, 2017, and 2016

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, 2017 and 2016.

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, 2017, and 2016

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, 2017 and 2016 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>2017</u>	<u>2016</u>
Fuel	<u>\$ 9,957</u>	<u>\$ 9,519</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, 2017, and 2016

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

Capital Assets

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

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

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

Capitalized Interest

Interest costs are capitalized as part of qualifying assets. Qualifying assets are assets under construction that require a significant time to prepare for their intended use. The amount capitalized is calculated using a weighted average of rates applicable to debt held during that period. These interest costs are included in cost basis of capital assets. For the years ended September 30, 2017 and 2016 no interest was capitalized as the Commission retired all interest-bearing debt in prior periods.

Deferred Outflows and Inflows of Resources

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

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

Compensated Absences

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

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

Unearned Revenue

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

General and Administrative Expense Allocations

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

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

Net Position

The Commission classifies net assets into three components:

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

New Accounting Principles

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

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NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Commission will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Commission does not have a deposit policy for custodial credit risk. However, all of the Commission's bank balances are entirely insured or collateralized. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code. Under this program, the Commission's funds are protected through a collateral pool administered by the State Treasurer. Financial Institutions holding deposits of public funds must pledge securities as collateral against those deposits.

In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The Commission deposits funds in financial institutions selected by the Commissioners in accordance with Mississippi statutes. At September 30, 2017, deposits (including restricted deposits) were as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 11,078,934	\$ 10,599,941

B. Investments

Section 59-9-19(f), Mississippi Code of 1972 and the Commission's investment policy authorize the Commission to invest excess funds in obligations of the U.S. Treasury, State of Mississippi, counties, municipalities and school districts of the State of Mississippi and, with certain restrictions, repurchase agreements secured by U.S. Government obligations and certificates of deposit.

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All Commission investments are measured using Levels 1 inputs.

Fair value measurements of the Commission's investments are as follows at September 30, 2017:

	2017	2016
U.S. Government securities and agencies	\$ 6,908,796	\$ 6,926,126

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SEPTEMBER 30, 2017, and 2016

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

Credit Risk

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

As of September 30, 2017, the Commission's investments had the following credit ratings as published by Standard and Poor:

Investment	Credit Rating	2017	2016
U.S. Government securities and agencies	AA+	<u>\$ 6,908,796</u>	<u>\$ 6,926,126</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2017	2016
Port Bienville Industrial Park	\$ 177,310	\$ 236,747
Port Bienville Railroad	480,022	325,413
Stennis International Airport	46,192	24,645
Total	703,524	586,805
Less allowance for doubtful accounts	-	-
Total accounts receivable, net	<u>\$ 703,524</u>	<u>\$ 586,805</u>

In fiscal year 2017 and 2016 the Commission recognized \$17,412 and \$2,861 of bad debt expense, respectively, as a result of tenant non-payment for rent and services.

NOTE 5: NOTE RECEIVABLE

In September 1992, the Commission sold a building in the Stennis International Airport known as the Thermal Building. The sale was structured and recorded as a lease-purchase. Accordingly, a note receivable was established for the full sales price of \$195,000, as amended. In June 2004, the Commission converted this agreement from a lease-purchase to a straight purchase agreement with no change to the payment terms. As of September 30, 2017, and 2016 the note had remaining outstanding balances of \$2,807 and \$27,220 respectively, and was paid in full in October 2017. The outstanding balance at year end is reported as a note receivable, current and non-current on the balance sheets.

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NOTE 6: INVESTMENT IN CAPITAL LEASES

1996 Lease

In 1996, the Commission entered into a lease agreement with a company for land in the Port Bienville Industrial Park. The lease calls for annual payments of \$160,000 beginning January 1, 1999, through January 1, 2018. At the end of the lease term, the company may purchase the land for \$1,000. The transaction has been recorded as a lease-purchase. Accordingly, a note receivable has been established for the value of the land leased of \$924,941. As of September 30, 2017, and 2016 the note had remaining outstanding balances of \$141,309 and \$266,109, respectively.

2008 Lease

On October 17, 2007, the Commission entered into a lease agreement with a company for facilities and property in the Port Bienville Industrial Park. The lease calls for a one-time prepayment of all rent and other fees due during the first eight years of the lease in the amount of \$830,000. Additionally, as consideration for Katrina CDBG (KCDBG) funds through the Mississippi Development Authority (MDA) in the amount of \$1,990,617, the company agreed to invest \$5,000,000 of private capital and create at least 50 new jobs within 5 years of completion of the rehabilitation. The lease term began February 2008. During the eight-year lease term, the company had the option to acquire the buildings and property for an additional \$1. The lease stipulates that if the option is not exercised, the lease term will extend to thirteen years for additional consideration. The transaction was recorded as a lease purchase and accordingly, a note receivable was established for the value of the asset leased of \$830,000 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.

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, 2017, and 2016 the note had remaining outstanding balances of \$59,265 and \$72,859, respectively.

Future Expected Payments

Future expected payments to be received on the outstanding capital leases are as follows at September 30, 2017:

September 30,	Principal	Interest	Total
2018	\$ 155,641	\$ 21,461	\$ 177,102
2019	15,103	1,999	17,102
2020	15,915	1,187	17,102
2021	13,915	343	14,258
Totals	<u>\$ 200,574</u>	<u>\$ 24,990</u>	<u>\$ 225,564</u>

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NOTE 7: DUE FROM OTHER GOVERNMENTS

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

	2017	2016
Federal Emergency Management Association (Mississippi Emergency Management Association) - Hurricane Katrina Projects	\$ 158,713	\$ 1,057,554
Federal Aviation Administration - Airport Projects	383,226	294,108
Mississippi Department of Transportation - Multimodal Projects	873,147	1,135,106
	<u>\$ 1,415,086</u>	<u>\$ 2,486,768</u>

NOTE 8: CAPITAL ASSETS

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

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

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

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

In addition, \$289,551 was invested in a waterline extension at Port Bienville Industrial Park and Port Bienville Railroad purchased two new vehicles and completed several projects adding rail spurs and improving existing rail infrastructure.

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

Expenses incurred on projects in 2017 that were not yet complete as of September 30, 2017 are categorized above as construction in progress. Included in that \$1.8 Million balance are the following:

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

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

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

	Balance September 30, 2015	Additions	Deletions	Transfers	Balance September 30, 2016
Capital assets, not being depreciated:					
Land	\$ 8,379,204	\$ -	\$ -	\$ -	\$ 8,379,204
Construction in progress	1,347,973	4,266,740	(872,695)	(1,453,089)	3,288,929
Total capital assets, not being depreciated	9,727,177	4,266,740	(872,695)	(1,453,089)	11,668,133
Capital assets being depreciated:					
Buildings and improvements	22,333,195	-	-	-	22,333,195
Improvements other than Buildings	77,588,137	555,163	-	-	78,143,300
Machinery and equipment	1,630,804	476,268	-	-	2,107,072
Railroad track and bed	17,169,867	639,441	-	-	17,809,308
Railroad equipment	388,169	-	-	-	388,169
Total capital assets being depreciated	119,110,172	1,670,872	-	-	120,781,044
<u>Less</u> accumulated depreciation for:					
Buildings and improvements	3,970,636	429,508	-	-	4,400,144
Improvements other than buildings	51,797,112	2,852,772	-	-	54,649,884
Machinery and equipment	1,179,107	112,284	-	-	1,291,391
Railroad track and bed	4,901,576	448,798	-	-	5,350,374
Railroad equipment	363,585	-	-	-	363,585
Total accumulated depreciation	62,212,016	3,843,362	-	-	66,055,378
Total capital assets being depreciated, net	56,898,156	(2,172,490)	-	-	54,725,666
Capital assets, net	\$ 66,625,333	\$ 2,094,250	\$ (872,695)	\$ (1,453,089)	\$ 66,393,799

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

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

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

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

Completed projects which have been reclassified from construction in progress to various fixed asset categories in 2016 include completion of three rail project consisting of track rehabilitation, culvert replacements and a bridge upgrade. An aircraft defueling system and aircraft rescue fire-fighting truck were reclassified as improvements and equipment, respectively. Finally, improvements to a leased bulkhead were transferred from construction in progress.

Assets not recorded on financial statements

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

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

NOTE 9: LONG-TERM LIABILITIES

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

For the Year Ended September 30, 2017

	Balance October 1, 2016	Additions	Adjustments	Principal Payments Reductions	Balance September 30, 2017	Amount Due within Twelve
Notes payable	\$ 150,700	\$ -	\$ -	\$ (82,200)	\$ 68,500	\$ 68,500
Compensated absences	206,857	241,256	-	(217,563)	230,550	230,550
Net Pension Liability	3,572,499		(247,820)	-	3,324,679	-
TOTAL	<u>\$ 3,930,056</u>	<u>\$ 241,256</u>	<u>\$ (247,820)</u>	<u>\$ (299,763)</u>	<u>\$ 3,623,729</u>	<u>\$ 299,050</u>

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

For the Year Ended September 30, 2016

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

A. Notes Payable

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

	Original Amt.	Outstanding September 30,	
		2017	2016
Coast Electric Power Association Loan (REA Rural Development) for Technology Building Expansion, issued March 18, 2009, due in 108 monthly installments of \$6,850, including interest at 0%, maturing July 15, 2018.	\$ 740,000	\$ 68,500	\$ 150,700
Total	<u>\$ 740,000</u>	68,500	150,700
Less current portion		(68,500)	(82,200)
Long-term portion		<u>\$ -</u>	<u>\$ 68,500</u>

Principal maturities will be as follows at September 30, 2017:

Year Ending September 30,	Principal	Total Requirements
2018	\$ 68,500	\$ 68,500
Total	<u>\$ 68,500</u>	<u>\$ 68,500</u>

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NOTE 10: LEASE REVENUE (OPERATING LEASES)

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

As of September 30, 2017

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

As of September 30, 2016

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

Future minimum rentals for the more significant non-cancelable leases, not including contingent rentals, are as follows at September 30, 2017:

Year Ending September 30,	Amount
2018	\$ 109,915
2019	109,915
2020	109,915
2021	109,915
2022	109,915
Thereafter	47,407
Total	<u>\$ 596,982</u>

The minimum future rentals for these leases were determined using the rates in effect at September 30, 2017, and also do not consider renewal options which may be available for certain lease contracts. Income under this portion of the leases is not included in future minimum rental amounts. Rental income for fiscal years 2017 and 2016, respectively, received through all leases, including contingent rentals, was \$3,236,527 and \$3,338,629.

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NOTE 11: UNEARNED REVENUE

Unearned revenue consists of the following at September 30, 2017:

	2017	2016
FEMA grants received	\$ 73,560	\$ 73,560
Prepaid rent	564	-
Mississippi Department of Transportation	37,447	-
	<u>\$ 111,571</u>	<u>\$ 73,560</u>

NOTE 12: DEFINED BENEFIT PENSION PLAN

Plan Description

The Commission's employees are provided pensions through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Mississippi's Public Employees' Retirement System's Board of Trustees. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained from its website, www.pers.ms.gov, 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.

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

Contributions

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. For the periods ending September 30, 2017, 2016, and 2015, the Commission's contribution rates were 15.75%, 15.75%, and 15.75% of annual covered payroll, respectively. The Commission's contributions to PERS for the years ended September 30, 2017, 2016, and 2015 were \$196,005, \$177,781, and \$222,991, respectively, and are equal to the required contributions for each year.

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

At September 30, 2017 the Commission recognized \$3,324,679 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 and 2016, the Commission's proportion was 0.018381 percent and 0.019145 percent, respectively.

For the year ended September 30, 2017, the Commission recognized expense of \$411,684 and a decrease in pension liability of \$247,820. 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	\$ 47,765	\$ 24,259
Changes in assumptions	73,895	5,665
Net difference between projected and actual earnings on Plan investments	-	42,686
Commission contributions	41,087	-
Total	<u>\$ 162,747</u>	<u>\$ 72,610</u>

The Commission's contributions subsequent to the measurement date, \$52,959, will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2018	\$ 53,794
2019	46,302
2020	1,302
2021	(64,221)
	<u>\$ 37,177</u>

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017, and 2016

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

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75 percent, net of pension plan investment expense and inflation
Projected salary increases	3.25 - 18.50 percent, including inflation
Inflation	3.00 percent

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

The long-term expected rate of return on investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return %
U.S. Broad	27.00%	4.60%
International equities	18.00%	4.50%
Emerging markets equities	4.00%	4.75%
Global	12.00%	4.75%
Fixed income	18.00%	0.75%
Real estate	10.00%	3.50%
Private equities	8.00%	5.10%
Emerging debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017, and 2016

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

Discount Rate *(Continued...)*

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

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

	Discount Rate	Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$ 4,360,538
Current discount rate	7.75%	\$ 3,324,679
1% increase	8.75%	\$ 2,464,690

NOTE 13: RAILROAD RETIREMENT PLAN

Plan Description

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

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

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

Funding Policy

RRB members are required to contribute 7.65% under Tier I and 4.9% under Tier II of their covered salary, and the Commission is required to contribute 7.65% under Tier I and 13.1% under Tier II as of September 30, 2017 and 2016.

The Commission's contributions to RRB for the years ended September 30, 2017, 2016, and 2015 were \$113,246, \$102,595, and \$103,624, respectively.

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
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NOTE 14: DEFERRED COMPENSATION PLAN

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

NOTE 15: OTHER POST EMPLOYMENT BENEFITS

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

NOTE 16: INDUCEMENT AGREEMENT

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

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

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

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017, and 2016

NOTE 17: PUBLICLY OWNED TREATMENT WORKS (POTW)

POTW I

In June 2000, the Commission and the Hancock County Board of Supervisors entered into an agreement with Wellman concerning the Publicly Owned Treatment Works (POTW I) constructed with Impact Funds from MDA described in Note 17 above to provide for the receiving, measuring, transporting, treating and disposing of wastewater from Wellman. The Commission owns, operates and maintains the POTW I. However, DAK (formerly Wellman) is financially responsible for the cost of operation and maintenance less any fees collected from any additional contracting parties (as applicable) and provides all funds necessary for the repair, maintenance and operation of the POTW I. The agreement shall continue in effect as long as DAK (formerly Wellman), its successors or assigns operates a manufacturing facility on the site. As of September 30, 2017 and 2016 DAK (formerly Wellman) had been billed a total of \$371,189 and \$374,922, respectively, for POTW I costs. The annual credit of \$160,000 has been applied against the POTW I costs billed to DAK (formerly Wellman) resulting in net revenue from the POTW I agreement of \$211,189 and \$214,922 for the years ended September 30, 2017 and 2016, respectively, that is included in charges for services in the statements of revenues, expenses, and changes in net position.

NOTE 18: MISSISSIPPI COAST FOREIGN TRADE ZONE, INC.

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

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

NOTE 19: COMMITMENTS AND CONTINGENCIES

A. Outstanding Construction Commitments

The Commission had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2017, which will be paid from internal funding and grants:

Port Bienville Railroad	\$	998,543
Port Bienville Industrial Park		510,580
Stennis International Airport		140,040
Federal Aviation Administration		304,577
Total	\$	<u>1,953,740</u>

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017, and 2016

NOTE 19: COMMITMENTS AND CONTINGENCIES *(Continued...)*

B. Litigation

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

C. Estoppel and Consent Agreement

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

NOTE 20: RISK MANAGEMENT

A. Risk Management

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

B. Federal Grants

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

NOTE 21: SUBSEQUENT EVENTS

The Commission has evaluated events occurring subsequent to year end through January 24, 2018, which is the date the statements were available to be issued. The following events have been identified:

A. Construction Contracts

Subsequent to year end, the Commission entered into construction contracts totaling \$1,599,498 and accepted capital grant awards totaling \$200,000.

In December 2017 the Commission purchased 1.26 acres of land located along the north and south sides of Interstate 10 and adjacent to Stennis International Airport. The purchase price for this property was \$1.2 million on an appraised value of \$2.52 million. The Commission will recognize contributed capital in 2018 for the difference between the total acquisition cost and the appraised value.

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 FOUR YEARS

	<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%
Commission's proportionate share of the net pension liability	\$3,324,679	\$3,572,499	\$3,091,606	\$2,427,634
Commission's covered employee payroll	\$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 employee payroll	281.95%	291.70%	227.73%	177.86%
Plan fiduciary net position as a percentage of total pension liability	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 FOUR YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 202,074	\$ 201,513	\$ 196,794	\$ 192,481
Contributions in relation to contractually required contribution	<u>185,719</u>	<u>192,896</u>	<u>213,820</u>	<u>214,977</u>
Contribution deficiency (excess)	<u>\$ 16,355</u>	<u>\$ 8,617</u>	<u>\$ (17,026)</u>	<u>\$ (22,496)</u>
Commission's covered employee payroll	<u>\$1,179,168</u>	<u>\$1,224,734</u>	<u>\$1,357,587</u>	<u>\$1,364,933</u>
Contributions as a percentage of covered employee payroll	<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, 2017**

NOTE 1: CHANGES OF ASSUMPTIONS

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using the Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

NOTE 2: CHANGES IN BENEFIT PROVISIONS

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

See independent auditors' report

**HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 3: METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 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	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

See independent auditors' report



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Statistical 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

Table 1

Changes in Fund Net Position

Last Ten Fiscal Years

(Unaudited)

(amounts in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenue										
Sales and Services										
Port Bienville Railroad	\$ 3,535	\$ 4,527	\$ 5,354	\$ 3,715	\$ 4,230	\$ 4,274	\$ 4,117	\$ 4,224	\$ 4,555	\$ 5,120
Port Bienville Industrial Park	908	1,278	1,124	1,033	975	935	883	1,080	1,335	1,129
Stennis International Airport	2,679	1,348	4,555	3,144	1,361	113	161	260	379	450
Rental Income										
Port Bienville Railroad	1,126	1,139	842	904	873	706	768	931	1,399	1,363
Port Bienville Industrial Park	158	228	230	121	215	258	251	253	438	435
Stennis International Airport	497	595	1,391	1,509	1,242	1,265	1,299	1,480	1,501	1,438
Other Operating Revenue	6	8	65	154	623	24	155	5	7	15
Total Operating Revenues	8,909	9,123	13,561	10,580	9,519	7,575	7,634	8,233	9,614	9,950
Non-Operating Revenue										
Interest Revenue	377	283	154	134	118	109	100	94	125	140
Investment Gain	-	-	-	-	-	-	-	-	1	-
Grants and Capital Contributions	1,964	2,531	3,397	3,124	4,200	3,053	1,631	1,229	2,546	2,500
Gain on Disposal of Assets	-	-	2	8	-	-	-	-	-	-
Project Surety Settlement	-	-	-	-	-	-	-	-	1,450	-
Insurance Proceeds	1,119	223	-	-	-	-	-	-	-	-
Debt Forgiveness				970			180			-
Total Non-Operating Revenues	3,460	3,037	3,553	4,236	4,318	3,162	1,911	1,323	4,122	2,640
Total Revenues	\$ 12,369	\$ 12,160	\$ 17,114	\$ 14,816	\$ 13,837	\$ 10,737	\$ 9,545	\$ 9,556	\$ 13,736	\$ 12,590
Operating Expenses										
Port Bienville Railroad										
Personal Services	\$ 954	\$ 998	\$ 999	\$ 891	\$ 852	\$ 1,030	\$ 1,042	\$ 1,145	\$ 1,110	\$ 1,257
Supplies and Materials	205	129	140	159	193	214	180	143	130	183
Other Services and Charges	685	545	524	488	466	563	542	525	493	670
Depreciation and Amortization	403	433	436	405	453	490	509	488	464	547
Loss on Asset Impairment										
Port Bienville Industrial Park										
Personal Services	974	1,042	948	970	1,009	921	990	1,033	885	944
Supplies and Materials	73	74	54	92	77	70	58	58	68	59
Other Services and Charges	1,042	1,113	2,108	1,388	1,101	1,040	926	1,083	718	783
Depreciation and Amortization	2,279	2,308	2,318	2,312	2,360	2,378	2,266	2,261	2,264	2,273
Loss on Asset Impairment										
Stennis International Airport										
Personal Services	764	783	830	1,028	955	816	778	811	894	827
Supplies and Materials	75	52	44	71	44	31	40	19	25	39
Other Services and Charges	3,025	2,038	4,321	3,960	2,039	869	795	838	836	874
Depreciation and Amortization	868	985	1,068	1,020	991	1,039	1,043	1,171	1,116	1,174
Loss on Asset Impairment										
Total Operating Expenses	11,347	10,500	13,790	12,784	10,540	9,461	9,169	9,575	9,003	9,630
Non-Operating Expenses										
Interest Expense	306	241	186	178	108	62	45	15	5	-
Investment Loss	-	-	-	-	-	-	-	-	-	17
Loss on Disposal of Assets	46	-	-	-	324	16	-	109	-	363
Loss on Impairment of Capital Asset	-	-	-	-	-	-	-	-	872	-
Total Non-Operating Expenses	352	241	186	178	432	78	45	124	877	380
Total Expenses	11,699	10,741	13,976	12,962	10,972	9,539	9,214	9,699	9,880	10,010
Change in Fund Net Position	\$ 670	\$ 1,419	\$ 3,138	\$ 1,854	\$ 2,865	\$ 1,198	\$ 331	\$ (143)	\$ 3,856	\$ 2,580

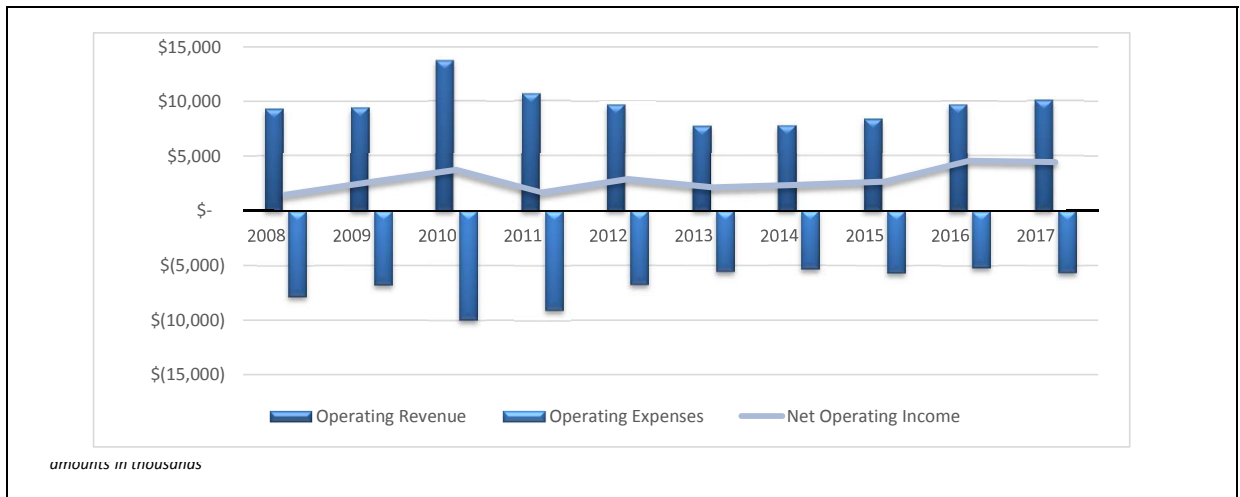
HANCOCK COUNTY PORT AND HARBOR COMMISSION
Net Position by Component
Last Ten Fiscal Years
(amounts in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net investment in capital assets	\$ 58,432	\$ 59,156	\$ 59,721	\$ 60,214	67,460
Restricted	-	-	127	127	-
Unrestricted	9,738	10,232	12,677	14,038	9,784
Total Net Position	68,170	69,388	72,525	74,379	\$ 77,244

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net investment in capital assets	68,529	68,008	65,779	65,387	66,174
Restricted	-	-	-	-	-
Unrestricted	9,914	10,766	10,173	14,421	16,214
Total Net Position	\$ 78,443	\$ 78,774	\$ 75,952	\$ 79,808	\$ 82,388

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

Table 3



Operating expenses as a percentage of operating revenue:

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
83.97%	72.02%	72.68%	84.44%	69.90%	72.28%	69.19%	67.91%	52.98%	53.62%

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

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

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

Table 4

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Commission Usage/Service Fees										
Railroad Junction Settlements	\$ 3,024	\$ 3,936	\$ 4,674	\$ 3,121	\$ 3,480	\$ 3,394	\$ 3,249	\$ 3,124	\$ 3,322	\$ 3,735
Railcar Switching	480	567	595	418	575	689	565	645	820	976
Railcar Repair Services	-	-	19	55	156	139	209	255	203	174
Rail Scale Fees	16	5	3	13	14	17	74	175	191	225
Port Wharfage	51	173	292	223	197	179	133	220	296	104
Port Dockage	32	38	31	60	46	61	59	110	217	291
Port Park Assessment	112	119	122	119	123	121	127	124	139	131
Airport Landing, Tie Down, Ramp Fees	8	10	34	12	11	9	8	10	18	15
Airport Fuel Sales	2,401	1,145	4,274	2,904	1,203	-	-	-	-	-
Airport Fuel Flowage	25	22	67	26	42	48	48	104	167	196
Tenant Utility and Insurance Pass-Through	364	575	327	346	156	131	174	258	236	290
Total Commission Usage/Service Fees	6,513	6,590	10,438	7,297	6,003	4,788	4,646	5,025	5,609	6,137
Percentage of Total Operating Revenue	73.1%	72.2%	77.0%	69.0%	63.1%	63.2%	60.9%	61.0%	58.3%	61.7%
Land and Building Lease, Rental, Use Fees										
Buildings and Land Rent	763	851	1,716	1,691	1,505	1,583	1,611	1,821	2,048	1,965
Railcar Storage	1,018	1,034	747	843	825	646	707	830	1,301	1,255
Total Land and Building Lease, Rental, Use Fees	1,781	1,885	2,463	2,534	2,330	2,229	2,318	2,651	3,349	3,220
Percentage of Total Operating Revenue	20.0%	20.7%	18.2%	23.9%	24.5%	29.4%	30.4%	32.2%	34.8%	32.4%
Tenant Utilities										
Water	61	57	65	61	51	45	44	55	80	72
Sewer	133	122	142	140	101	82	87	106	150	135
Single Tenant POTW I Fees	414	460	389	396	410	406	385	391	419	371
Total Tenant Utilities	608	639	596	597	562	533	516	552	649	578
Percentage of Total Operating Revenue	6.8%	7.0%	4.4%	5.6%	5.9%	7.0%	6.8%	6.7%	6.8%	5.8%
Other Operating Revenues										
Other	6	8	65	154	623	24	155	5	7	15
Total Other Operating Revenue	6	8	65	154	623	24	155	5	7	15
Percentage of Total Operating Revenue	0.1%	0.1%	0.5%	1.5%	6.5%	0.3%	2.0%	0.1%	0.1%	0.2%
Total Operating Revenues	\$ 8,908	\$ 9,122	\$ 13,562	\$ 10,582	\$ 9,518	\$ 7,574	\$ 7,635	\$ 8,233	\$ 9,614	\$ 9,950

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

Table 5

Railroad Junction Settlements					
FYE 2017			FYE 2008		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 2,502,868	67.0%	Wellman, Inc. (now DAK)	\$ 1,790,067	59.2%
SABIC Innovative Plastics, LLC	589,699	15.8%	GE Plastics (now SABIC)	656,921	21.7%
Polychemie	507,201	13.6%	Polychemie	261,613	8.7%
Flint Hills Resources	65,686	1.8%	LA Ash	193,763	6.4%
Jindal Tubular USA LLC	51,206	1.4%	BP Amoco, Inc.	42,266	1.4%
Sunbelt	10,603	0.3%	Calgon	29,472	1.0%
A&R Transport	5,402	0.2%	The Andersons, Inc.	19,344	0.6%
Others	2,022	0.1%	Others	30,530	1.0%
Total	\$ 3,734,687	100.0%	Total	\$ 3,023,976	100.0%

Buildings and Land Rent (excludes Railcar Storage)					
FYE 2017			FYE 2008		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
US Airforce	\$ 582,589	29.7%	Pegasus International	\$ 152,100	19.9%
Tyonek Services Group, Inc. (formerly Selex Galileo, Inc.)	205,881	10.5%	US Corp of Engineers	124,836	16.3%
US Coast Guard PSU 308	138,177	7.0%	The Andersons	108,000	14.1%
US Corps of Engineers	123,463	6.3%	PSL, NA (now Jindal Tubular)	88,126	11.5%
Optech, Inc.	122,088	6.2%	Optech, Inc.	69,188	9.1%
The Andersons	108,000	5.5%	Selex Galileo, Inc.	50,700	6.6%
Freeman Holdings of MS	97,796	5.0%	US Coast Guard	39,500	5.2%
Miscellaneous	586,676	29.9%	Miscellaneous	131,303	17.2%
Total	\$ 1,964,670	100.0%	Total	\$ 763,753	100.0%

Railcar Storage (track rental)					
FYE 2017			FYE 2008		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
SABIC Innovative Plastics, LLC	\$ 609,006	48.5%	Wellman, Inc. (now DAK)	\$ 437,414	43.0%
DAK Americas Mississippi, Inc.	423,080	33.7%	GE Plastics (now SABIC)	475,156	46.7%
Viper Railcar	130,564	10.4%	Polychemie	60,890	6.0%
Polychemie	56,890	4.5%	The Andersons, Inc.	37,370	3.7%
Sunbelt Innovative Plastics	16,667	1.3%	LA Ash	5,080	0.5%
Others	18,651	1.5%	BP Amoco, Inc.	1,860	0.2%
Total	\$ 1,254,857	100.0%	Total	\$ 1,017,770	100.0%

Railcar Switching					
FYE 2017			FYE 2008		
Customer	Revenue	Percentage of Total	Customer	Revenue	Percentage of Total
DAK Americas Mississippi, Inc.	\$ 511,175	52.4%	GE Plastics (now SABIC)	\$ 263,749	55.0%
SABIC Innovative Plastics, LLC	250,189	25.6%	Wellman, Inc. (now DAK)	142,746	29.8%
Polychemie	133,725	13.7%	Polychemie	46,125	9.6%
The Andersons, Inc.	29,130	3.0%	The Andersons, Inc.	23,500	4.9%
Goodnight Terminal Services,	18,400	1.9%	BP Amoco, Inc.	3,155	0.7%
DAK America, LLC	16,125	1.7%	LA Ash	525	0.1%
Viper Railcar	16,125	1.7%			
Others	1,000	0.1%			
Total	\$ 975,869	100.0%	Total	\$ 479,800	100.0%

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

Table 6

2017			Percentage of
Customer			Total
DAK Americas Mississippi, Inc.	\$ 3,928,655		39.5%
SABIC Innovative Plastics, LLC	1,785,298		17.9%
Polychemie	727,941		7.3%
United States of America Air Force	582,589		5.9%
Freeman Holdings of Mississippi	366,909		3.7%
Tyonek Services Group, Inc. (formerly Selex Galileo, Inc.)	263,630		2.6%
Devall Commercial Barge Line, LLC	200,000		2.0%
U.S. Corps of Engineers	197,715		2.0%
Jindal Tubular USA LLC	184,103		1.9%
Viper Railcar Storage	168,945		1.7%
The Andersons, Inc.	163,506		1.6%
Optech, Inc.	139,463		1.4%
U.S. Coast Guard PSU 308	138,177		1.4%
Flint Hills Resources, LP	132,925		1.3%
Others	970,435		9.8%
TOTAL REVENUE 2015	\$ 9,950,291		100.0%

2008			Percentage of
Customer	Revenue		Total
Wellman, Inc. (now DAK Americas)	\$ 3,022,318		33.9%
G.E. Plastics Company (now SABIC)	1,537,150		17.3%
Rolls Royce North America, Inc.	966,852		10.9%
DESC / DFAS	680,873		7.6%
Polychemie	379,579		4.3%
The Andersons, Inc.	295,617		3.3%
Pegasus International Group, Inc.	205,128		2.3%
LA Ash	200,568		2.3%
SSA, Gulf	143,643		1.6%
PSL, NA	138,778		1.6%
U.S. Corps of Engineers	124,836		1.4%
Optech, Inc.	94,128		1.1%
U.S. Coast Guard	82,558		0.9%
Calgon Carbon Corporation	80,444		0.9%
Others	955,897		10.7%
TOTAL REVENUE 2007	\$ 8,908,369		100.0%

HANCOCK COUNTY PORT AND HARBOR COMMISSION										Table 7
REVENUE RATES (as published)										
Last Ten Fiscal Years										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Stennis International Airport & Effective Date of Change	6/1/2009				8/6/2012	8/1/2013	4/1/2015			
Fuel Flowage Fee (per gallon)										
Av Gas	0.07	0.07	0.07	0.07	0.14	0.14	0.14	0.14	0.14	0.14
Jet A	0.07	0.07	0.07	0.07	0.14	0.14	0.14	0.14	0.14	0.14
Department of Defense	0.07	0.07	0.07	0.07	0.07	0.07	0.07	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
Hangar Office	3.50	3.50	3.50	3.50	6.75	6.75	6.75			
Hangar with Fire Suppression								2.75	2.75	2.75
Hangar without Fire Suppression								2.00	2.00	2.00
Hangar Deck	1.80	1.80	1.80	1.80	1.80	1.80	1.80			
Hangar Storage								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	220.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00
End Storage Units (small)	75.00	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
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	1.32	1.32	1.40	1.40	1.40
Hazardous Cargo	2.69	2.69	2.69	2.69	2.69	2.69	2.69	4.00	4.00	4.00
Bulk Commodities	0.60	0.60	0.60	0.60	0.60	0.60	0.60	1.00	1.00	1.00
USDA (bagged commodities)	0.60	0.60	0.60	0.60	0.60	0.60	0.60	1.00	1.00	1.00
Forest Products	0.35	0.35	0.35	0.35	0.35	0.35	0.35	1.00	1.00	1.00
Iron and/or Steel Articles	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50
Fabricated Steel	1.25	1.25	1.25	1.25	1.25	1.25	1.25	2.50	2.50	2.50
Dockage (per linear foot per day)										
1st 48 hours	0.72	0.72	0.72	0.72	0.72	0.72	0.72	1.00	1.00	1.00
each day thereafter	0.36	0.36	0.36	0.36	0.36	0.36	0.36	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	50.00	50.00			
Water first 8,000 gallons								75.00	75.00	75.00
each 1,000 gallons thereafter	0.80	0.80	0.80	0.80	0.80	0.80	0.80	1.00	1.00	1.00
Sewer first 12,000 gallons	100.00	100.00	100.00	100.00	100.00	100.00	100.00			
Sewer first 8,000								150.00	150.00	150.00
each 1,000 gallons thereafter	1.60	1.60	1.60	1.60	1.60	1.60	1.60	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	75.00	75.00	125.00	125.00	125.00
Intra-Terminal	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Railcar Storage (each car per day)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Weighing (each car)	350.00	350.00	350.00	350.00	350.00	350.00	350.00	150.00	150.00	150.00
Note 1: only those rates most significant to the financial statements are presented										
Note 2: Published rates and charges are applied absent negotiated rates										

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

Table 8

Fiscal Year End	General Obligation Bond Issues	Notes and Capital Leases Payable	Total Debt	As a Percentage of Total Assets	Per Capita
2008	\$ 3,850,000	\$ 4,836,778	\$ 8,686,778	10.68%	\$ 203.13
2009	\$ 2,457,500	\$ 5,340,265	\$ 7,797,765	9.61%	\$ 179.38
2010	\$ 2,400,000	\$ 5,213,699	\$ 7,613,699	9.16%	\$ 172.64
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

(a) (b)

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

(a) population for year ended 2017 is estimated based upon prior years growth

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

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

Table 9

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Principal	Debt Service Interest	Total	Coverage Ratio
2008	\$ 9,286	\$ 7,797	\$ 1,489	\$ 1,438	\$ 308	\$ 1,746	0.85
2009	\$ 9,406	\$ 6,774	\$ 2,632	\$ 1,472	\$ 252	\$ 1,724	1.53
2010	\$ 13,715	\$ 9,968	\$ 3,747	\$ 1,332	\$ 205	\$ 1,537	2.44
2011	\$ 10,714	\$ 9,047	\$ 1,667	\$ 1,387	\$ 179	\$ 1,566	1.06
2012	\$ 9,637	\$ 6,736	\$ 2,901	\$ 1,784	\$ 123	\$ 1,907	1.52
2013	\$ 7,684	\$ 5,554	\$ 2,130	\$ 791	\$ 68	\$ 859	2.48
2014	\$ 7,734	\$ 5,351	\$ 2,383	\$ 1,587	\$ 51	\$ 1,638	1.45
2015	\$ 8,327	\$ 5,655	\$ 2,672	\$ 447	\$ 16	\$ 463	5.77
2016	\$ 9,740	\$ 5,160	\$ 4,580	\$ 462	\$ 6	\$ 468	9.79
2017	\$ 10,090	\$ 5,418	\$ 4,672	\$ 82	\$ -	\$ 82	56.98

(a)

(a)

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

HANCOCK COUNTY, MISSISSIPPI
Demographic and Economic Statistics
Last Ten Years

Table 10

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

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

Sources:

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

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

Table 11

NAICS	Description	2017 Jobs	Percentage of Total
901199	Federal Government, Civilian, Excluding Postal Service	1,933	12.6%
903611	Elementary and Secondary Schools (Local Government)	844	5.5%
903999	Local Government, Excluding Education and Hospitals	838	5.5%
901200	Federal Government, Military	757	4.9%
721120	Casino Hotels	688	4.5%
561210	Facilities Support Services	677	4.4%
722511	Full-Service Restaurants	501	3.3%
722513	Limited-Service Restaurants	483	3.2%
541512	Computer Systems Design Services	395	2.6%
452311	Warehouse Clubs and Supercenters	383	2.5%
713210	Casino (except Casino Hotels)	306	2.0%
	All Remaining Industries	7,528	49.1%
	Total Employed	15,333	100%

NAICS	Description	2008 Jobs	Percentage of Total
901199	Federal Government, Civilian, Excluding Postal Service	1,805	11.1%
903611	Elementary and Secondary Schools (Local Government)	862	5.3%
561210	Facilities Support Services	806	5.0%
721120	Casino Hotels	754	4.6%
901200	Federal Government, Military	746	4.6%
903999	Local Government, Excluding Education and Hospitals	721	4.4%
713210	Casinos (except Casino Hotels)	661	4.1%
452311	Warehouse Clubs and Supercenters	423	2.6%
722511	Limited-Service Restaurants	396	2.4%
722511	Full-Service Restaurants	387	2.4%
541330	Engineering Services	347	2.1%
903622	Hospitals (Local Government)	331	2.0%
	All Remaining Industries	7,997	49.3%
	Total Employed	16,236	100.0%

HANCOCK COUNTY PORT AND HARBOR COMMISSION
STAFFING BY DIVISION/DEPARTMENT
Last Ten Years

Table 12

	<u>2008¹</u>	<u>2009¹</u>	<u>2010¹</u>	<u>2011¹</u>	<u>2012¹</u>	<u>2013¹</u>	<u>2014¹</u>	<u>2015²</u>	<u>2016²</u>	<u>2017²</u>
Executive Director	1	1	1	1	1	1	1	1	1	1
General Administration	3	3	3	3	3	3	1.5	1	2	2.5
Economic Development	3	3	2	2	2	2	2.5	2	3	3
Finance and Accounting	6	6	6	6	5	5	4	4	4	3
Railroad	11	11	10	8	8	9	10	9	11	12
Port	7	7	8	8	7	7	7	6	4.5	4
Port Security (outsourced in 2008)	1	1	1	1	1	1	1	0	0	0
Airport	8.5	8.5	9	10	7	7	7	6	5.5	3.5
	40.5	40.5	40	39	34	35	34	29	31	29

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

² Note: presented as of report publication

HANCOCK COUNTY PORT AND HARBOR COMMISSION

Table 13

INSURANCE COVERAGE

As of September 30, 2017

(unaudited)

		Limits of Coverage
Workers' Compensation & Employers' Liability		
<i>Employee Benefits</i>		Statutory
<i>Employers' Liability</i>	\$	1,000,000
Railroad Workers' Accidental Death & Dismemberment	\$	1,000,000
General Liability		
<i>General/Products/Completed Operations Aggregate</i>	\$	3,000,000
<i>Crime Coverage</i>	\$	1,000,000
<i>Automobile</i>	\$	1,000,000
<i>Umbrella</i>	\$	1,000,000
<i>Public Officials & Employment Practices</i>	\$	5,000,000
<i>Employee Benefits Liability Aggregate</i>	\$	2,000,000
<i>Employers Liability</i>	\$	1,000,000
Airport Liability & Hangarkeepers	\$	1,000,000
Railroad Liability	\$	4,000,000
Pollution Liability	\$	5,000,000
Property Coverages		
<i>Total Maximum Limit</i>	\$	42,430,988
	<u>Sublimits</u>	<u>Amount</u>
<i>Named Storm max per occurrence</i>	\$	32,126,527
<i>Wind/Hail</i>	\$	32,126,527
<i>Buildings</i>	\$	37,194,884
<i>Personal Property</i>	\$	1,598,292
<i>Inland Marine (Rolling Stock/Equipment)</i>	\$	3,637,812
National Flood		
<i>Flood - Buildings</i>	\$	8,322,800
<i>Flood - Contents</i>	\$	1,765,500
Equipment Floater	\$	1,508,000
Auto Physical Damage	\$	434,466



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***

January 24, 2018

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the component unit financial statements of the business-type activities of Hancock County Port and Harbor Commission (a component unit of Hancock County, Mississippi), as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2018.

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*.

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.

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Certified Public Accountants

Gulfport, Mississippi



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Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

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

January 24, 2018

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

Report on Compliance for Each Major Federal Program

We have audited Hancock County Port and Harbor Commission's (a component unit of Hancock County, Mississippi) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hancock County Port and Harbor Commission's major federal program for the year ended September 30, 2017. Hancock County Port and Harbor Commission's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Hancock County Port and Harbor Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

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

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

HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Identifying Number	Federal Expenditures
<i>U.S. Department of Commerce</i>			
Economic Development Technical Assistance	11.303	EDA16ATL3030025	\$ 49,250
<i>Total U.S. Department of Commerce</i>			
<i>U.S. Department of Transportation</i>			
<i>Federal Highway Administration</i>			
US DOT # 911-747T	20.215	US DOT # 911-747T	15,813
US DOT # 911-748A	20.215	US DOT # 911-748A	15,814
<i>Total Federal Highway Administration</i>			<u>31,627</u>
<i>Federal Aviation Administration</i>			
Airport Improvement Program -2016	20.106	3-28-0005-028-2016	935,970
Airport Improvement Program -2017	20.106	3-28-0005-027-2017	167,037
<i>Total Federal Aviation Administration</i>			<u>1,103,007</u>
<i>Total U. S. Department of Transportation</i>			<u>1,134,634</u>
 Total Federal Financial Assistance Programs			<u><u>\$ 1,183,884</u></u>

See accompanying notes to the schedule.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Hancock County Port and Harbor Commission (Commission) under programs of the federal government for the year ended September 30, 2017 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hancock County Port and Harbor Commission.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**HANCOCK COUNTY PORT AND HARBOR COMMISSION
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

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

CFDA Number
20.106

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

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

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings

None reported.