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

FINANCIAL STATEMENTS

JUNE 30, 2009, 2008, AND 2007

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
LIST OF OFFICIALS
JUNE 30, 2009

Board of Commissioners		Term
John K. Rester	President	12/08/09
Frances Turnage	Vice President	12/08/10
Frank T. Wilem, Jr.	Secretary	12/09/11
Lenwood S. Sawyer, Jr.	Treasurer	12/10/12
James C. Simpson, Jr.	Commissioner	12/09/13

Executive Director and Chief Executive Officer

Donald R. Allee

Deputy Director of Finance and Administration

Mary J. Bourdin, CPA

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

TABLE OF CONTENTS

JUNE 30, 2009, 2008, AND 2007

INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITORS' REPORT

November 12, 2009

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

We have audited the accompanying comparative balance sheets of the Mississippi State Port Authority at Gulfport, an agency of the State of Mississippi, as of June 30, 2009, 2008, and 2007, and the related comparative statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the Mississippi State Port Authority at Gulfport's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mississippi State Port Authority at Gulfport, as of June 30, 2009, 2008, and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2009, on our consideration of the Mississippi State Port Authority at Gulfport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audits.

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

To the Board of Commissioners
Mississippi State Port Authority
at Gulfport
November 12, 2009

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

The Management's Discussion and Analysis on pages 3 through 8, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Alexander, Van Loon, Sloan, Levens & Favre

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT

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

FRANCES TURNAGE
Commissioner
FRANK WILEM
Commissioner
DONALD R. ALLEE
Executive Director & CEO
www.shipmspa.com

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, 2009, 2008, and 2007. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- Operating revenues decreased $521,400 (or 3.84%) over prior year. Fiscal Year 2009 revenues were $5 million (or 62.31%) greater than Fiscal Year 2007.

- Cash flows from operating activities show an increase of $2.6 million in comparison with a net cash increase of $4.4 million from the prior year's operating activities.

- The Authority's net assets increased $38.9 million as a result of this year's operations. Last year's operations increased net assets by $22.4 million.

- As of June 30, 2009, the Authority's operating revenues totaled $13 million, and operating expenses totaled $13.4 million, resulting in a net operating loss of $380,000. This compares to Fiscal Year 2008 when operating revenues exceeded expenses by $2.5 million and Fiscal Year 2007 when operating expenses exceeded revenues by $1.8 million.

- The Authority continued its facility restoration during Fiscal Year 2009, with the reconstruction of over 2,200 linear feet of dock space. West Pier Berths 1 & 2 are expected to be completed during the first quarter of 2010 and West Pier Berth 3 will be complete by the end of 2010. Work began during the last quarter of 2009 to construct the remaining 20 acres of the 60 acre landfill project.

- Total capital assets increased $32.4 million (or 24.1%) compared to a $22.4 million (or 20%) increase in the prior fiscal year.

- The Authority received an additional $2.8 million from insurance as they continued the attempt to settle Hurricane Katrina insurance claims. All Port efforts to bring the matter to a final resolution failed and accordingly the Port filed a lawsuit in January 2009 in State Court. A June 2010 court date has been set for this matter.

Overview of the Financial Statements

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

2510 14TH STREET / SUITE 1450 / P.O. BOX 40 / GULFPORT, MS 39501 / 39502 / TELEPHONE (228) 865-4300 / FAX (228) 865-4307 / 4335 / TOLL FREE 877-881-4367

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Balance Sheet

The Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating by reflecting the Authority's overall financial health. Restricted Assets include customer deposits 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 Balance Sheets as of June 30, 2009 with comparative amounts for June 30, 2008 and June 30, 2007 is as follows:

COMPARATIVE BALANCE SHEETS

ASSETS	2009	2008	2007
CURRENT ASSETS			
Cash and investments	$ 52,778,621	$ 72,607,496	$ 83,526,417
Accounts receivable	731,335	601,534	652,161
Other Receivables	46,875,643	17,741,593	12,495,294
Prepaid expenses	54,822	50,037	23,448
Restricted assets:			
Cash and investments	1,300	1,500	2,297
Interest receivable	-	-	2,332
Total current assets	100,441,721	91,002,160	96,701,949
NON-CURRENT ASSETS			
Capital assets	167,056,957	134,608,410	112,172,123
Other assets			
Restricted - Lease Deposit	450,000	-	-
Incentive to lessee	104,201	-	-
Unamortized bond issue costs	157,451	17,098	18,779
Total non-current assets	167,768,609	134,625,508	112,190,902
TOTAL ASSETS	$ 268,210,330	$ 225,627,668	$ 208,892,851

Balance Sheet (Continued)

COMPARATIVE BALANCE SHEETS (Continued)

LIABILITIES AND NET ASSETS		2009		2008		2007
CURRENT LIABILITIES						
Accounts payable and accruals	$	5,918,588	$	1,958,281	$	5,497,811
Retainages payable		2,120,993		957,770		1,261,840
Bonds payable		1,360,000		1,870,000		1,780,000
Total current liabilities		9,399,581		4,786,051		8,539,651
NON-CURRENT LIABILITIES						
Bonds payable		23,880,000		24,895,000		26,765,000
Compensated absences		162,738		145,685		142,839
Payable form restricted assets:						
Customer deposits		1,300		1,500		2,300
Total non-current liabilities		24,044,038		25,042,185		26,910,139
NET ASSETS						
Invested in capital assets, net of related debt		141,816,957		107,843,412		83,627,121
Restricted		450,000		-		-
Unrestricted		92,499,754		87,956,020		89,815,940
Total net assets		234,766,711		195,799,432		173,443,061
TOTAL LIABILITIES AND NET ASSETS	$	268,210,330	$	225,627,668	$	208,892,851

Statement of Revenues, Expenses, and Changes in Net Assets

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

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

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

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

A summary of the Authority's Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2009 with comparative amounts for June 30, 2008 and 2007 is as follows:

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2009	2008	2007
OPERATING REVENUES			
Charges for services	$ 4,034,446	$ 4,316,270	$ 3,381,604
Revenue from leases	9,010,228	9,249,814	4,655,125
Total operating revenues	13,044,674	13,566,084	8,036,729
OPERATING EXPENSES	13,429,009	11,107,152	9,829,273
INCOME FROM OPERATIONS	(384,335)	2,458,932	(1,792,544)
NON-OPERATING REVENUE (EXPENSES)			
Revenue from County	972,632	992,665	883,026
Investment and other income	36,858,522	10,531,260	9,600,970
Insurance proceeds	2,846,329	8,011,240	21,245,970
Interest and other expenses	(1,277,667)	(1,174,071)	(123,581)
Loss on disposal of assets	(295,668)	(6,837)	(4,114)
Total non-operating revenue (expenses)	39,104,149	18,354,257	31,602,271
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	38,719,814	20,813,189	29,809,727
CAPITAL CONTRIBUTIONS	247,465	1,543,182	-
CHANGE IN NET ASSETS	38,967,279	22,356,371	29,809,727
TOTAL NET ASSETS - BEGINNING	195,799,432	173,443,061	143,633,334
TOTAL NET ASSETS - ENDING	$ 234,766,711	$ 195,799,432	$ 173,443,061

Statement of Cash Flows

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

Overall Analysis of Financial Position

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

During Fiscal Year 2009 the Authority continued with its restoration of Port infrastructure. The Authority's capital assets increased $32.4 million during the year. Its liabilities increased $3.6 million (or 12.12 percent) during the past fiscal year. Long term liabilities decreased by $1.0 million (or 4 percent) as the Authority continues to extinguish its long-term debt. Total net assets increased $38.9 million (or 19.9 percent). The Authority continues to pursue its insurance recovery, and to utilize Federal Emergency Management Agency and Community Development Block Grant Funds to assist in restoring Port facilities.

Analysis of the Authority's current year cash flows shows a net increase of $7.8 million in cash from the previous year. The current year Operating Activities resulted in an increase of $8.2 million in cash as compared to an increase of $5.6 million in the prior year and a net cash increase of $1.2 million in Fiscal Year 2007.

Other Potentially Significant Matters

Capital Asset Administration

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

		2009		2008		2007
Land	$	37.2	$	34.5	$	7.4
Buildings		23.4		23.9		11.9
Machinery and equipment		8.2		0.7		0.4
Land improvements		15.6		15.9		10.0
Infrastructure improvements		35.8		36.7		39.2
Contruction in progress		46.8		22.8		43.3
	$	167.0	$	134.5	$	112.2

The Authority continues its aggressive restoration program to rebuild facilities destroyed during Hurricane Katrina. Capital outlay for fixed assets exceeded $36 million during the current fiscal year. Over $200 million is budgeted for capital outlay during the next two fiscal years. Financial assistance from a variety of sources (e.g., Federal government, State government, and insurance coverage) is available to assist the Authority in the replacement of impaired assets. To date $80 million has been received from insurance policies and grant funds.

Note 16 to the Financial Statements provides detail of the Authority's outstanding construction commitments as of June 30, 2009.

Debt Administration

DEBT OUTSTANDING AS OF JUNE 30

	2009	2008	2007
General Obligation Bonds:			
(backed by the State of Mississippi)			
Series 16	$ -	$ 26,765,000	$ 28,545,000
Series 2009C	25,240,000	-	-
Bonds outstanding	$ 25,240,000	$ 26,765,000	$ 28,545,000

The Authority continues to extinguish its debt. In March 2009 the Series 16 bond issue was extinguished and reissued as Refunding Bonds, Series 2009C.

Economic Factors and Fiscal Year Ending June 30, 2010's Budget

The Authority's management considered a variety of factors when setting the Fiscal Year 2010 budget. One of these factors was that the Authority's function is to provide marine terminal services to its customers in order to enhance the economic growth of the State of Mississippi. In reviewing the existing tenant agreements and considering the projected capital improvements, revenue projections, with a projected one percent increase, remain relatively flat. As our existing maritime tenants continue to face tough competition, we expect to see only a marginal increase in tonnage or revenues from them. The Authority is currently negotiating long term leases with our existing maritime tenants and aggressively pursuing new business opportunities, with special interest focused on the Panama Canal expansion and future regional free trade agreements.

Contacting the Authority's Financial Management

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

FINANCIAL STATEMENTS

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE BALANCE SHEETS
JUNE 30, 2009, 2008 AND 2007

ASSETS

	2009	2008	2007
CURRENT ASSETS			
Cash and cash equivalents	$ 9,948,537	$ 2,186,000	$ 7,461,153
Equity in internal investment pool	737,750	737,750	744,204
Investments	42,092,334	69,683,746	75,321,060
Accrued interest receivable	130,218	641,710	964,226
Accounts receivable, net of allowance for doubtful accounts	731,335	601,534	673,457
Other receivable, insurance proceeds	-	4,124,621	5,000,000
Due from other State agencies	46,476,895	12,623,013	6,422,890
Due from other governments	268,530	352,249	86,882
Prepaid expenses	54,822	50,037	23,448
Restricted assets:			
Cash and cash equivalents	1,300	1,500	2,297
Accrued interest receivable	-	-	2,332
Total current assets	100,441,721	91,002,160	96,701,949
NON-CURRENT ASSETS			
Capital assets:			
Land	37,264,219	34,483,795	7,361,810
Buildings, net of accumulated depreciation	23,401,251	23,928,717	11,865,742
Machinery and equipment, net of accumulated depreciation	8,172,920	697,529	436,730
Land improvements, net of accumulated depreciation	15,625,006	15,948,145	9,998,409
Infrastructure, net of accumulated depreciation	35,798,466	36,719,812	39,181,679
Construction in progress	46,795,095	22,830,412	43,327,753
Total capital assets	167,056,957	134,608,410	112,172,123
Deferred asset	104,201	-	-
Unamortized bond issue costs	157,451	17,098	18,779
Restricted asset:			
Deposit	450,000	-	-
Total non-current assets	167,768,609	134,625,508	112,190,902
TOTAL ASSETS	$ 268,210,330	$ 225,627,668	$ 208,892,851

LIABILITIES AND NET ASSETS

	2009	2008	2007
CURRENT LIABILITIES			
Accounts payable	$ **4,843,143**	$ 1,356,843	$ 4,433,125
Retainages payable	**2,120,993**	957,770	1,261,840
Deferred revenue	**198,057**	93,856	537,129
Accrued salaries	**61,288**	56,322	49,070
Accrued interest payable	**225,097**	442,343	467,857
Current maturities of compensated absences payable	**4,578**	8,917	10,630
Current maturities of capitalized lease payable	**586,415**	-	-
Current maturities of bonds payable	**1,360,000**	1,870,000	1,780,000
Total current liabilities	**9,399,571**	4,786,051	8,539,651
NON-CURRENT LIABILITIES			
Compensated absences payable, net of current maturities	**162,739**	145,685	142,839
Capitalized lease payable, net of current portion	**9**	-	-
Bonds payable, net of current portion	**23,880,000**	24,895,000	26,765,000
Payable from restricted assets:			
Customer deposits	**1,300**	1,500	2,300
Total non-current liabilities	**24,044,048**	25,042,185	26,910,139
Total liabilities	**33,443,619**	29,828,236	35,449,790
NET ASSETS			
Invested in capital assets, net of related debt	**141,816,957**	107,843,412	83,627,121
Restricted	**450,000**	-	-
Unrestricted	**92,499,754**	87,956,020	89,815,940
Total net assets	**234,766,711**	195,799,432	173,443,061
TOTAL LIABILITIES AND NET ASSETS	$ **268,210,330**	$ 225,627,668	$ 208,892,851

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 ASSETS
FOR THE YEARS ENDED JUNE 30, 2009, 2008 AND 2007

	2009	2008	2007
OPERATING REVENUES			
Charges for services	$ 4,034,446	$ 4,316,270	$ 3,381,604
Revenue from leases	9,010,228	9,249,814	4,655,125
Total operating revenues	13,044,674	13,566,084	8,036,729
OPERATING EXPENSES			
General and administrative	1,931,881	1,922,770	1,941,860
Contractual services	7,087,175	5,162,501	4,625,391
Commodities	186,774	280,429	267,902
Depreciation	4,223,177	3,741,452	2,994,120
Total operating expenses	13,429,007	11,107,152	9,829,273
INCOME (LOSS) FROM OPERATIONS	(384,333)	2,458,932	(1,792,544)
NON-OPERATING REVENUE (EXPENSES)			
Revenue from County	972,632	992,665	883,026
Interest and other investment income	1,559,475	3,611,050	4,259,738
Transfers in from other State agencies	35,299,047	6,920,210	5,341,232
Insurance proceeds	2,846,329	8,011,240	21,245,970
Interest expense and other fiscal charges	(1,277,668)	(1,174,071)	(123,581)
Loss on disposal of capital assets	(295,668)	(6,837)	(4,114)
Total non-operating revenue (expenses)	39,104,147	18,354,257	31,602,271
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	38,719,814	20,813,189	29,809,727
Capital contributions - Federal	-	239,368	-
Capital contributions - State	247,465	1,303,814	-
Total capital contributions	247,465	1,543,182	-
CHANGE IN NET ASSETS	38,967,279	22,356,371	29,809,727
TOTAL NET ASSETS - BEGINNING	195,799,432	173,443,061	143,633,334
TOTAL NET ASSETS - ENDING	$ 234,766,711	$ 195,799,432	$ 173,443,061

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, 2009, 2008 AND 2007

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 12,914,673	$ 13,188,449	$ 8,290,201
Cash payments for personnel services	(1,914,200)	(1,914,385)	(1,946,690)
Cash payments to suppliers of goods and services	(2,823,461)	(5,663,697)	(5,148,191)
Net cash provided by operating activities	8,177,012	5,610,367	1,195,320
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in from other state agencies	2,501,516	1,642,683	1,034,245
Net cash provided by noncapital financing activities	2,501,516	1,642,683	1,034,245
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from State grants	247,465	1,353,369	-
Cash payment for capital asset disposal	(57,000)	-	-
Acquisition and construction of capital assets	(36,016,393)	(29,370,751)	(16,822,116)
Insurance proceeds	6,970,950	8,886,619	18,298,407
Interest paid	(1,635,267)	(1,197,904)	(145,911)
Deposit on capital lease purchase	(450,000)	-	-
Principal paid on capital lease payable	(113,327)	-	-
Proceeds of refunding bonds	25,240,000	-	-
Payment for redemption of refunded bonds	(24,895,000)	-	-
Principal paid on bonds payable	(1,870,000)	(1,780,000)	(1,695,000)
Net cash used in capital and related financing activities	(32,578,572)	(22,108,667)	(364,620)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(53,054,754)	(94,875,889)	(91,226,760)
Interest received	2,167,135	3,755,102	2,673,669
Proceeds from maturities of investments	80,550,000	100,694,000	89,011,751
Net cash provided by investing activities	29,662,381	9,573,213	458,660
Net change in cash and cash equivalents	7,762,337	(5,282,404)	2,323,605
Cash and cash equivalents at beginning of year	2,925,250	8,207,654	5,884,049
Cash and cash equivalents at end of year	$ 10,687,587	$ 2,925,250	$ 8,207,654
CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:			
CURRENT ASSETS			
Cash and cash equivalents	$ 9,948,537	$ 2,186,000	$ 7,461,153
Equity in internal investment pool	737,750	737,750	744,204
Restricted Assets:			
Cash and cash equivalents	1,300	1,500	2,297
Cash and cash equivalents at end of year	$ 10,687,587	$ 2,925,250	$ 8,207,654
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Purchase of capital asset with financing	$ 699,751	$ -	$ -

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, 2009, 2008 AND 2007

		2009		2008		2007
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Income (loss) from operations	$	(384,333)	$	2,458,932	$	(1,792,544)
Adjustments reconciling income (loss) from operations to net cash provided by operating activities:						
Depreciation		4,223,177		3,741,452		2,994,120
Provision for loss on accounts receivable		-		5,098		-
(Increase) decrease in assets:						
Accounts receivable		(129,801)		66,825		(105,463)
Prepaid expenses		(4,785)		(26,589)		6,586
Deferred asset		(104,201)		-		-
Increase (decrease) in liabilities:						
Accounts payable		4,455,273		(194,178)		(261,484)
Deferred revenue		104,201		(448,758)		487,216
Accrued salaries		4,966		7,252		865
Accrued compensated absences		12,715		1,133		(5,695)
Customer deposits		(200)		(800)		(128,281)
Total adjustments		8,561,345		3,151,435		2,987,864
Net cash provided by operating activities	$	8,177,012	$	5,610,367	$	1,195,320

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Financial Reporting Entity

For financial reporting purposes, the Authority includes all funds that relate to Authority operations, debt service and construction projects. It is not intended to reflect information pertaining to the MDA or the State of Mississippi. As 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. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

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 and 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, 2009, the Authority's share in the pooled investment as a state agency consists of cash and totals $737,750.

Investments

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

Accounts Receivable

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

Due from Other 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.

Property and Equipment

Property and equipment exceeding the State of Mississippi's mandated capitalization thresholds are stated at historical cost. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property and exceed the mandated thresholds are capitalized. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives and capitalization thresholds are as follows on the next page:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

Capitalized Interest

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

Unamortized Bond Issue Costs

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

Deferred Revenue

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

Compensated Absences

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

Net Assets

The Authority's net assets are categorized as follows:

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

Restricted - represents 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.

Reclassifications

Certain reclassifications have been made to the data of fiscal years 2008 and 2007 in order to be consistent with the fiscal year 2009 financial statement presentation.

NOTE 2: DEPOSITS AND INVESTMENTS

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.

Deposits

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

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

Qualifying collateral includes:

a. Obligations of the U.S. Treasury and obligations guaranteed by the U.S. Government.

b. Obligations of the Federal Home Loan Bank, Federal National Mortgage Association (Fannie Mae), Federal Land Banks and similar agencies approved by the State Treasurer.

c. Tennessee Valley Authority obligations.

d. Obligations of the State of Mississippi, its agencies, political subdivisions, and municipalities or any body corporate and politic created by the State of Mississippi.

e. Legal obligations of any state, county, parish or municipality that are rated "A" or better.

f. Surety bonds of any surety company authorized to do business in the State of Mississippi.

g. All bonds authorized as security for state funds under items c, d, and e, inclusive, must be investment quality and any bonds under said items c, d, e and f, inclusive, which are rated substandard by any of the appropriate supervisory authorities having jurisdiction over said depository or by any recognized national rating agency engaged in the business of rating bonds, are not eligible for pledging as security.

The responsibility for ensuring the proper collateralization of deposits rests with the State of Mississippi Treasury Department. At June 30, 2009, the carrying amount of the Authority's deposits (including restricted deposits) was $3,292,373 and the bank balances totaled $3,401,421. 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, 2009, restricted cash and cash equivalents consist of $1,300 restricted for customer deposits.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments

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

	2009	2008	2007
U.S. Government securities and agencies	$ 42,092,334	$ 69,683,746	$ 75,321,060

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

	2009	2008	2007
Current Assets:			
Investments	$ 42,092,334	$ 69,683,746	$ 75,321,060

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 $7,395,214, 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, 2009. 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. Mississippi Code Section 25-11-121 requires that all investments be clearly marked as to ownership and, to the extent possible, be registered in the name of the Authority.

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.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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

Investment	Credit Rating	Fair Value 2009	Fair Value 2008	Fair Value 2007
Mutual funds	AAA	$ 7,395,214	$ 1,305,245	$ 4,652,902
U.S. Government securities and agencies	AAA	42,092,334	69,683,746	75,321,060
Total		$ 49,487,548	$ 70,988,991	$ 79,973,962

Interest Rate Risk

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

The future maturities of the Authority's investments as of June 30, 2009 are as follows:

Investment Type:	Fair Value	Investment Maturities (in years) Less than 1	1-5
Mutual funds	$ 7,395,214	$ 7,395,214	-
U.S. Government securities and agencies	42,092,334	42,092,334	-
	$ 49,487,548	$ 49,487,548	$ -

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

NOTE 3: ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30, 2009, 2008, and 2007.

	2009	2008	2007
Accounts receivable from customers	$ 1,779,102	$ 1,649,301	$ 1,716,126
Less: allowance for doubtful accounts	(1,047,767)	(1,047,767)	(1,042,669)
Accounts receivable, net	$ 731,335	$ 601,534	$ 673,457

The Authority recorded no bad debt expense for the fiscal year ended June 30, 2009. Bad debt expense for the fiscal year ended June 30, 2008 was $5,098. There was no bad debt expense for the fiscal year ended June 30, 2007. Bad debt expense has been netted against or included in the revenue to which it relates in the statements of revenues, expenses, and changes in net assets.

NOTE 4: DUE FROM OTHER STATE AGENCIES

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

	2009	2008	2007
MEMA - FEMA Hurricane Katrina Projects	$ 43,262,381	$ 12,623,013	$ 6,422,890
MEMA - FEMA Hurricane Gustav Projects	218,481	-	-
MDA - HUD/CDBG Port restoration projects	2,996,033	-	-
	$ 46,476,895	$ 12,623,013	$ 6,422,890

NOTE 5: DUE FROM OTHER GOVERNMENTS

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

	2009	2008	2007
Harrison County Tax Collector - Ad Valorem Taxes	$ 32,793	$ 112,881	$ 21,611
FEMA - Homeland Security Grant Project	235,737	239,368	65,271
	$ 268,530	$ 352,249	$ 86,882

NOTE 6: INSURANCE PROCEEDS

Insurance proceeds include amounts received for the Authority's buildings and port facilities damaged by Hurricane Gustav on September 1, 2009 and Hurricane Katrina on August 29, 2005. For the year ended June 30, 2009, the Authority received $134,000 and $6,836,950 in insurance proceeds related to Hurricane Gustav and Hurricane Katrina, respectively. As of June 30, 2009, 2008, and 2007, $2,846,329, $8,011,240, and $21,245,970 of insurance proceeds is recognized as non-operating revenues on the statements of revenues, expenses, and changes in net assets, respectively. The Authority has no insurance proceeds receivable as of June 30, 2009. At June 30, 2008 and 2007, $4,124,621 and $5,000,000 is recognized as insurance receivable on the balance sheets, respectively.

NOTE 7: CAPITAL ASSETS

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

For the fiscal year ended June 30, 2009

	Balance July 1, 2008	Additions	Disposals	Transfers	Balance June 30, 2009
Land	$ 34,483,795	$ 2,780,424	$ -	$ -	$ 37,264,219
Buildings	25,193,876	-	-	-	25,193,876
Machinery and equipment	2,673,829	7,953,971	(1,753,924)	-	8,873,876
Land improvements	24,581,454	-	-	521,783	25,103,237
Infrastructure	67,684,775	-	-	1,689,529	69,374,304
Construction in progress	22,830,412	26,175,995	-	(2,211,312)	46,795,095
Total capital assets	177,448,141	36,910,390	(1,753,924)	-	212,604,607
Less: accumulated depreciation for:					
Buildings	(1,265,159)	(527,466)	-	-	(1,792,625)
Machinery and equipment	(1,976,300)	(239,914)	1,515,258	-	(700,956)
Land improvements	(8,633,309)	(844,922)	-	-	(9,478,231)
Infrastructure	(30,964,963)	(2,610,875)	-	-	(33,575,838)
Total accumulated depreciation	(42,839,731)	(4,223,177)	1,515,258	-	(45,547,650)
Net capital assets	$ 134,608,410	$ 32,687,213	$ (238,666)	$ -	$ 167,056,957

Construction in progress at June 30, 2009 is primarily composed of construction costs for terminal expansion, yard development, and construction costs for rehabilitating berth facilities. For the year ended June 30, 2009, there was no capitalized interest incurred on outstanding debt during the construction period.

NOTE 7: CAPITAL ASSETS (Continued)

For the fiscal year ended June 30, 2008

	Balance July 1, 2007	Additions	Disposals	Transfers	Balance June 30, 2008
Land	$ 7,361,810	$ -	$ -	$ 27,121,985	$ 34,483,795
Buildings	12,834,887	-	-	12,358,989	25,193,876
Machinery and equipment	2,370,450	338,868	(35,489)	-	2,673,829
Land improvements	17,824,066	-	-	6,757,388	24,581,454
Infrastructure	67,580,088	-	-	104,687	67,684,775
Construction in progress	43,327,753	26,105,493	(259,785)	(46,343,049)	22,830,412
Total capital assets	151,299,054	26,444,361	(295,274)	-	177,448,141
Less: accumulated depreciation for:					
Buildings	(969,145)	(296,014)	-	-	(1,265,159)
Machinery and equipment	(1,933,720)	(71,232)	28,652	-	(1,976,300)
Land improvements	(7,825,657)	(807,652)	-	-	(8,633,309)
Infrastructure	(28,398,409)	(2,566,554)	-	-	(30,964,963)
Total accumulated depreciation	(39,126,931)	(3,741,452)	28,652	-	(42,839,731)
Net capital assets	$ 112,172,123	$ 22,702,909	$ (266,622)	$ -	$ 134,608,410

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

NOTE 7: CAPITAL ASSETS (Continued)

For the fiscal year ended June 30, 2007

	Balance July 1, 2006	Additions	Disposals	Transfers	Balance June 30, 2007
Land	$ 7,361,810	$ -	$ -	$ -	$ 7,361,810
Buildings	7,713,859	-	-	5,121,028	12,834,887
Machinery and equipment	2,377,541	-	(7,091)	-	2,370,450
Land improvements	17,824,066	-	-	-	17,824,066
Infrastructure	67,580,088	-	-	-	67,580,088
Construction in progress	27,879,314	20,569,467	-	(5,121,028)	43,327,753
Total capital assets	130,736,678	20,569,467	(7,091)	-	151,299,054
Less: accumulated depreciation for:					
Buildings	(791,548)	(177,597)	-	-	(969,145)
Machinery and equipment	(1,888,344)	(47,621)	2,245	-	(1,933,720)
Land improvements	(7,620,402)	(205,255)	-	-	(7,825,657)
Infrastructure	(25,834,762)	(2,563,647)	-	-	(28,398,409)
Total accumulated depreciation	(36,135,056)	(2,994,120)	2,245	-	(39,126,931)
Net capital assets	$ 94,601,622	$ 17,575,347	$ (4,846)	$ -	$ 112,172,123

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

NOTE 8: DEFERRED REVENUE

As of June 30, deferred revenue includes the following:

	2009	2008	2007
FEMA	$ 55,398	$ 55,398	$ 49,913
Dupont	38,458	38,458	36,979
Chiquita - lease incentive	104,201	-	-
Island View Casino	-	-	450,237
	$ 198,057	$ 93,856	$ 537,129

NOTE 8: DEFERRED REVENUE (Continued)

Chiquita – Lease Incentive

On October 1, 2008, the Authority entered into a lease agreement with a Lessee. Under the agreement, the Authority extended vessel credits to the Lessee until construction of the berth used by Lessee could be completed. Upon completion of the berth, the Lessee will utilize the credits earned over the subsequent twelve month period and the total lease incentive will be amortized over 70 months. As of June 30, 2009 construction of the berth had not been completed and, accordingly, $104,201 in credits due to the Lessee have been recognized as a deferred asset and deferred liability on the balance sheet.

NOTE 9: CAPITALIZED LEASE PAYABLE

Capitalized lease payable consists of the following:

	Original Amount	Balance at June 30, 2009
Land lease on approximately 33 acres, in Gulfport, Mississippi, with a bargain purchase option, amount due in 12 monthly installments of $60,500 and then annual payments of $1 for nine years, dated May 13, 2009, maturing June 1, 2018.	$ 699,751	$ 586,424

The leased asset is valued at $699,751 and is included in land on the balance sheet.

The future minimum lease payments as of June 30, 2009 are as follows:

Year Ending June 30,	Amount
2010	$ 586,415
2011	1
2012	1
2013	1
2014	1
2015-2018	5
	$ 586,424

See additional information on the lease purchase option in Note 17.

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, 2009

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2008	Principal Payments	Balance at June 30, 2009
16	$ 40,000,000	9/1/1998	9/1/2018	4.00-5.50%	$ 26,765,000	$ (26,765,000)	$ -
2009C	$ 25,240,000	4/2/2009	9/1/2018	1.44-4.20%	-	-	25,240,000
					26,765,000	$ (26,765,000)	25,240,000
Less: current maturities included in current liabilities					(1,870,000)		(1,360,000)
Bonds payable, net of current portion					$ 24,895,000		$ 23,880,000

For the fiscal year ended June 30, 2008

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

For the fiscal year ended June 30, 2007

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

NOTE 10: BONDS PAYABLE (Continued)

The Authority's future principal and interest requirements as of June 30, 2009 related to the bonds payable at June 30, 2009 are as follows:

Year(s)	Principal	Interest	Total
2010	$ 1,360,000	$ 818,584	$ 2,178,584
2011	2,325,000	862,084	3,187,084
2012	2,380,000	804,599	3,184,599
2013	2,445,000	734,342	3,179,342
2014	2,525,000	652,498	3,177,498
2015-2018	14,205,000	1,637,606	15,842,606
	$25,240,000	$5,509,713	$30,749,713

Total interest incurred on bonds payable totaled $1,068,644, $1,339,786, and $1,415,577 for fiscal years ended June 30, 2009, 2008, and 2007, respectively.

On April 2, 2009, the State of Mississippi issued Taxable General Obligation Port Improvement Refunding Bonds, Series 2009C. The bonds, with interest rates of 1.44% to 4.20%, were issued to refund the outstanding State of Mississippi General Obligation Port Improvement Bonds, Series 16, totaling $24,895,000, with interest rates of 4.00% to 5.50%. On April 24, 2009, the net proceeds of $25,078,255 were used to redeem the Series 16 bonds, scheduled to mature on September 1, 2018, and the liability for these bonds has been removed from the Authority's balance sheet.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $198,670. This difference, reported in the accompanying financial statements as interest expense, is not recorded materially different from that required by the Governmental Accounting Standards Board which calls for amortizing the deferred loss on a bond refunding over the remaining term of the bonds, which in this case is ten years. The Authority completed the current refunding to reduce its total debt service payments over the next nine years by $878,912 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $869,000.

NOTE 11: COMPENSATED ABSENCES

Changes in compensated absences during the year ended June 30, 2009, are as follows:

Beginning Balance	Increases/ Decreases	Ending Balance	Due within 12 months
$ 145,685	$ 17,054	$ 162,739	$ 4,578

Changes in compensated absences during the year ended June 30, 2008, are as follows:

Beginning Balance	Increases/ Decreases	Ending Balance	Due within 12 months
$ 142,839	$ 2,846	$ 145,685	$ 8,917

Changes in compensated absences during the year ended June 30, 2007, are as follows:

Beginning Balance	Increases/ Decreases	Ending Balance	Due within 12 months
$ 150,420	$ (7,581)	$ 142,839	$ 10,630

NOTE 12: CAPITAL CONTRIBUTIONS

Accounting principles generally accepted in the United States of America for proprietary funds of governmental entities require that resources (i.e., grants, entitlements, or shared revenues) externally restricted for capital acquisition or construction are to be reported as capital contributions in the statements of revenues, expenses, and changes in net assets. Capital acquisitions acquired through such resources totaled $247,465 and $1,543,182, for the fiscal years ended June 30, 2009 and 2008, respectively. There were no capital contributions for the fiscal year ended June 30, 2007.

NOTE 13: LEASING ARRANGEMENTS

Substantially all of the Authority's property and equipment are leased to various businesses for periods up to 40 years. All of the leases are accounted for as operating leases. Revenue from leases was $9,010,228, $9,249,814, and $4,655,125 for 2009, 2008, and 2007, respectively. The leases to gaming operations include contingent rentals of $6,634,908, $6,751,967, and $2,496,757 for 2009, 2008, and 2007, respectively. These contingent rentals are based on gross revenues of the gaming operations. Many of the leases with other operations include provisions for minimum thruput charges in order to fund debt service requirements relating to the specific facility leased. These thruput charges are included in operating revenues.

The following is a schedule of future minimum rentals for the next five years under lease agreements in effect as of June 30, 2009, not including contingent rentals, consumer price index adjustments, or thruput charges:

Year	Amount
2010	$2,563,868
2011	2,386,960
2012	2,070,123
2013	232,486
2014	232,486
Total	$7,485,923

NOTE 14: DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the State incurs no expense for postretirement health benefits. However, since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GASB Section PO50 as a single employer defined benefit healthcare plan. 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.

NOTE 14: DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. For the periods ending June 30, 2009, 2008, and 2007, the Authority's rates were 11.85%, 11.30%, and 9.75% of annual covered payroll, respectively. Effective July 1, 2009, the Authority's rate increases to 12%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Authority's contributions to PERS for the years ended June 30, 2009, 2008, and 2007 were $177,043, $170,377, and $166,095, respectively, equal to the required contributions for each year.

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. The lease has an initial period of seven years with one additional renewal period of five years. Annual rent under this lease agreement is $164,509. The terms of the lease agreement state that the first two months of payments are waived in consideration of costs associated with moving. Rent expense for the year ended June 30, 2009 and 2008 total $164,509, and $102,361, respectively.

Rent expenses are included in the statements of revenues, expenses, and changes in net assets as contractual services. The minimum future lease payments on this lease at June 30, 2009 are as follows:

Year	Amount
2010	$ 164,509
2011	164,509
2012	164,509
2013	164,509
2014	164,509
Total	$ 822,545

Modular Office Building 1

In August 2006, the Authority entered into a lease agreement for a modular office building. The lease is classified as an operating lease. The lease term is three years. Monthly rent under this lease agreement is $1,550. Rent expense for the years ended June 30, 2009, 2008, and 2007 total $18,600, $18,600, and $17,050, respectively.

Rent expenses are included in the statements of revenues, expenses, and changes in net assets as contractual services. The minimum future lease payments on this lease at June 30, 2009 are $1,550 to be paid in the year ended June 30, 2010.

NOTE 15: LEASES (Continued)

Modular Office Building 2

In January 2008, the Authority entered into a lease agreement for a modular office building. The lease is classified as an operating lease. The lease term is three years. Monthly rent under this lease agreement is $799. Rent expense for the years ended June 30, 2009, and 2008 total $9,588, and $4,794, respectively.

Rent expenses are included in the statements of revenues, expenses, and changes in net assets as contractual services. The minimum future lease payments on this lease at June 30, 2009 are as follows:

Year	Amount
2010	$ 9,588
2011	4,794
Total	$ 14,382

NOTE 16: ECONOMIC DEPENDENCY

One gaming operations lessee accounted for approximately 60 percent of the operating revenues in fiscal years ended June 30, 2009 and 2008, and 58 percent of the operating revenues in fiscal years ended June 30, 2007.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Commitments

Construction in Progress

Construction in progress at June 30, 2009 is primarily composed of construction costs for terminal expansion, yard expansion, and construction costs for rehabilitating berth facilities. The total amount of the construction contracts in progress as of June 30, 2009 is $80,598,521, of which $46,795,095 in construction costs has been incurred through June 30, 2009. Of the construction costs incurred as of June 30, 2009 the Authority remains obligated to pay $5,322,116 from unrestricted cash. The Authority is further obligated to pay the remaining amount of $33,803,426 as work progresses on these construction contracts from 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.

NOTE 17: COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (Continued)

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 arsenic and lead levels 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 working with MDEQ and for the implementation of the long term plan for the containment of any pollutants which may exist on the property. If MDEQ requires the Site to be capped with compacted clay or other capping material, the Authority agrees to pay up to $450,000 to the Seller for this expense upon execution of the purchase option. The Authority has deposited this amount into a separate account for the sole purpose of fulfilling this obligation. The contingency is classified as a deposit on the balance sheet and has a balance of $450,000 at June 30, 2009. See additional information in Note 9.

NOTE 18: MISSISSIPPI COAST FOREIGN TRADE ZONE, INC.

In January 1999, the U. S. Department of Commerce Foreign Trade Zone Board approved the expansion of the Greater Gulfport/Biloxi Foreign Trade Zone, Inc. to include 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 19: 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 19: RISK MANAGEMENT (Continued)

Self-Insurance (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 Commission by former State employees. The members of the group are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

NOTE 20: SUBSEQUENT EVENT

The Authority has evaluated events occurring subsequent to year end through November 12, 2009, which is the date the statements were available to be issued. The following events, that are required to be recognized or disclosed, have been identified by the Authority for this time period:

Construction Contracts

Subsequent to year end, the Authority entered into approximately $16,400,000 in construction related contracts and engineering change orders related primarily to the Port restoration projects.

Operating Lease

The Authority entered into a new lease for additional office space in One Hancock Plaza on August 1, 2009. The lease term is for nineteen months with an option for one renewal for a period of one year. Monthly rent under this lease agreement is $3,681.

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*

November 12, 2009

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

We have audited the financial statements of the Mississippi State Port Authority at Gulfport, an agency of the State of Mississippi, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Mississippi State Port Authority at Gulfport's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Mississippi State Port Authority at Gulfport's financial statements that is more than inconsequential will not be prevented or detected by the Mississippi State Port Authority at Gulfport's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1 through 2009-5 to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

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.*

The Mississippi State Port at Gulfport's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Mississippi State Port Authority at Gulfport's responses and, accordingly, we express no opinion on them.

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

Alexander, Van Loon, Sloan, Levens & Favre

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

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

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

November 12, 2009

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

Compliance

We have audited the compliance of the Mississippi State Port Authority at Gulfport, an agency of the State of Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Mississippi State Port Authority at Gulfport's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Mississippi State Port Authority at Gulfport's management. Our responsibility is to express an opinion on the Mississippi State Port Authority at Gulfport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi State Port Authority at Gulfport's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Mississippi State Port Authority at Gulfport's compliance with those requirements.

In our opinion, the Mississippi State Port Authority at Gulfport complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Mississippi State Port Authority at Gulfport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Mississippi State Port Authority at Gulfport's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi State Port Authority at Gulfport's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Alexander, Van Loon, Sloan, Levens & Favre

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, 2009

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency:			
Disaster Public Assistance Grant	97.036	PW8812	$ 21,585,564
		PW7811	8,718,617
		PW9400	215,934
		PW9433	2,332
		PW9673	474,367
		PW9932	2,389
		PW10031	3,292
		PW248	69,665
		PW334	9,389
		PW432	66,204
		PW438	57,199
		PW439	1,604
		PW440	937
		PW441	837
		PW442	11,873
		PW444	326
		PW447	447
Total U.S. Department of Homeland Security			31,220,976
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority:			
Community Development Block Grant Disaster Recovery	14.228	R115-06-02	3,965,444
Community Development Block Grant Disaster Recovery	14.228	R115-06-01	113,109
Total U.S. Department of Housing and Urban Development			4,078,553
Total Expenditures of Federal Awards			$ 35,299,529

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, 2009

NOTE 1- BASIS OF PRESENTATION

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

NOTE 2- RECONCILIATION TO GRANT REVENUE

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of revenues, expenses, and changes in net assets for the year ended June 30, 2009:

Total expenditures of federal awards	$35,299,529
Overstatement of federal expenditures on PW9019 at June 30, 2008	(482)
Total federal revenues	$35,299,047

Federal grant revenues are reported in the statement of revenues, expenses, and changes in net assets for the year ending June 30, 2009 as transferred in from other State agencies.

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, 2009

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal Control over financial reporting:	
Material Weaknesses identified?	Yes
Significant Deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weaknesses identified?	No
Significant Deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section_510(a) of Circular A-133?	No

Programs tested as major programs:

CFDA Number(s)	Name of Federal Program
97.036	Disaster Public Assistance Grant

Dollar threshold used to distinguish between type A and B Programs	*

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

Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2009-1 Finding

Condition

Wire transfers performed by the Deputy Director of Finance and Administration are not reviewed and approved by another member of management before processing.

Criteria

Proper internal controls over cash processes require review and approval of disbursement transactions.

Effect

Lack of review and approval procedures could result in misappropriation of assets.

Recommendation

The best practice to eliminate this weakness is electronic wire transfer processing that is password controlled and requires two different employees to be involved in the process; one to input and one to verify and release. We recommend that the Authority immediately contact its bank to setup this service. We also recommend that, wire transfers to be performed by the Deputy Director of Finance and Administration be reviewed and approved, initialed and dated, by another member of management prior to processing.

Management's Response

All disbursements for wire transfers are approved by the Board of Commissioners prior to processing. Currently, the wire transfer forms are singed by two members of senior management who are also authorized check signers. The Authority will review and consider their bank's process for electronic wire transfer of funds.

Section II – Financial Statement Findings (Continued)

2009-2 Finding

Condition

Capital assets and construction in progress reconciliations to the general ledger, performed by the Assistant Controller, show no evidence of review by a supervisor.

Criteria

Proper internal controls over capital assets require documented review and approval of reconciliations.

Effect

Lack of review and approval procedures could result in errors in amounts that are significant to the financial statements not being detected in a timely manner.

Recommendation

We recommend that capital assets reconciliations be reviewed by the Deputy Director of Finance and Administration and such review be evidenced by initials and date being placed on the reconciliation.

Management's Response

These items are reviewed and reconciled by the Deputy Director of Finance and Administration when the OMB monthly report is reviewed, approved, and signed by the Deputy Director of Finance and Administration. The OMB working file contains the support and approval for these capital assets.

2009-3 Finding

Condition

There is no documented evidence that check signers have reviewed the supporting documents attached to disbursement checks.

Criteria

Proper internal controls over cash processes require review and approval of disbursements supporting documentation.

Effect

Lack of review and approval procedures could result in misappropriation of assets.

Recommendation

We recommend that check signers initial and date the invoice for each disbursement as evidence of their review and approval.

Management's Response

There are other significant controls in place that serve the same objective. All invoices are logged when received. The log with all invoices is delivered to the Deputy Director of Finance and Administration for review and then returned to Accounts Payable Clerk for processing. Assistant Comptroller reviews all invoices and unposted voucher report before any checks are prepared. Assistant Comptroller and Deputy Director of Finance and Administration compare the list of disbursements to the invoices after checks are printed (the list of disbursements is automatically generated from the check run), prior to the signing and mailing of checks.

Section II – Financial Statement Findings (Continued)

2009-4 Finding

Condition

Signed checks are returned to the Accounts Payable Clerk pending receipt of original invoice or other required supporting documentation. Checks ready for mailing are processed by the Payroll Clerk.

Criteria

Proper internal controls over cash processes require segregation of duties which includes signed checks not being returned to the person responsible for processing accounts payable disbursements.

Effect

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

Recommendation

We recommend that the Payroll Clerk utilize the check register to monitor processed and held checks. Once the held checks are ready for mailing, the Payroll Clerk should compare the check to the Check Register and mark it off as having been processed. Any checks not processed after a few days should be investigated.

Management's Response

Due to small staff, checks are sometimes returned to AP for safekeeping prior to being mailed. Management immediately instituted a check list and procedure to address suggested deficiency, as follows. Payroll Clerk checks off each check as it is mailed and makes notes on the check register of why any check might not be mailed immediately. Payroll Clerk manages any fellow up needed.

2009-5 Finding

Condition

Billings of cargo for two major customers are based on summaries of weight/containers shipped provided by the customer that contain no legal support of the information provided.

Criteria

The Authority's accounting policies and procedures manual states that cargo charges are based on the ship's manifest as forwarded to the Authority by the ship's agent.

Effect

Not obtaining the manifest could result in incorrect billings and overstated or understated revenues. In addition, not adhering to established policies and procedures could set precedence in other matters.

Recommendation

We recommend that management thoroughly evaluate whether current policies and procedures should be adhered to for all customers or if the risk of incorrect billings justifies changing the policies.

Management's Response

Other significant controls are in place to ensure accurate billing. This has always been the nature of a port operation. Manifests are often not available for as long as two weeks after vessel sails. Invoices must be prepared in a timely manner.