MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)

FINANCIAL STATEMENTS

JUNE 30, 2018, 2017, AND 2016

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
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JUNE 30, 2018, 2017, AND 2016

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MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
LIST OF OFFICIALS
JUNE 30, 2018

Board of Commissioners		Term
James C. Simpson, Jr.	President	12/2018
John K. Rester	Vice-President	12/2019
Jack Norris	Secretary	12/2020
E. J. Roberts	Treasurer	12/2021
Robert J. Knesal	Commissioner	12/2022

Executive Director and Chief Executive Officer

Jonathan T. Daniels

Chief Financial Officer

Deborah "DeeDee" Wood, CPA

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

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

December 19, 2018

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

Report on the Financial Statements

We have audited the accompanying comparative financial statements of the Mississippi State Port Authority at Gulfport, an agency of the State of Mississippi, as of and for the years ended June 30, 2018, 2017, and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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To the Board of Commissioners
Mississippi State Port Authority
at Gulfport
December 19, 2018

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mississippi State Port Authority at Gulfport, an agency of the State of Mississippi, as of June 30, 2018, 2017, and 2016, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information related to net pension liability and contributions and other post employment benefits (OPEB) is required by the Governmental Accounting Standards Board and is included on pages 37 through 41. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory 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 December 19, 2018, on our consideration of the Mississippi State Port Authority at Gulfport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi State Port Authority's internal control over financial reporting and compliance.

Change in Accounting Principle

In fiscal year 2017, the Authority adopted new accounting guidance, GASB Statement No. 77, *Tax Abatement Disclosures*, which are discussed in Notes 16 and 18. In the current fiscal year the Authority adopted new accounting guidance, GASB No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period* and GASB No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, see Note 7 and Note 14, accordingly. Our opinion is not modified with respect to these matters.

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

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
ROBERT J. KNESAL
Commissioner
JAMES C. SIMPSON, JR.
Commissioner

JACK NORRIS
Commissioner
E.J. ROBERTS
Commissioner
JONATHAN DANIELS
Executive Director / CEO
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, 2018, 2017, and 2016. We recommend that readers consider the information presented here, in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's net position increased $86.3 million as a result of this year's operations. Last year the Authority's operations increased net position by $54.5 million, and fiscal year 2016 had a $112.7 million increase as compared to fiscal year 2015.

- Total operating revenues for 2018 were $26.5 million which was a 21.0% increase over the prior year. In fiscal years 2017 and 2016, operating revenues were $21.9 million and $16.1 million, respectively.

- Maritime revenues increased 31.4% or $4.2 million in fiscal year 2018, as compared to a 79.3% increase in fiscal year 2017. Maritime revenues in fiscal years 2018 and 2017 were $17.8 million and $13.5 million, respectively. Maritime revenues for fiscal year 2016 were $7.5 million.

- As of June 30, 2018, the Authority's operating expenses totaled $30.3 million, resulting in an operating loss of $3.8 million. This compares to an operating loss of $8.2 million in fiscal year 2017 and a $10.8 million loss for fiscal year 2016. In fiscal year 2018, $5.1 million of operating expenses were related to the Community Development Block Grant (CDBG); these costs were reimbursed back to the Authority. In fiscal year 2017, CDBG grant related operating expenses totaled $6.9 million, and in fiscal year 2016, CDBG grant related operating expenses were $10.2 million.

- Depreciation expense for fiscal year 2018 was $14.0 million as compared to $11.9 million for fiscal year 2017 and $7.1 million for fiscal year 2016. As the capital projects are completed, the depreciation expense will continue to increase until construction concludes.

- Regarding the Authority's Facility Restoration Plan, costs incurred during fiscal year 2018 were over $95.1 million. $90.1 million in CDBG grant related funds were used to finance the majority of our construction projects. In fiscal year 2018, projects that were completed include: Terminals 1 and 2 Administration, M&R and Gate Buildings, Marine Research Facility, Small Craft Harbor Landside Improvements, Port Landscaping Project, Barge Mooring Facility, North Harbor Paving and Electrical Project, Berth 7 Improvements, and Terminal 1 Electrical Project.

- The Authority is working to complete and close out the final projects from Hurricanes Katrina and Nate. The MSPA received no FEMA related grants funds during fiscal year 2018 as compared to $57,000 in fiscal year 2017 and $1.1 million in fiscal year 2016. As of June 30, 2018, the Authority is due approximately $2.5 million from FEMA for work previously completed.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

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

The financial statements include comparative: statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows. These statements include assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector companies. Current year revenues are recognized when earned and current year expenses are recognized when they are incurred, regardless of when the cash is received or disbursed.

Comparative Statements of Net Position

The comparative statements of net position present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Authority is improving or deteriorating by reflecting the Authority's overall financial health. Restricted assets include customer deposits and an escrow for a lease/purchase option. The Authority internally restricts additional funds for debt service and/or emergency contingencies.

A summary of the Authority's statement of net position as of June 30, 2018, with comparative amounts for June 30, 2017, 2016, and 2015, is as follows:

COMPARATIVE STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	2017	2016	2015
CURRENT ASSETS				
Cash and investments	$ 38,519,115	$ 23,155,814	$ 34,935,508	$ 68,478,849
Accounts receivable	2,472,772	2,081,929	1,524,785	1,520,969
Other receivables	35,849,206	38,115,212	41,814,946	23,581,512
Prepaid expenses	142,858	105,242	52,229	105,028
Restricted assets:				
Cash and investments	100,000	100,000	150,000	150,000
Total current assets	77,083,951	63,558,197	78,477,468	93,836,358
NON-CURRENT ASSETS				
Capital assets, net of accumulated depreciation	657,539,895	587,001,032	530,425,327	375,995,154
Other assets				
Investments	-	-	-	-
Investment in lease	13,177,344	13,856,097	14,518,109	21,163,793
Restricted - lease deposit	450,000	450,000	450,000	450,000
Total non-current assets	671,167,239	601,307,129	545,393,436	397,608,947
Total assets	748,251,190	664,865,326	623,870,904	491,445,305
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows	1,007,147	1,565,613	1,006,133	413,262

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative Statements of Net Position (Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2018	2017	2016	2015
CURRENT LIABILITIES				
Accounts payable and accruals	$ 24,242,728	$ 30,385,454	$ 39,585,855	$ 20,973,232
Retainages payable	8,012,089	5,521,113	7,574,074	3,992,214
Bonds payable	6,045,000	2,950,000	2,830,000	2,715,000
Total current liabilities	38,299,817	38,856,567	49,989,929	27,680,446
NON-CURRENT LIABILITIES				
Compensated absences	286,085	264,127	263,814	232,956
Bonds payable	-	3,095,000	6,045,000	8,875,000
Net pension & OPEB liability	6,978,172	6,998,197	5,626,724	4,430,431
Payable from restricted assets:				
Customer deposits	100,000	100,000	150,000	150,000
Total non-current liabilities	7,364,257	10,457,324	12,085,538	13,688,387
Total liabilities	45,664,074	49,313,891	62,075,467	41,368,833
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows	154,268	21,656	165,767	513,779
NET POSITION				
Invested in capital assets, net of related debt	629,056,688	547,577,608	477,205,747	343,617,235
Restricted	450,000	450,000	450,000	450,000
Unrestricted	73,933,307	69,067,784	84,980,056	105,908,720
TOTAL NET POSITION	$ 703,439,995	$ 617,095,392	$ 562,635,803	$ 449,975,955

Comparative Statements of Revenues, Expenses, and Changes in Net Position

The comparative statements of revenues, expenses, and changes in net position present the change in the Authority's net position in the most recent fiscal year, with the three prior years presented for comparison. All changes in net position 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 that will result in cash flows in future fiscal periods are reported within these statements.

In the comparative statements of revenues, expenses, and changes in net position, Management separates the Authority's activities into two types, as follows:

> Charges for services - Most of the Authority's maritime services that are provided are reported within this category, which includes: wharfage, dockage, usage, crane fees, harbor fees, line-handling, and security.
>
> Revenue from leases - All revenue received from maritime and non-maritime lease activities, which beginning in fiscal year 2017, included Chemours' Guaranteed Construction Reimbursement payments and these payments are reported within this category.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative Statements of Revenues, Expenses, and Changes in Net Position (Continued)

A summary of the Authority's statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2018, with comparative amounts for June 30, 2017, 2016, and 2015, is as follows:

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2018	2017	2016	2015
OPERATING REVENUES				
Charges for services	$ 7,951,505	$ 6,915,035	$ 5,287,745	$ 4,984,070
Revenue from leases	18,561,539	15,005,945	10,850,719	9,117,093
Total operating revenues	26,513,044	21,920,980	16,138,464	14,101,163
OPERATING EXPENSES	30,312,635	30,108,384	26,961,618	25,615,556
INCOME (LOSS) FROM OPERATIONS	(3,799,591)	(8,187,404)	(10,823,154)	(11,514,393)
NON-OPERATING REVENUE (EXPENSES)				
Revenue from County	934,671	963,013	981,856	937,191
Investment and other income	2,015,456	1,149,241	464,699	411,755
Transfers in from other State agencies/governments	90,293,095	74,199,492	122,022,589	95,316,295
Insurance proceeds	7,538	8,302	124,103	6,403
Interest and other expenses	(281,093)	(114,888)	-	(525,158)
Gain (loss) on disposal of assets	(2,825,473)	(13,373,286)	(110,245)	895
Total non-operating revenue (expenses)	90,144,194	62,831,874	123,483,002	96,147,381
CHANGE IN NET POSITION	86,344,603	54,644,470	112,659,848	84,632,988
TOTAL NET POSITION				
BEGINNING, before restatement	617,095,392	562,635,803	449,975,955	369,682,710
Cumulative effect of change in accounting principle	-	(184,881)	-	(4,339,743)
Net position - restated	617,095,392	562,450,922	449,975,955	365,342,967
TOTAL NET POSITION - ENDING	$ 703,439,995	$ 617,095,392	$ 562,635,803	$ 449,975,955

Comparative Statements of Cash Flows

The comparative statements of cash flows detail the cash received and expended by the Authority during the current and prior fiscal years. These statements are divided into cash flows from operating activities, non-capital financing activities, capital and related 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 current year's activities?" The comparative statements of net position and statements of revenues, expenses, and changes in net position 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 position is an indicator as to whether its financial health is improving or deteriorating. Additionally, Management considers other non-financial indicators, such as legislative mandates and economic market conditions, to assess the overall well-being of the Authority.

In fiscal year 2018, expenses incurred for capital asset acquisition and construction were approximately $90.3 million. The Authority commenced construction on several new projects in fiscal year 2018, and numerous projects were completed, and these assets were put into use this year, as well. In fiscal year 2019, construction is wrapping up, and it is anticipated that Restoration Projects will be complete by the end of this year.

The Authority's current year cash flows show a net increase of $15.4 million in cash and cash equivalents as compared to fiscal year 2017. Cash flows decreased in fiscal year 2017 by $11.8 million and in 2016, increased $16.0 million. It should be noted that the Chemours' Silo and Improvement Projects were completed in fiscal year 2017, and in 2018 the Authority did not have those Silo related costs.

Other Potentially Significant Matters

Capital Assets Administration

A summary of the Authority's ending balances for capital assets for the fiscal year ended June 30, 2018, with comparative amounts for June 30, 2017, 2016, and 2015, is as follows:

CAPITAL ASSETS AS OF JUNE 30,
(Net of Depreciation, in Millions)

	2018	2017	2016	2015
Land	$ 127.1	$ 125.4	$ 125.4	$ 125.4
Buildings	75.9	50.5	27.8	28.5
Machinery and equipment	29.6	33.6	4.9	5.4
Land improvements	120.8	103.3	24.9	20.3
Infrastructure	142.3	141.1	119.1	99.9
Leasehold improvements	0.2	0.2	-	-
Construction in progress	161.6	132.9	228.3	96.5
Total capital assets	$ 657.5	$ 587.0	$ 530.4	$ 376.0

The Authority continues to maintain and expand its capital assets. Over $202 million is budgeted for capital outlay during the next two fiscal years. Financial assistance from a variety of sources (e.g., Federal and State governments) is available to assist the Authority with capital outlay relating to the overall facility restoration.

Note 19 to the financial statements provides details of the Authority's outstanding construction commitments as of June 30, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration

A summary of the Authority's outstanding bond obligations for the fiscal year ended June 30, 2018, with comparative amounts for June 30, 2017, 2016, and 2015, is as follows:

DEBT OUTSTANDING AS OF JUNE 30,	2018	2017	2016	2015
General Obligation Bonds: (backed by the State of Mississippi)				
Series 2009C	$ 6,045,000	$ 6,045,000	$ 8,875,000	$ 11,590,000

Debt service payments continued for the Series 2009C bond issuance; the final payment was made in September 2018.

Economic Factors and Next Year's Budget

Management of the Authority considered a variety of factors in compiling the fiscal year 2019 operating budget. One of the factors that the Authority considered was its ability to provide marine terminal services to customers while enhancing the economic growth of the State of Mississippi. After review of existing and new tenant agreements, projected capital improvements, and revenue projections, for fiscal year 2019, the Authority budgeted an increase of 16.1% increase in maritime revenue which reflect additional lease revenue due to all Authority tenants are now in their newly constructed terminals and buildings. The Authority will continue to aggressively pursue diversified business opportunities with new companies and prospective tenants, as well.

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 that 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
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2018, 2017, AND 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	2017	2016
CURRENT ASSETS			
Cash and cash equivalents	$ 34,899,470	$ 22,417,588	$ 34,196,666
Equity in internal investment pool	3,619,645	738,226	738,842
Accrued interest receivable	95,183	29,534	4,343
Accounts receivable, net of allowance for doubtful accounts	2,472,772	2,081,929	1,524,785
Investment in lease	678,753	662,012	645,684
Due from other State agencies	35,054,226	37,405,229	41,133,126
Due from other governments	21,044	18,437	31,793
Prepaid expenses	142,858	105,242	52,229
Restricted assets:			
Cash and cash equivalents	100,000	100,000	150,000
Total current assets	77,083,951	63,558,197	78,477,468
NON-CURRENT ASSETS			
Capital assets:			
Land	127,065,818	125,392,044	125,392,044
Buildings, net of accumulated depreciation	75,936,096	50,444,871	27,769,810
Machinery and equipment, net of accumulated depreciation	29,607,185	33,558,489	4,941,995
Land improvements, net of accumulated depreciation	120,772,152	103,319,512	24,892,665
Infrastructure, net of accumulated depreciation	142,363,127	141,126,667	119,138,316
Leasehold improvements, net of accumulated depreciation	202,800	226,200	-
Construction in progress	161,592,717	132,933,249	228,290,497
Total capital assets, net of accumulated depreciation	657,539,895	587,001,032	530,425,327
Investment in lease - non-current	13,177,344	13,856,097	14,518,109
Restricted asset:			
Deposit	450,000	450,000	450,000
Total non-current assets	671,167,239	601,307,129	545,393,436
Total assets	748,251,190	664,865,326	623,870,904
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for pensions	990,943	1,557,908	1,006,133
Deferred outflows for other postemployment benefits	16,204	7,705	-
Total deferred outflows of resources	1,007,147	1,565,613	1,006,133

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2018	2017	2016
CURRENT LIABILITIES			
Accounts payable	**$ 23,413,040**	$ 29,637,039	$ 39,097,451
Retainage payable	**8,012,089**	5,521,113	7,574,074
Unearned revenue	**622,031**	543,341	261,739
Accrued salaries	**98,132**	93,114	76,963
Accrued interest payable	**93,698**	93,698	133,318
Current maturities of compensated absences payable	**15,827**	18,262	16,384
Current maturities of bonds payable	**6,045,000**	2,950,000	2,830,000
Total current liabilities	**38,299,817**	38,856,567	49,989,929
NON-CURRENT LIABILITIES			
Compensated absences payable, net of current maturities	**286,085**	264,127	263,814
Bonds payable, net of current portion	-	3,095,000	6,045,000
Net pension liability	**6,782,345**	6,805,611	5,626,724
Net other postemployment benefit liability	**195,827**	192,586	-
Payable from restricted assets:			
Customer deposits	**100,000**	100,000	150,000
Total non-current liabilities	**7,364,257**	10,457,324	12,085,538
Total liabilities	**45,664,074**	49,313,891	62,075,467
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows for pensions	**146,046**	21,656	165,767
Deferred inflows for other postemployment benefits	**8,222**	-	-
Total deferred inflows of resources	**154,268**	21,656	165,767
NET POSITION			
Invested in capital assets, net of related debt	**629,056,688**	547,577,608	477,205,747
Restricted	**450,000**	450,000	450,000
Unrestricted	**73,933,307**	69,067,784	84,980,056
TOTAL NET POSITION	**$ 703,439,995**	$ 617,095,392	$ 562,635,803

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	2018	2017	2016
OPERATING REVENUES			
Charges for services	$ 7,951,505	$ 6,915,035	$ 5,287,745
Revenue from leases	18,561,539	15,005,945	10,850,719
Total operating revenues	26,513,044	21,920,980	16,138,464
OPERATING EXPENSES			
General and administrative	3,481,007	3,477,274	2,884,672
Contractual services	11,834,139	12,932,848	16,004,581
Commodities	346,635	1,270,071	306,757
Pension and other postemployment benefit liability adjustment expense	671,053	483,002	646,099
Depreciation and amortization	13,979,801	11,945,189	7,119,509
Total operating expenses	30,312,635	30,108,384	26,961,618
LOSS FROM OPERATIONS	(3,799,591)	(8,187,404)	(10,823,154)
NON-OPERATING REVENUE (EXPENSES)			
Revenue from County	934,671	963,013	981,856
Interest and other investment income	2,015,456	1,149,241	464,699
Transfers in from other State agencies	90,293,095	74,199,492	122,022,589
Insurance proceeds	7,538	8,302	124,103
Interest expense and other fiscal charges	(281,093)	(114,888)	-
Gain (loss) on disposal of capital assets	(2,825,473)	(13,373,286)	(110,245)
Total non-operating revenue (expenses)	90,144,194	62,831,874	123,483,002
CHANGE IN NET POSITION	86,344,603	54,644,470	112,659,848
TOTAL NET POSITION - BEGINNING	617,095,392	562,635,803	449,975,955
Cumulative effect of change in accounting principle	-	(184,881)	-
Net position - beginning - restated	617,095,392	562,450,922	449,975,955
TOTAL NET POSITION - ENDING	$ 703,439,995	$ 617,095,392	$ 562,635,803

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 26,200,891	$ 21,595,438	$ 16,286,696
Cash payments for personnel services	(3,456,466)	(3,458,932)	(3,228,194)
Cash payments to suppliers of goods and services	(4,984,796)	(14,829,546)	(17,750,763)
Net cash provided by (used in) operating activities	17,759,629	3,306,960	(4,692,261)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other governments	932,064	976,369	969,280
Transfers in from other State agencies	92,644,098	77,927,389	103,751,163
Net cash provided by noncapital financing activities	93,576,162	78,903,758	104,720,443
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received (paid) for capital asset disposal	500,000	(584,235)	26,400
Acquisition and construction of capital assets	(98,810,754)	(92,249,705)	(138,165,866)
Principal received on investment in lease	662,012	645,684	6,629,758
Insurance proceeds	7,538	8,302	124,103
Interest paid	(281,093)	(154,508)	-
Principal paid on bonds payable	-	(2,830,000)	(2,715,000)
Net cash used in capital and related financing activities	(97,922,297)	(95,164,462)	(134,100,605)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,949,807	1,124,050	472,328
Proceeds from maturities of investments	-	-	49,608,850
Net cash provided by investing activities	1,949,807	1,124,050	50,081,178
Net change in cash and cash equivalents	15,363,301	(11,829,694)	16,008,755
Cash and cash equivalents at beginning of year	23,255,814	35,085,508	19,076,753
Cash and cash equivalents at end of year	$ 38,619,115	$ 23,255,814	$ 35,085,508
CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:			
CURRENT ASSETS			
Cash and cash equivalents	$ 34,899,470	$ 22,417,588	$ 34,196,666
Equity in internal investment pool	3,619,645	738,226	738,842
Restricted Assets:			
Cash and cash equivalents	100,000	100,000	150,000
Cash and cash equivalents at end of year	$ 38,619,115	$ 23,255,814	$ 35,085,508

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	2018	2017	2016
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Loss from operations	**$ (3,799,591)**	$ (8,187,404)	$ (10,823,154)
Adjustments reconciling loss from operations to net cash provided by (used in) operating activities:			
Depreciation	**13,979,801**	11,945,189	7,119,509
Noncapital deferred revenue	**-**	-	2,111
Pension and other postemployment benefit liability adjustment expense	**671,053**	483,002	255,410
(Increase) decrease in assets:			
Accounts receivable	**(390,843)**	(557,144)	(3,816)
Prepaid expenses	**(37,616)**	(53,013)	52,799
Increase (decrease) in liabilities:			
Accounts payable	**7,233,594**	(573,614)	(1,492,225)
Unearned revenue	**78,690**	281,602	149,937
Accrued salaries	**5,018**	16,151	27,267
Accrued compensated absences	**19,523**	2,191	19,901
Customer deposits	**-**	(50,000)	-
Total adjustments	**21,559,220**	11,494,364	6,130,893
Net cash provided by (used in) operating activities	**$ 17,759,629**	$ 3,306,960	$ (4,692,261)

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

NOTES TO FINANCIAL STATEMENTS

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018, 2017, AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Port of Gulfport was conveyed by the City of Gulfport to the State of Mississippi on September 26, 1960. On February 9, 1961, the Port of Gulfport was officially renamed and the Mississippi State Port Authority at Gulfport (Authority) was created. 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 an agency 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. 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.

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.

Restricted Assets

When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first, then unrestricted assets as needed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include 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 statements 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.

Equity in Internal Investment Pool

Equity in internal investment pool is cash deposited with the State Treasurer's Office and consists of pooled demand deposits that are considered cash and cash equivalents. The State Treasurer is responsible for maintaining the cash balances in accordance with State laws, and excess cash is invested in the State's cash and short-term investment pool. As of June 30, 2018, 2017, and 2016 the Authority's share in the pooled investment as a state agency consists of cash and totals $3,619,645, $738,226, and $738,842, respectively.

Investments

The Authority reports investments at fair value which are readily available market quotations. Unrealized gains and losses are reported in interest and other investment income in the statements of revenues, expenses, and changes in net position.

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 estimates an allowance for doubtful accounts.

Due from Other State Agencies

Due from other State agencies represents subrecipient grant funds earned but not received as of June 30.

Due from Other Governments

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

Capital Assets

Capital assets exceeding the State of Mississippi's mandated capitalization thresholds are stated at historical cost. Donated capital assets are recorded at acquisition value. 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 capital assets 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 on the next page:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Useful Life	Capitalization Threshold
Machinery 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

Unearned 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 Position

The Authority's net position is categorized as follows:

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

Restricted - represents amount restricted for purposes related to a deposit on a capital lease purchase option.

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.

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.

NOTE 2: DEPOSITS AND INVESTMENTS

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 Farm Credit Bank 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, 2018, the carrying amount of the Authority's deposits (including restricted deposits) was $38,619,115 and the bank balances totaled $39,806,022. 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.

As of June 30, 2018, 2017, and 2016, restricted cash and cash equivalents consist of the following:

	2018	2017	2016
Current:			
Restricted for customer deposits	$ 100,000	$ 100,000	$ 150,000
Total current	$ 100,000	$ 100,000	$ 150,000

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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. The money market funds of $30,211,483, included in cash and cash equivalents, are held by the trust department at one financial investment institution and consist of investment in a government fund mutual fund that is uninsured and uncollateralized at June 30, 2018. Those securities are not registered in the Authority's name. However, the money market funds are held in the Authority's name and are controlled solely by the Authority.

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.

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:

Investment	Credit Rating	Fair Value 2018	Fair Value 2017	Fair Value 2016
Mutual funds	AAA	$ 30,211,483	$ 16,561,680	$ 19,686,010
Total		$ 30,211,483	$ 16,561,680	$ 19,686,010

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 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: INVESTMENT IN LEASE

Guaranteed MSPA Acquisition Reimbursement

On March 26, 2015, the Authority purchased 114.23 acres of land and facilities and equipment thereon for a total of $32 million, which constitutes the Guaranteed MSPA Acquisition Reimbursement. In a simultaneous transaction, the Authority entered into a forty year direct financing capital lease agreement with a limited liability company (Company) for this property. Under the terms of the agreement, the Company initially provided $10 million as a cash contribution toward the purchase price of the property. It is the intent of the agreement that, after proposed legislation is enacted that will exempt the Authority from having to offer the leased property to other state agencies before granting the Company a purchase option, the Company will pay the Authority an additional $6 million of the Guaranteed MSPA Acquisition Reimbursement. During the prior year, the proposed legislation was enacted and the Company paid the additional $6 million as included in the Guaranteed MSPA Acquisition Agreement.

The lease agreement terms require monthly principal and interest payments of $84,784 beginning March 26, 2015 through February 26, 2035, at 2.5% per annum interest rate. In addition, the Company shall pay an additional rent of $1,000 (which represents an administrative fee) per month for the forty year lease period.

Per the agreement, during the lease term, the Company shall have the right to purchase the property by providing the Authority ninety days written notice and paying any remaining balance on the Guaranteed MSPA Acquisition Cost Reimbursement plus $10,000 and reasonable costs incurred by the Authority.

The following is a summary of the future minimum lease payments receivable as of June 30, 2018:

Year Ending June 30,	Principal	Interest	Total
2019	$ 678,753	$ 338,660	$ 1,017,413
2020	695,918	321,496	1,017,414
2021	713,517	303,897	1,017,414
2022	731,561	285,853	1,017,414
2023	750,061	267,353	1,017,414
2024-2035	10,286,287	1,583,537	11,869,824
	$ 13,856,097	$ 3,100,796	$ 16,956,893

NOTE 4: ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30:

	2018	2017	2016
Accounts receivable from customers	$ 3,521,362	$ 3,130,519	$ 2,573,375
Less: allowance for doubtful accounts	(1,048,590)	(1,048,590)	(1,048,590)
Accounts receivable, net	$ 2,472,772	$ 2,081,929	$ 1,524,785

The Authority recorded no bad debt expense for the fiscal years ended June 30, 2018, 2017, and 2016.

NOTE 5: DUE FROM OTHER STATE AGENCIES

As of June 30, due from other State agencies includes the following:

	2018	2017	2016
MEMA - FEMA Hurricane Katrina projects	$ 2,387,139	$ 2,288,110	$ 2,288,110
MEMA - FEMA Hurricane Gustav projects	-	-	57,452
MEMA - FEMA Hurricane Nate projects	119,155	-	-
MDA - HUD/CDBG Port restoration projects	32,547,932	35,117,119	38,787,564
	$ 35,054,226	$ 37,405,229	$ 41,133,126

NOTE 6: DUE FROM OTHER GOVERNMENTS

As of June 30, due from other governments includes the following:

	2018	2017	2016
Harrison County Tax Collector - Ad Valorem Taxes	$ 21,044	$ 18,437	$ 31,793
	$ 21,044	$ 18,437	$ 31,793

NOTE 7: CAPITAL ASSETS

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

For the fiscal year ended June 30, 2018

	Balance July 1, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Land	$ 125,392,044	$ 1,673,774	$ -	$ -	$ 127,065,818
Buildings	56,100,511	-	-	26,784,339	82,884,850
Machinery and equipment	40,761,890	249,695	(3,909,013)	-	37,102,572
Land improvements	108,943,239	-	(1,482,207)	22,916,540	130,377,572
Infrastructure	185,692,178	-	(5,103,328)	7,560,322	188,149,172
Leasehold improvements	234,000	-	-	-	234,000
Construction in progress	132,933,249	85,920,669	-	(57,261,201)	161,592,717
Total capital assets	650,057,111	87,844,138	(10,494,548)	-	727,406,701
Less: accumulated depreciation for:					
Buildings	(5,655,640)	(1,293,114)	-	-	(6,948,754)
Machinery and equipment	(7,203,401)	(2,520,125)	2,228,138	-	(7,495,388)
Land improvements	(5,623,727)	(4,550,612)	568,920	-	(9,605,419)
Infrastructure	(44,565,511)	(5,592,550)	4,372,016	-	(45,786,045)
Leasehold improv.	(7,800)	(23,400)	-	-	(31,200)
Total accumulated depreciation	(63,056,079)	(13,979,801)	7,169,074	-	(69,866,806)
Net capital assets	$ 587,001,032	$ 73,864,337	$ (3,325,474)	$ -	$ 657,539,895

NOTE 7: CAPITAL ASSETS (Continued)

Construction in progress at June 30, 2018 is primarily composed of construction costs for Terminal 3 gate, M&R, and warehouse buildings, West Pier site and security system, East Pier wharf expansion and fendering system, ilmenite facility enhancement project, shed 16 modifications, and Northport land improvements. In the current fiscal year the Authority adopted new accounting guidance, GASB No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* In accordance with the standard, there is no capitalizable interest for the year ended June 30, 2018.

For the fiscal year ended June 30, 2017

	Balance July 1, 2016	Additions	Disposals	Transfers	Balance June 30, 2017
Land	$ 125,392,044	$ -	$ -	$ -	$ 125,392,044
Buildings	33,811,232	-	(5,478,388)	27,767,667	56,100,511
Machinery and equipment	9,548,382	83,893	(12,276)	31,141,891	40,761,890
Land improvements	42,083,452	-	(22,147,985)	89,007,772	108,943,239
Infrastructure	173,605,631	-	(16,345,425)	28,431,972	185,692,178
Leasehold improv.	-	234,000	-	-	234,000
Construction in progress	228,290,497	81,953,916	(961,862)	(176,349,302)	132,933,249
Total capital assets	612,731,238	82,271,809	(44,945,936)	-	650,057,111
Less: accumulated depreciation for:					
Buildings	(6,041,422)	(1,129,154)	1,514,936	-	(5,655,640)
Machinery and equipment	(4,606,387)	(2,609,166)	12,152	-	(7,203,401)
Land improvements	(17,190,787)	(2,949,706)	14,516,766	-	(5,623,727)
Infrastructure	(54,467,315)	(5,249,363)	15,151,167	-	(44,565,511)
Leasehold improv.	-	(7,800)	-	-	(7,800)
Total accumulated depreciation	(82,305,911)	(11,945,189)	31,195,021	-	(63,056,079)
Net capital assets	$ 530,425,327	$ 70,326,620	$ (13,750,915)	$ -	$ 587,001,032

Construction in progress at June 30, 2017 is primarily composed of construction costs for west pier site work, transit shed, marine research facility, tenants' maintenance, and repairs on buildings, north harbor improvements, and infrastructure. For the year ended June 30, 2017, capitalizable interest in the amount of $186,015 was incurred on outstanding debt during the construction period.

NOTE 7: CAPITAL ASSETS (Continued)

For the fiscal year ended June 30, 2016

	Balance July 1, 2015	Additions	Disposals	Transfers	Balance June 30, 2016
Land	$ 125,392,044	$ -	$ -	$ -	$ 125,392,044
Buildings	33,811,232	-	-	-	33,811,232
Machinery and equipment	9,472,839	138,337	(62,794)	-	9,548,382
Land improvements	36,617,208	-	(543,192)	6,009,436	42,083,452
Infrastructure	156,267,621	-	(6,387,240)	23,725,250	173,605,631
Construction in progress	96,477,193	161,551,824	(3,834)	(29,734,686)	228,290,497
Total capital assets	458,038,137	161,690,161	(6,997,060)	-	612,731,238
Less: accumulated depreciation for:					
Buildings	(5,341,608)	(699,814)	-	-	(6,041,422)
Machinery and equipment	(4,054,856)	(608,046)	56,515	-	(4,606,387)
Land improvements	(16,256,083)	(1,347,530)	412,826	-	(17,190,787)
Infrastructure	(56,390,436)	(4,464,119)	6,387,240	-	(54,467,315)
Total accumulated depreciation	(82,042,983)	(7,119,509)	6,856,581	-	(82,305,911)
Net capital assets	$ 375,995,154	$ 154,570,652	$ (140,479)	$ -	$ 530,425,327

Construction in progress at June 30, 2016 is primarily composed of construction costs for a small craft harbor, rail mounted gantry cranes, a warehouse, west pier site work, ilmenite facility, and wharf upgrades. For the year ended June 30, 2016, capitalizable interest in the amount of $418,053 was incurred on outstanding debt during the construction period.

NOTE 8: UNEARNED REVENUE

As of June 30, unearned revenue includes the following:

	2018	2017	2016
Point Sur dockage	$ -	$ 4,167	$ 4,167
Chemours (f/k/a Dupont)	256,208	244,655	104,475
Chiquita	215,823	146,250	-
McDermott, Inc.	150,000	140,000	150,000
Cellular South	-	-	1,690
RJ Young	-	-	1,407
Ports of America	-	8,269	-
	$ 622,031	$ 543,341	$ 261,739

NOTE 9: CAPITALIZED LEASE

In May 2009, the Authority entered into a land lease on approximately 33 acres in Gulfport, Mississippi. The original amount of the lease is $699,751 and it has a bargain purchase option. Payments are $60,500 for 12 months and then continue with annual payments of $1 for nine years. The lease matures on May 13, 2019. The leased asset is valued at $699,751 and is included in land on the balance sheets.

See additional information with regard to environmental contingency associated with the lease in Note 19.

NOTE 10: 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, 2018

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2017	Principal Payments	Balance at June 30, 2018
2009C	$ 25,240,000	4/2/2009	9/1/2018	1.44-4.65%	$ 6,045,000	$ -	$ 6,045,000
Less: current maturities included in current liabilities					(2,950,000) *		(6,045,000)
Bonds payable, net of current portion					$ 3,095,000		$ -

For the fiscal year ended June 30, 2017

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2016	Principal Payments	Balance at June 30, 2017
2009C	$ 25,240,000	4/2/2009	9/1/2018	1.44-4.65%	$ 8,875,000	$ (2,830,000)	$ 6,045,000
Less: current maturities included in current liabilities					(2,830,000)		(2,950,000)
Bonds payable, net of current portion					$ 6,045,000		$ 3,095,000

For the fiscal year ended June 30, 2016

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2015	Principal Payments	Balance at June 30, 2016
2009C	$ 25,240,000	4/2/2009	9/1/2018	1.44-4.65%	$ 11,590,000	$ (2,715,000)	$ 8,875,000
Less: current maturities included in current liabilities					(2,715,000)		(2,830,000)
Bonds payable, net of current portion					$ 8,875,000		$ 6,045,000

* sinking fund requirement

NOTE 10: BONDS PAYABLE (Continued)

The Authority's future principal and interest requirements related to the bonds payable at June 30, 2018 are as follows:

Year	Principal	Interest	Total
2019	$ 6,045,000	$ 140,546	$ 6,185,546
	$ 6,045,000	$ 140,546	$ 6,185,546

Interest incurred on bonds payable totaled $281,093, $300,903, and $418,053, for fiscal years ended June 30, 2018, 2017, and 2016, respectively. Of these amounts, there was no capitalizable interest as a component of the cost of construction in progress for the year ended June 30, 2018 and $186,015, and $418,053 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11: COMPENSATED ABSENCES

Changes in compensated absences are as follows for the years ended June 30:

	Beginning Balance	Earned	Used	Ending Balance	Due within 12 months
2018	$ 282,389	$ 290,510	$(270,987)	$ 301,912	$ 15,827
2017	$ 280,198	$ 182,929	$(180,738)	$ 282,389	$ 18,262
2016	$ 260,297	$ 181,049	$(161,148)	$ 280,198	$ 16,384

NOTE 12: LEASING ARRANGEMENTS

Substantially all of the Authority's capital assets 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 $12,627,908, $12,088,682, and $10,850,719 for 2018, 2017, and 2016, respectively. The leases to gaming operations include contingent rentals of $7,147,786, $7,140,847, and $7,137,327, for 2018, 2017, and 2016, 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.

NOTE 12: LEASING ARRANGEMENTS (Continued)

The following is a schedule of future minimum rentals through the end of the lease agreements in effect as of June 30, 2018, not including contingent rentals, consumer price index adjustments, or thruput charges:

Year	Amount
2019	$ 6,149,144
2020	6,459,927
2021	6,459,927
2022	6,459,927
2023	6,459,927
2024 - 2043	48,722,735
Total	$ 80,711,587

Construction Reimbursement

On January 1, 2017, the Authority commenced the guaranteed construction reimbursement clause included in a port facilities tenant's 30 year non-exclusive, amended, restated, and modified operating lease agreement executed on July 1, 2013. The lease terms state that upon occupancy, the tenant will reimburse the Authority for all construction costs incurred related to a new ilmenite facility constructed by the Authority and operated by the tenant on Authority property. As of the years ended, June 30, 2018 and 2017, the tenant's responsibility for construction costs incurred was $65,042,768. Under the terms of the agreement, the reimbursement will be paid over ten years, at 2.25% per annum, in quarterly payments of $1,820,406, beginning June 30, 2017. Per management, the total reimbursement amount will increase as project enhancements are completed. The operating lease guaranteed construction reimbursement will be fully paid on October 1, 2026. Lease revenue for this reimbursement totaled $5,933,631 at June 30, 2018 and is included in revenue from leases on the statement of revenues, expenses, and changes in net position. Total interest received from this lease as of June 30, 2018 was $1,347,993 and is included under non-operating revenue in interest and other investment income on the statements of revenues, expenses, and changes in net position.

The following is a schedule of future minimum rentals through the end of the lease agreement in effect as of June 30, 2018:

Year	Principal	Interest	Total
2019	$ 6,068,269	$ 1,213,355	$ 7,281,624
2020	6,205,961	1,075,663	7,281,624
2021	6,346,778	934,846	7,281,624
2022	6,490,790	790,834	7,281,624
2023	6,638,069	643,555	7,281,624
2024 - 2027	24,442,007	1,043,678	25,485,685
Total	$ 56,191,874	$ 5,701,931	$ 61,893,805

NOTE 12: LEASING ARRANGEMENTS (Continued)

Gaming Lease

Effective October 18, 2013, the Authority entered into an amended and restated lease agreement with its gaming lessee. The terms of the lease agreement include a ten year primary term, expiring on June 30, 2023, with two five year renewal options. Also included in the lease terms is an additional percentage rental abatement that reduces the 3% non-gaming additional percentage rental by 35% ($16,732,885 as of June 30, 2018) of the total capitalized costs expended ($47,808,243 as of June 30, 2018) by the lessee in connection with its hotel renovation and restoration (hotel development assistance cap amount) and $33,333 monthly base ($400,000 as of June 30, 2018). The abatement expires when the hotel development assistance cap amount is met or at the end of the second five year renewal term, July 1, 2033, whichever occurs first. During the years ended June 30, 2018, 2017, and 2016 the Authority abated $441,078, $478,547, and $488,739, respectively, in additional percentage rental related to non-gaming activities. From inception of the amended and restated lease agreement through June 30, 2018, the total abated amount is $2,090,911. As of June 30, 2018, the remaining unused hotel development assistance cap is $14,641,974.

NOTE 13: RETIREMENT PLAN

Plan Description

The Authority'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 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.

NOTE 13: RETIREMENT 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 Authority is required to contribute at an actuarially determined rate. For the periods ending June 30, 2018, 2017, and 2016, the Authority's contribution rates were 15.75%, 15.75%, and 15.75%, of annual covered payroll, respectively. The Authority's contributions to PERS for the years ended June 30, 2018, 2017, and 2016 were $417,434, $414,385, and $390,689, respectively, equal to the required contributions for each year.

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

At June 30, 2018, the Authority recognized $6,782,345 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Authority's proportion was 0.0408 percent, which was an increase of 0.0027 from its proportion measured as of June 30, 2016 (0.0381 percent).

For the year ended June 30, 2018, the Authority recognized expense of $668,089. In addition, the Authority 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	$ 97,441	$ -
Changes of assumptions	150,746	-
Net difference between projected and actual earnings on Plan investments	-	146,046
Changes in proportion and differences between Authority contributions and proportionate share of contributions	325,322	-
Authority contributions subsequent to the measurement date	417,434	-
Total	$ 990,943	$ 146,046

NOTE 13: RETIREMENT PLAN (Continued)

The Authority's contributions subsequent to the measurement date, $417,434, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2019	$ 326,915
2020	225,239
2021	6,319
2022	(131,010)
	$ 427,463

Actuarial Assumptions

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

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

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

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

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

NOTE 13: RETIREMENT PLAN (Continued)

Discount Rate

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

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

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

	Discount Rate	Authority's Proportionate Share of Net Pension Liability
1% decrease	6.75%	$8,895,498
Current discount rate	7.75%	$6,782,345
1% increase	8.75%	$5,027,968

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS

In the current fiscal year the Authority adopted new accounting guidance, GASB No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* In accordance, appropriate disclosures are as follows.

Plan Description

The State and School Employees' Health Insurance Management Board administers the State's self-insured medical plan and life insurance program established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan.

Eligibility

Eligible retirees will include State and School employees retiring from the State of Mississippi and electing coverage at retiree contribution rates. General State employees hired after July 1, 2011 are eligible to retire at any age with 25 years of service or at age 60 with at least 4 years (if hired before July 1, 2007) or 8 years (if hired after July 1, 2007) of service.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions

Retirees are responsible for payment of their own premiums. A retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from their state retirement plan check or direct billed if the retirement check is insufficient to pay for the premium. No contributions towards postemployment benefits are made while in active service. At retirement, contributions vary based on plan election, dependent coverage, and Medicare eligibility and date of hire.

Net Other Postemployment Benefit Liability

The Authority's net other postemployment benefit (OPEB) liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

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

Discount rate	3.56%
Inflation	3.00%
Salary increases, including wage inflation	3.25% - 18.50%
Municipal bond index rate	3.56%
Health care cost trends	7.75% for 2017 decreasing to an ultimate rate of 5.00% by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 20144 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the last actuarial experience study, dated April 18, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) at June 30, 2017 was 3.56 percent. Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the plan and the plan was projected to be depleted in 2017.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Other Postemployment Benefit Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as the Authority's proportionate share of the net OPEB liability using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate:

	Discount Rate	Authority's Proportionate Share of Net Other Postemployment Benefit Liability
1% decrease	2.56%	$200,998
Current discount rate	3.56%	$195,827
1% increase	4.56%	$191,975

Sensitivity of the Authority's Proportionate Share of the Net Other Postemployment Benefits Liability to Changes in Health Care Cost Trend Rates

The following presents the sensitivity of the net OPEB liability (NOL) to changes in the health care cost trend rates. The following exhibit presents the NOL of the plan, calculated using the health care cost trend rates, as well as what the plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Net Other Postemployment Benefits Liability	Authority's Proportionate Share of Net Other Postemployment Benefits Liability
1% decrease	$724,639,000	$180,859
Current discount rate	$784,609,000	$195,827
1% increase	$853,071,000	$212,914

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Other Postemployment Benefit Expense and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the fiscal year ended June 30, 3018, the Authority recognized OPEB expense of $2,964. At June 30, 2018, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 8,222
Implicit rate subsidy	8,348	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	7,856	-
Total	$ 16,204	$ 8,222

The fiscal year 2018 implicit rate subsidy, $8,348, represents the Authority's proportionate share of amounts paid as benefits come due subsequent to the measurement date of the net OPEB liability and before the end of the reporting period that are recognized as an additional deferred outflow of resources. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year	Amount
2019	$ 78
2020	78
2021	78
2022	78
2023	54
	$ 366

NOTE 15: LEASES

Office Space

In May 2007, the Authority entered into a lease agreement for office space at One Hancock Plaza in Gulfport, Mississippi. The office space lease is classified as an operating lease. Effective September 9, 2016 the lease was renewed for a period of one year expiring on September 9, 2017. Annual rent under this lease agreement is $173,187. Rent expense was $129,891 and $173,187 for the years ended June 30, 2017 and 2016, respectively. Rent expenses are included in the statements of revenues, expenses, and changes in net position as contractual services. This lease ended in April 2017 as the new lease agreement for office space began.

NOTE 15: LEASES (Continued)

In August 2009, the Authority entered into a lease agreement for office space at One Hancock Plaza in Gulfport, Mississippi. The office space lease is classified as an operating lease. Effective March 1, 2016 the lease was renewed for a period of eighteen months expiring on August 31, 2017. Annual rent under this lease agreement is $63,279. The lease was discontinued in March 2017 (after one year) when all office space leased at One Hancock Plaza was moved to one location. Rent expense was $47,459 and $63,279 for the years ended June 30, 2017 and 2016, respectively. Rent expenses are included in the statements of revenues, expenses, and changes in net position as contractual services.

In October 2016, the Authority entered into a lease agreement for office space at One Hancock Plaza in Gulfport, Mississippi, which would encompass all offices and discontinue all current leases with One Hancock Plaza. The office space lease is classified as an operating lease. Effective March 1, 2017 the lease is for a period of 10 years expiring on February 28, 2026. Annual rent under this lease agreement is $278,020, due in monthly installments of $23,168. Rent expense was $278,020 for the year ended June 30, 2018 and $69,505 for the year ended June 30, 2017. Rent expenses are included in the statements of revenues, expenses, and changes in net position as contractual services.

Copier Lease

In February 2013, the Authority entered into a lease agreement for copiers. The lease is classified as an operating lease. The lease term is four years. Monthly rent under this lease agreement is $1,100. In April 2017, the lease was renewed for a new four year term with monthly rent of $879. Rent expense for the years ended June 30, 2018, 2017, and 2016 were $10,548, $12,576, and $13,200, respectively. Rent expenses are included in the statements of revenues, expenses, and changes in net position as contractual services.

Minimum Future Lease Payments

The minimum future lease payments on the above leases at June 30, 2018 are as follows:

Year	Amount
2019	$ 288,568
2020	288,568
2021	285,931
2022	278,020
2023	278,020
2024-2026	764,554
Total	$ 2,183,661

NOTE 16: TAX ABATEMENTS

For the year ended June 30, 2018, the Authority issued no tax abatements.

NOTE 17: ECONOMIC DEPENDENCY

The Authority's only gaming operations lessee accounted for approximately 32%, 38%, and 51%, of the operating revenues in the fiscal years ended June 30, 2018, 2017, and 2016, respectively.

NOTE 18: IMPLEMENTATION OF NEW GASB ACCOUNTING STANDARDS

For the year ended June 30, 2017, the Authority implemented the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*. This implementation of GASB 77 had no effect on the financial statements. See the tax abatement disclosure at Note 16.

For the year ended June 30, 2018, the Authority implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This implementation of GASB 89 had no material effect on the financial statements. See the fixed asset disclosure at Note 7.

NOTE 19: COMMITMENTS AND CONTINGENCIES

Commitments

Construction in Progress

Construction in progress at June 30, 2018 is primarily composed of construction costs for Terminal 3 gate, M&R, and warehouse buildings, West Pier site and security system, East Pier wharf expansion and fendering system, ilmenite facility enhancement project, shed 16 modifications, and Northport land improvements. The total amount of the construction contracts in progress as of June 30, 2018 is $175,086,320, of which $161,592,717 in construction costs has been incurred through June 30, 2018. Of the construction costs incurred as of June 30, 2018 the Authority remains obligated to pay $20,043,000 from unrestricted cash. The Authority is further obligated to pay the remaining amount of $13,493,603 as work progresses on these construction contracts from federal grants and Authority revenues.

Contingencies

Regulatory Environment

The Authority's future restoration 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.

Environmental

The Authority has entered into a capital lease purchase of a parcel of land, approximately 33 acres, located in Gulfport, Mississippi, known as the former Gulfport Fertilizer Site, hereafter referred to as the "Site." The Site is contaminated with low levels of arsenic and lead in excess of the unrestricted Target Remediation Goals (TRGs) as established by the Mississippi Department of Environmental Quality (MDEQ), and, therefore, remediation of the Site is necessary. The MDEQ has mandated certain action be taken with respect to the adverse environmental conditions and the Seller has proposed to MDEQ an interim corrective action plan. The Authority is aware of the plan. The Seller will remain responsible for implementing the Corrective Action Plan.

Until the "No Further Action" letter from MDEQ is received, $450,000 stays in escrow. The Authority has deposited this amount into a separate account with the Seller, for the sole purpose of fulfilling this obligation. The contingency is included in restricted assets - deposit on the statements of net position and has a balance of $450,000 at June 30, 2018, 2017, and 2016. See additional information in Note 9.

NOTE 19: COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

In April 2012, a construction company filed suit against the Mississippi Department of Finance and Administration and the Authority. The suit is disputing a contract award related to a fill project. Legal counsel's estimated potential liability is $3,000,000 should the construction company succeed. However, the Authority and its attorneys believe the Authority will ultimately prevail in this matter.

In November 2016, a terminated contractor filed suit against the Authority for wrongful termination and breach of contract. The Authority filed a motion to dismiss, but was denied and the contractor's motion to compel arbitration was granted. The Authority filed a notice of appeal in September 2017. Should the contractor eventually succeed in the appellate proceeding, the Authority will be forced to participate in binding arbitration to resolve potential liability, which is estimated to be approximately $20 million in total. However, the Authority and its attorneys believe the Authority will ultimately prevail in this matter.

No accrual for losses as a result of the litigation above has been made in the financial statements and, as such, losses, if any, are not probable.

Federal Grants

In the normal course of operations and as a result of the destruction from Hurricane Katrina, the Authority 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: 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 21: 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

The Authority is 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.

NOTE 21: RISK MANAGEMENT (Continued)

Unemployment Insurance

The Authority is a member and participant in the Unemployment Insurance Fund under the administration of the Mississippi 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 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.

NOTE 22: SUBSEQUENT EVENTS

The Authority has evaluated events occurring subsequent to year end through December 19, 2018, which is the date the financial statements were available to be issued. The following were identified as subsequent events:

SUPPLEMENTAL INFORMATION

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST THREE FISCAL YEARS

	2018	2017	2016
Authority's proportion of the net pension liability	0.0408%	0.0381%	0.0364%
Authority's proportionate share of the net pension liability	$6,782,345	$6,805,611	$5,626,724
Authority's covered employee payroll	$2,630,020	$2,438,795	$2,275,227
Authority's proportionate share of the net pension liability as a percentage of covered employee payroll	257.88%	279.06%	247.30%
Plan fiduciary net position as a percentage of total pension liability	61.49%	57.47%	61.70%

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.

See independent auditors' report and notes to required supplementary information.

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST THREE FISCAL YEARS

	2018	2017	2016
Contractually required contribution	$ 414,205	$ 384,089	$ 358,328
Contributions in relation to contractually required contribution	(414,205)	(384,089)	(358,328)
Contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered employee payroll	$2,630,020	$2,438,795	$2,275,227
Contributions as a percentage of covered employee payroll	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 required supplementary information is available.

See independent auditors' report and notes to required supplementary information.

MISSISSIPP STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF OTHER POSTEMPLOYMENT BENEFIT LIABILITY
LAST FISCAL YEAR

	2018
Authority's proportion of the net OPEB liability	0.02495849%
Authority's proportionate share of the net other postemployment benefit liability - beginning	192,586
Authority's proportionate share of service cost	5,451
Authority's proportionate share of interest	6,018
Authority's proportionate share of the change in assumptions or other inputs	(522)
Authority's proportionate share of benefit payments	(7,706)
Authority's total proportionate share of the net other postemployment benefit liability - ending	$ 195,827

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.

See independent auditors' report and notes to required supplementary information.

NOTE 1: CHANGES OF ASSUMPTIONS

Net Pension Liability

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

In 2017, the expectation of retire life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022, rather than projected to 2016, which was used prior to 2017. In 2017, the wage inflation assumption was reduced from 3.75% to 3.25%. In 2017, withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rate were also adjusted to more closely reflect actual experience. In 2017, the percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

Other Postemployment Benefit Liability

In 2017, the single equivalent interest rate (SEIR) was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.

NOTE 2: CHANGES IN BENEFIT PROVISIONS

Net Pension Liability

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%.

Other Postemployment Benefit Liability

There were no changes in benefit provisions in the current year.

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

Net Pension Liability

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, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

Other Postemployment Benefit Liability

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 year, open
Asset valuation method	Market Value of Assets
Price inflation	3.00%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims - Pre Medicare	7.75%
Ultimate health care cost trend rates	
Medicare Supplement Claims - Pre Medicare	5.00%
Year of ultimate trend rates	
Medicare Supplement Claims - Pre Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

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*

December 19, 2018

To the Board of Commissioners
Mississippi State Port Authority at Gulfport
Gulfport, 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 financial statements of the Mississippi State Port Authority at Gulfport, an agency of the State of Mississippi, as of and for the year ended June 30, 2018, and the related notes to the financial statements and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mississippi State Port Authority at Gulfport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Accordingly, we do not express an opinion on the effectiveness of the Mississippi State Port Authority at Gulfport'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.

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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*.

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 Mississippi State Port Authority at Gulfport'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 Mississippi State Port Authority at Gulfport'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

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AVL WEALTHCARE, LLC
Wealth Management

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

December 19, 2018

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

Report on Compliance for Each Major Federal Program

We have audited Mississippi State Port Authority at Gulfport's, an agency of the State of Mississippi, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Mississippi State Port Authority at Gulfport's major federal program for the year ended June 30, 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, 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 Mississippi State Port Authority at Gulfport'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 the 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 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 on compliance for its major federal program. However, our audit does not provide a legal determination of the Mississippi State Port Authority at Gulfport's compliance.

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To the Board of Commissioners
Mississippi State Port Authority at Gulfport
December 19, 2018

Opinion on Each Major Federal Program

In our opinion, the Mississippi State Port Authority at Gulfport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Mississippi State Port Authority at Gulfport 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 the Mississippi State Port Authority at Gulfport'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 our 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 Mississippi State Port Authority at Gulfport'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 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

MISSISSIPPI STATE PORT AUTHORITY
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority (MDA):			
Community Development Block Grant Disaster Recovery	14.228	R115-06-02	$ 90,074,914
Total U.S. Department of Housing and Urban Development			90,074,914
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency (MEMA):			
Disaster Public Assistance Grant	97.036		
Hurricane Katrina		PW 8908	99,026
Hurricane Nate		PW 30	4,028
		PW 63	3,481
		PW 67	7,763
		PW 68	10,701
		PW 69	76,160
Total U.S. Department of Homeland Security			201,159
Total Expenditures of Federal Awards			$ 90,276,073

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1- BASIS OF PRESENTATION

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

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Mississippi State Port Authority at Gulfport has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3- RECONCILIATION TO GRANT REVENUE

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2018:

Total expenditures of federal awards	$ 90,276,073
Total federal revenues	$ 90,276,073
Non-operating revenues (expenses)	
Transfers in from other State agencies	$ 90,293,095
Less: non-federal State agency grant	(17,022)
Total federal revenues	$ 90,276,073

NOTE 4- UNEXPENDED GRANT APPROPRIATIONS

The following are unexpended grant awards at June 30, 2018:

Federal agency	FEMA	HUD
Total awards at June 30, 2018	$ 73,084,754	$ 590,381,865
Total expenditures at June 30, 2018	(73,020,003)	(541,607,669)
Unexpended at June 30, 2018	$ 64,751	$ 48,774,196

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal Control Over Major Programs:	
Material Weaknesses identified?	No
Significant Deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	No

Program tested as major program:

CFDA Number(s)	Name of Federal Program
14.228	Community Development Block Grant
97.036	Disaster Public Assistance Grant

Dollar threshold used to distinguish between type A and B Programs	*
Auditee qualified as low-risk auditee?	*

*The Mississippi State Port Authority at Gulfport is an agency of the State of Mississippi. Major programs determination were made by the State of Mississippi.

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted