

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2021 AND 2020**



**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
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**INTRODUCTORY SECTION**

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**

**LIST OF OFFICIALS  
As of September 30, 2021**

**BOARD OF COMMISSIONERS**

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Derek Necaise	President
Paula Jordan	Vice-President
Michael Bennett	Secretary
Robert Martin	Treasurer
Robert Swanson	Commissioner
Michael Casano	Commissioner
David Holman	Commissioner
Aline Ward	Commissioner

**EXECUTIVE DIRECTOR**

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William Cotter

**COMPTROLLER**

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Tonya Ladner

## **INDEPENDENT AUDITORS' REPORT**



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC

Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC

Wealth Management

## INDEPENDENT AUDITORS' REPORT

February 9, 2022

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the comparative financial statements of the Hancock County Port and Harbor Commission (the Commission), a component unit of Hancock County, Mississippi, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hancock County Port and Harbor Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

The Commission's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtained an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, schedule of the Commission's proportionate share of net pension liability on page 30 and schedule of Commission's pension contributions on page 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Supplementary 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 list of officials, schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Commissioners  
Hancock County Port and Harbor Commission

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 list of officials has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022 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 the effectiveness of 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*

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



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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, 2021 AND 2020

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, 2021 and 2020, with selected comparisons to the prior fiscal year ended September 30, 2019.

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

### FINANCIAL HIGHLIGHTS

- The Commission recognized net income from operations in the current fiscal year of \$1,646,691. The significant attributable contributions are further discussed below.
- The Commission's operating revenue decreased 2% over fiscal year 2020 while operating expenses decreased 11%. Net position increased 16% during 2021.
- Assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$107,905,610 (reported as "net position"). Of this \$19,026,277 is unrestricted and may be used to meet ongoing financial obligations. The balance of \$88,879,333 is invested in capital assets. Additions to capital assets are further discussed below.

### FINANCIAL STATEMENT OVERVIEW

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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 on September 30, 2021 and 2020 with comparative amounts for September 30, 2019 is as follows:

**Condensed Statement of Net Position  
Changes in Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets and Deferred Outflow of Resources</b>			
Current and other assets	\$24,051,699	\$24,721,432	\$20,680,112
Capital assets, net	91,308,711	76,602,591	75,700,679
<b>Total assets</b>	<b>115,360,410</b>	<b>101,324,023</b>	<b>96,380,791</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows for pensions	337,463	277,768	82,423
<b>Liabilities, Deferred Inflow of Resources and Net Position</b>			
Current and other liabilities	3,735,457	4,868,142	1,393,607
Long-term Net Pension Liability	2,956,087	3,871,768	3,518,409
Long-term liabilities	185,412	185,412	185,412
<b>Total liabilities</b>	<b>6,876,956</b>	<b>8,925,322</b>	<b>5,097,428</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows for pensions	915,307	32,213	68,563
<b>Net Position</b>			
Net investment in capital assets	88,879,333	75,232,561	74,795,931
Unrestricted	19,026,277	17,411,695	16,501,292
<b>Total net position</b>	<b>\$107,905,610</b>	<b>\$ 92,644,256</b>	<b>\$ 91,297,223</b>

**The Year Ended September 30, 2021**

The Commission's net position increased 16% (\$107,905,610 as compared with \$92,644,256) at fiscal yearend

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

2021. This increase is attributed to an \$8.9 million donated asset from Hancock County. Current assets decreased by 2% as cash and cash equivalents decreased by 7%. Payables decreased by 23% resulting in an overall increase in Net Position of 16%.

The increase in capital assets in 2021 reflects real property additions, completed construction projects, and work in process to be completed at a future date. These include land, land development costs, buildings, maritime infrastructure, rail and major lifespan improvements, all of which is reflected in capital assets at cost and except for land, land development costs, and work in process, these capitalized dollars are expensed through depreciation over the estimated useful lives of those assets. (Refer to Note 6, Capital Assets, in the accompanying notes to the financial statements for a more complete description.)

The net addition to fixed assets (before depreciation and including work in progress) during 2021 of \$14,706,120 is comprised of the following:

- Acquisition of a hangar at the airport
- Continued site development at the airport;
- Roadway improvements within Port Bienville;
- Dock construction and improvements at Port Bienville;
- Drainage improvements at a leased warehouse in Port Bienville;
- Dredging and mooring dolphins;
- Purchase of a new truck for use at the railroad;
- Replacement of the ATCT HVAC system;
- 2 new aircraft hangars approximating 35,000 square feet of space under roof;
- Construction of a 5 bay hangar;
- Aircraft aprons;
- Fuel farm improvements at the airport and port;
- Runway centerline rehabilitation;
- Rock and timber replacement maintenance at the railroad;
- Installation of automated switch machines and controls at Lowerbay Switch Yard;
- Tail track rail upgrades and Crossing improvements at the railroad;
- Improvements to Runway Airfield lighting;
- Apron expansions and taxiway improvements;
- Transfer of Linea dock from Hancock County.

**The Year Ended September 30, 2020**

The Commission's net position increased 1% (\$92,644,256 as compared with \$91,297,223) at fiscal yearend 2020. This increase is attributed to an increase in Land and construction in progress of \$4,393,732 over the prior fiscal year. Current assets increased by 20% as cash and cash equivalents increased significantly due to a prepaid thirty-year lease with tenant, Pearl River Community College. Payables related to construction in progress increased at year end by \$486,262, and all other payables also increased; the net effect of which resulted an increase in current liabilities of 249%.

The increase in capital assets in 2020 reflects real property additions, completed construction projects, and work in process to be completed at a future date. These include land, land development costs, buildings, maritime infrastructure, rail and major lifespan improvements, all of which is reflected in capital assets at cost and except for land, land development costs, and work in process, these capitalized dollars are expensed through depreciation over the estimated useful lives of those assets. (Refer to Note 6, Capital Assets, of the accompanying notes to the financial statements for a more complete description.)

The net addition to fixed assets (before depreciation and including work in progress) during 2020 of \$5,571,350 is comprised of the following:

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

- Acquisition of 557 acres just North of Port Bienville Industrial Park boundaries;
- Roadway improvements within Port Bienville;
- Roof improvements to a leased warehouse within Port Bienville;
- Purchase of a Port Security Vessel;
- Dredging and mooring dolphins;
- Restoration of the Public Dock at Port Bienville
- Purchase of two new trucks for use at the Airport and Industrial Park;
- Purchase of an airplane;
- Improved airfield lighting and wayfinding;
- Replacement of the ATCT HVAC system;
- 2 new aircraft hangars approximating 35,000 square feet of space under roof;
- Aircraft aprons;
- Taxiway rehabilitation;
- Repair to existing track roadbed at the entrance of the Lowerbay yard;
- Installation of automated switch machines and controls at Lowerbay switch yard;
- Rail Crossing improvements at both north and south crossings on Lowerbay Road.

**The Year Ended September 30, 2019**

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

The increase in capital assets in 2019 reflects real property additions, completed construction projects, and work in process to be completed at a future date. These include land, land development costs, buildings, maritime infrastructure, rail and major lifespan improvements, all of which is reflected in capital assets at cost and except for land, land development costs, and work in process, these capitalized dollars are expensed through depreciation over the estimated useful lives of those assets. (Refer to Note 6, Capital Assets, in the accompanying notes to the financial statements for a more complete description.)

The net addition to fixed assets (before depreciation and including work in progress) during 2019 of \$4,576,859 is comprised of the following:

- Acquisition of 748 acres just North of Port Bienville Industrial Park boundaries;
- Roadway improvements within Port Bienville;
- Infrastructure improvements to an unimproved site to include bulkhead, docking, rail and transload sites;
- Dredging of Port Bienville , East Pearl and Little Lake, LA, and mooring dolphins;
- At Stennis International Airport new safety equipment was installed in the air traffic control tower including backup support systems;
- Improved airfield lighting and wayfinding;
- Replacement of the terminal building's entire HVAC system;
- 2 new aircraft hangars approximating 35,000 square feet of space under roof;
- Aircraft aprons;
- A multi-user airstrip parallel to the existing runway;
- Purchased 3 refurbished locomotives;
- Additional rail sidings were constructed;
- Culverts under existing rail bed were replaced;

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

- Rock and timbers were replaced along a small section of existing rail line;
- A utility gator was purchased;
- Expansion of office spaces allowed for consolidation of port and rail staff into a single improved facility.

The 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, 2021 and 2020 with comparative amounts for September 30, 2019 is as follows:

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>			
Charges for sales and services	\$ 7,985,576	\$ 8,115,463	\$ 6,929,216
Rental income	3,998,004	4,102,496	3,344,257
Other	26,043	1,572	-
<b>Total Operating Revenues</b>	<b>12,009,623</b>	<b>12,219,531</b>	<b>10,273,473</b>
<b>Operating Expenses</b>			
Port Bienville Short Line Railroad	2,436,889	2,649,049	2,393,650
Port Bienville Industrial Park	2,250,682	3,577,641	1,774,924
Stennis International Airport	2,360,115	2,105,749	1,892,394
<b>Total operating expenses</b>	<b>7,047,686</b>	<b>8,332,439</b>	<b>6,060,968</b>
Operating income before Depreciation	4,961,937	3,887,092	4,212,505
Depreciation Expense	3,315,246	3,247,385	3,113,604
<b>Operating Income (Loss) after Depreciation</b>	<b>1,646,691</b>	<b>639,707</b>	<b>1,098,901</b>
<b>Nonoperating Revenues/Expenses</b>			
Interest revenue	14,151	192,194	315,869
Grant revenue	-	69,000	-
County Allocation	-	1,000,000	-
Investment gain (loss)	-	-	28,341
Loss on disposal of capital assets	9,000	(3,135,586)	-
<b>Total nonoperating revenues (expenses)</b>	<b>23,151</b>	<b>(1,874,392)</b>	<b>344,210</b>
<b>Net Income before Capital Contributions</b>	<b>1,669,842</b>	<b>(1,234,685)</b>	<b>1,443,111</b>
Capital contributions	13,591,512	2,581,718	1,242,408
<b>Increase (Decrease) in Net Position</b>	<b>15,261,354</b>	<b>1,347,033</b>	<b>2,685,519</b>
<b>Total Net Position - Beginning</b>	<b>92,644,256</b>	<b>91,297,223</b>	<b>88,611,704</b>
<b>Total Net Position - Ending</b>	<b>\$ 107,905,610</b>	<b>\$ 92,644,256</b>	<b>\$ 91,297,223</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

**The Year Ended September 30, 2021**

FYE 2021 revenue was decreased overall by 2% seeing rail operations and rentals decreasing 7%, Industrial Park operations and rents decreasing by 28% and Stennis International Airport's operations and rents increasing by 48%. Stennis International Airport realized a 44% increase in operations as helicopter operations out of Louisiana following Hurricane Ida briefly relocated to Stennis. The airport also saw a 4% increase in rental revenue as lease rate escalations in certain lease agreements became effective. Port Bienville Industrial Park recognized large declines in wharfage and dockage and demurrage due to the completion of a large contract at one of our leased properties, but a 12% increase in rents as escalations in certain leases became effective.

Operating expenses decreased by 11%. Contributing factors included the following:

- A decrease in total personnel costs of \$332,578 as the CEO position saw a decrease in salary and Airport ARFF staff was reduced.
- Decreased travel expenses due to COVID-19.
- A significant decrease in car hire expenses related to tenant use of system owned cars.
- Utilities saw an overall decrease due to the transfer of the Public Works Treatment Plant to Hancock County.

**The Year Ended September 30, 2020**

FYE 2020 revenue improved with Contract Track Lease revenue, Storage Track Lease revenue, and Demurrage revenue at Port Bienville Railroad increasing 100%, 11%, and 9100% respectively as Rail Tariffs increased and tenants entered into new contract storage agreements. Stennis International Airport realized a 3% increase in rental revenue as lease rate escalations in certain lease agreements became effective. Port Bienville Industrial Park recognized small declines in wharfage and dockage and demurrage, but a 34% increase in rents as escalations in certain leases became effective.

Operating expenses increased by 26%. Contributing factors included the following:

- An increase in total personnel costs of \$236,861 as staff positions were filled and CEO salary increased.
- Increased expenses for maintaining owned locomotives.
- A significant increase in Car hire expenses related to tenant use of system owned cars.
- Dredging the Port Bienville canals at a cost of \$2.1 million.

**The Year Ended September 30, 2019**

FYE 2019 revenue improved with wharfage revenue at Port Bienville Industrial Park increasing 67% as port tenant, Jindal Tubular, secured contracts for pipe manufacturing, moving raw product and most finished products through the port via barge. Stennis International Airport realized a 22% increase in revenue as general aviation and military traffic picked up and lease rate escalations in certain lease agreements became effective. Port Bienville Railroad recognized small declines in junction settlements, switching fees, railcar agent repair fees declined.

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

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

**ECONOMIC FACTORS AND FISCAL YEAR ENDING SEPTEMBER 30, 2022 BUDGET**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

The Commission's management considered a variety of factors when setting the Fiscal Year 2022 operating and capital budgets.

While our categories of implementing objectives will always align with three distinct areas – Asset Development and Building Capacity for Growth, Operations and Maintenance Excellence, and Economic Development and Communications – the Commission also placed emphasis in the coming years on three distinct sub objectives:

- Major capital initiatives focusing investment and marketing efforts toward rail activity in Port Bienville Industrial Park by adding a rail-to-truck intermodal facility and increasing rail storage capacity.
- Airport strategies to develop Mississippi's first spaceport in support of Governor Phil Bryant's new "Spaceport Initiative" announced in July of 2019 and including a new horizontal launch runway that also supports military assault landing exercises and general aviation traffic. The airport will continue to support maintenance, repair and overhaul operations with new hangar space. To support technology transfer and development, a 40-acre business park will be built in multiple phases.
- Major capital initiatives focusing investment and marketing efforts toward maritime by adding barge to rail facilities and increasing barge activity at our newly rehabilitated docks.

Both the 2022 Operational Budget and the Capital Improvement Plan Budget elements have been workshopped with the Commission and presented in multiple public forums. We are excited about the future and the rare opportunity to leverage a sound financial position into future jobs, tax base and revenue for the benefit of Hancock County, the State of Mississippi, and the broader coastal region.

**REQUEST FOR INFORMATION**

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



## **FINANCIAL SECTION**

## **FINANCIAL STATEMENTS**

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2021 AND 2020**

**ASSETS AND DEFERRED OUTFLOW OF RESOURCES**

	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 19,211,175	\$ 20,631,878
Restricted cash and cash equivalents	658,317	393,225
Accounts receivable, net	801,496	1,165,458
Due from other governments	2,940,443	2,202,111
Prepaid expenses	422,944	307,171
Inventories	17,324	21,589
Total current assets	<b>24,051,699</b>	<b>24,721,432</b>
<b>NONCURRENT ASSETS</b>		
Capital assets:		
Land and construction in progress	17,961,058	17,864,663
Other capital assets, net of accumulated depreciation	73,347,653	58,737,928
Total capital assets	<b>91,308,711</b>	<b>76,602,591</b>
Total noncurrent assets	<b>91,308,711</b>	<b>76,602,591</b>
Total assets	<b>115,360,410</b>	<b>101,324,023</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows for pensions	<b>337,463</b>	<b>277,768</b>

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

	<u>2021</u>	<u>2020</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,428,444	\$ 3,968,600
Retainage payable	344,867	367,412
Unearned revenue	553,219	296,961
Customer deposits	105,098	96,264
Accrued salaries	70,319	58,911
Compensated absences payable	<u>233,510</u>	<u>79,994</u>
Total current liabilities	<u>3,735,457</u>	<u>4,868,142</u>
<b>NONCURRENT LIABILITIES</b>		
Comp absences, net of current liability	185,412	185,412
Net pension liability	<u>2,956,087</u>	<u>3,871,768</u>
Total noncurrent liabilities	<u>3,141,499</u>	<u>4,057,180</u>
Total liabilities	<u>6,876,956</u>	<u>8,925,322</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows for pensions	<u>915,307</u>	<u>32,213</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	88,879,333	75,232,561
Unrestricted	<u>19,026,277</u>	<u>17,411,695</u>
<b>TOTAL NET POSITION</b>	<u>\$ 107,905,610</u>	<u>\$ 92,644,256</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 REVENUES, EXPENSES AND**  
**CHANGE IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Charges for sales and services		
Port Bienville Shortline Railroad	\$ 6,471,759	\$ 6,260,919
Port Bienville Industrial Park	831,453	1,379,231
Stennis International Airport	<u>682,364</u>	<u>475,313</u>
Total charges for sales and services	<u>7,985,576</u>	<u>8,115,463</u>
Rental income		
Port Bienville Shortline Railroad	1,886,883	2,108,179
Port Bienville Industrial Park	451,866	403,917
Stennis International Airport	<u>1,659,255</u>	<u>1,590,400</u>
Total rental income	<u>3,998,004</u>	<u>4,102,496</u>
Other	<u>26,043</u>	<u>1,572</u>
Total operating revenues	<u>12,009,623</u>	<u>12,219,531</u>
<b>OPERATING EXPENSES</b>		
Port Bienville Shortline Railroad		
Personnel services	1,514,006	1,735,979
Supplies and materials	227,678	191,230
Other services and charges	695,205	721,840
Depreciation and amortization	<u>864,333</u>	<u>836,426</u>
Total Port Bienville Shortline Railroad	<u>3,301,222</u>	<u>3,485,475</u>
Port Bienville Industrial Park		
Personnel services	720,284	673,595
Supplies and materials	57,360	47,480
Other services and charges	1,473,038	2,856,566
Depreciation and amortization	<u>568,333</u>	<u>650,045</u>
Total Port Bienville Industrial Park	<u>2,819,015</u>	<u>4,227,686</u>
Stennis International Airport		
Personnel services	640,496	797,790
Supplies and materials	107,785	111,684
Other services and charges	1,611,834	1,196,275
Depreciation and amortization	<u>1,882,580</u>	<u>1,760,914</u>
Total Stennis International Airport	<u>4,242,695</u>	<u>3,866,663</u>
Total operating expenses	<u>10,362,932</u>	<u>11,579,824</u>
<b>INCOME FROM OPERATIONS</b>	<u>1,646,691</u>	<u>639,707</u>

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGE IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	14,151	192,194
Grant revenue - federal	-	69,000
County allocation	-	1,000,000
Gain (loss) on sale of capital assets	9,000	(3,135,586)
Total nonoperating revenues (expenses)	<u>23,151</u>	<u>(1,874,392)</u>
<b>NET INCOME (LOSS)</b>		
<b>BEFORE CONTRIBUTIONS</b>	<u>1,669,842</u>	<u>(1,234,685)</u>
Capital contributions - federal	3,846,824	1,497,801
Capital contributions - state	835,415	1,083,917
Capital contributions - county	8,909,273	-
Total capital contributions	<u>13,591,512</u>	<u>2,581,718</u>
<b>CHANGE IN NET POSITION</b>	<b>15,261,354</b>	<b>1,347,033</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<u>92,644,256</u>	<u>91,297,223</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><b>\$ 107,905,610</b></u>	<u><b>\$ 92,644,256</b></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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 12,612,634	\$ 12,239,474
Cash payments for goods and services	(5,943,413)	(2,202,973)
Cash payments for employee services	(2,802,145)	(3,116,747)
Other income	26,043	1,572
Net cash provided by operating activities	<u>3,893,119</u>	<u>6,921,326</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Cash received from other governments	<u>1,000,000</u>	69,000
Net cash provided by noncapital financing activities	<u>1,000,000</u>	<u>69,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal received on notes/leases	-	29,830
Proceeds from capital grants	2,943,907	1,842,046
Acquisition and construction of capital assets	(9,015,788)	(6,922,151)
Proceeds from sale of assets	9,000	5,950
Net cash used in capital and related financing activities	<u>(6,062,881)</u>	<u>(5,044,325)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of investments	-	1,675,000
Interest received	14,152	192,195
Net cash provided by investing activities	<u>14,152</u>	<u>1,867,195</u>
Net increase (decrease) in cash and cash equivalents	(1,155,610)	3,813,196
Cash and cash equivalents:		
Beginning of year	<u>21,025,102</u>	<u>17,211,907</u>
End of year	<u>\$ 19,869,492</u>	<u>\$ 21,025,103</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 19,211,175	\$ 20,631,878
Restricted cash and cash equivalents	<u>658,317</u>	<u>393,225</u>
Total cash and cash equivalents	<u>\$ 19,869,492</u>	<u>\$ 21,025,103</u>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Donated assets	<u>\$ 8,909,273</u>	<u>\$ -</u>
Total non-cash investing, capital, and financing activities	<u>\$ 8,909,273</u>	<u>\$ -</u>

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income from operations	<u>\$ 1,646,691</u>	<u>\$ 639,707</u>
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	3,315,246	3,247,385
Pension Expense adjustment	(92,282)	121,666
Bad debt expense	-	43,226
(Increase) decrease in operating assets:		
Accounts receivable	363,960	(291,487)
Prepaid expenses	(115,773)	57,379
Inventory	4,265	(2,400)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,659,004)	2,867,124
Unearned revenue	256,258	268,810
Accrued salaries	11,408	12,567
Compensated absences payable	153,516	(43,614)
Customer deposits	8,834	963
Total adjustments	<u>2,246,428</u>	<u>6,281,619</u>
Net cash provided by operating activities	<u>\$ 3,893,119</u>	<u>\$ 6,921,326</u>

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



## **NOTES TO FINANCIAL STATEMENTS**

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

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, 2021 and 2020.

**Reporting Entity**

The Hancock County Port and Harbor Commission was created on April 1, 1963, by resolution of the Hancock County Board of Supervisors under the provisions 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 and Port Bienville Shortline Railroad. The purpose of the Commission is to promote, develop, construct, maintain and operate harbors, seaports and industrial parks and develop commercial, industrial and manufacturing enterprises for the encouragement of employment within the boundaries of Hancock County, Mississippi.

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

**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, sales of land and fuel inventories, 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 the primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the 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, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

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

**Receivables**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2021 and 2020 are recorded as prepaid items.

**Inventory**

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

	2021	2020
Fuel	<u>\$ 17,324</u>	<u>\$ 21,589</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 customer deposits subject to refund. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

**Capital Assets**

Property and equipment exceeding the Commission's capitalization thresholds are stated at historical cost. Donated assets are recorded at their estimated fair value at the date of donation. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property and exceed the thresholds are capitalized. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives and capitalization thresholds are as follows:

Capital Assets	Useful Life (Years)	Capitalization Threshold
Buildings and improvements	10 - 50	\$50,000
Improvements other than buildings	20 - 35	\$25,000
Machinery and equipment	5 - 10	\$5,000
Railroad track and bed	30	\$25,000
Railroad equipment	5 - 7	\$5,000

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and thus will not be recognized as an expense until then. The Commission has one item that meets this criterion, the unamortized changes in investments actual performance, expectations, and projections, and plan assumptions related to the pension plan (see Note 10). In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future periods and so will not be recognized as inflow of resources (revenue) until that time. The Commission has one item that meets this criterion, the unamortized changes in investments actual performance, expectations, and projections, and plan assumptions related to the pension plan (see Note 10).

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Compensated Absences**

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

**Unearned Revenue**

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

**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, for September 30, 2021 and 2020, as follows:

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

**Net Position**

The Commission classifies net position 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 position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation.
- *Unrestricted net position* – consists of all other net position not included in the above categories.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 2: DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk - Deposits**

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Commission will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Commission does not have a deposit policy for custodial credit risk. However, all of the Commission's bank balances are entirely insured or collateralized. The collateral for public entities' deposits in financial institutions is 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, 2021, deposits (including restricted deposits) were as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 21,138,195	\$ 19,869,342

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2021	2020
Port Bienville Industrial Park	\$ 1,744,249	\$ 117,215
Port Bienville Shortline Railroad	645,445	501,453
Stennis International Airport	75,053	624,176
Total	2,464,747	1,242,844
Less allowance for doubtful accounts	(1,663,251)	(77,386)
Total accounts receivable, net	\$ 801,496	\$ 1,165,458

There was no bad debt expense for the years ended September 30, 2021 and 2020.

**NOTE 4: INVESTMENT IN CAPITAL LEASES**

*1996 Lease*

In 1996, the Commission entered into a lease agreement with a company for land in the Port Bienville Industrial Park. The lease calls for annual payments of \$160,000 beginning January 1, 1999 through January 1, 2018 and was recorded as a lease-purchase. At the end of the lease term, the company may purchase the land for \$1,000. On May 18, 2021, the company exercised its option to purchase, however, the transaction was not finalized until fiscal year 2022.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 4: INVESTMENT IN CAPITAL LEASES (Continued)**

*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.

**NOTE 5: DUE FROM OTHER GOVERNMENTS**

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

	2021	2020
FAA - airport projects	\$ 498,255	\$ 104,665
MDEQ - RESTORE Act project	1,758,638	398,718
MDOT - multimodal projects	683,550	698,728
Hancock County Board of Supervisors	-	1,000,000
Total	<u>\$ 2,940,443</u>	<u>\$ 2,202,111</u>

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
**(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 6: CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

*For the Year Ended September 30, 2021:*

	Balance October 1, 2020	Additions	Deletions	Transfers	Balance September 30, 2021
Capital assets, not being depreciated:					
Land	\$ 12,520,691	\$ -	\$ -	\$ -	\$ 12,520,691
Construction in progress	5,343,972	9,260,114	(289,477)	(8,874,242)	5,440,367
Total capital assets, not being depreciated	<u>17,864,663</u>	<u>9,260,114</u>	<u>(289,477)</u>	<u>(8,874,242)</u>	<u>17,961,058</u>
Capital assets, being depreciated					
Buildings and improvements	23,752,816	-	-	6,962,831	30,715,647
Improvements other than buildings	77,317,690	9,050,731	-	1,026,326	87,394,747
Machinery and equipment	2,906,015	-	-	-	2,906,015
Railroad track and bed	22,827,694	-	-	806,833	23,634,527
Railroad equipment	2,276,811	-	-	78,252	2,355,063
Total capital assets, being depreciated	<u>129,081,026</u>	<u>9,050,731</u>	<u>-</u>	<u>8,874,242</u>	<u>147,005,999</u>
Less accumulated depreciation for:					
Buildings and improvements	5,847,133	484,035	-	-	6,331,168
Improvements other than buildings	54,802,675	1,758,150	-	-	56,560,825
Machinery and equipment	1,448,079	245,886	-	-	1,693,965
Railroad track and bed	7,715,875	685,439	-	-	8,401,314
Railroad equipment	529,336	141,738	-	-	671,074
Total accumulated depreciation	<u>70,343,098</u>	<u>3,315,248</u>	<u>-</u>	<u>-</u>	<u>73,658,346</u>
Total capital assets being depreciated, net	<u>58,737,928</u>	<u>5,735,483</u>	<u>-</u>	<u>8,874,242</u>	<u>73,347,653</u>
Capital assets, net	<u>\$ 76,602,591</u>	<u>\$ 14,995,597</u>	<u>\$ (289,477)</u>	<u>\$ -</u>	<u>\$ 91,308,711</u>

Construction in progress at September 30, 2021 is primarily composed of dock reconstruction at Port Bienville Industrial Park, north apron expansion, runway lighting, and the airport layout plan at Stennis International Airport.

**HANCOCK COUNTY PORT AND HARBOR COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 6: CAPITAL ASSETS (Continued)**

*For the Year Ended September 30, 2020:*

	Balance October 1, 2019	Additions	Deletions	Transfers	Balance September 30, 2020
Capital assets, not being depreciated:					
Land	\$ 11,465,949	\$ -	\$ -	\$ 1,054,742	\$ 12,520,691
Construction in progress	2,004,982	9,408,952	(2,140,780)	(3,929,182)	5,343,972
Total capital assets, not being depreciated	<u>13,470,931</u>	<u>9,408,952</u>	<u>(2,140,780)</u>	<u>(2,874,440)</u>	<u>17,864,663</u>
Capital assets, being depreciated					
Buildings and improvements	24,537,808	-	(1,041,935)	256,943	23,752,816
Improvements other than buildings	86,814,419	-	(11,646,216)	2,149,487	77,317,690
Machinery and equipment	2,780,999	22,520	(173,891)	276,387	2,906,015
Railroad track and bed	22,679,910	-	-	147,784	22,827,694
Railroad equipment	2,232,972	-	-	43,839	2,276,811
Total capital assets, being depreciated	<u>139,046,108</u>	<u>22,520</u>	<u>(12,862,042)</u>	<u>2,874,440</u>	<u>129,081,026</u>
Less accumulated depreciation for:					
Buildings and improvements	5,731,088	481,797	(365,752)	-	5,847,133
Improvements other than buildings	62,255,332	1,756,599	(9,209,256)	-	54,802,675
Machinery and equipment	1,384,395	209,323	(145,639)	-	1,448,079
Railroad track and bed	7,057,790	658,085	-	-	7,715,875
Railroad equipment	387,755	141,581	-	-	529,336
Total accumulated depreciation	<u>76,816,360</u>	<u>3,247,385</u>	<u>(9,720,647)</u>	<u>-</u>	<u>70,343,098</u>
Total capital assets being depreciated, net	<u>62,229,748</u>	<u>(3,224,865)</u>	<u>(3,141,395)</u>	<u>2,874,440</u>	<u>58,737,928</u>
Capital assets, net	<u>\$ 75,700,679</u>	<u>\$ 6,184,087</u>	<u>\$ (5,282,175)</u>	<u>\$ -</u>	<u>\$ 76,602,591</u>

Construction in progress at September 30, 2020 is primarily composed of a new terminal building with adjacent hangar at Stennis International Airport, a new drop zone constructed west of the existing runway, apron expansion and reconstruction, new taxiway markings. In addition, a new administration building is under construction on airport grounds. At Port Bienville Industrial Park construction in progress consists of railway rehab and dock reconstruction.



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**NOTE 7: LONG-TERM LIABILITIES**

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

*For the Year Ended September 30, 2021:*

	Balance October 1, 2020	Additions	Adjustments	Principal Payments/ Reductions	Balance September 30, 2021	Amount Due within Twelve Months
Compensated absences	\$ 265,406	\$ 316,148	\$ -	\$ (162,632)	\$ 418,922	\$ 233,510
Net pension liability	3,871,768	-	(915,681)	-	2,956,087	-
Total	<u>\$ 4,137,174</u>	<u>\$ 316,148</u>	<u>\$ (915,681)</u>	<u>\$ (162,632)</u>	<u>\$ 3,375,009</u>	<u>\$ 233,510</u>

*For the Year Ended September 30, 2020:*

	Balance October 1, 2019	Additions	Adjustments	Principal Payments/ Reductions	Balance September 30, 2020	Amount Due within Twelve Months
Compensated absences	\$ 309,020	\$ 119,018	\$ -	\$ (162,632)	\$ 265,406	\$ 79,994
Net pension liability	3,518,409	-	353,359	-	3,871,768	-
Total	<u>\$ 3,827,429</u>	<u>\$ 119,018</u>	<u>\$ 353,359</u>	<u>\$ (162,632)</u>	<u>\$ 4,137,174</u>	<u>\$ 79,994</u>

**NOTE 8: 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, 2021:*

	Cost	Accumulated Depreciation	Net Value
Land	\$ 534,868	\$ -	\$ 534,868
Buildings and track	22,726,749	6,603,712	16,123,037
	<u>\$ 23,261,617</u>	<u>\$ 6,603,712</u>	<u>\$ 16,657,905</u>

*As of September 30, 2020:*

	Cost	Accumulated Depreciation	Net Value
Land	\$ 466,930	\$ -	\$ 466,930
Buildings and track	17,627,187	4,057,357	13,569,830
	<u>\$ 18,094,117</u>	<u>\$ 4,057,357</u>	<u>\$ 14,036,760</u>

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**NOTE 8: LEASE REVENUE (OPERATING LEASES) (Continued)**

Future minimum rentals for the more significant non-cancelable leases, not including contingent rentals, are as follows at September 30, 2021:

Year Ending September 30,	Amount
2022	\$ 288,817
2023	293,369
2024	265,575
2025	250,891
2026	250,891
Thereafter	418,187
	<u>\$1,767,730</u>

The minimum future rentals for these leases were determined using the rates in effect at September 30, 2021, include escalations which are stated as a set percentage or dollar value but do not consider future CPI-U adjustments or renewal options as they are uncertain. Income under this portion of the leases is not included in future minimum rental amounts. Rental income for fiscal years 2021 and 2020, received through all leases, including contingent rentals, was \$3,998,004 and \$4,102,496, respectively.

**NOTE 9: UNEARNED REVENUE**

Unearned revenue consists of the following at September 30:

	2021	2020
Prepaid rent	<u>\$ 553,219</u>	<u>\$ 296,961</u>
	<u>\$ 553,219</u>	<u>\$ 296,961</u>

**NOTE 10: DEFINED BENEFIT PENSION PLAN**

Plan Description.

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

Benefits Provided

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

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**NOTE 10: DEFINED BENEFIT PENSION PLAN (Continued)**

Benefits Provided (continued)

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

Contributions

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate, currently 17.40%. The Commission's contributions to PERS for the years ended September 30, 2021 and 2020 were \$217,985 and \$224,628, respectively, equal to the required contributions for each year.

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

At September 30, 2021, the Commission recognized \$2,956,087 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Commission's proportion was 0.0189 percent, which was an increase of 0.001 from its proportion measured as of June 30, 2019 (0.0179 percent).

For the year ended September 30, 2021, the Commission recognized expense of \$125,704, which includes \$92,282 adjustment to expense related to decrease in net pension liability for GASB 68 calculation. 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	\$ 47,268	\$ -
Changes of assumptions	227,469	-
Net difference between projected and actual earnings on Plan investments	-	890,247
Differences between Commission's contributions and proportionate share of contributions	-	25,060
Commission contributions	62,726	-
Total	\$ 337,463	\$ 915,307

The Commission's contributions subsequent to the measurement date, \$62,726, will be recognized as a reduction of the net pension liability in the year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2022	\$ (120,713)
2023	(112,525)
2024	(142,043)
2025	(265,289)
	\$ (640,570)

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**NOTE 10: DEFINED BENEFIT PENSION PLAN (Continued)**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020 and a measurement date determined of June 30, 2021 using standard rollforward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.55 percent, net of investment expense and inflation
Projected salary increases	2.65 - 17.90 percent, including inflation
Inflation	2.40 percent

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020. Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

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 nominal returns, net of pension plan investment expense and the assumed rate of 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-term Expected Real Rate of Return %</u>
Domestic equity	27.00%	4.60%
International equity	22.00%	4.50%
Global equity	12.00%	4.80%
Fixed income	20.00%	-0.25%
Real estate	10.00%	3.75%
Private equity	8.00%	6.00%
Cash	1.00%	-1.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.55 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 (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**NOTE 10: DEFINED BENEFIT PENSION PLAN (Continued)**

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

The following presents the Commission's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	Discount Rate	Authority's Proportionate Share of Net Pension Liability
1% decrease	6.55%	\$4,186,513
Current discount rate	7.55%	\$2,956,087
1% increase	8.55%	\$1,942,119

*Plan Fiduciary Net Position*

Detailed information about the PERS pension plan is available in a separately issued PERS financial report, available at [www.pers.ms.gov](http://www.pers.ms.gov).

**NOTE 11: 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. That information may be obtained 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, 2021 and 2020.

The Commission's contributions to RRB for the years ended September 30, 2021 and 2020 were \$142,249 and \$141,023, respectively.

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**NOTE 12: 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 13: OTHER POST EMPLOYMENT BENEFITS**

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

**NOTE 14: LEASES**

In June 2020, the Commission entered into a lease agreement for a fire truck. The lease is classified as an operating lease. The lease is for a 36-month period expiring June 2023. Annual rent under this lease agreement is \$96,000, due in monthly installments of \$8,000. Rent expense was \$96,000 and \$32,000 for the years ended September 30, 2021 and 2020, respectively. Rent expenses are included in the statements of revenues, expenses, and changes in net position as other services and charges.

The minimum future lease payments on the above lease at September 30, 2021 is as follows:

Year Ending September 30,	Amount
2022	\$ 96,000
2023	80,000
Total	<u>\$ 176,000</u>

**NOTE 15: INDUCEMENT AGREEMENT**

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

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

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**NOTE 15: INDUCEMENT AGREEMENT (Continued)**

The lease includes an irrevocable option allowing DAK to purchase the assets for \$1,000 upon expiration of the initial term or prior to expiration of the initial term for \$1,000 plus either an annuity contract or a promissory note, which would provide for payment of \$160,000 per year for the remaining lease term (see Note 4 for more information). However, the inducement agreement also provides that DAK shall receive a credit each year for the first \$160,000 of services provided under the Publicly Owned Treatment Works I service contract during the initial term of the lease. The Commission has recorded the land (costing \$924,941) as investment in lease and the remaining assets totaling \$27,436,640 less \$1,000 are being depreciated over the 20-year term of the lease. In June 2020, the Commission sold the POTW I to Hancock County Water and Sewer District (see Note 16), as such, the Commission is no longer charging DAK (formerly Wellman) for expenses related to the POTW I, nor granting credit towards expenses.

**NOTE 16: PUBLICLY OWNED TREATMENT WORKS (POTW)**

In June 2000, the Commission and the Hancock County Board of Supervisors entered into an agreement with DAK Americas Mississippi Inc. (DAK) (formerly Wellman) concerning the Publicly Owned Treatment Works (POTW I) constructed with Impact Funds from MDA described in Note 15 above to provide for the receiving, measuring, transporting, treating and disposing of wastewater from DAK (formerly 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, 2020, DAK (formerly Wellman) had been billed a total of \$245,287, 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 \$85,287 for the year ended September 30, 2020, that is included in charges for services in the statements of revenues, expenses, and change in net position.

In June 2020 the Commission sold the POTW I to Hancock County Water and Sewer District for \$10. Included in the sales contract is an agreement for the Commission to make a monetary contribution not to exceed \$650,000 to upgrade and advance the water facilities serving the Port Bienville Industrial Park. The Commission also granted a long-term land lease. Included in the terms of the land lease, should it be determined underground pipe be decommissioned due to the presence of asbestos exceeding lawful thresholds, the Commission, at its sole cost and expense, remains responsible to promptly install the necessary replacement of underground pipe of like capacity and title to decommissioned underground pipe shall revert back to the Commission. The Commission has not recognized a liability in relation to this obligation because the fair value of remediation cannot be reasonably estimated. Per terms of the sales contract, DAK (formerly Wellman)'s responsibilities to finance the cost of operations and maintenance of the POTW transferred to Hancock County Water and Sewer District.

**NOTE 17: MISSISSIPPI COAST FOREIGN TRADE ZONE, INC.**

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

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

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**NOTE 18: COMMITMENTS AND CONTINGENCIES**

**Outstanding Construction Commitments**

The Commission had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2021, which will be paid from existing debt proceeds and grants:

Port Bienville Railroad	\$ 1,101,106
Port Bienville Industrial Park	5,414,953
Stennis International Airport	953,939
Federal Aviation Administration	<u>4,747,289</u>
	<u><u>\$ 12,217,287</u></u>

**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.

**COVID-19**

A novel strain of coronavirus (COVID-19) spread across the world and was declared a pandemic by the World Health Organization on March 11, 2020. As a result of the spread of COVID-19, economic uncertainties have arisen. The extent of the impact of COVID-19 on operational and financial performance will depend on the duration and spread of the outbreak. As of the date of this report, the effects are uncertain and cannot be reasonably estimated.

**NOTE 19: RISK MANAGEMENT**

**Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage 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.

**Federal Grants**

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

**NOTE 20: SUBSEQUENT EVENTS**

The Commission has evaluated events occurring subsequent to year end through February 9, 2022 which is the date the statements were available to be issued. No such events have been identified by management for this time period that are required to be recognized or disclosed.



## **SUPPLEMENTAL INFORMATION**

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

	2021	2020	2019	2018	2017	2016	2015	2014
Commission's proportion of the net pension liability	0.0020%	0.0020%	0.0020%	0.0020%	0.0020%	0.0020%	0.0020%	0.0020%
Commission's proportionate share of the net pension liability	\$ 2,956,087	\$ 3,871,768	\$ 3,518,409	\$ 3,326,594	\$ 3,324,679	\$ 3,572,499	\$ 3,091,606	\$ 2,427,634
Commission's covered employee payroll	\$ 1,257,028	\$ 1,189,731	\$ 1,162,641	\$ 1,168,876	\$ 1,179,168	\$ 1,224,734	\$ 1,357,587	\$ 1,364,933
Commission's proportionate share of the net pension liability as a percentage of covered employee payroll	235.16%	325.43%	302.62%	284.60%	281.95%	291.70%	227.73%	177.86%
Plan fiduciary net position as a percentage of total pension liability	70.44%	61.59%	62.59%	61.49%	61.49%	57.47%	61.70%	67.21%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

HANCOCK COUNTY PORT AND HARBOR COMMISSION  
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SCHEDULE OF COMMISSION'S CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN  
LAST EIGHT FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 217,985	\$ 231,725	\$ 205,151	\$ 201,158	\$ 202,074	\$ 201,513	\$ 196,794	\$ 192,481
Contributions in relation to contractually required contribution	218,723	207,013	183,116	184,098	185,719	192,896	213,820	214,977
Contribution deficiency (excess)	<u>\$ (738)</u>	<u>\$ 24,712</u>	<u>\$ 22,035</u>	<u>\$ 17,060</u>	<u>\$ 16,355</u>	<u>\$ 8,617</u>	<u>\$ (17,026)</u>	<u>\$ (22,496)</u>
Commission's covered employee payroll	\$ 1,252,789	\$ 1,290,976	\$ 1,138,619	\$ 1,120,140	\$ 1,244,470	\$ 1,128,771	\$ 1,367,565	\$ 1,339,421
Contributions as a percentage of covered employee payroll	17.46%	16.04%	16.16%	15.75%	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the require supplementary information is available.

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NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
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**NOTE 1: CHANGES OF ASSUMPTIONS**

The changes in assumptions for the years presented are as follows:

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
  - For females, 84% of female rates up to age 72, 100% for ages above 76.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disable mortality was changed to PubG.H-2010 Disabled Table for disable retirees with the following adjustments:
  - For males, 134% of male rates at all ages.
  - For females, 121% of female rates at all ages.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
  - For males, 97% of male rates at all ages.
  - For females, 110% of female rates at all ages.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2019

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

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1: CHANGES OF ASSUMPTIONS (Continued)**

- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

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

2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using the Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- 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**

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 1.00% and a maximum rate of 5.00%.

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

The actuarially determined contribution rates in the schedule 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, 2018 valuation for the June 30, 2020 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	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**HANCOCK COUNTY PORT AND HARBOR COMMISSION  
(A COMPONENT UNIT OF HANCOCK COUNTY, MISSISSIPPI)  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 4: PRESENTATION REQUIREMENTS**

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.

## **REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



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

AVL WEALTHCARE, LLC  
Wealth Management

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

February 9, 2022

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the component unit financial statements of the business-type activities of Hancock County Port and Harbor Commission (a component unit of Hancock County, Mississippi), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Hancock County Port and Harbor Commission's basic financial statements, and have issued our report thereon dated February 9, 2022.

**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) as a basis for designing audit procedures that 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 financial statements. 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*.

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Board of Commissioners  
Hancock County Port and Harbor Commission

**Purpose of this Report**

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

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

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



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

AVL WEALTHCARE, LLC  
Wealth Management

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

February 9, 2022

Board of Commissioners  
Hancock County Port and Harbor Commission  
Kiln, 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, 2021. Hancock County Port and Harbor Commission's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, Hancock County Port and Harbor Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

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### **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, 2021**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Assistance Listing</b>	<b>Identifying Number</b>	<b>Federal Expenditures</b>
<i>U.S. Department of Transportation</i>			
<i>Federal Aviation Administration</i>			
Airport Improvement Program -2020	20.106	3-28-0005-34-2020	\$ 213,874
Airport Improvement Program -2021	20.106	3-28-0005-36-2021	105,811
Airport Improvement Program -2021	20.106	3-28-0005-39-2021	221,778
Airport Improvement Program -2021	20.106	3-28-0005-37-2021	57,162
<i>Total U.S. Department of Transportation</i>			<u>598,625</u>
<i>U.S. Department of Treasury</i>			
<i>Passed through Mississippi Department of Environmental Quality</i>			
Resources and ecosystems sustainability, Tourist opportunities, and revived economies of the Gulf Coast States	21.015	18-00036	1,170,134
	21.015	18-00037	2,078,065
<i>Total U.S. Department of Treasury</i>			<u>3,248,199</u>
Total Expenditures of Federal Awards			<u>\$ 3,846,824</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, 2021**

**NOTE 1- 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.

**NOTES 2 – DE MINIMIS COST RATE**

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

**NOTE 3- 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, 2021 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.

**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, 2021**

**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 2CFR Section 200.516(a)?	No

Federal programs identified as major programs:

<u>Assistance Listing</u>	<u>Name of Federal Program</u>
21.015	<i>Resources and ecosystems sustainability, Tourist opportunities, and revived economies of the Gulf Coast States</i>

Dollar threshold used to distinguish between type A and type B Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings**

None reported.