

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2012, 2011, AND 2010**



**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**(AN AGENCY OF THE STATE OF MISSISSIPPI)**  
**LIST OF OFFICIALS**  
**JUNE 30, 2012**

**Board of Commissioners**

**Term**

Lenwood S. Sawyer, Jr.	President	12/10/12
James C. Simpson, Jr.	Vice-President	12/09/13
John K. Rester	Secretary	12/08/14
Frances Turnage	Treasurer	12/08/15
E. J. Roberts	Commissioner	12/09/16

**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)**  
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**JUNE 30, 2012, 2011, AND 2010**

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## **INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITORS' REPORT

September 12, 2012

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, 2012, 2011, and 2010, 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, 2012, 2011, and 2010, 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 September 12, 2012, 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* and should be considered in assessing the results of our audit.

To the Board of Commissioners  
Mississippi State Port Authority  
at Gulfport  
September 12, 2012

Our audit was conducted for the purpose of forming an opinion on financial statements that collectively comprise the Mississippi State Port Authority at Gulfport's financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. In addition, the list of officials is presented for informational purposes and is not a required part of the basic financial statements. Such information 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.

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, 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  
E.J. ROBERTS  
Commissioner  
DONALD R. ALLEE  
Executive Director & CEO  
[www.shlpmspa.com](http://www.shlpmspa.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, 2012, 2011, and 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

#### Financial Highlights

- Total operating revenues for FY 2012 were flat when compared to the prior year. Fiscal Year 2012 operating revenues were \$545,132 (or 4.0%) greater than Fiscal Year 2010.
- Maritime revenues were also flat in Fiscal Year 2012. 2012 maritime revenues were \$510,995 (or 8.4%) greater than Fiscal Year 2010.
- The Authority's net assets increased \$3.4 million as a result of this year's operations. Last year's operations increased net assets by \$24.4 million.
- As of June 30, 2012, the Authority's operating revenues totaled \$14.2 million, and operating expenses totaled \$50.3 million, resulting in a net operating loss of \$36.1 million. This compares to a Fiscal Year 2011 net operating loss of \$15.7 million. Fiscal Year 2012 operating expenses include \$23.9 million of CDBG grant reimbursable expenses, \$12.3 million of USDOT TIGER grant reimbursable expenses and \$6.3 million of depreciation. In FY 2011 reimbursable grant expenditures totaled \$14.9 million and depreciation was \$6.0 million.
- The Authority continued its facility restoration during Fiscal Year 2012. The Department of Homeland Security funded security lighting project was completed during the first half of the year. Bids were received and construction was started on the two tenant office and M&R facilities. These facilities are being funded as alternate projects from Katrina FEMA funds. The final phase of the West Pier 84 acre fill project was also started during the current year.
- Total capital assets increased projects completed were \$1.2 million (or .6%) compared to \$8 million (or 4.2%) in the prior fiscal year. A \$200,000 expenditure was also made to the U.S. Army Corps of Engineers channel widening project. This endeavor involved widening the channel from 220 feet to 300 feet.
- The Authority completed an Office of the Inspector General audit of FEMA project worksheets during the current fiscal year. With the acceptance of the OIG audit, FEMA is now focusing on closing out the Katrina and Gustav Project Worksheets. The Authority received \$55,000 in FEMA funds during FY 2012. FY 2012 ended with an additional \$8.1 million due to the Port from FEMA for work previously completed.



**Overview of the Financial Statements**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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.

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, 2012 with comparative amounts for June 30, 2011 and June 30, 2010 is as follows:

<b>ASSETS</b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 31,935,292	\$ 86,837,291	\$ 71,775,940
Accounts receivable	703,193	704,617	744,985
Other Receivables	23,059,166	16,704,149	13,530,253
Prepaid expenses	118,442	73,658	122,882
Restricted assets:			
Cash and investments	<u>900</u>	<u>200,700</u>	<u>201,700</u>
Total current assets	<u>55,816,993</u>	<u>104,520,415</u>	<u>86,375,760</u>
<b>NON-CURRENT ASSETS</b>			
Capital assets	199,448,558	198,215,591	190,148,330
Other assets			
Investments	57,441,549	3,004,890	4,071,960
Restricted - Lease Deposit	450,000	450,000	450,000
Incentive to lessee	52,783	78,119	103,455
Unamortized bond issue costs	<u>105,921</u>	<u>123,098</u>	<u>140,274</u>
Total non-current assets	<u>257,498,811</u>	<u>201,871,698</u>	<u>194,914,019</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>313,315,804</u></b>	<b>\$ <u>306,392,113</u></b>	<b>\$ <u>281,289,779</u></b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Balance Sheet (Continued)*

COMPARATIVE BALANCE SHEETS (Continued)			
LIABILITIES AND NET ASSETS	2012	2011	2010
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	\$ 13,994,508	\$ 8,758,274	\$ 4,432,070
Retainages payable	1,308,329	626,823	1,958,904
Bonds payable	2,445,000	2,380,000	2,325,000
Total current liabilities	17,747,837	11,765,097	8,715,974
<b>NON-CURRENT LIABILITIES</b>			
Bonds payable	16,730,000	19,175,000	21,555,000
Compensated absences	198,756	190,278	177,452
Payable form restricted assets:			
Customer deposits	900	700	1,700
Total non-current liabilities	16,929,656	19,365,978	21,734,152
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	180,273,555	177,395,062	166,268,324
Restricted	450,000	650,000	650,000
Unrestricted	97,914,756	97,215,976	83,921,329
Total net assets	278,638,311	275,261,038	250,839,653
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 313,315,804</b>	<b>\$ 306,392,113</b>	<b>\$ 281,289,779</b>

### *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, 2012 with comparative amounts for June 30, 2011 and 2010 is as follows:

<b>COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,263,008	\$ 5,423,214	\$ 4,937,211
Revenue from leases	8,926,761	8,911,646	8,707,426
Total operating revenues	<u>14,189,769</u>	<u>14,334,860</u>	<u>13,644,637</u>
<b>OPERATING EXPENSES</b>	<u>50,323,324</u>	<u>30,036,592</u>	<u>22,130,093</u>
<b>INCOME FROM OPERATIONS</b>	<u>(36,133,555)</u>	<u>(15,701,732)</u>	<u>(8,485,456)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Revenue from County	950,065	972,846	946,234
Investment and other income	39,360,797	27,505,547	24,487,596
Insurance proceeds	-	12,500,000	60,524
Interest and other expenses	(799,958)	(864,872)	(935,956)
Loss on disposal of assets	(76)	9,596	-
Total non-operating revenue (expenses)	<u>39,510,828</u>	<u>40,123,117</u>	<u>24,558,398</u>
<b>CHANGE IN NET ASSETS</b>	3,377,273	24,421,385	16,072,942
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>275,261,038</u>	<u>250,839,653</u>	<u>234,766,711</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 278,638,311</u>	<u>\$ 275,261,038</u>	<u>\$ 250,839,653</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Statement of Cash Flows*

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

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

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

Expenditures on capital assets in Fiscal Year 2012 were \$8 million. Projects completed during the year were security lighting; fender system repairs; container terminal canopy repair and Port rail line repairs. Two tenant office and M&R projects that will be funded with Katrina FEMA funds were started during the year. Both projects will be completed during the first half of FY 2013. The final phase (24 acres) of the 84 acre fill project on the West Pier was also started during the year. The rail upgrade between Gulfport and Hattiesburg has progressed very well. Due to weather delays, the estimated completion date has been revised from September to December 2012.

Analysis of the Authority's current year cash flows shows a net decrease of \$6.5 million in cash from the previous year. This compares to an \$8.0 million increase in cash flows from Fiscal Year 2011. Cash flow at the end of 2012 as compared to 2010 shows an increase of \$1.5 million. The primary utilization of cash during Fiscal Year 2012 was for grant reimbursable construction projects.

### **Other Potentially Significant Matters**

### *Capital Asset Administration*

<b>CAPITAL ASSETS AS OF JUNE 30</b>			
<b>(Net of Depreciation, in Millions)</b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Land	\$ 66.0	\$ 66.0	\$ 37.2
Buildings	21.8	22.3	22.9
Machinery and equipment	6.7	7.3	7.9
Land improvements	17.6	16.2	14.8
Infrastructure improvements	80.0	82.6	66.9
Construction in progress	7.3	3.8	40.4
	<b><u>\$ 199.4</u></b>	<b><u>\$ 198.2</u></b>	<b><u>\$ 190.1</u></b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Authority continues to maintain and expand its capital assets. Over \$200 million is budgeted for capital outlay during the next two fiscal years. Financial assistance from a variety of sources (e.g., Federal and State government) is available to assist the Authority with this program.

Note 18 to the Financial Statements provides detail of the Authority's outstanding construction commitments as of June 30, 2012.

### *Debt Administration*

DEBT OUTSTANDING AS OF JUNE 30			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Obligation Bonds: (backed by the State of Mississippi)			
Series 2009C	\$ 19,175,000	\$ 21,555,000	\$ 23,880,000

Debt service payments continue with final payment of the current bond issue scheduled for September 2018.

### *Economic Factors and Fiscal Year Ending June 30, 2013's Budget*

The Authority's management considered a variety of factors when setting the Fiscal Year 2013 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 break-bulk and project cargoes.

### *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, 2012, 2011 AND 2010**

**ASSETS**

	<u><b>2012</b></u>	<u><b>2011</b></u> (As restated)	<u><b>2010</b></u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 23,195,732	\$ 29,455,941	\$ 21,462,653
Equity in internal investment pool	738,458	750,099	738,773
Investments	8,001,102	56,631,251	49,574,514
Accrued interest receivable	63,286	121,411	160,484
Accounts receivable, net of allowance for doubtful accounts	703,193	704,617	744,985
Due from other State agencies	22,052,600	10,204,176	13,352,786
Due from other governments	943,280	6,378,562	16,983
Prepaid expenses	118,442	73,658	122,882
Restricted assets:			
Cash and cash equivalents	900	200,700	201,700
	<u>55,816,993</u>	<u>104,520,415</u>	<u>86,375,760</u>
Total current assets			
<b>NON-CURRENT ASSETS</b>			
Capital assets:			
Land	65,970,082	65,970,082	37,264,219
Buildings, net of accumulated depreciation	21,818,851	22,346,318	22,873,784
Machinery and equipment, net of accumulated depreciation	6,736,731	7,313,697	7,893,138
Land improvements, net of accumulated depreciation	17,614,538	16,218,183	14,773,125
Infrastructure, net of accumulated depreciation	79,970,926	82,561,702	66,941,230
Construction in progress	7,337,430	3,805,609	40,402,834
Total capital assets	<u>199,448,558</u>	<u>198,215,591</u>	<u>190,148,330</u>
Investments - non-current	57,441,549	3,004,890	4,071,960
Deferred asset	52,783	78,119	103,455
Unamortized bond issue costs	105,921	123,098	140,274
Restricted asset:			
Deposit	450,000	450,000	450,000
	<u>257,498,811</u>	<u>201,871,698</u>	<u>194,914,019</u>
Total non-current assets			
<b>TOTAL ASSETS</b>	<u><u>\$ 313,315,804</u></u>	<u><u>\$ 306,392,113</u></u>	<u><u>\$ 281,289,779</u></u>

## LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u> (As restated)	<u>2010</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 11,713,617	\$ 8,282,421	\$ 3,908,139
Retainages payable	1,308,329	626,823	1,958,904
Due to other governments	1,885,588	-	-
Deferred revenue	108,208	93,750	140,554
Accrued salaries	23,921	99,901	86,120
Accrued interest payable	257,291	279,108	295,615
Current maturities of compensated absences payable	5,883	3,094	1,642
Current maturities of bonds payable	<u>2,445,000</u>	<u>2,380,000</u>	<u>2,325,000</u>
Total current liabilities	<u>17,747,837</u>	<u>11,765,097</u>	<u>8,715,974</u>
<b>NON-CURRENT LIABILITIES</b>			
Compensated absences payable, net of current maturities	198,756	190,278	177,452
Bonds payable, net of current portion	16,730,000	19,175,000	21,555,000
Payable from restricted assets:			
Customer deposits	<u>900</u>	<u>700</u>	<u>1,700</u>
Total non-current liabilities	<u>16,929,656</u>	<u>19,365,978</u>	<u>21,734,152</u>
Total liabilities	<u>34,677,493</u>	<u>31,131,075</u>	<u>30,450,126</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	180,273,555	177,395,062	166,268,324
Restricted	450,000	650,000	650,000
Unrestricted	<u>97,914,756</u>	<u>97,215,976</u>	<u>83,921,329</u>
Total net assets	<u>278,638,311</u>	<u>275,261,038</u>	<u>250,839,653</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 313,315,804</u></u>	<u><u>\$ 306,392,113</u></u>	<u><u>\$ 281,289,779</u></u>

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, 2012, 2011 AND 2010**

	<u>2012</u>	<u>2011</u> (As restated)	<u>2010</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,263,008	\$ 5,423,214	\$ 4,937,211
Revenue from leases	<u>8,926,761</u>	<u>8,911,646</u>	<u>8,707,426</u>
Total operating revenues	<u>14,189,769</u>	<u>14,334,860</u>	<u>13,644,637</u>
<b>OPERATING EXPENSES</b>			
General and administrative	2,603,484	2,563,713	2,316,719
Contractual services	41,083,844	21,085,851	14,234,958
Commodities	321,169	370,219	300,542
Depreciation	<u>6,314,827</u>	<u>6,016,809</u>	<u>5,277,874</u>
Total operating expenses	<u>50,323,324</u>	<u>30,036,592</u>	<u>22,130,093</u>
<b>LOSS FROM OPERATIONS</b>	<u>(36,133,555)</u>	<u>(15,701,732)</u>	<u>(8,485,456)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Revenue from County	950,065	972,846	946,234
Interest and other investment income	313,083	372,343	780,475
Transfers in from other State agencies	26,470,586	18,941,257	23,707,121
Transfers in from other governments	12,577,128	8,191,947	-
Insurance proceeds	-	12,500,000	60,524
Interest expense and other fiscal charges	(799,958)	(864,872)	(935,956)
Gain (loss) on disposal of capital assets	<u>(76)</u>	<u>9,596</u>	<u>-</u>
Total non-operating revenue (expenses)	<u>39,510,828</u>	<u>40,123,117</u>	<u>24,558,398</u>
<b>CHANGE IN NET ASSETS</b>	3,377,273	24,421,385	16,072,942
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>275,261,038</u>	<u>250,839,653</u>	<u>234,766,711</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u><u>\$ 278,638,311</u></u>	<u><u>\$ 275,261,038</u></u>	<u><u>\$ 250,839,653</u></u>

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, 2012, 2011 AND 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		(As restated)	
Cash received from customers	\$ 16,094,308	\$ 14,378,803	\$13,574,630
Cash payments for personnel services	(2,668,197)	(2,535,654)	(2,280,110)
Cash payments to suppliers of goods and services	<u>(12,042,627)</u>	<u>(14,519,818)</u>	<u>(14,327,961)</u>
Net cash provided by (used in) operating activities	<u>1,383,484</u>	<u>(2,676,669)</u>	<u>(3,033,441)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash received from other governments	10,194,801	3,268,996	1,197,781
Cash payments to subrecipients	(26,580,923)	(1,669,533)	-
Transfers in from other State agencies	<u>24,597,614</u>	<u>22,063,824</u>	<u>56,831,230</u>
Net cash provided by noncapital financing activities	<u>8,211,492</u>	<u>23,663,287</u>	<u>58,029,011</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash payments from grants	(686,277)	(465,782)	-
Cash received for capital asset disposal	-	18,861	-
Acquisition and construction of capital assets	(6,760,449)	(16,270,748)	(29,741,941)
Insurance proceeds	-	12,500,000	60,524
Interest paid	(804,598)	(862,084)	(848,261)
Principal paid on capital lease payable	-	-	(586,424)
Principal paid on bonds payable	<u>(2,380,000)</u>	<u>(2,325,000)</u>	<u>(1,360,000)</u>
Net cash used in capital and related financing activities	<u>(10,631,324)</u>	<u>(7,404,753)</u>	<u>(32,476,102)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments	(82,806,098)	(68,595,975)	(58,758,493)
Interest received	465,796	672,724	854,564
Proceeds from maturities of investments	<u>76,905,000</u>	<u>62,345,000</u>	<u>47,100,000</u>
Net cash used in investing activities	<u>(5,435,302)</u>	<u>(5,578,251)</u>	<u>(10,803,929)</u>
Net change in cash and cash equivalents	(6,471,650)	8,003,614	11,715,539
Cash and cash equivalents at beginning of year	<u>30,406,740</u>	<u>22,403,126</u>	<u>10,687,587</u>
Cash and cash equivalents at end of year	<u><u>\$ 23,935,090</u></u>	<u><u>\$ 30,406,740</u></u>	<u><u>\$22,403,126</u></u>
<b>CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 23,195,732	\$ 29,455,941	\$21,462,653
Equity in internal investment pool	738,458	750,099	738,773
Restricted Assets:			
Cash and cash equivalents	<u>900</u>	<u>200,700</u>	<u>201,700</u>
Cash and cash equivalents at end of year	<u><u>\$ 23,935,090</u></u>	<u><u>\$ 30,406,740</u></u>	<u><u>\$22,403,126</u></u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
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**COMPARATIVE STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED JUNE 30, 2012, 2011 AND 2010**

	<u>2012</u>	<u>2011</u> (As restated)	<u>2010</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Loss from operations	<u>\$ (36,133,555)</u>	<u>\$ (15,701,732)</u>	<u>\$ (8,485,456)</u>
Adjustments reconciling loss from operations to net cash provided by (used in) operating activities:			
Depreciation	6,314,827	6,016,809	5,277,874
Provision for loss on accounts receivable	-	823	-
Noncapital payments to subrecipient	26,580,923	1,669,533	-
Noncapital deferred revenue	(22,467)	26,043	-
(Increase) decrease in assets:			
Accounts receivable	1,424	39,545	(13,650)
Prepaid expenses	(44,784)	49,224	(68,060)
Deferred asset	25,336	25,336	746
Increase (decrease) in liabilities:			
Accounts payable	2,826,247	5,217,495	275,599
Due to other governments	1,885,588	-	-
Deferred revenue	14,458	(46,804)	(57,503)
Accrued salaries	(75,980)	13,781	24,832
Accrued compensated absences	11,267	14,278	11,777
Customer deposits	200	(1,000)	400
Total adjustments	<u>37,517,039</u>	<u>13,025,063</u>	<u>5,452,015</u>
Net cash provided by (used in) operating activities	<u>\$ 1,383,484</u>	<u>\$ (2,676,669)</u>	<u>\$ (3,033,441)</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011, AND 2010**

**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. 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.

**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.

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**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 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, 2012, the Authority's share in the pooled investment as a state agency consists of cash and totals \$738,458.

**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 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:

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

**Property and Equipment (Continued)**

	<u>Useful Life</u>	<u>Capitalization Threshold</u>
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 and amount held in escrow for channel expansion.

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.

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JUNE 30, 2012, 2011, AND 2010**

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

**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 ongoing credit evaluations of its customers and, generally, requires no collateral.

**NOTE 2: DEPOSITS AND INVESTMENTS**

**Deposits**

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

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

Qualifying collateral includes:

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

The responsibility for ensuring the proper collateralization of deposits rests with the State of Mississippi Treasury Department. At June 30, 2012, the carrying amount of the Authority's deposits (including restricted deposits) was \$9,308,452 and the bank balances totaled \$9,196,779. 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.



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

**Deposits (continued)**

As of June 30, 2012, restricted cash and cash equivalents consist of the following:

Current:	
Restricted for customer deposits	\$ 900
Total current	<u>\$ 900</u>

**Investments**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
U.S. Government securities and agencies	<u>\$ 65,442,651</u>	<u>\$ 59,636,141</u>	<u>\$ 53,646,474</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Current Assets:</b>			
Investments in U.S. Government securities and agencies	\$ 8,001,102	\$ 56,631,251	\$ 49,574,514
<b>Non-Current Assets</b>			
Investments in U.S. Government securities and agencies	<u>57,441,549</u>	<u>3,004,890</u>	<u>4,071,960</u>
Total investments	<u>\$ 65,442,651</u>	<u>\$ 59,636,141</u>	<u>\$ 53,646,474</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the financial institution with which the Authority invests, the Authority will not be able to recover the value of its investments, which are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counter party or the counter party's trust department or agent but not in the Authority's name. The money market funds of \$14,626,638, 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, 2012. 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.

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

*Custodial Credit Risk (continued)*

All investments made by the Authority are authorized by the Executive Director in accordance with all applicable state laws. As outlined by the Mississippi Code Section 27-105-33, the Authority invests in United States Government Instrumentalities. Mississippi Code Section 25-11-121 requires that all investments be clearly marked as to ownership and, to the extent possible, be registered in the name of the Authority.

*Credit Risk*

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

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

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>		
		<u>2012</u>	<u>2011</u>	<u>2010</u>
Mutual funds	AA+	\$ 14,626,638	\$ 25,113,124	\$ 20,241,861
U.S. Government securities and agencies	AA+	<u>\$ 65,442,651</u>	<u>\$ 59,636,141</u>	<u>\$ 53,646,474</u>
Total		<u><u>\$ 80,069,289</u></u>	<u><u>\$ 84,749,265</u></u>	<u><u>\$ 73,888,335</u></u>

*Interest Rate Risk*

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

The future maturities of the Authority's investments as of June 30, 2012 are as follows:

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Mutual funds	\$ 14,626,638	\$ 14,626,638	\$ -
U.S. Government securities and agencies	<u>65,442,651</u>	<u>8,001,102</u>	<u>57,441,549</u>
	<u><u>\$ 80,069,289</u></u>	<u><u>\$ 22,627,740</u></u>	<u><u>\$ 57,441,549</u></u>

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.

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**NOTE 3: ACCOUNTS RECEIVABLE**

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

	2012	2011	2010
Accounts receivable from customers	\$ 1,751,783	\$ 1,753,207	\$ 1,792,752
Less: allowance for doubtful accounts	(1,048,590)	(1,048,590)	(1,047,767)
Accounts receivable, net	<u>\$ 703,193</u>	<u>\$ 704,617</u>	<u>\$ 744,985</u>

The Authority recorded no bad debt expense for the year ended June 30, 2012. Bad debt expense for the year ended June 30, 2011 was \$823. No bad debt expense was recorded for the fiscal year ended June 30, 2010. 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:

	2012	2011	2010
MEMA - FEMA Hurricane Katrina Projects	\$ 9,955,453	\$ 8,384,982	\$ 10,276,671
MEMA - FEMA Hurricane Gustav Projects	636,258	389,511	172,917
MDA - HUD/CDBG Port restoration projects	11,460,889	1,429,683	2,903,198
	<u>\$ 22,052,600</u>	<u>\$ 10,204,176</u>	<u>\$ 13,352,786</u>

**NOTE 5: DUE FROM OTHER GOVERNMENTS**

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

	2012	2011	2010
Harrison County Tax Collector - Ad Valorem Taxes	\$ 21,020	\$ 16,685	\$ 16,983
FEMA - Homeland Security Grant Project	17,201	465,918	-
Department of Transportation - TIGER Grant	905,059	5,895,959	-
	<u>\$ 943,280</u>	<u>\$ 6,378,562</u>	<u>\$ 16,983</u>

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**NOTE 6: INSURANCE PROCEEDS**

Insurance proceeds include amounts received for the Authority's buildings and port facilities damaged by Hurricane Gustav on September 1, 2008 and Hurricane Katrina on August 29, 2005. The Authority received no insurance proceeds for the year ended June 30, 2012. For the year ended June 30, 2011, the Authority received \$12,500,000 in insurance proceeds related to Hurricane Katrina. For the year ended June 30, 2010, the Authority received \$60,524 in insurance proceeds related to Hurricane Katrina. As of June 30, 2011, and 2010, a total of \$12,500,000 and \$60,524 of insurance proceeds, respectively, is recognized as non-operating revenues on the statements of revenues, expenses, and changes in net assets. The Authority has no insurance proceeds receivable as of June 30, 2012, 2011 and 2010.

**NOTE 7: CAPITAL ASSETS**

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

*For the fiscal year ended June 30, 2012*

	Balance July 1, 2011	Additions	Disposals	Transfers	Balance June 30, 2012
Land	\$ 65,970,082	\$ -	\$ -	\$ -	\$ 65,970,082
Buildings	25,193,876	-	-	-	25,193,876
Machinery and equipment	9,107,894	12,091	(7,599)	-	9,112,386
Land improvements	27,682,541	-	-	2,582,441	30,264,982
Infrastructure	123,214,540	-	-	1,421,517	124,636,057
Construction in progress	3,805,609	7,883,383	(347,604)	(4,003,958)	7,337,430
Total capital assets	254,974,542	7,895,474	(355,203)	-	262,514,813
Less: accumulated depreciation for:					
Buildings	(2,847,558)	(527,467)	-	-	(3,375,025)
Machinery and equipment	(1,794,197)	(588,981)	7,523	-	(2,375,655)
Land improvements	(11,464,358)	(1,186,086)	-	-	(12,650,444)
Infrastructure	(40,652,838)	(4,012,293)	-	-	(44,665,131)
Total accumulated depreciation	(56,758,951)	(6,314,827)	7,523	-	(63,066,255)
Net capital assets	<u>\$ 198,215,591</u>	<u>\$ 1,580,647</u>	<u>\$ (347,680)</u>	<u>\$ -</u>	<u>\$ 199,448,558</u>

Construction in progress at June 30, 2012 is primarily composed of construction costs for the fill project and the Chiquita office and facility. For the year ended June 30, 2012, there was no capitalizable interest incurred on outstanding debt during the construction period.

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**NOTE 7: CAPITAL ASSETS (Continued)**

*For the fiscal year ended June 30, 2011 (As restated)*

	Balance July 1, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
Land	\$ 37,264,219	\$ -	\$ -	\$ 28,705,863	\$ 65,970,082
Buildings	25,193,876	-	-	-	25,193,876
Machinery and equipment	9,178,595	21,945	(92,646)	-	9,107,894
Land improvements	25,103,237	-	-	2,579,304	27,682,541
Infrastructure	103,831,093	-	-	19,383,447	123,214,540
Construction in progress	40,402,834	14,881,486	(810,097)	(50,668,614)	3,805,609
Total capital assets	<u>240,973,854</u>	<u>14,903,431</u>	<u>(902,743)</u>	<u>-</u>	<u>254,974,542</u>
Less: accumulated depreciation for:					
Buildings	(2,320,092)	(527,466)	-	-	(2,847,558)
Machinery and equipment	(1,285,457)	(592,122)	83,382	-	(1,794,197)
Land improvements	(10,330,112)	(1,134,246)	-	-	(11,464,358)
Infrastructure	<u>(36,889,863)</u>	<u>(3,762,975)</u>	<u>-</u>	<u>-</u>	<u>(40,652,838)</u>
Total accumulated depreciation	<u>(50,825,524)</u>	<u>(6,016,809)</u>	<u>83,382</u>	<u>-</u>	<u>(56,758,951)</u>
Net capital assets	<u>\$ 190,148,330</u>	<u>\$ 8,886,622</u>	<u>\$ (819,361)</u>	<u>\$ -</u>	<u>\$ 198,215,591</u>

Construction in progress at June 30, 2011 is primarily composed of construction costs for the security lighting project, erosion protection, phase III of fill project, and fender system repairs. For the year ended June 30, 2011, there was no capitalizable interest incurred on outstanding debt during the construction period.

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7: CAPITAL ASSETS (Continued)**

*For the fiscal year ended June 30, 2010*

	Balance July 1, 2009	Additions	Disposals	Transfers	Balance June 30, 2010
Land	\$ 37,264,219	\$ -	\$ -	\$ -	\$ 37,264,219
Buildings	25,193,876	-	-	-	25,193,876
Machinery and equipment	8,873,876	304,719	-	-	9,178,595
Land improvements	25,103,237	-	-	-	25,103,237
Infrastructure	69,374,304	-	-	34,456,789	103,831,093
Construction in progress	46,795,095	28,182,760	(118,232)	(34,456,789)	40,402,834
Total capital assets	212,604,607	28,487,479	(118,232)	-	240,973,854
Less: accumulated depreciation for:					
Buildings	(1,792,625)	(527,467)	-	-	(2,320,092)
Machinery and equipment	(700,956)	(584,501)	-	-	(1,285,457)
Land improvements	(9,478,231)	(851,881)	-	-	(10,330,112)
Infrastructure	(33,575,838)	(3,314,025)	-	-	(36,889,863)
Total accumulated depreciation	(45,547,650)	(5,277,874)	-	-	(50,825,524)
Net capital assets	\$ 167,056,957	\$ 23,209,605	\$ (118,232)	\$ -	\$ 190,148,330

Construction in progress at June 30, 2010 is primarily composed of construction costs for the sixty acre fill project, yard development, and construction costs for rehabilitating berth facilities. For the year ended June 30, 2010, there was no capitalizable interest incurred on outstanding debt during the construction period.

**NOTE 8: DEFERRED REVENUE**

As of June 30, deferred revenue includes the following:

	2012	2011	2010
MEMA-FEMA	\$ -	\$ -	\$ 26,043
HUD-CDBG	9,851	-	-
Dupont	96,750	93,750	93,750
Cellular South	1,607	-	-
Chiquita - lease incentive	-	-	20,761
	<u>\$ 108,208</u>	<u>\$ 93,750</u>	<u>\$ 140,554</u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
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**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 is to be amortized over the remaining life of the lease. Completion of the berth occurred at the end of August 2009 and amortization of the lease incentive and recognition of vessel credits began on September 1, 2009. As of June 30, 2012, \$71,785 has been amortized with a remaining balance of \$52,783 recognized as a deferred asset on the balance sheet. As of June 30, 2012, the entire credit of \$124,568 has been recognized in credits by the Lessee.

**NOTE 9: DUE TO OTHER GOVERNMENTS**

Due to other governments at June 30, 2012 consists of amounts received from the Federal Emergency Management Agency (FEMA) for Hurricane Katrina expenditures that were deobligated by the federal agency in the current year.

**NOTE 10: 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 June 1, 2018. 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 18.

**NOTE 11: 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, 2012**

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2011	Principal Payments	Balance at June 30, 2012
2009C	\$ 25,240,000	4/2/2009	9/1/2018	1.44-4.65%	\$ 21,555,000	\$ (2,380,000)	\$ 19,175,000
Less: current maturities included in current liabilities					(2,380,000)		(2,445,000)
Bonds payable, net of current portion					\$ 19,175,000		\$ 16,730,000

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
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**NOTE 11: BONDS PAYABLE (Continued)**

*For the fiscal year ended June 30, 2011*

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2010	Principal Payments	Balance at June 30, 2011
2009C	\$ 25,240,000	4/2/2009	9/1/2018	1.44-4.65%	\$ 23,880,000	\$ (2,325,000)	\$ 21,555,000
Less: current maturities included in current liabilities					(2,325,000)		(2,380,000)
Bonds payable, net of current portion					<u>\$ 21,555,000</u>		<u>\$ 19,175,000</u>

*For the fiscal year ended June 30, 2010*

Series	Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance at July 1, 2009	Principal Payments	Balance at June 30, 2010
2009C	\$ 25,240,000	4/2/2009	9/1/2018	1.44-4.65%	\$ 25,240,000	\$ (1,360,000)	\$ 23,880,000
Less: current maturities included in current liabilities					(1,360,000)		(2,325,000)
Bonds payable, net of current portion					<u>\$ 23,880,000</u>		<u>\$ 21,555,000</u>

The Authority's future principal and interest requirements related to the bonds payable at June 30, 2012 are as follows:

Year(s)	Principal	Interest	Total
2013	\$ 2,445,000	\$ 734,342	\$ 3,179,342
2014	2,525,000	652,498	3,177,498
2015	2,615,000	558,368	3,173,368
2016	2,715,000	454,252	3,169,252
2017	2,830,000	340,522	3,170,522
2018-2019	<u>6,045,000</u>	<u>284,464</u>	<u>6,329,464</u>
	<u>\$19,175,000</u>	<u>\$3,024,446</u>	<u>\$22,199,446</u>

Interest incurred on bonds payable totaled \$782,781, \$845,577, and \$889,102 for fiscal years ended June 30, 2012, 2011, and 2010, respectively.



**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
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**NOTE 12: COMPENSATED ABSENCES**

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

	Beginning Balance	Increases/ Decreases	Ending Balance	Due within 12 months
2012	\$ 193,372	\$ 11,267	\$ 204,639	\$ 5,883
2011	\$ 179,094	\$ 14,278	\$ 193,372	\$ 3,094
2010	\$ 167,317	\$ 11,777	\$ 179,094	\$ 1,642

**NOTE 13: RESTATEMENT OF FINANCIAL STATEMENTS AND PRIOR PERIOD ADJUSTMENT**

In fiscal year 2012, the Authority determined payments made on a project that were capitalized in construction in progress as of June 30, 2011 should have been expensed. Therefore, the Authority recorded a prior period adjustment and restated its financials statements as of June 30, 2011.

The following financial statement line items as of and for the year ended June 30, 2011 were affected by this correction:

	As Previously Stated	As Restated	Effect of Correction
<b>Balance Sheet at June 30, 2011:</b>			
Construction in progress	\$ 4,540,083	\$ 3,805,609	\$ (734,474)
Net assets	\$ 275,995,512	\$ 275,261,038	\$ (734,474)
<b>Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2011:</b>			
Contractual services	\$ 20,351,377	\$ 21,085,851	\$ 734,474
Change in net assets	\$ 25,155,859	\$ 24,421,385	\$ (734,474)
<b>Statement of Cash Flows for the year ended June 30, 2011:</b>			
Cash payments to suppliers of goods and services	\$ 13,785,344	\$ 14,519,818	\$ 734,474
Acquisition and construction of capital assets	\$ 17,005,222	\$ 16,270,748	\$ (734,474)

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**NOTE 14: 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 \$8,926,761, \$8,911,646, and \$8,707,426 for 2012, 2011, and 2010, respectively. The leases to gaming operations include contingent rentals of \$6,002,919, \$6,002,920, and \$6,047,502 for 2012, 2011, and 2010, 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 through the end of the lease agreements in effect as of June 30, 2012, not including contingent rentals, consumer price index adjustments, or thruput charges:

<u>Year</u>	<u>Amount</u>
2013	\$ 4,091,872
2014	2,851,330
2015	2,831,046
2016	2,831,046
2017	2,831,046
2018 - 2022	<u>8,147,962</u>
Total	<u><u>\$ 23,584,302</u></u>

**NOTE 15: 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. 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.

**Other Post Employment Benefits**

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 GAAP for governmental entities as a single employer defined benefit healthcare plan. The State reports the liability associated with other postemployment benefits on an accrual basis. The State does not issue a publicly available financial report on the Plan. However, the required reporting is included in the State's financial statements disclosures available on the State of Mississippi's website at [www.dfa.state.ms.us](http://www.dfa.state.ms.us).

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
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**NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)**

**Funding Policy**

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, 2012, 2011, and 2010, the Authority's contribution rates were 12.93%, 12%, and 12% of annual covered payroll, respectively. 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, 2012, 2011, and 2010 were \$255,127, \$241,463, and \$215,674, respectively, equal to the required contributions for each year.

**NOTE 16: 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 years ended June 30, 2012, 2011 and 2010 total \$164,509 for each year. Rent expenses are included in the statements of revenues, expenses, and changes in net assets as contractual services.

**Office Space**

In March 2011, the Authority entered into a renewal lease agreement for office space at One Hancock Plaza in Gulfport, Mississippi. The office space lease is classified as an operating lease. The lease term is two years. Monthly rent under this lease agreement is \$3,753. Rent expense for the years ended June 30, 2012, 2011, and 2010 total \$45,036, \$44,460 and \$36,810, respectively. Rent expenses are included in the statements of revenues, expenses, and changes in net assets as contractual services.

**Modular Office Building 1**

In August 2009, the Authority entered into a renewal 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, 2012, 2011, and 2010 total \$18,600 for each year.

**Minimum Future Lease Payments**

The minimum future lease payments on the above leases at June 30, 2012 are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 196,083
2014	164,509
Total	<u><u>\$ 360,592</u></u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**(AN AGENCY OF THE STATE OF MISSISSIPPI)**  
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**NOTE 17: ECONOMIC DEPENDENCY**

One gaming operations lessee accounted for approximately 53 percent of the operating revenues in fiscal years ended June 30, 2012 and 2011, and 55 percent of the operating revenues in fiscal year ended June 30, 2010.

**NOTE 18: COMMITMENTS AND CONTINGENCIES**

**Commitments**

**Construction in Progress**

Construction in progress at June 30, 2012 is primarily composed of construction costs for the fill project and the Chiquita office and facility. The total amount of the construction contracts in progress as of June 30, 2012 is \$71,133,512, of which \$7,337,430 in construction costs has been incurred through June 30, 2012. Of the construction costs incurred as of June 30, 2012 the Authority remains obligated to pay \$1,867,417 from unrestricted cash. The Authority is further obligated to pay the remaining amount of \$63,796,083 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 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 with the Seller, for the sole purpose of fulfilling this obligation. The contingency is included in restricted assets - deposit on the balance sheet and has a balance of \$450,000 at June 30, 2012, 2011, and 2010. See additional information in Note 10.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT**  
**(AN AGENCY OF THE STATE OF MISSISSIPPI)**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 18: COMMITMENTS AND CONTINGENCIES (Continued)**

*Environmental (Continued)*

*Gulfport Harbor Ship and Bar Channel*

On December 1, 2009 the Authority entered into an agreement with the Department of the Army (the Government) to construct the Gulfport Harbor Ship and Bar Channel. The agreement calls for the Authority to provide payment for certain expenses by check, electronic funds transfer, or by the Government verifying such funds have been deposited into an escrow account. The funds are to be used for payment of the Authority's portion of total costs of construction of the general navigation features. In January 2010, the Government determined the Authority's share to be \$200,000. The contingency is included in current restricted assets - cash and cash equivalents on the 2011 and 2010 balance sheets. The project was completed as of June 30, 2012 and the Government withdrew the funds from the escrow account.

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

**NOTE 19: 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 20: 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.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT  
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**NOTE 20: RISK MANAGEMENT (Continued)**

**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.

**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 21: SUBSEQUENT EVENT**

The Authority has evaluated events occurring subsequent to year end through September 12, 2012, which is the date the statements were available to be issued. The following event, that is required to be recognized or disclosed, has been identified by the Authority for this time period:

On August 28, 2012, the Authority's buildings and port operations as well as the business operations of most of the Authority's lessees were affected by Hurricane Isaac. The total loss incurred as a result of this storm has not been determined. It is anticipated that financial assistance will become available from a variety of sources (e.g., Federal government, State government, and insurance coverage) to assist the Authority with its recovery.

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



**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**

September 12, 2012

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, 2012, and have issued our report thereon dated September 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



To the Board of Commissioners  
Mississippi State Port Authority at Gulfport  
September 12, 2012

### **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*.

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, PLLC  
Certified Public Accountants  
Gulfport, Mississippi



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

September 12, 2012

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

**Compliance**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mississippi State Port Authority at Gulfport's major federal programs for the year ended June 30, 2012. The Mississippi State Port Authority at Gulfport's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements laws, regulations, contracts, and grants applicable to each of its major federal programs 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**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 requirements of laws, regulations, contracts, and grants applicable to federal programs.

### **Internal Control Over Compliance (Continued)**

In planning and performing our audit, we considered the Mississippi State Port Authority at Gulfport's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, 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, 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, 2012**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Mississippi Emergency Management Agency (MEMA):			
Disaster Public Assistance Grant	97.036		
Hurricane Katrina		PW9398	\$ 38,822
		PW6604	4
		PW7489	89
		PW7811	57,924
		PW8908	1,104
		PW9400	1,880
		PW9433	5,212
		PW9673	12,402
		PW9904	140,223
		PW9932	44
		PW10031	68
		PW9836	3,737,450
			<u>3,995,222</u>
Hurricane Gustav		PW432	262,196
Port Security Grant Program	97.056	2006-GB-T6-0018	148,369
		2008-GB-T9-0039	89,191
			<u>237,560</u>
<i>Total U.S. Department of Homeland Security</i>			<u>4,494,978</u>
<b>U.S. Department of Transportation</b>			
ARRA Transportation Investments Generating Economic Recovery (TIGER) Discretionary Grant Program	20.500	DTMA1G10008	12,339,568
<i>Total U.S. Department of Transportation</i>			<u>12,339,568</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Mississippi Development Authority (MDA):			
Community Development Block Grant			
Disaster Recovery	14.228	R115-06-02	8,459,619
Katrina Supplemental		R-103-936-01-KED	18,009,203
			<u>26,468,822</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>26,468,822</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 43,303,368</u>

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, 2012**

**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- SUBRECIPIENT**

Of the federal expenditures presented in the schedule, the Mississippi State Port Authority at Gulfport provided federal awards totaling \$30,348,771 to subrecipients related to the ARRA Transportation Investments Generating Economic Recovery (TIGER) Discretionary Grant Program and the Community Block Development Grant – Katrina Supplemental during the year ended June 30, 2012.

**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 assets for the year ended June 30, 2012:

Total expenditures of federal awards	\$ 43,303,368
Project worksheets (PW) deobligations in current year for federal expenditures in prior years	<u>(4,255,654)</u>
Total federal revenues	<u><u>\$ 39,047,714</u></u>
Non-operating revenues (expenses)	
Transfers in from other State agencies	\$ 26,470,586
Transfers in from other governments	<u>12,577,128</u>
Total federal revenues	<u><u>\$ 39,047,714</u></u>

**NOTE 4- UNEXPENDED GRANT APPROPRIATIONS**

The following are unexpended grant awards at June 30, 2012:

Federal agency	FEMA	DOT	HUD
Total awards at June 30, 2012	\$ 72,646,880	\$ 20,000,000	\$ 590,383,175
Total expenditures at June 30, 2012	<u>(48,323,610)</u>	<u>(19,905,059)</u>	<u>(72,647,527)</u>
Unexpended at June 30, 2012	<u><u>\$ 24,323,270</u></u>	<u><u>\$ 94,941</u></u>	<u><u>\$ 517,735,648</u></u>

**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, 2012**

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

**Financial Statements**

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
97.036	Disaster Public Assistance Grant
14.228	Community Development Block 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 program determination was made by the State of Mississippi.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT  
(AN AGENCY OF THE STATE OF MISSISSIPPI)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

**Section II – Financial Statement Findings**

None noted

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT  
(AN AGENCY OF THE STATE OF MISSISSIPPI)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

**Section III – Federal Award Findings and Questioned Costs**

None noted