

**MISSISSIPPI STATE PORT AUTHORITY  
AT GULFPORT  
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008, 2007, AND 2006**



**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**LIST OF OFFICIALS**  
**JUNE 30, 2008**

<u>Board of Commissioners</u>		<u>Term</u>
A.J.M. "Butch" Oustalet, III	President ( <i>resigned in June 2008</i> )	12/08/08
James C. Simpson, Jr.	President ( <i>beginning 7/11/08</i> )	12/08/08
John K. Rester	Vice President	12/08/09
Frances Turnage	Secretary	12/08/10
Frank T. Wilem, Jr.	Treasurer	12/09/11
Lenwood S. Sawyer, Jr.	Commissioner	12/10/12

Executive Director and Chief Executive Officer

Donald R. Allee

Deputy Director of Finance and Administration

Mary J. Bourdin, CPA

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
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**JUNE 30, 2008, 2007, AND 2006**

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## **INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITORS' REPORT

October 8, 2008

To the Board of Commissioners  
Mississippi State Port Authority  
at Gulfport  
Gulfport, Mississippi

We have audited the accompanying comparative balance sheets of the Mississippi State Port Authority at Gulfport, a component unit of the State of Mississippi, as of June 30, 2008, 2007, and 2006, and the related comparative statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the Mississippi State Port Authority at Gulfport's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mississippi State Port Authority at Gulfport, as of June 30, 2008, 2007, and 2006, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2008, on our consideration of the Mississippi State Port Authority at Gulfport's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audits.

To the Board of Commissioners  
Mississippi State Port Authority  
at Gulfport  
October 8, 2008

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Mississippi State Port Authority at Gulfport taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 through 9, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

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



## MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT

JOHN K. RESTER  
Commissioner  
LENWOOD S. SAWYER, JR.  
Commissioner  
JAMES C. SIMPSON, JR.  
Commissioner

FRANCES TURNAGE  
Commissioner  
FRANK WILEM  
Commissioner  
DONALD R. ALLEE  
Executive Director & CEO  
[www.shipmspa.com](http://www.shipmspa.com)

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mississippi State Port Authority at Gulfport (the Authority), we offer the readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2008, 2007, and 2006. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

#### Financial Highlights

- Operating revenues increased \$5.5 million (or 68.8%) over prior year, and \$6.6 million from 2006.
- Cash flows from operating activities show an increase of \$4.4 million in comparison with a net cash increase of \$1.2 million from the prior year's operating activities. This was an increase of 469.0%.
- The Authority's net assets increased \$22.4 million as a result of this year's operations. Last year's operations increased net assets by \$29.8 million.
- As of June 30, 2008, the Authority's operating revenues totaled \$13.6 million, and operating expenses totaled \$11.1 million, resulting in a net operating income of \$2.5 million. This compares to Fiscal Years 2007 and 2006 when operating expenses exceeded revenues by \$1.8 million and \$9.3 million respectively.
- The Authority continued its Hurricane Katrina recovery during Fiscal Year 2008. Over 170,000 square feet of transit shed space was restored during the year. The reconstruction of 1,200 linear feet of dock space continued throughout Fiscal Year 2008.
- Total capital assets increased \$22.3 million (or 20.0 percent).
- The Authority received an additional \$8 million from insurance as they continue to settle Katrina insurance claims.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's financial statements. The annual report consists solely of the financial statements of the Mississippi State Port Authority at Gulfport.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

These financial statements include the Comparative Balance Sheets, Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Current year revenues are recognized when earned and current year expenses are recognized when they are incurred without regard to when the cash is received or disbursed.

### *Balance Sheet*

The Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating by reflecting the Authority's overall financial health. Restricted Assets include customer deposits. The Authority internally restricts additional funds for debt service and/or emergency contingencies.

A summary of the Authority's Balance Sheets as of June 30, 2008 with comparative amounts for June 30, 2007 and June 30, 2006 is as follows:

COMPARATIVE BALANCE SHEETS			
ASSETS			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 71,869,747	\$ 82,782,213	\$ 73,266,621
Accounts receivable	601,534	652,161	567,994
Other Receivables	17,741,592	12,495,294	3,785,250
Prepaid expenses	50,037	23,448	30,034
Restricted assets:			
Cash and investments	1,499	2,297	1,014,444
Interest receivable	-	2,332	442
Total current assets	<u>90,264,409</u>	<u>95,957,745</u>	<u>78,664,785</u>
<b>NON-CURRENT ASSETS</b>			
Capital assets	134,608,411	112,172,123	94,601,622
Restricted assets:			
Cash and investments	737,750	744,204	3,676,028
Unamortized bond issue costs	<u>17,098</u>	<u>18,779</u>	<u>20,461</u>
Total non-current assets	<u>135,363,259</u>	<u>112,935,106</u>	<u>98,298,111</u>
<b>TOTAL ASSETS</b>	<u>\$ 225,627,668</u>	<u>\$ 208,892,851</u>	<u>\$ 176,962,896</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

## Balance Sheet (Continued)

COMPARATIVE BALANCE SHEETS (Continued)			
LIABILITIES AND NET ASSETS	2008	2007	2006
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	\$ 2,103,966	\$ 5,640,650	\$ 1,890,070
Retainages payable	957,770	1,261,840	310,047
Bonds payable	1,870,000	1,780,000	1,695,000
Payable from restricted assets:			
Accounts payable and accruals	-	-	-
Retainages payable	-	-	758,864
Total current liabilities	<u>4,931,736</u>	<u>8,682,490</u>	<u>4,653,981</u>
<b>NON-CURRENT LIABILITIES</b>			
Bonds Payable	24,895,000	26,765,000	28,545,000
Payable form restricted assets:			
Customer deposits	<u>1,500</u>	<u>2,300</u>	<u>130,581</u>
Total non-current liabilities	<u>24,896,500</u>	<u>26,767,300</u>	<u>28,675,581</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	107,843,412	83,627,121	64,361,622
Restricted	738,191	746,533	3,801,468
Unrestricted	<u>87,217,829</u>	<u>89,069,407</u>	<u>75,470,244</u>
Total net assets	<u>195,799,432</u>	<u>173,443,061</u>	<u>143,633,334</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 225,627,668</u>	<u>\$ 208,892,851</u>	<u>\$ 176,962,896</u>

## Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents information showing how the Authority's net assets have changed in the most recent fiscal year and the years presented for comparison. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Statement of Revenues, Expenses, and Changes in Net Assets (Continued)*

In the statement of revenues, expenses, and changes in net assets, management divides the Authority's activities into two types as follows:

Charges for services - Most of the Authority's maritime services provided are reported here, including wharfage, dockage, usage, harbor fees, line-handling, and demurrage.

Revenue from leases - All revenue received from maritime and non-maritime lease activities is reported here.

A summary of the Authority's Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2008 with comparative amounts for June 30, 2007 and 2006 is as follows:

<b>COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>			
	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,316,270	\$ 3,381,604	\$ 2,917,320
Revenue from leases	9,249,814	4,655,125	4,072,722
Total operating revenues	<u>13,566,084</u>	<u>8,036,729</u>	<u>6,990,042</u>
<b>OPERATING EXPENSES</b>	<u>11,107,152</u>	<u>9,829,273</u>	<u>16,350,709</u>
<b>INCOME FROM OPERATIONS</b>	<u>2,458,932</u>	<u>(1,792,544)</u>	<u>(9,360,667)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Revenue from County	992,665	883,026	893,061
Investment and other income	10,531,260	9,600,970	5,382,626
Insurance proceeds	8,011,240	21,245,970	
Interest and other expenses	(1,174,071)	(123,581)	(412,411)
Loss on disposal of assets	(6,837)	(4,114)	-
Total non-operating revenue (expenses)	<u>18,354,257</u>	<u>31,602,271</u>	<u>5,863,276</u>
<b>NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY ITEM-GAIN ON IMPAIRMENT</b>	<u>20,813,189</u>	<u>29,809,727</u>	<u>(3,497,391)</u>
<b>CAPITAL CONTRIBUTIONS</b>	1,543,182	-	479,818
<b>GAIN ON IMPAIRMENT OF CAPITAL ASSETS</b>	<u>-</u>	<u>-</u>	<u>1,547,078</u>
<b>CHANGE IN NET ASSETS</b>	22,356,371	29,809,727	(1,470,495)
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>173,443,061</u>	<u>143,633,334</u>	<u>145,103,829</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 195,799,432</u>	<u>\$ 173,443,061</u>	<u>\$ 143,633,334</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Statement of Cash Flows*

The statement of cash flows details the cash received and expended by the Authority during the fiscal year. The cash flow statement is divided into cash flows from operating activities, non-capital financing activities, capital financing activities, and investing activities.

### **Overall Analysis of Financial Position**

One of the most important questions to be answered about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets are tools that management uses as indicators of the Authority's overall financial health. Over a period of time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. Additionally, Management considers other non-financial indicators such as legislative mandates and the economic market conditions to assess the overall well-being of the port.

During Fiscal Year 2008 the Authority continued its recovery and reconstruction from Hurricane Katrina. The Authority's capital assets increased \$22.3 million during the year. Its liabilities decreased \$5.6 million (or 15.94 percent) during the past fiscal year. Long term liabilities have decreased over the previous two fiscal years by \$3.8 million (or 13.2 percent) as the Authority continues to extinguish its long-term debt. Total net assets increased \$22.4 million (or 12.8 percent). The Authority continues to pursue its insurance recovery from Hurricane Katrina. To date more than \$74 million has been recovered from insurance and FEMA funds to assist in reconstruction.

Analysis of the Authority's current year cash flows shows an increase of \$2.3 million in cash from the previous year. The current year Operating Activities resulted in an increase of \$5.6 million in cash as compared to an increase of \$1.2 million in the prior year and a net use of \$4.5 million in cash in Fiscal Year 2006.

### **Other Potentially Significant Matters**

#### *Capital Asset Administration*

<b>CAPITAL ASSETS AS OF JUNE 30</b>			
<b>(Net of Depreciation, in Millions)</b>			
	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>
Land	\$ 34.5	\$ 7.4	\$ 7.4
Buildings	23.9	11.9	6.9
Machinery and equipment	0.7	0.4	0.5
Land improvements	15.9	10.0	10.2
Infrastructure improvements	36.7	39.2	41.7
Contruction in progress	22.8	43.3	27.9
	<u>\$ 134.5</u>	<u>\$ 112.2</u>	<u>\$ 94.6</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Authority continues its aggressive construction program to rebuild facilities destroyed during Hurricane Katrina. Capital outlay for fixed assets exceeded \$30 million during the current fiscal year. Over \$160 million is budgeted for capital outlay during the next two fiscal years. Financial assistance from a variety of sources (e.g., Federal government, State government, and insurance coverage) is available to assist the Authority in the replacement of impaired assets. To date \$70 million has been recovered from insurance policies.

Note 14 to the Financial Statements provides detail of the Authority's outstanding construction commitments as of June 30, 2008.

### *Debt Administration*

DEBT OUTSTANDING AS OF JUNE 30			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Obligation Bonds:</b> (backed by the State of Mississippi)			
Series 16 bonds outstanding	\$ <u>26,765,000</u>	\$ <u>28,545,000</u>	\$ <u>30,240,000</u>

The Authority continues to extinguish its debt. As of June 30, 2008, only one bond issue (Series 16 issued in 1998) remained outstanding.

### *Economic Factors and Fiscal Year Ending June 30, 2009's Budget*

The Authority's management considered a variety of factors when setting the Fiscal Year 2009 budget. One of these factors was that the Authority's function is to provide marine terminal services to its customers in order to enhance the economic growth of the State of Mississippi. In reviewing the existing tenant agreements and considering the projected capital improvements, revenue projections, with a projected one percent increase, remain relatively flat. As our existing maritime tenants continue to face tough competition, we expect to see only a marginal increase in tonnage or revenues from them. The Authority is currently negotiating long term leases with our existing maritime tenants and aggressively pursuing new business opportunities, with special interest focused on the Panama Canal expansion and future regional free trade agreements.

### *Contacting the Authority's Financial Management*

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. If you have any questions regarding this report or need additional financial information, contact the Authority's Office of Finance & Administration, P. O. Box 40, Gulfport, MS 39502.

## **FINANCIAL STATEMENTS**

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**COMPARATIVE BALANCE SHEETS**  
**JUNE 30, 2008, 2007 AND 2006**

**ASSETS**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 2,186,000	\$ 7,461,153	\$ 4,830,113
Investments	69,683,746	75,321,060	68,436,293
Accrued interest receivable	641,710	964,226	413,054
Accounts receivable, net of allowance for doubtful accounts	601,534	673,457	567,994
Other receivable, insurance proceeds	4,124,621	5,000,000	2,052,437
Due from other governments	12,975,262	6,509,772	1,319,759
Prepaid expenses	50,037	23,448	30,034
Restricted assets:			
Cash and cash equivalents	1,500	2,297	255,796
Investments in repurchase agreements and certificates of deposit with the State Treasury	-	-	758,863
Accrued interest receivable	-	2,332	442
	<hr/>	<hr/>	<hr/>
Total current assets	90,264,410	95,957,745	78,664,785
	<hr/>	<hr/>	<hr/>
<b>NON-CURRENT ASSETS</b>			
Capital assets:			
Land	34,483,795	7,361,810	7,361,810
Buildings, net of accumulated depreciation	23,928,717	11,865,742	6,922,312
Machinery and equipment, net of accumulated depreciation	697,528	436,729	489,196
Land improvements, net of accumulated depreciation	15,948,146	9,998,410	10,203,665
Infrastructure, net of accumulated depreciation	36,719,812	39,181,679	41,745,325
Construction in progress	22,830,412	43,327,753	27,879,314
	<hr/>	<hr/>	<hr/>
Total capital assets	134,608,410	112,172,123	94,601,622
Restricted assets:			
Cash and cash equivalents	737,750	744,204	798,140
Investments in repurchase agreements and certificates of deposit with the State Treasury	-	-	2,877,888
Unamortized bond issue costs	17,098	18,779	20,461
	<hr/>	<hr/>	<hr/>
Total non-current assets	135,363,258	112,935,106	98,298,111
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u><u>\$ 225,627,668</u></u>	<u><u>\$ 208,892,851</u></u>	<u><u>\$ 176,962,896</u></u>

## LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 1,356,843	\$ 4,433,125	\$ 1,140,919
Retainages payable	957,770	1,261,840	310,047
Deferred revenue	93,856	537,129	49,913
Accrued salaries	56,322	49,070	48,205
Accrued compensated absences	154,602	153,469	159,164
Accrued interest payable	442,343	467,857	491,869
Current maturities of bonds payable	1,870,000	1,780,000	1,695,000
Payable from restricted assets:			
Retainages payable	-	-	758,864
	<u>4,931,736</u>	<u>8,682,490</u>	<u>4,653,981</u>
Total current liabilities			
<b>NON-CURRENT LIABILITIES</b>			
Bonds payable, net of current portion	24,895,000	26,765,000	28,545,000
Payable from restricted assets:			
Customer deposits	1,500	2,300	130,581
	<u>24,896,500</u>	<u>26,767,300</u>	<u>28,675,581</u>
Total non-current liabilities			
	<u>29,828,236</u>	<u>35,449,790</u>	<u>33,329,562</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	107,843,412	83,627,121	64,361,622
Restricted	738,191	746,533	3,801,468
Unrestricted	87,217,829	89,069,407	75,470,244
	<u>195,799,432</u>	<u>173,443,061</u>	<u>143,633,334</u>
Total net assets			
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 225,627,668</u>	<u>\$ 208,892,851</u>	<u>\$ 176,962,896</u>

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



**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2008, 2007 AND 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,316,270	\$ 3,381,604	\$ 2,917,320
Revenue from leases	<u>9,249,814</u>	<u>4,655,125</u>	<u>4,072,722</u>
Total operating revenues	<u>13,566,084</u>	<u>8,036,729</u>	<u>6,990,042</u>
<b>OPERATING EXPENSES</b>			
General and administrative	1,922,770	1,941,860	2,200,054
Contractual services	5,162,501	4,625,391	10,785,663
Commodities	280,429	267,902	505,521
Depreciation	<u>3,741,452</u>	<u>2,994,120</u>	<u>2,859,471</u>
Total operating expenses	<u>11,107,152</u>	<u>9,829,273</u>	<u>16,350,709</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>2,458,932</u>	<u>(1,792,544)</u>	<u>(9,360,667)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Revenue from County	992,665	883,026	893,061
Interest and other investment income	3,611,050	4,259,738	2,101,505
Grant revenue - federal	6,920,210	5,341,232	3,281,121
Insurance proceeds	8,011,240	21,245,970	-
Interest and other fiscal charges	(1,174,071)	(123,581)	(412,410)
Loss on disposal of capital assets	<u>(6,837)</u>	<u>(4,114)</u>	<u>-</u>
Total non-operating revenue (expenses)	<u>18,354,257</u>	<u>31,602,271</u>	<u>5,863,277</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND EXTRAORDINARY ITEM</b>	<u>20,813,189</u>	<u>29,809,727</u>	<u>(3,497,390)</u>
Capital contributions - federal	239,368	-	-
Capital contributions - state	1,303,814	-	479,817
Extraordinary item - gain on impairment of capital assets	<u>-</u>	<u>-</u>	<u>1,547,078</u>
Total contributions and extraordinary item	<u>1,543,182</u>	<u>-</u>	<u>2,026,895</u>
<b>CHANGE IN NET ASSETS</b>	<u>22,356,371</u>	<u>29,809,727</u>	<u>(1,470,495)</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>173,443,061</u>	<u>143,633,334</u>	<u>145,103,829</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u><u>\$ 195,799,432</u></u>	<u><u>\$ 173,443,061</u></u>	<u><u>\$ 143,633,334</u></u>

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

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2008, 2007 AND 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 13,188,449	\$ 8,290,201	\$ 8,173,209
Cash payments for personnel services	(1,914,385)	(1,946,690)	(2,228,143)
Cash payments to suppliers of goods and services	(5,663,697)	(5,148,191)	(10,505,584)
Net cash provided by (used in) operating activities	<u>5,610,367</u>	<u>1,195,320</u>	<u>(4,560,518)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash received from other governments	<u>1,642,683</u>	<u>1,034,245</u>	<u>3,014,141</u>
Net cash provided by noncapital financing activities	<u>1,642,683</u>	<u>1,034,245</u>	<u>3,014,141</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash received from capital grants	1,353,369	-	469,605
Acquisition and construction of capital assets	(29,370,751)	(16,822,116)	(11,187,563)
Insurance proceeds	8,886,619	18,298,407	38,450,379
Interest paid	(1,197,904)	(145,911)	(433,269)
Principal paid on bonds payable	(1,780,000)	(1,695,000)	(1,610,000)
Net cash provided by (used in) capital and related financing activities	<u>(22,108,667)</u>	<u>(364,620)</u>	<u>25,689,152</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments	(94,875,889)	(91,226,760)	(54,333,939)
Interest received	3,755,102	2,673,669	1,518,488
Proceeds from maturities of investments	100,694,000	89,011,751	26,400,000
Net cash provided by (used in) investing activities	<u>9,573,213</u>	<u>458,660</u>	<u>(26,415,451)</u>
Net change in cash and cash equivalents	<u>(5,282,404)</u>	<u>2,323,605</u>	<u>(2,272,676)</u>
Cash and cash equivalents at beginning of year	<u>8,207,654</u>	<u>5,884,049</u>	<u>8,156,725</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,925,250</u></u>	<u><u>\$ 8,207,654</u></u>	<u><u>\$ 5,884,049</u></u>
<b>CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 2,186,000	\$ 7,461,153	\$ 4,830,328
Restricted Assets:			
Cash and cash equivalents	1,500	2,297	255,581
<b>NON-CURRENT ASSETS</b>			
Restricted Assets:			
Cash and cash equivalents	737,750	744,204	798,140
Cash and cash equivalents at end of year	<u><u>\$ 2,925,250</u></u>	<u><u>\$ 8,207,654</u></u>	<u><u>\$ 5,884,049</u></u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**COMPARATIVE STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED JUNE 30, 2008, 2007 AND 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Income (loss) from operations	<u>\$ 2,458,932</u>	<u>\$ (1,792,544)</u>	<u>\$ (9,360,667)</u>
Adjustments reconciling income (loss) from operations to net cash provided by (used in) operating activities:			
Depreciation	3,741,452	2,994,120	2,859,471
Provision for loss on accounts receivable	5,098	-	-
(Increase) decrease in assets:			
Accounts receivable	66,825	(105,463)	1,183,167
Prepaid expenses	(26,589)	6,586	98,903
Increase (decrease) in liabilities:			
Accounts payable	(194,178)	(261,484)	689,697
Deferred revenue	(448,758)	487,216	-
Accrued salaries	7,252	865	(3,381)
Accrued compensated absences	1,133	(5,695)	(24,708)
Customer deposits	<u>(800)</u>	<u>(128,281)</u>	<u>(3,000)</u>
Total adjustments	<u>3,151,435</u>	<u>2,987,864</u>	<u>4,800,149</u>
Net cash provided by (used in) operating activities	<u><u>\$ 5,610,367</u></u>	<u><u>\$ 1,195,320</u></u>	<u><u>\$ (4,560,518)</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

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

**Organization**

The Mississippi State Port Authority at Gulfport (Authority) was purchased from the City of Gulfport by the State of Mississippi on September 26, 1960. The Mississippi Development Authority (MDA) is authorized by state law, Mississippi Code Ann. 1972 Section 59-5-11, to oversee operations of the Authority. Furthermore, Mississippi Code Ann. 1972 Section 59-5-21 provides MDA with the authority to operate a port through a State Port Authority.

The Authority is governed by a board of five commissioners appointed to serve five year staggered terms. Three commissioners are appointed by the governor of Mississippi, one is appointed by the Harrison County Board of Supervisors and one is appointed by the City of Gulfport City Council.

**Financial Reporting Entity**

For financial reporting purposes, the Authority includes all funds that relate to Authority operations, debt service and construction projects. It is not intended to reflect information pertaining to the MDA or the State of Mississippi. As a component unit of the State of Mississippi, its financial information is included in the State of Mississippi's Comprehensive Annual Financial Report.

**Basis of Accounting**

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 Authority has been identified as an "enterprise fund" as described by GAAP for governmental entities. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* (GASB 34). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 Authority are included on the balance sheets. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**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 certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

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

**Cash and Cash Equivalents**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

**Investments**

The Authority reports investments at fair value. Unrealized gains and losses are reported in the statement of revenues, expenses, and changes in net assets.

**Accounts Receivable**

The Authority 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.

**Due from Other Governments**

Due from other governments represents grant funds and ad valorem taxes earned but not received as of June 30.

**Property and Equipment**

Property and equipment exceeding the State of Mississippi's mandated capitalization thresholds are stated at historical cost. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property and exceed the mandated 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:

	Useful Life	Capitalization Threshold
Furniture and equipment	3-15 Years	\$ 5,000
Land improvements	13-40 Years	25,000
Buildings	40 Years	50,000
Infrastructure improvements	20-50 Years	100,000

**Capitalized Interest**

Interest costs on outstanding debt are capitalized when incurred during the construction period.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

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

**Unamortized Bond Issue Costs**

Legal and accounting fees, printing costs and other expenses associated with the issuance of Bond Series 16 are being amortized on the straight-line method over the term of the bond.

**Deferred Revenue**

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

**Compensated Absences**

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees earn an amount of vacation pay monthly based on years of service and vacation pay is accrued as earned. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay any amounts when employees separate from service.

**Net Assets**

The Authority's net assets are categorized as follows:

Invested in capital assets - represents total capital assets net of related debt.

Restricted - represents cash and investments restricted by bond covenants or other agreements net of related liabilities.

Unrestricted - represents resources not limited or restricted in use.

**Revenues**

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and leasing facilities in connection with the Authority's ongoing operations.

**Reclassifications**

Certain reclassifications have been made to the data of fiscal year 2007 and 2006 in order to be consistent with the fiscal year 2008 financial statement presentation.

**Concentration of Credit Risk**

The Authority provides services on credit to many of its customers in the ordinary course of business. The Authority's customers are in the gaming, shipping and marine terminal businesses. The Authority performs on-going credit evaluations of its customers and, generally, requires no collateral.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 2: DEPOSITS AND INVESTMENTS**

**Deposits**

The MDA deposits funds, on behalf of the Authority, in financial institutions selected by the MDA or the State of Mississippi Treasury Department in accordance with state statutes.

All deposits, including short-term certificates of deposit, with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) must be collateralized in an amount equal to 105% of the uninsured deposit. The collateral must be held by the State of Mississippi Treasury Department or held in trust by a third-party financial institution in the State's name and evidenced by a safekeeping receipt issued to the State.

Qualifying collateral includes:

- a. Obligations of the U.S. Treasury and obligations guaranteed by the U.S. Government.
- b. Obligations of the Federal Home Loan Bank, Federal National Mortgage Association (Fannie Mae), Federal Land Banks and similar agencies approved by the State Treasurer.
- c. Tennessee Valley Authority obligations.
- d. Obligations of the State of Mississippi, its agencies, political subdivisions, and municipalities or any body corporate and politic created by the State of Mississippi.
- e. Legal obligations of any state, county, parish or municipality that are rated "A" or better.
- f. Surety bonds of any surety company authorized to do business in the State of Mississippi.
- g. All bonds authorized as security for state funds under items c, d, and e, inclusive, must be investment quality and any bonds under said items c, d, e and f, inclusive, which are rated substandard by any of the appropriate supervisory authorities having jurisdiction over said depository or by any recognized national rating agency engaged in the business of rating bonds, are not eligible for pledging as security.

The responsibility for ensuring the proper collateralization of deposits rests with the State of Mississippi Treasury Department. At June 30, 2008, the carrying amount of the Authority's deposits (including restricted deposits) was \$1,620,005 and the bank balances totaled \$1,691,212. The total of the bank balance was covered by federal depository insurance or by collateral held by the State of Mississippi Treasury Department or its agent in the State's name. The money market funds of \$1,305,245 held by the trust department at one financial investment institution are not covered by federal depository insurance. Those funds are held in the Authority's name and are controlled solely by the Authority.

As of June 30, 2008, restricted cash and cash equivalents consist of the following:

Current:	
Restricted for customer deposits	\$ 1,500
Non-current:	
Restricted for compliance with bond covenants	705,000
Restricted for other purposes	32,750
Total non-current	<u>737,750</u>
Total restricted cash and cash equivalents	<u><u>\$ 739,250</u></u>



**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

As of June 30, the fair value of the Authority's investments by type are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
U.S. Government securities and agencies	\$ 69,683,746	\$ 75,321,060	\$ 68,436,293
Repurchase agreements	-	-	3,636,751
	<u>\$ 69,683,746</u>	<u>\$ 75,321,060</u>	<u>\$ 72,073,044</u>

Investments are reported on the balance sheets as of June 30, as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Current Assets:</b>			
Investments	\$ 69,683,746	\$ 75,321,060	\$ 68,436,293
Investments in repurchase agreements and certificates of deposit with State Treasury	-	-	758,863
<b>Non-Current Assets</b>			
Investments in repurchase agreements and certificates of deposit with State Treasury	-	-	2,877,888
Total investments	<u>\$ 69,683,746</u>	<u>\$ 75,321,060</u>	<u>\$ 72,073,044</u>

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the financial institution with which the Authority invests, the Authority will not be able to recover the value of its investments, which are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counter party or the counter party's trust department or agent but not in the Authority's name.

As of June 30, the following investments were held by the counter party, or by its trust department or agent but not in the Authority's name:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Repurchase agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,636,751</u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

Custodial Credit Risk (Continued)

All investments made by the Authority are authorized by the Executive Director in accordance with all applicable state laws. As outlined by the Mississippi Code Section 27-105-33, the Authority invests in United States Government Instrumentalities. Mississippi Code Section 25-11-121 requires that all investments be clearly marked as to ownership and, to the extent possible, be registered in the name of the Authority. The repurchase agreements noted above were held in the name of the Mississippi State Treasury. As of June 30, 2008 there are no repurchase agreements held by the Mississippi State Treasury.

Credit Risk

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

As of June 30, the Authority's investments had the following credit ratings as published by Standard and Poor:

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>		
		<u>2008</u>	<u>2007</u>	<u>2006</u>
U.S. Government securities and agencies	AAA	\$ 69,683,746	\$ 75,321,060	\$ 68,436,293
Repurchase agreements	Unrated	-	-	3,636,751
		<u>\$ 69,683,746</u>	<u>\$ 75,321,060</u>	<u>\$ 72,073,044</u>

Interest Rate Risk

Interest rate risk represents the Authority's exposure to fair value changes arising from changing interest rates over the term of the investments. The longer the period for which an interest rate is fixed, the greater the potential for variability in fair value resulting from changes in interest rates.

The future maturities of the Authority's investments as of June 30, 2008 are as follows:

Investment Type:	Fair Value	<u>Investment Maturities (in years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
U.S. Government securities and agencies	<u>\$ 69,683,746</u>	<u>\$ 14,540,795</u>	<u>\$ 55,142,951</u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

*Interest Rate Risk (Continued)*

The Authority has developed a formal written investment policy which governs the investment process and establishes parameters to be followed in order to mitigate investment risk to include credit and interest rate risk.

**NOTE 3: ACCOUNTS RECEIVABLE**

The following is a summary of accounts receivable at June 30, 2008, 2007, and 2006.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Accounts receivable from customers	\$ 1,649,301	\$ 1,716,126	\$ 1,610,663
Less: allowance for doubtful accounts	<u>(1,047,767)</u>	<u>(1,042,669)</u>	<u>(1,042,669)</u>
Accounts receivable, net	<u><u>\$ 601,534</u></u>	<u><u>\$ 673,457</u></u>	<u><u>\$ 567,994</u></u>

Bad debt expense for the fiscal year ended June 30, 2008 totaled \$5,098. The Authority recorded no bad debt expense for the fiscal years ended June 30, 2007 and 2006. Bad debt expense has been netted against or included in the revenue to which it relates in the statements of revenues, expenses, and changes in net assets.

**NOTE 4: ACCOUNTS RECEIVABLE – INSURANCE PROCEEDS**

On August 29, 2005, the Authority's buildings and port operations were severely damaged by Hurricane Katrina. As of June 30, 2006, the Authority had received \$38,450,379 in insurance proceeds and recognized \$38,955,738 in capital impairment losses related to these damages. As of June 30, 2006, a net gain on impairment of capital assets of \$1,547,078 was recorded in the comparative statements of revenues, expenses, and net assets under the caption "extraordinary item - gain on impairment of capital assets." As of June 30, 2008 and 2007, \$8,011,240 and \$21,245,970 of insurance proceeds is recognized as non-operating revenues on the statements of revenues, expenses, and changes in net assets, and \$4,124,621 and \$5,000,000 is recognized as insurance receivable on the balance sheets, respectively.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 5: CAPITAL ASSETS**

An analysis of the changes in capital assets is as follows:

*For the fiscal year ended June 30, 2008*

	Balance July 1, 2007	Additions	Disposals	Transfers	Balance June 30, 2008
Land	\$ 7,361,810	\$ -	\$ -	\$ 27,121,985	\$ 34,483,795
Buildings	12,834,887	-	-	12,358,989	25,193,876
Machinery and equipment	2,370,449	338,868	(35,489)	-	2,673,828
Land improvements	17,824,067	-	-	6,757,388	24,581,455
Infrastructure	67,580,087	-	-	104,687	67,684,774
Construction in progress	43,327,753	26,105,493	(259,785)	(46,343,049)	22,830,412
Total capital assets	151,299,053	26,444,361	(295,274)	-	177,448,140
Less: accumulated depreciation for:					
Buildings	(969,145)	(296,014)	-	-	(1,265,159)
Machinery and equipment	(1,933,720)	(71,232)	28,652	-	(1,976,300)
Land improvements	(7,825,657)	(807,652)	-	-	(8,633,309)
Infrastructure	(28,398,408)	(2,566,554)	-	-	(30,964,962)
Total accumulated depreciation	(39,126,930)	(3,741,452)	28,652	-	(42,839,730)
Net capital assets	\$ 112,172,123	\$ 22,702,909	\$ (266,622)	\$ -	\$ 134,608,410

Construction in progress at June 30, 2008 is primarily composed of construction costs for terminal expansion, capital restoration of hurricane damage, yard development, and construction costs for rehabilitating berth facilities. For the year ended June 30, 2008, \$167,747 of interest incurred on outstanding debt during the construction period was capitalized.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 5: CAPITAL ASSETS (Continued)**

*For the fiscal year ended June 30, 2007*

	Balance July 1, 2006	Additions	Disposals	Transfers	Balance June 30, 2007
Land	\$ 7,361,810	\$ -	\$ -	\$ -	\$ 7,361,810
Buildings	7,713,859	-	-	5,121,028	12,834,887
Machinery and equipment	2,377,540	-	(7,091)	-	2,370,449
Land improvements	17,824,067	-	-	-	17,824,067
Infrastructure	67,580,087	-	-	-	67,580,087
Construction in progress	27,879,314	20,569,467	-	(5,121,028)	43,327,753
Total capital assets	<u>130,736,677</u>	<u>20,569,467</u>	<u>(7,091)</u>	<u>-</u>	<u>151,299,053</u>
Less: accumulated depreciation for:					
Buildings	(791,547)	(177,598)	-	-	(969,145)
Machinery and equipment	(1,888,345)	(47,620)	2,245	-	(1,933,720)
Land improvements	(7,620,401)	(205,256)	-	-	(7,825,657)
Infrastructure	(25,834,762)	(2,563,646)	-	-	(28,398,408)
Total accumulated depreciation	<u>(36,135,055)</u>	<u>(2,994,120)</u>	<u>2,245</u>	<u>-</u>	<u>(39,126,930)</u>
Net capital assets	<u>\$ 94,601,622</u>	<u>\$ 17,575,347</u>	<u>\$ (4,846)</u>	<u>\$ -</u>	<u>\$ 112,172,123</u>

Construction in progress at June 30, 2007 is primarily composed of construction costs for terminal expansion, capital restoration of hurricane damage, and construction costs for rehabilitating berth facilities. For the year ended June 30, 2007, \$1,169,378 of interest incurred on outstanding debt during the construction period was capitalized.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 5: CAPITAL ASSETS (Continued)**

*For the fiscal year ended June 30, 2006*

	Balance July 1, 2005	Additions	Disposals	Transfers	Balance June 30, 2006
Land	\$ 7,361,810	\$ -	\$ -	\$ -	\$ 7,361,810
Buildings	41,361,748	-	(33,647,889)	-	7,713,859
Machinery and equipment	5,716,891	53,617	(3,392,968)	-	2,377,540
Land improvements	25,611,580	-	(7,787,513)	-	17,824,067
Infrastructure	72,105,858	-	(10,960,024)	6,434,253	67,580,087
Construction in progress	25,210,376	9,388,801	(285,610)	(6,434,253)	27,879,314
Total capital assets	177,368,263	9,442,418	(56,074,004)	-	130,736,677
Less: accumulated depreciation for:					
Buildings	(6,885,681)	(68,355)	6,162,489	-	(791,547)
Machinery and equipment	(4,181,860)	(54,172)	2,347,687	-	(1,888,345)
Land improvements	(10,322,043)	(259,568)	2,961,210	-	(7,620,401)
Infrastructure	(29,004,266)	(2,477,376)	5,646,880	-	(25,834,762)
Total accumulated depreciation	(50,393,850)	(2,859,471)	17,118,266	-	(36,135,055)
Net capital assets	\$ 126,974,413	\$ 6,582,947	\$ (38,955,738)	\$ -	\$ 94,601,622

All of the disposals for fiscal year ending June 30, 2006 were the result of devastation cause by the impact of Hurricane Katrina on August 29, 2005. Using the facts and circumstances approach outlined in GASB No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, management determined that the impairment gain should be reported as an extraordinary item as discussed in Note 4 above. For the year ended June 30, 2006, \$1,076,200 of interest incurred on outstanding debt during the construction period was capitalized.

**NOTE 6: DEFERRED REVENUE**

As of June 30, deferred revenue includes the following:

	2008	2007	2006
FEMA	\$ 55,398	\$ 49,913	\$ 49,913
Dupont	38,458	36,979	-
Island View Casino	-	450,237	-
	<u>\$ 93,856</u>	<u>\$ 537,129</u>	<u>\$ 49,913</u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 7: BONDS PAYABLE**

The Authority is responsible for the repayment of specific General Obligation Bonds of the State of Mississippi relative to Authority capital projects. The bonds are backed by the full faith and credit of the State of Mississippi but are being retired from the resources of the Authority and are presented as debt of the Authority.

An analysis of bond activity is as follows:

*For the fiscal year ended June 30, 2008*

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2007	Principal Payments	Balance at June 30, 2008
16	\$ 40,000,000	9/1/1998	9/1/2018	4.00-5.50%	\$ 28,545,000	<u>\$ 1,780,000</u>	\$ 26,765,000
Less: current maturities included in current liabilities					<u>(1,780,000)</u>		<u>(1,870,000)</u>
Bonds payable, net of current portion					<u>\$ 26,765,000</u>		<u>\$ 24,895,000</u>

*For the fiscal year ended June 30, 2007*

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2006	Principal Payments	Balance at June 30, 2007
16	\$ 40,000,000	9/1/1998	9/1/2018	4.00-5.50%	\$ 30,240,000	<u>\$ 1,695,000</u>	\$ 28,545,000
Less: current maturities included in current liabilities					<u>(1,695,000)</u>		<u>(1,780,000)</u>
Bonds payable, net of current portion					<u>\$ 28,545,000</u>		<u>\$ 26,765,000</u>

*For the fiscal year ended June 30, 2006*

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2005	Principal Payments	Balance at June 30, 2006
16	\$ 40,000,000	9/1/1998	9/1/2018	4.00-5.50%	\$ 31,850,000	<u>\$ 1,610,000</u>	\$ 30,240,000
Less: current maturities included in current liabilities					<u>(1,610,000)</u>		<u>(1,695,000)</u>
Bonds payable, net of current portion					<u>\$ 30,240,000</u>		<u>\$ 28,545,000</u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 7: BONDS PAYABLE (Continued)**

The Authority's future principal and interest requirements as of June 30, 2008 related to the bonds payable at June 30, 2008 are as follows:

Year(s)	Principal	Interest	Total
2009	\$ 1,870,000	\$1,285,890	\$ 3,155,890
2010	1,970,000	1,195,500	3,165,500
2011	2,070,000	1,094,500	3,164,500
2012	2,175,000	988,375	3,163,375
2013	2,285,000	876,875	3,161,875
2014-2018	16,395,000	2,578,375	18,973,375
	<u>\$26,765,000</u>	<u>\$8,019,515</u>	<u>\$34,784,515</u>

Total interest incurred on bonds payable totaled \$1,339,786, \$1,415,577, and \$1,486,877 for fiscal years ended June 30, 2008, 2007, and 2006, respectively.

**NOTE 8: COMPLIANCE WITH BOND COVENANTS**

The indenture covenants of the Series 16 State of Mississippi General Obligation Bonds require the establishment of certain funds and periodic transfers of money to them as follows:

- A. Bond and Interest Sinking Fund - into which shall be transferred by the tenth day of the month preceding the payment date an amount to cover the principal and/or interest payment due.
- B. Operation Reserve Fund - into which shall be transferred monthly payments until such fund shall equal \$250,000.
- C. Bond Reserve Fund - into which shall be transferred monthly payments until such fund shall equal \$455,000.

The balances of the above funds at June 30, 2008, 2007, and 2006 reported as restricted assets on the balance sheets, are as follows:

	Balance June 30, 2008	Bond Requirements	Over Funded
Operation Reserve Fund	\$ 250,000	\$ 250,000	\$ -
Bond Reserve Fund	455,000	455,000	-
Totals	<u>\$ 705,000</u>	<u>\$ 705,000</u>	<u>\$ -</u>

**NOTE 9: CAPITAL CONTRIBUTIONS**

Accounting principles generally accepted in the United States of America for proprietary funds of governmental entities require that resources (i.e., grants, entitlements, or shared revenues) externally restricted for capital acquisition or construction are to be reported as capital contributions in the statements of revenues, expenses, and changes in net assets. Capital acquisitions acquired through such resources totaled \$1,543,182 and \$479,817, for the fiscal years ended June 30, 2008 and 2006, respectively. There were no capital contributions for the fiscal year ended June 30, 2007.



**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 10: LEASING ARRANGEMENTS**

Substantially all of the Authority's property and equipment are leased to various businesses for periods up to 40 years. All of the leases are accounted for as operating leases. Revenue from leases was \$9,249,814, \$4,655,125, and \$4,072,722 for 2008, 2007, and 2006, respectively. The leases to gaming operations include contingent rentals of \$6,751,967, \$2,496,757, and \$2,051,170 for 2008, 2007, and 2006, respectively. These contingent rentals are based on gross revenues of the gaming operations. Many of the leases with other operations include provisions for minimum thruput charges in order to fund debt service requirements relating to the specific facility leased. These thruput charges are included in operating revenues.

The following is a schedule of future minimum rentals for the next five years under lease agreements in effect as of June 30, 2008, not including contingent rentals, consumer price index adjustments, or thruput charges:

<u>Year</u>	<u>Amount</u>
2009	\$2,384,332
2010	2,273,624
2011	2,089,024
2012	<u>1,775,312</u>
Total	<u>\$8,522,292</u>

**NOTE 11: DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The Authority contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained 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.

**Funding Policy**

PERS members are required to contribute 7.25% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. For the periods ending June 30, 2008 and 2007, the Authority's rate was 11.3% of annual covered payroll. As of June 30, 2006, the Authority's rate was 9.75% of annual covered payroll. Effective July 1, 2008, the Authority's rate increases to 11.85%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Authority's contributions to PERS for the years ended June 30, 2008, 2007, and 2006 were \$170,377, \$166,095, and \$182,155, respectively, equal to the required contributions for each year.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 12: LEASES**

Office Space

In May 2007, the Authority entered into a lease agreement for office space. The office space lease is classified as an operating lease. The lease has an initial period of seven years with one additional renewal period of five years. Annual rent under this lease agreement is \$164,509. The terms of the lease agreement state that the first two months of payments are waived in consideration of costs associated with moving. Rent expense for the year ended June 30, 2008 totals \$102,361. The Authority moved into the building in the middle of September 2007. Therefore, there is no rent expense for the lease for the year ended June 30, 2007. Rent expense under the lease expiring in October 2005 was \$22,842 for the year ended June 30, 2006. Upon the expiration of the office lease in October 2005, the Authority's rental arrangement changed to a month-to-month agreement.

Rent expenses are included in the statements of revenues, expenses, and changes in net assets as contractual services. The minimum future lease payments on this lease at June 30, 2008 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 164,509
2010	164,509
2011	164,509
2012	164,509
2013	164,509
2014	164,509
Total	<u>\$ 987,054</u>

Modular Office Building 1

In August 2006, the Authority entered into a lease agreement for a modular office building. The lease is classified as an operating lease. The lease term is three years. Monthly rent under this lease agreement is \$1,550. Rent expense for the years ended June 30, 2008 and 2007 total \$18,600 and \$17,050, respectively.

Rent expenses are included in the statements of revenues, expenses, and changes in net assets as contractual services. The minimum future lease payments on this lease at June 30, 2008 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 18,600
2010	1,550
Total	<u>\$ 20,150</u>

Modular Office Building 2

In January 2008, the Authority entered into a lease agreement for a modular office building. The lease is classified as an operating lease. The lease term is three years. Monthly rent under this lease agreement is \$799. Rent expense for the year ended June 30, 2008 totals \$4,794.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 12: LEASES (Continued)**

Modular Office Building 2 (Continued)

Rent expenses are included in the statements of revenues, expenses, and changes in net assets as contractual services. The minimum future lease payments on this lease at June 30, 2008 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 9,588
2010	9,588
2011	4,794
Total	<u>\$ 23,970</u>

**NOTE 13: ECONOMIC DEPENDENCY**

One gaming operations lessee accounted for approximately 60 percent and 58 percent of the operating revenues in fiscal years ended June 30, 2008 and 2007, respectively. There were no significant gaming revenues in fiscal year 2006.

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

**Commitments**

Construction in Progress

Construction in progress at June 30, 2008 is primarily composed of construction costs for terminal expansion, capital restoration of hurricane damage, yard expansion, and construction costs for rehabilitating berth facilities. The total amount of the construction contracts in progress as of June 30, 2008 is \$36,549,076, of which \$22,830,412 in construction costs has been incurred through June 30, 2008. Of the construction costs incurred as of June 30, 2008 the Authority remains obligated to pay \$1,926,742 from unrestricted cash. The Authority is further obligated to pay the remaining amount of \$13,718,664 as work progresses on these construction contracts from Authority revenues.

Other Projects

The Authority is also committed to berth repairs and professional services for the Master Plan. The total of the contracts is \$1,318,945, of which \$96,800 has been incurred through June 30, 2008. The Authority is further obligated to pay the remaining amount of \$1,222,145 as work progresses.

Service Agreements

The Authority is also committed to services related to security, auditing, insurance, and professional representation. The total of the agreements is \$2,113,354, of which \$715,638 has been incurred through June 30, 2008. The Authority is further obligated to pay the remaining amount of \$1,397,716 as work progresses from Authority revenues.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008, 2007, AND 2006**

**NOTE 14: COMMITMENTS AND CONTINGENCIES (Continued)**

**Contingencies**

Regulatory Environment

The Authority's future expansion plans, accounted for in construction in progress, are subject to various regulatory approvals by federal and state agencies which could affect the scope and timing of project completion.

**NOTE 15: 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 Harrison County. Such designation allows foreign or domestic merchandise coming into the Mississippi State Port Authority at Gulfport 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.

**NOTE 16: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omission; injuries to employees; and natural disasters. Significant losses are generally covered by commercial insurance with the exception of the self-insured risks discussed below. There have been no reductions in insurance coverage.

**Self-Insurance**

Tort Claims

In July 1993, the Authority became a member and participant in the Mississippi Tort Claims Fund under the administration of the Mississippi Tort Claims Board. This entity is a self-insurance tort (civil suit) claims fund organized under Mississippi Code Ann. 1972 Section 11-46-17. Membership for state agencies is mandatory. The plan provides liability and tort claims insurance for its members according to limits established by the Mississippi Tort Claims Act. The members of the group are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

Unemployment Insurance

In January 1979, the Authority became a member and participant in the Unemployment Insurance Fund under the administration of the Department of Finance and Administration, Office of Insurance. The entity is a self-insurance unemployment insurance fund organized under Mississippi Code Ann. 1972 Section 71-5-355. Membership for state agencies is mandatory. The group is self-insured for all unemployment claims filed with the Mississippi Department of Employment Security Commission by former State employees. The members of the group are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008, 2007, AND 2006**

**NOTE 17: SUBSEQUENT EVENT**

*Construction Contracts*

Subsequent to year end, the Authority entered into \$521,821 in construction and engineering change orders related to various construction projects.

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



**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**

October 8, 2008

To the Board of Commissioners  
Mississippi State Port Authority at Gulfport  
Gulfport, Mississippi

We have audited the financial statements of the Mississippi State Port Authority at Gulfport, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mississippi State Port Authority at Gulfport's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mississippi State Port Authority at Gulfport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mississippi State Port Authority at Gulfport's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Mississippi State Port Authority at Gulfport's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Mississippi State Port Authority at Gulfport's financial statements that is more than inconsequential will not be prevented or detected by the Mississippi State Port Authority at Gulfport's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Mississippi State Port Authority at Gulfport's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.


To the Board of Commissioners  
Mississippi State Port Authority at Gulfport  
October 8, 2008

Compliance and Other Matters

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

We noted certain additional internal control and other matters that we have reported to management of the Mississippi State Port Authority at Gulfport in a separate letter dated October 8, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners and others within the Authority, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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





**REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO THE  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

October 8, 2008

To the Board of Commissioners  
Mississippi State Port Authority at Gulfport  
Gulfport, Mississippi

Compliance

We have audited the compliance of the Mississippi State Port Authority at Gulfport, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The Mississippi State Port Authority at Gulfport's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Mississippi State Port Authority at Gulfport's management. Our responsibility is to express an opinion on the Mississippi State Port Authority at Gulfport's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Mississippi State Port Authority at Gulfport'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. Our audit does not provide a legal determination of the Mississippi State Port Authority at Gulfport's compliance with those requirements.

In our opinion, the Mississippi State Port Authority at Gulfport complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Mississippi State Port Authority at Gulfport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

To the Board of Commissioners  
Mississippi State Port Authority at Gulfport  
October 8, 2008


In planning and performing our audit, we considered the Mississippi State Port Authority at Gulfport's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Mississippi State Port Authority at Gulfport's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners and others within the Authority, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**MISSISSIPPI STATE PORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Mississippi Emergency Management Agency:			
Disaster Public Assistance Grant	97.036	PW7489	\$ 17,778
		PW8418	65,221
		PW8627	116,967
		PW8812	2,339,268
		PW9019	104,576
		PW9400	119,875
		PW9903	618
		PW9904	4,081,133
		PW10074	25,000
			<u>6,870,436</u>
 <b>U.S. Department of Homeland Security</b>			
Port Security Grant	97.056	HSTS04-04-G-GPS438	3,632
		DHS-06-OGT-056-1378	235,736
			<u>239,368</u>
 <i>Total U.S. Department of Homeland Security</i>			<u>7,109,804</u>
 <b>Total Expenditures of Federal Awards</b>			<u><u>\$ 7,109,804</u></u>

See the accompanying notes to the schedule of expenditures of federal awards.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is included in the federal grant activity of the Mississippi State Port Authority at Gulfport and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2- RECONCILIATION TO GRANT REVENUE**

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of revenues, expenses, and changes in net assets for the year ending June 30, 2008:

Total expenditures of federal awards	\$ 7,109,804
Small project receipts for PW10020	
with no expenditures at June 30, 2008	50,795
Overstatement of federal expenditures on	
PW9191 at June 30, 2007	<u>(1,021)</u>
Total federal revenues	<u><u>\$ 7,159,578</u></u>

Federal revenues are reported in the statement of revenues, expenses, and changes in net assets for the year ending June 30, 2008 as follows:

Non-operating revenues (expenses)	
Grant revenues - federal	\$ 6,920,210
Capital contributions - federal	<u>239,368</u>
	<u><u>\$ 7,159,578</u></u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

**Financial Statements**

Type of auditors’ report issued	Unqualified
Internal Control over financial reporting:	
Material Weaknesses identified?	No
Significant Deficiencies identified that are not considered to be material weaknesses?	Yes
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?	No
Type of auditors’ report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section_510(a) of Circular A-133?	No
Programs tested as major programs:	
<div style="display: flex; justify-content: space-between;"> <div style="text-align: center;"> <u>CFDA Number(s)</u> 97.036 </div> <div style="text-align: center;"> <u>Name of Federal Program</u> Disaster Public Assistance Grant </div> </div>	
Dollar threshold used to distinguish between type A and B Programs	\$300,000
Auditee qualified as low-risk auditee?	No

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section II – Financial Statement Findings**

**2008-1 Finding**

*Condition*

The payroll bank account reconciliation is performed by the Deputy Director of Finance and Administration who is also an authorized signer on payroll checks and performs interbank transfers. The reconciliation is not reviewed and approved.

*Criteria*

Proper internal controls over cash processes require segregation of duties with regard to bank reconciliations.

*Effect*

Lack of segregation of duties could result in misappropriation of assets.

*Recommendation*

We recommend that, due to the sensitivity of payroll information, the payroll bank account be reconciled by the Human Resources Officer, and that the Deputy Director of Finance and Administration review and approve the reconciliation.

*Management's Response*

Management has assigned the reconciliation of the payroll bank account to the Human Resources Officer and the review and approval of the reconciliations to the Deputy Director of Finance and Administration.



## MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT

JOHN K. RESTER  
Commissioner  
LENWOOD S. SAWYER, JR.  
Commissioner  
JAMES C. SIMPSON, JR.  
Commissioner

FRANCES TURNAGE  
Commissioner  
FRANK WILEM  
Commissioner  
DONALD R. ALLEE  
Executive Director & CEO  
[www.shipmspa.com](http://www.shipmspa.com)

### **Corrective Action Plan Single Audit Fiscal Year Ending June 30, 2008**

#### **Finding 2008-1**

Due to the sensitivity of payroll information and the limited size of the finance department, the payroll bank reconciliation was being completed by the Deputy Director of Finance and Administration. The reconciliation of the payroll bank account has been assigned to the Human Resources Officer. The review and approval of the reconciliation has been assigned to the Deputy Director of Finance and Administration.

Mary J. Bourdin, CPA  
Deputy Director  
Finance & Administration



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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2008 (Unaudited)

2007-1 U. S. Department of Homeland Security; Disaster Public Assistance Grant; CFDA #97.036; PW7126; PW7999; PW8418; PW8606; PW9400; PW9876; PW9904; PW10074

#### *Condition*

The grantee did not obtain certification of suspension or debarment as part of the contract prior to contract award, did not include a clause or condition in the contract and did not check the EPLS listing.

#### *Recommendation*

The auditor's recommendation was that the grantee develop and institute procedures to ensure that certification of suspension or debarment is obtained before contracts are awarded.

#### *Current Status*

As soon as the deficiency was noted, the Authority instituted a procedure to ascertain that all contracts in existence prior to the grant award would be checked for suspension and debarment. The procedure includes notice in the "information for bidders" documentation that a bidder must provide certification of their EPLS listing when a bid is submitted. A checklist for staff, with management approval was instituted as a part of this procedure.

*Mary J. Bourdin, CPA*

Mary J. Bourdin, CPA  
Deputy Director  
Finance & Administration