



**Gulfport-Biloxi Regional Airport Authority  
Annual Financial Report**

**For the Years Ended December 31, 2015 and 2014**

*We Make Flying Easier.®*



**Gulfport–Biloxi Regional Airport Authority**  
Gulfport, Mississippi

**Financial Statements**

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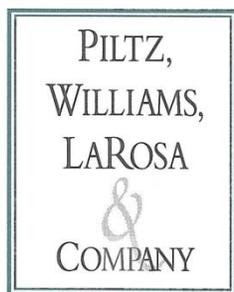
September 30, 2015 and 2014

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## Independent Auditors' Report

Commissioners of the Airport Authority  
Gulfport–Biloxi Regional Airport Authority  
Gulfport, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of Gulfport–Biloxi Regional Airport Authority as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Gulfport-Biloxi Regional Airport Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Gulfport–Biloxi Regional Airport Authority as of September 30, 2015 and 2014, and the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As explained in Note A (Significant Accounting Policies item 12), in 2015, the Airport adopted new accounting guidance, Government Accounting Standard Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, pension system supplementary information and budgetary comparison information in Section I pages 4 through 10 and Section III pages 34-35 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

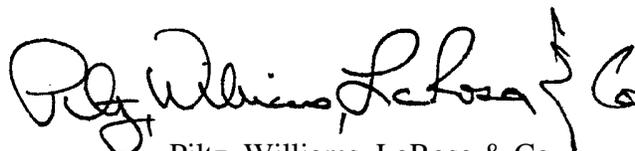
Our audits were conducted for the purpose of forming opinions on the financial statements found in Section II that collectively comprise the Gulfport–Biloxi Regional Airport Authority’s financial statements. The Capital Projects Fund – Statements of Revenues & Expenditures found in Section III page 36 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges also found in Section III are 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 the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and are also not a required part of the financial statements.

The Capital Projects Fund – Statements of Revenues & Expenditures and Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges are the responsibility of management and were derived from and relate 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 as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016, on our consideration of the Gulfport–Biloxi Regional Airport Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulfport–Biloxi Regional Airport Authority's internal control over financial reporting and compliance.



Piltz, Williams, LaRosa & Co.

Biloxi, Mississippi  
January 14, 2016

**Section I**

**Management's Discussion and Analysis**

### **Management’s Discussion and Analysis**

Our discussion and analysis of the Airport’s financial performance provides an overview of the Airport’s financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the Airport’s financial statements, which are found in Section II.

#### **Using This Annual Report**

This annual report consists of a series of financial statements. The Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows provide information about the activities of the Airport similar to that of a for profit private-sector business enterprise with the appropriation and use of economic resources as the measurement focus. The notes to financial statements provide detailed support to individual balances and classes of transactions found in the various statements. The required and other supplemental information (See Section III) provides information about the Airport’s operating activities as compared to its budget, as well as certain other schedules required by *Government Auditing Standards*.

The Balance Sheet reports the Airport’s net position. You can think of the Airport’s net position (the difference between assets and liabilities), as one way to measure the Airport’s financial health, or financial position. Net position is divided into the following three basic categories: net investment in capital assets; net position restricted for debt covenant and other purposes, and net position unrestricted and available for spending. Over time, increases or decreases in the Airport’s net position are one indicator of whether its financial health is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position measures the annual change in the net position displayed on the Balance Sheet. The Statements of Cash Flows converts all economic resources and uses to cash and displays them into their basic categories of operating; non-capital financing; capital financing and investing activities.

#### **Terminology**

FAA – Federal Aviation Administration

AIP – Federal Airport Improvement Program that provides entitlement and discretionary grants for capital improvements to the Airport

PFC – Passenger Facility Charges are assessments of \$4.50 per enplaning passenger to fund capital improvements to the Airport

GA – General Aviation area of the Airport property

CFC – Customer Facility Charge of \$3.00 for each car rental customer used to fund construction (\$2.00) and operations (\$1.00) of the rental car service facility

**Gulfport–Biloxi Regional Airport Authority**  
**Financial Statements**  
September 30, 2015

**Financial Summaries and Comparisons**

The following are summary presentations of the Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position for the years ended September 30, 2015 and 2014:

**Balance Sheets**  
**(in Thousands)**

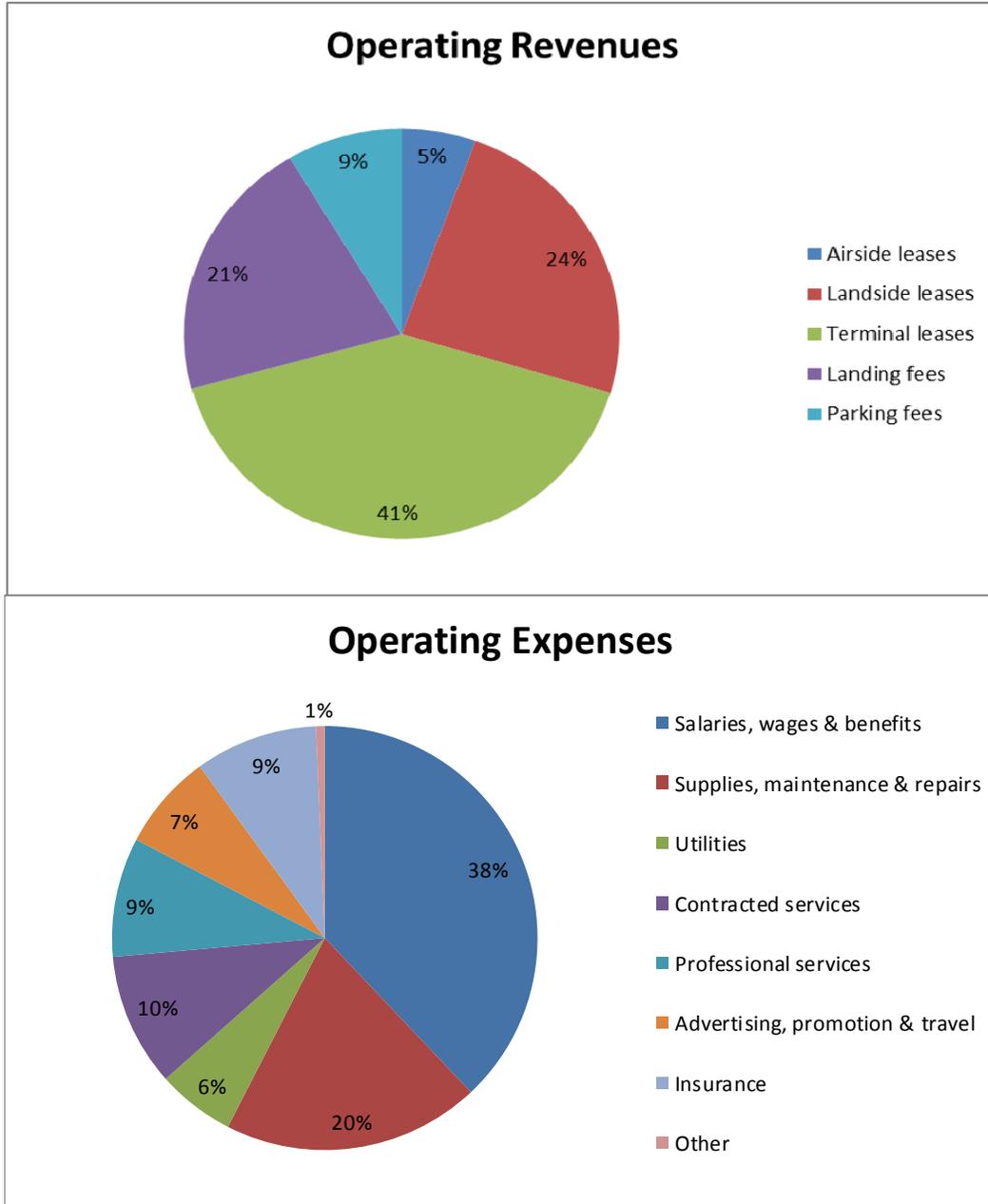
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Current assets	\$ 12,107	\$ 17,170
Restricted assets	3,293	3,516
Capital assets	228,114	222,932
Deferred outflows	897	429
Total assets and deferred outflows	<u>244,411</u>	<u>244,047</u>
Current liabilities from current assets	3,136	8,700
Current liabilities from restricted assets	1,525	1,480
Noncurrent liabilities	28,684	26,013
Deferred inflows	618	-
Total liabilities and deferred inflows	<u>33,963</u>	<u>36,193</u>
Net position	<u>\$ 210,448</u>	<u>\$ 207,854</u>
<b>Summary of net position</b>		
Net investment in capital assets	\$ 204,535	\$ 197,906
Restricted	3,293	3,516
Unrestricted and spendable	2,620	6,432
Totals	<u>\$ 210,448</u>	<u>\$ 207,854</u>

**Statements of Revenues, Expenses & Changes in Net Position**  
**(in Thousands)**

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Operating revenues	\$ 11,457	\$ 11,265
Operating expenses	(19,574)	(19,778)
Non-operating revenues	4	3
Non-operating expenses	(822)	(1,816)
Capital grants, PFCs and CFCs	16,058	22,909
Increase in net position	<u>\$ 7,123</u>	<u>\$ 12,583</u>

**Gulfport–Biloxi Regional Airport Authority**  
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The following pie charts represent actual operating revenues (excluding fire and rescue services) and operating expenses (excluding depreciation and fire and rescue services) by category for the year ended September 30, 2015.



**Financial Highlights**

- The Airport’s net position increased by \$2.6 million, or 1.2% as compared to 2014 which had an increase of \$12.6 million or 6.4%. Unrestricted net position, which represents net position available for spending, decreased from \$6.4 million to \$2.6 million at the end of 2015.
- Implementation of GASB 68 resulted in a direct charge to the 2015 unrestricted net position in the amount of \$4.5 million, with the recording of the Airport’s share of the collective net pension liability passing through from the Public Employees’ Retirement System of Mississippi.

## Financial Statements

September 30, 2015

- Operating revenues increased by \$192,000 or 1.7% from 2014 to 2015, compared to 2014, which had a decrease of \$616,000 or 5.2% over 2013.
- Operating expenses decreased by \$204,000 or 1% as compared to 2014, which had an increase of \$586,000 or 3% over 2013.
- Operating expenses, excluding depreciation expense and fire & rescue services, were approximately \$7.1 million for 2015 and \$7.6 million for 2014. The primary components of the decrease from 2014 to 2015 were the recording of pension expense for implementation of GASB 68 (see Note G in the audited financial statements for further discussion), and a utility refund from the Airport's electricity provider during 2015.
- Operating grants and other income increased by \$404,000, while 2014 had a reduction of \$524,000 over 2013. The \$404,000 increase for 2015 over 2014 is attributable to the recovery of a bad debt from a tenant previously expensed in 2014, and the receipt of a final settlement of a legal claim.
- The Airport had capital grants, PFC and CFC revenues of \$16 million, which was a decrease of \$6.9 million, or 30% over 2014. In 2014, capital grants, PFC and PFC revenues were \$22.9 million, which was an increase of 115% over 2013. The significant components of the 2014 increase relates to a couple of significant airfield infrastructure projects that were completed and/or began in 2014 for touchdown zone replacement and taxiway rehabilitation.
- The bond rate covenant was 210% for fiscal 2015. Please refer to Note F to the audited financial statements for further discussion on the bond rate covenant.

**Budgetary Highlights**

Over the course of the year, the Airport revises the budget generally once or twice to react to changing financial conditions such as general increases and decreases in operating revenues and expenses, but generally the more significant budget amendments center around capital expenditures as federal grants and other capital financing sources become available. The following table summarizes the year 2015 budgets and comparative results.

**Year 2015 Budget to Actual Comparison**  
(in Thousands)

	Original Budget	Amended Budget	Actual Results	Variance
Operating revenues	\$ 8,918	\$ 9,114	\$ 8,936	\$ (178)
Operating expenses	(7,843)	(7,659)	(7,191)	468
Operating surplus	1,075	1,455	1,745	290
Other income	4	5	4	(1)
Capital grants, PFCs and CFCs	26,739	17,310	16,058	(1,252)
Debt service	(2,385)	(2,269)	(2,314)	(45)
Capital expenditures	(26,262)	(16,352)	(15,304)	1,048
Excess (deficiency)	\$ (829)	\$ 149	\$ 189	\$ 40

Financial Statements

September 30, 2015

Generally, operating revenues and expenses were consistent with budgeted amounts. The more significant variances centered on capital grants and construction budgets. Capital expenditures and the related federal and state grants typically have budget variances caused by the fact that when projects are first budgeted, they are generally budgeted 100%, but rarely are they completed by the end of the fiscal year. All of the projects at the end of 2015 were on updated schedules and these budget amounts will carry over to 2016 when the projects are expected to be completed. Please see the analysis of the year 2016 capital budget under Capital Assets.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2015, the Airport had \$228 million invested in Airport facilities, infrastructure and equipment. This amount represents a net increase (including additions and depreciation deductions) of \$5.2 million or about 2.3% over 2014. The Airport had a net increase of \$12.1 million or 5.8% in 2014. The majority of the Airport’s capital expenditures are funded with Federal AIP grants, State Airport Development grants, PFCs, CFCs, and other local funds. The following is a summary presentation of actual capital expenditures and related funding sources for 2015 and 2014 and the Airport’s capital budget summary for 2016:

**Capital Expenditures & Funding Sources  
(in Thousands)**

	Budgeted 2016	Actual 2015	Actual 2014
<b>Capital expenditures</b>			
Runway, taxiway, ramp and apron expansion	\$ -	\$ 11,716	\$ 16,395
General aviation and air cargo	2,222	601	2
Noise compatibility	6,300	2,623	2,967
Long range planning	-	95	89
Terminal improvements	2,657	-	-
Other capital expenditures	260	2	2
Totals	<u>\$ 11,439</u>	<u>\$ 15,037</u>	<u>\$ 19,455</u>
<b>Funding sources</b>			
Federal grants	\$ 8,327	\$ 13,642	\$ 19,001
State grants	1,895	686	2,114
PFCs (for debt service)	1,300	1,321	1,378
CFCs	100	410	416
Local funds (for debt service mostly)	(183)	(1,022)	(3,454)
Totals	<u>\$ 11,439</u>	<u>\$ 15,037</u>	<u>\$ 19,455</u>

The Airport’s 2016 capital budget is approximately \$11.4 million. The capital budget for 2016 is focused primarily on Airport infrastructure projects, including the completion of several projects on the airfield, terminal equipment, as well as the continuation of the FAA’s Noise Compatibility programs.

Financial Statements

September 30, 2015

Debt

**Bonds Payable  
( In Thousands )**

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Revenue bonds payable	<u><u>\$ 23,975</u></u>	<u><u>\$ 25,455</u></u>

In July of 2014, the Airport completed a bond refunding of its outstanding 2004 Series bonds. As a result of the refunding transaction, the Airport will achieve approximately \$400,000 in annual debt service savings for the remainder of the 14 year term on the bonds. In addition the Airport was able to free up approximately \$3 million in funds that were previously restricted in the refunded bond indenture. Please see Note F to the financial statements for a further explanation of the transaction, including covenants, maturities, interest rate, and future debt service schedule.

**Economic Factors and Next Year’s Operating Budget**

The Airport anticipates 2016 passenger traffic to be flat compared to 2015. The Airport will continue to focus resources on retaining existing air service, providing excellence in customer service and overall passenger experience. The Airport continues to work with community partners from the public and private sectors to build a coalition to support the development of additional air service. In 2015, Delta flew primarily all mainline aircraft. Delta flies as part of its rotation Boeing 717, MD-88, A-319, and regional jets. Sun Country Airlines continues servicing the Airport as a gaming charter. Some of the top passenger markets for 2015 were Washington/Baltimore, Atlanta, Dallas/Ft. Worth, Houston, and Philadelphia. The Airport was successful with a seasonal air service program utilizing a coalition between local businesses and an FAA small community air service development incentive grant during the Fall of 2015, and will leverage the momentum the coalition achieved to develop similar programs later in 2016. The Airport expects to see further consolidation and additional capacity reduction from the merger between American Airlines and US Airways.

The Airport has 14 daily departures, serviced by four airlines, with approximately 1,000 daily seats available to the community. The seat share by carrier is as follows:

- Delta 41%
- United Airlines 14%
- US Airways 20%
- Sun Country 25%

**Gulfport–Biloxi Regional Airport Authority**  
**Financial Statements**  
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The Airport has four nonstop markets, represented by the following map:



The Airport’s total budgeted operating expenses (excluding depreciation expense and fire & rescue services) for 2016 is approximately \$7.3 million. This level of operating expense is at or below years immediately prior to the economic downturn.

The following table is a summary of the Airport’s operating budget for the fiscal year ending September 30, 2016:

**Year 2016 Operating Budget Summary**  
**(in Thousands)**

Operating revenues	\$ 8,637
Operating expenses (excludes depreciation & fire and rescue services)	(7,341)
Operating surplus	<u>1,296</u>
Capital grants, PFCs and CFCs	11,622
Debt service	(2,267)
Capital expenditures	(11,439)
Excess (use)	<u><u>\$ (788)</u></u>

**Contacting the Airport’s Finance Director**

This financial report is designed to provide the user with a general overview of the Airport’s finances and to show the Airport’s accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Stephen Oberlies, CPA, Director of Finance and Administration at 228-248-3026 / 14035-L Airport Road, Gulfport, Mississippi 39503.

## **Section II**

### **Financial Statements**

**Gulfport–Biloxi Regional Airport Authority**  
**Balance Sheets**

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<b>Assets</b>	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,248,597	\$ 7,162,135
Accounts receivable	1,627,501	1,210,295
Grant funds receivable	5,826,532	8,340,030
Prepaid insurance	404,640	457,164
Total current assets	12,107,270	17,169,624
<b>Noncurrent assets</b>		
Restricted cash and cash equivalents	3,292,687	3,515,875
Capital assets:		
Airport facilities, net of accumulated depreciation	228,114,129	222,931,707
Total assets	243,514,086	243,617,206
<b>Deferred outflows of resources</b>		
Unamortized loss on refunded debt	395,857	428,845
Deferred outflows on pension liability	500,986	-
Total deferred outflows of resources	896,843	428,845
Total assets and deferred outflows of resources	\$ 244,410,929	\$ 244,046,051
<b>Liabilities</b>		
<b>Current liabilities payable from current assets</b>		
Accounts payable	\$ 800,517	\$ 663,994
Accounts payable related to construction	2,053,487	7,710,694
Accrued wages and compensated absences	212,839	256,127
Unearned rent revenue	69,079	69,079
Total current liabilities payable from current assets	3,135,922	8,699,894
<b>Current liabilities payable from restricted assets</b>		
Revenue bonds payable, amounts due within one year	1,525,000	1,480,000
Total current liabilities payable from restricted assets	1,525,000	1,480,000
<b>Noncurrent liabilities</b>		
Unearned rent revenue	1,968,524	2,037,603
Revenue bonds payable	22,450,000	23,975,000
Proportionate share of collective net pension liability	4,265,353	-
Total noncurrent liabilities	28,683,877	26,012,603
Total liabilities	\$ 33,344,799	\$ 36,192,497

(Continued)

**Gulfport–Biloxi Regional Airport Authority**  
**Balance Sheets**  
**(Continued)**

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Deferred inflows of resources</b>		
Deferred inflows on pension liability	<b>\$ 618,294</b>	\$ -
Total liabilities and deferred inflows of resources	<b>33,963,093</b>	36,192,497
 <b>Net Position</b>		
Net investment in capital assets	<b>204,534,986</b>	197,905,552
Restricted for debt service and capital outlay	<b>3,292,685</b>	3,515,876
Unrestricted	<b>2,620,165</b>	6,432,126
Total net position	<b>210,447,836</b>	207,853,554
Total liabilities and net position	<b>\$ 244,410,929</b>	\$ 244,046,051

*The accompanying notes are an integral part of the financial statements.*

**Gulfport–Biloxi Regional Airport Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**

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	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating revenues</b>		
Airside leases	\$ 2,813,431	\$ 2,974,013
Landside leases	1,880,983	2,114,646
Terminal leases	3,570,657	3,595,393
Landing fees	2,034,529	1,813,997
Parking fees	739,789	753,707
Operating grants and other income	417,360	13,207
Total operating revenues	<b>11,456,749</b>	<b>11,264,963</b>
<b>Operating expenses</b>		
Salaries and wages	2,099,959	2,075,784
Employee taxes and benefits	595,284	749,201
Fire and rescue service	2,359,500	2,490,361
Operating supplies, maintenance and repairs	1,322,297	1,242,248
Contracted services	719,888	713,188
Utilities	420,308	642,945
Office expense	67,869	68,937
Professional services	646,449	716,121
Advertising, promotion, conferences and travel	520,232	523,453
Bad debt expense	47,522	232,571
Insurance	661,988	669,025
Depreciation expense	10,112,720	9,654,291
Total operating expenses	<b>19,574,016</b>	<b>19,778,125</b>
Operating loss	<b>(8,117,267)</b>	<b>(8,513,162)</b>
<b>Non-operating revenues (expenses)</b>		
Interest income	3,584	3,003
Interest expense	(822,093)	(1,816,495)
Total non-operating revenues (expenses)	<b>(818,509)</b>	<b>(1,813,492)</b>
Net loss before capital contributions	<b>(8,935,776)</b>	<b>(10,326,654)</b>
Capital grants, PFCs & CFCs	<b>16,058,291</b>	<b>22,908,562</b>
Change in net position	<b>7,122,515</b>	<b>12,581,908</b>
Total net position, beginning	<b>207,853,554</b>	<b>195,271,646</b>
Prior period adjustment	<b>(4,528,233)</b>	<b>-</b>
Total net position, beginning- as restated	<b>203,325,321</b>	<b>195,271,646</b>
Total net position, ending	<b>\$ 210,447,836</b>	<b>\$ 207,853,554</b>

*The accompanying notes are an integral part of the financial statements.*

**Gulfport–Biloxi Regional Airport Authority**  
**Statements of Cash Flows**

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	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Cash received from Airport operations	\$ 8,610,964	\$ 8,834,255
Cash paid to suppliers for goods and services	(4,217,505)	(4,843,236)
Cash paid to and for employees	(2,884,105)	(2,809,102)
Net cash provided by operating activities	1,509,354	1,181,917
<b>Cash flows from capital and related financing activities</b>		
Proceeds from federal and state grants	12,408,062	13,649,428
Proceeds from PFC and CFC funds	1,730,604	1,793,238
TSA and Air National Guard construction cost reimbursements	4,433,124	2,299,003
Capital expenditures	(20,952,349)	(16,211,819)
Proceeds from the issuance of revenue bonds	-	25,455,000
Cash paid to refund bonds	-	(28,590,000)
Principal paid on bonds	(1,480,000)	(1,130,000)
Interest paid on bonds	(789,105)	(2,327,749)
Bond issuance costs paid	-	(184,453)
Net cash used for capital and related financing activities	(4,649,664)	(5,247,352)
<b>Cash flows from investing activities</b>		
Interest income received	3,584	3,003
Net decrease in cash and cash equivalents	(3,136,726)	(4,062,432)
Cash and cash equivalents, beginning of year	10,678,010	14,740,442
Cash and cash equivalents, end of year	\$ 7,541,284	\$ 10,678,010
<b>Summary of cash and cash equivalents, end of year</b>		
Unrestricted	\$ 4,248,597	\$ 7,162,135
Restricted	3,292,687	3,515,875
Totals	\$ 7,541,284	\$ 10,678,010
<b>Reconciliation of operating loss to net cash provided by operations</b>		
Operating loss	\$ (8,117,267)	\$ (8,513,162)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	10,112,720	9,654,291
Bad debt expense	47,522	232,571
Increase in accounts receivable	(464,728)	(103,839)
Decrease (increase) in prepaid insurance	52,524	(9,719)
Increase (decrease) in accounts payable and accrued expenses	93,234	(9,146)
Decrease in unearned rent revenue	(69,079)	(69,079)
Deferred outflows of resources on net pension expense	(145,572)	-
Net cash provided by operating activities	\$ 1,509,354	\$ 1,181,917

*The accompanying notes are an integral part of the financial statements.*

**Note A – Summary of Significant Accounting Policies**

**The Reporting Entity** – The Gulfport–Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The Authority is comprised of appointees from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County, Mississippi.

The reporting entity consists of and includes all funds that are covered by the oversight responsibility of the Gulfport–Biloxi Regional Airport Authority. There are no funds excluded from the reporting entity, which are under the control of the Gulfport–Biloxi Regional Airport Authority. The reporting entity is not a component unit of another entity, nor does the reporting entity include any component units. However, the Airport is classified as a jointly governed organization of the City of Biloxi, City of Gulfport and Harrison County.

**Significant Accounting Policies** – The accounting policies of the Airport conform to generally accepted accounting principles applicable to governmental units (GAAP). The following is a summary of the more significant policies:

- 1. Basis of Accounting and Fund Structure** – The Airport has been identified as an “enterprise fund” as described by GAAP for governmental entities. Enterprise funds utilize accounting principles in a manner similar to private business enterprises and are accounted for on a flow of economic resources measurement focus using 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 Airport are included on the balance sheets. In accordance with its bond covenants, the Airport maintains certain funds, each of which is considered a separate accounting unit. The Airport maintains Operating Funds, and Bond Covenant Funds. In addition, the Investment in Airport Facilities account group is maintained. The Airport applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, and applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.
  
- 2. Airport Facilities** – The Airport facilities, which were assumed by the Authority on October 1, 1977, are recorded at the original cost or assigned cost reported by the municipality that contributed them. Additions to the Airport facilities are recorded at cost and depreciation is recorded using the straight-line method over the estimated useful lives of the assets (buildings and airfield improvements 20-30 years and other property and equipment 3-10 years). Land and intangible assets identified as noise and aviation easements, having an indefinite useful life, are not depreciated or amortized. Repairs and maintenance, which do not substantially increase capacity or operational efficiency, are expensed as incurred. Interest costs are capitalized on debt where proceeds were used to finance the construction of assets.

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
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- 3. Operating and Non-operating Revenues and Expenses** – Operating revenues of the Airport include all revenues generated by exchange transactions entered into with any other entity (whether public or private) engaging in business on Airport property. The primary sources of operating revenue at the Airport are landing fees and terminal rentals paid by the airlines for the use of Airport facilities. Airline rental charges and fees are adjusted annually based on estimates of terminal and airfield expenses the airlines utilize. Annual landing fees and terminal rentals paid by the airlines are compared to actual expenses for the year, resulting in an annual settlement between the airlines and Airport. Operating expenses include all of the expenses necessary to operate, maintain and manage the Airport, as well as depreciation expense. Non-operating revenues include interest income. Non-operating expenses include interest and amortization expense. Capital contributions include capital financing grants from the federal and state governments, Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs). Restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.
- 4. Advertising and Inventories of Materials and Supplies** – Advertising costs are expensed when incurred. Inventories of materials and supplies are not maintained and purchases of these items are expensed when incurred.
- 5. Lease Revenues and Tenant Receivables** – The Airport extends credit to the various tenants who lease space and operating rights. The airport has both short-term and long-term operating leases. The direct write-off method is used for bad debt expense. Management considers all of the remaining receivables collectible, and therefore, has not provided an allowance for doubtful accounts.
- 6. Capital Contributions, Grants and PFCs** – The Airport participates in Federal Aviation Administration AIP grants, State Department of Transportation Airport Development grants, and an FAA endorsed Passenger Facility Charge (PFC) Program, for many of its capital improvements. These funds are generally restricted for capital acquisition or construction.
- 7. Budget Information** – The Airport maintains its accounting records using the accrual method of accounting for both financial and budgetary reporting purposes.
- 8. Cash and Investments** – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Airport Trustee. All investments are reported at fair value, which is determined using quoted market values with unrealized gains and losses charged or credited to investment income. Short-term investments held by the trustee generally include U.S. Treasury Bills and U.S. Government money market funds.
- 9. Deferred Outflows and Inflows of Resources** – In connection with the 2014 refunding of the Series 2004 Revenue Bonds, the Airport incurred a loss (the difference between the carrying amount of the old bonds and the proceeds of the new bonds). In accordance with GASB 65 the loss is carried on the balance sheet as a deferred outflow and is being amortized over the life of the new bonds using the straight line method. Additionally, the

Airport recorded deferred inflows and outflows of resources in connection with the implementation of Government Accounting Standard Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*.

**10. Compensated Absences** – The Airport has two types of compensated absences which are described as follows:

- *Vacation* – Full-time employees who work year round are granted 12 vacation days for service period up to 5 years; 18 days for 6 to 10 years; and 24 days for over 10 years of service. Employees may accrue and carryover unused vacation time from year to year. Upon termination of employment, employees are paid up to a maximum of 30 days of unused vacation days. Any excess of unused days may be applied towards days of service upon retirement under the Public Employees Retirement System.
- *Sick Leave* – Each full-time employee is entitled to 12 days of sick leave per year. However, unused sick leave is not reimbursed upon termination. It may however be applied towards days of service upon retirement under the Public Employees Retirement System.

The Airport accrues for the accumulated vacation leave, however inasmuch as the sick leave may not be paid upon termination, no accrual is made.

**11. Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**12. Implementation of New Accounting Standards**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish accounting and financial reporting standards that reclassifies as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The financial reporting impact resulting from the implementation of GASB 65 is primarily the change in presentation from long term liabilities to deferred outflows for unamortized loss on refunded debt. In addition, debt issuance cost which were previously recorded as deferred charges were restated and recorded as an expense in 2014 as they no longer meet the asset or deferred outflow definition.

For the fiscal year ended September 30, 2015, the Airport implemented the financial reporting provisions of GASB Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions*. These Statements establish standards for measuring and recognizing net pension liabilities; deferred outflows of resources; deferred inflows of resources, and expenditures related to pensions. Note disclosures and required supplementary information requirements about pensions are also addressed. In the year of implementation of GASB 68, prior year comparative information was not available. Therefore, as permitted by GASB 68,

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
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the 2014 prior year comparative information has not been restated to reflect the requirements of GASB 68 and 71. For more information, please refer to Note G of the financial statements.

**Note B – Deposits, Investments and Restricted Assets**

**Deposits**

The Airport deposits funds into financial institutions selected by the Board of Commissioners in accordance with Mississippi statutes. At September 30, 2015, cash bank deposits (including restricted deposits) and cash equivalents are as follows:

	Cash in Banks		Short-Term Investments		Total
	Bank Balance	Cash Carrying Amount	Government Mutual Funds	US Treasury Bills	
Cash and cash equivalents	\$ 4,332,863	\$ 4,286,529	\$ 3,254,755	\$ -	\$ 7,541,284

All of the Airport's bank balances are entirely insured or collateralized. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code. Under this program, the Airport's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**Restricted assets**

In accordance with the series 2014 Revenue Bonds (as more fully described in Note F) the Airport maintains the following restricted cash and cash equivalents:

	September 30,	
	2015	2014
<b>Restricted cash and cash equivalents</b>		
<b>Series 2014 Revenue Bond Funds</b>		
Revenue Fund	\$ 856,560	\$ 856,560
Debt Service Fund	125,641	2,192
Debt Service Reserve Fund	2,272,554	2,387,035
PFC Series Security Fund	37,932	270,088
Total restricted cash and investments	3,292,687	3,515,875
Unrestricted	4,248,597	7,162,135
Total cash and cash equivalents	\$ 7,541,284	\$ 10,678,010

**Investments**

The Airport is authorized by law to invest any monies of the Airport, including proceeds from the sale of bonds, notwithstanding any law to the contrary, but subject to any agreements with bondholders, on such terms and in such manner as the Airport and the Trustee deem proper. The Airport bond resolutions have authorized investments in cash and certificates of deposit with qualified depositories; bonds and direct obligations of the United States of America or mutual funds consisting of such obligations; obligations of federal agencies which carry the full faith and credit of the United States of America; AAA rated senior debt obligations issued by FNMA or FHLMC or other US government sponsored agencies; commercial paper; certain prefunded municipal obligations, and any other form of investment allowed under Mississippi Code Section 31-19-5.

In accordance with *Governmental Accounting Standards Board Statement No. 31*, at September 30, 2015 and 2014, investment securities are recorded at fair value determined by reference to quoted prices in an active market for identical assets (Level 1 - quoted market prices). As of September 30, 2015 and 2014, the Airport had no investment securities on hand.

**Interest rate risk**

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The Airport's investment policy does not specifically restrict investment maturities other than commercial paper which is limited by state law. The Airport's policy minimizes interest rate risk by requiring that the particular fund match its investments with the anticipated cash flow requirements thus allowing investments to be held to maturity and minimizing interest rate risk.

**Credit risk**

Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of September 30, 2015, the Airport's investments in U.S. government mutual funds are unrated. The Airport's policy allows only the highest or the second highest rating categories for investments other than U.S. government securities. The investments at September 30, 2015 meet the Airport's investment policy and state law restrictions.

**Custodial credit risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Airport does not have a policy for custodial credit risk.

**Concentration of credit risk**

The Airport has no specific policy regarding concentrations of credit risk. GAAP requires disclosure when any one issuer is 5% or more of the investment portfolio.

**Note C – Airport Construction in Progress and Related Grants Receivable**

The following is a summary of Airport construction in progress and related grants receivable as of September 30, 2015 and 2014:

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
(Continued)

	<b>September 30,</b>	
	<b>2015</b>	2014
Federal and state grants	<b>\$ 58,263,065</b>	\$ 49,203,198
Airport share	<b>3,286,890</b>	1,824,144
Total project budgets	<b><u>\$ 61,549,955</u></b>	<u>\$ 51,027,342</u>
Project costs to date	<b>\$ 49,892,825</b>	\$ 35,301,393
<b>Less</b> Airport share to date	<b><u>(2,932,025)</u></b>	<u>(1,655,154)</u>
Federal and state participation	<b>46,960,801</b>	33,646,239
<b>Less</b> grant funds received and applied to date	<b>(41,134,269)</b>	(25,363,396)
<b>Add</b> grant funds receivable on closed projects	-	57,187
Federal and state grants receivable	<b><u>\$ 5,826,532</u></b>	<u>\$ 8,340,030</u>

As described in Note A, the Airport has implemented an FAA endorsed Passenger Facility Charge (PFC) Program to finance airport development costs. The PFC assessments (\$4.50 per enplaning passenger) are collected by the airlines and remitted to the Airport monthly. As more fully described in Note F, all of the future PFC revenues have been pledged as security against the Airport's revenue bonds. All future PFC revenues will be transferred to the Trustee for debt service and will no longer be available to fund project costs until such time as the bonds are fully retired.

**Note D – Airport Facilities**

	<b>September 30, 2015</b>		
	<b>Beginning Balance</b>	<b>Additions/ Reclassifications</b>	<b>Ending Balance</b>
General airfield and administration:			
Land, rights of way and easements	\$ 44,336,497	\$ 3,313,320	\$ 47,649,817
Buildings	1,937,713	148,770	2,086,483
Runways, taxiways, and other infrastructure	128,267,908	21,770,650	150,038,558
Equipment	6,419,593	128,447	6,548,040
Airport development in progress	30,308,760	(10,066,045)	20,242,715
Totals	<u>211,270,471</u>	<u>15,295,142</u>	<u>226,565,613</u>
<b>Less</b> accumulated depreciation	<u>50,961,249</u>	<u>7,126,173</u>	<u>58,087,422</u>
Totals, net	<u>160,309,222</u>	<u>8,168,969</u>	<u>168,478,191</u>
Subject to tenant leases:			
Land	2,619,748		2,619,748
Buildings	89,054,329		89,054,329
Equipment	1,702,274		1,702,274
Totals	<u>93,376,351</u>	<u>-</u>	<u>93,376,351</u>
<b>Less</b> accumulated depreciation	<u>30,753,866</u>	<u>2,986,547</u>	<u>33,740,413</u>
Totals, net	<u>62,622,485</u>	<u>(2,986,547)</u>	<u>59,635,938</u>
Total Airport facilities, net	<u>\$ 222,931,707</u>	<u>\$ 5,182,422</u>	<u>\$ 228,114,129</u>

Depreciation expense for the year ended September 30, 2015 was \$10,112,720.

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
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	September 30, 2014			
	Beginning Balance	Additions/ (Reclassifications)	Dispositions	Ending Balance
General airfield and				
Land, rights of way and easements:	\$ 39,620,521	\$ 4,715,976	\$ -	\$ 44,336,497
Buildings	2,033,212		95,499	1,937,713
Runways, taxiways, and other infrastructure	135,990,962	1,232,525	8,955,579	128,267,908
Equipment	7,855,639	267,432	1,703,478	6,419,593
Airport development in progress	14,910,727	15,398,033	-	30,308,760
<b>Totals</b>	<b>200,411,061</b>	<b>21,613,966</b>	<b>10,754,556</b>	<b>211,270,471</b>
<b>Less accumulated depreciation</b>	<b>55,051,679</b>	<b>6,557,871</b>	<b>10,648,301</b>	<b>50,961,249</b>
<b>Totals, net</b>	<b>145,359,382</b>	<b>15,056,095</b>	<b>106,255</b>	<b>160,309,222</b>
Subject to tenant leases:				
Land	2,559,833	59,915	-	2,619,748
Buildings	91,189,517	-	2,135,188	89,054,329
Equipment	1,851,683	127,181	276,590	1,702,274
<b>Totals</b>	<b>95,601,033</b>	<b>187,096</b>	<b>2,411,778</b>	<b>93,376,351</b>
<b>Less accumulated depreciation</b>	<b>30,175,479</b>	<b>2,986,022</b>	<b>2,407,635</b>	<b>30,753,866</b>
<b>Totals, net</b>	<b>65,425,554</b>	<b>(2,798,926)</b>	<b>4,143</b>	<b>62,622,485</b>
<b>Total Airport facilities, net</b>	<b>\$ 210,784,936</b>	<b>\$ 12,257,169</b>	<b>\$ 110,398</b>	<b>\$ 222,931,707</b>

Depreciation expense for the year ended September 30, 2014 was \$9,654,291, and includes the \$110,398 loss on disposition of fully depreciated and other out of service assets.

**Note E – Lease and Tenant Concession Income**

The following is a schedule by years of minimum future revenues on non-cancellable tenant lease agreements:

Year Ending <u>September 30,</u>	
2016	\$ 2,271,699
2017	2,256,876
2018	1,946,890
2019	363,783
2020	364,389
Thereafter	6,980,496
<b>Total minimum future rentals</b>	<b>\$ 14,184,133</b>

About 22% of the Airport's lease revenues are contingent upon tenant sales or other operational activity.

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
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The Airport has developed a "Business Office Park" on land owned by the Airport. The Airport provides the infrastructure and leases sites to commercial businesses for the construction of office buildings & other commercial facilities by the lessors. In connection therewith, the Airport has signed six leases, with initial terms of forty years. As called for by the lease agreements, all rents for the initial forty-year term are prepaid by the tenants in advance. In addition, the Airport receives 1-5% of the commercial sub-lease rentals and other gross receipts. For financial reporting purposes, the unearned rent revenue will be recognized over the initial forty-year term of the lease using the straight-line method. The following is a summary of prepaid rent income:

	<b>September 30,</b>	
	<b>2015</b>	2014
Unearned rent revenue, beginning	<u>\$ 2,106,682</u>	<u>\$ 2,175,761</u>
Rent revenue recognized currently	<u>(69,079)</u>	<u>(69,079)</u>
Unearned rent revenue, ending	<u>2,037,603</u>	<u>2,106,682</u>
<b>Less</b> amounts to be recognized within one year	<u><b>(69,079)</b></u>	<u><b>(69,079)</b></u>
Unearned rent revenue, amount to be recognized beyond one year	<u><u><b>\$ 1,968,524</b></u></u>	<u><u>\$ 2,037,603</u></u>

**Note F – Noncurrent Liabilities – Revenue Bonds Payable**

Revenue bonds payable at September 30, 2015 and 2014 consisted of the following:

	<b>September 30,</b>	
	<b>2015</b>	2014
Series 2014A, interest at 3.1%, maturing 2016 - 2028	<u>\$ 23,390,000</u>	<u>\$ 24,835,000</u>
Series 2014B, interest at 3.1%, maturing 2016 - 2028	<u>585,000</u>	<u>620,000</u>
Totals	<u><b>23,975,000</b></u>	<u>25,455,000</u>
<b>Less</b> amounts due within one year	<u><b>(1,525,000)</b></u>	<u><b>(1,480,000)</b></u>
Revenue bonds payable, amounts due beyond one year	<u><u><b>\$ 22,450,000</b></u></u>	<u><u>\$ 23,975,000</u></u>

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
(Continued)

The Series 2014 (A & B) Passenger Facility Charges and Airport Revenue Refunding Bonds (collectively the “Series 2014 Bonds”) were issued on July 8, 2014 in the amount of \$25,455,000 with a fixed interest rate of 3.1%, and maturities through September 30, 2028. These bonds, along with other available funds of the Airport, were used to (i) refund all of the Airport’s outstanding Series 2004 Bonds, (ii) fund the 2014 Series Debt Service Reserve Fund, and (iii) pay the costs of issuance of the Series 2014 Bonds. The following table illustrates the sources and uses of the bond refunding:

**Sources**

Principal amount of new debt	\$ 25,455,000
Debt service funds available	6,411,884
Total sources	<u>\$ 31,866,884</u>

**Uses**

Principal amount of old debt	\$ 28,590,000
Accrued interest on old debt	705,431
New debt service reserve fund	2,387,000
Debt issuance cost	184,453
Total uses	<u>\$ 31,866,884</u>

The refunding resulted in a loss of \$461,833 between the amount of the Series 2014 Bonds and the net carrying amount of the refunded bonds. This deferred loss is reported in the financial statements as a deferred outflow of resources and is being amortized over the remaining life of the new bonds using the straight line method. The current year amortization expense is \$32,988 and has been included in interest expense. The Airport completed the refunding to reduce its total debt service payments over the next 14 years by approximately \$6.7 million and to obtain an economic gain (net present value savings) of approximately \$5 million.

The following are excerpts from the bond documents regarding security, covenants and maturities:

*Security Agreement.* The bonds are secured by a pledge of all of the operating revenues (Net Revenues); all of the PFC revenues (PFC Series Security), and generally all of the property of the Airport (Trust Estate), including all monies, investments and all other property of any kind. Additionally, the Airport is restricted in its ability to issue any additional debt obligations.

*Rate Covenant.* The Airport has agreed to impose, charge and collect rates, fees, rentals or other charges, so as to produce in each fiscal year, commencing with the fiscal year ending September 30, 2014 the sum of Net Revenues and the PFC Series Security received in such fiscal year at least equal to 100% of the Adjusted Debt Service Requirement for such fiscal year. The Airport further agrees to, as often as necessary, revise rates, fees and charges of the Airport in order to remain in compliance with the Rate Covenant. However, the Approved PFC, which comprises the PFC Series Security shall not be decreased from its current level of approved charges. The Airport shall within 30 days after adoption of its annual budget, implement such revisions to its rates, fees and charges as are necessary to cause the estimated Net Revenues and PFC Series Security, collectively, during the fiscal years to which such budget pertains to be not less than the amount required to satisfy the Rate Covenant.

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
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*Bond Covenants.* The bond resolution provides for the establishment and maintenance of the following special funds, all of which are held by the “Independent Trustee”.

- Revenue Fund: Fund into which all of the Net Revenues of the Airport will be deposited.
- Operation & Expense Account: To deposit amounts equal to the budgeted one-twelfth of the Expenses of Operation and Maintenance anticipated for the then current Fiscal Year as evidenced by the Annual Budget as then in effect.
- Debt Service Fund: The trustee shall transfer monthly from the Revenue Fund & from the PFC Series Security Fund and deposit into the Debt Service Fund an amount sufficient to fund the next principal and interest payments on the Series 2014 bonds.
- Debt Service Reserve Fund: The Debt Service Reserve Fund was initially funded from the bond proceeds in the amount of \$2,387,000. The Debt Service Reserve Fund shall be used by the Trustee to meet the debt service requirements of the bonds when there are insufficient moneys otherwise. The Debt Service Reserve Fund shall be funded to the extent of the Reserve Fund Requirement defined as: the lesser of (1) the maximum amount of annual principal and interest payments coming due during the current or any succeeding calendar year, or (2) 125% of average annual debt service, or (3) the maximum amount which may be deposited in the Debt Service Reserve Fund from proceeds of the Series 2014 Bonds. As of September 30, 2015, the Debt Service Reserve Fund requirement was \$2,271,815.
- PFC Series Security Fund: There shall be deposited into the PFC Series Security Fund 100% of the approved passenger facility charges (PFCs) collected by the Airport from the airlines. Amounts on deposit in the PFC Series Security Fund may only be used for the purposes for which such amounts are deposited, which is to fund the Debt Service Fund for the Series 2014 A & B issues.
- Rebate Fund: The Trustee is authorized to establish and maintain a Rebate Fund for the purpose of depositing arbitrage profits to be rebated to the United States in accordance with the Tax Certificate.

*Bond Issuance Cost:* The Series 2014 bond issuance cost in the amount of \$184,453 was included in interest expense as of September 30, 2014.

*Bond Principal & Interest Maturities:* Bond interest is payable on April 1 and October 1 of each year. Bond principal is due on October 1 of each year. The following is the maturity schedule of all Series 2014 revenue bonds:

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
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**Series 2014 revenue bond maturities for the years ending September 30,**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1,525,000	743,225	2,268,225
2017	1,575,000	695,950	2,270,950
2018	1,620,000	647,125	2,267,125
2019	1,670,000	596,905	2,266,905
2020	1,720,000	545,135	2,265,135
2021	1,780,000	491,815	2,271,815
2022	1,835,000	436,635	2,271,635
2023	1,890,000	379,750	2,269,750
2024	1,950,000	321,160	2,271,160
2025	2,010,000	260,710	2,270,710
2026	2,070,000	198,400	2,268,400
2027	2,130,000	134,230	2,264,230
2028	2,200,000	68,200	2,268,200
Totals	<u>\$ 23,975,000</u>	<u>\$ 5,519,240</u>	<u>\$ 29,494,240</u>

**Revenue Bond – Rate Covenant Compliance**

As demonstrated below, as of September 30, 2015, the Airport was in compliance with its revenue bond rate covenant coverage ratios:

Adjusted gross operating revenues	\$ 11,456,749
<b>Less</b> operating expenses	<u>(9,461,296)</u>
Net revenues	1,995,453
Debt service requirement	2,269,105
<b>Less</b> PFC revenues received	<u>1,320,837</u>
Debt service requirement, net	948,268
Rate coverage achieved	210%
Coverage required by the bond covenants	100%

**Changes in long-term debt**

Changes in long-term debt for the year ended September 30, 2015 are summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Revenue bonds	<u>\$ 25,455,000</u>	<u>\$ -</u>	<u>\$ (1,480,000)</u>	<u>\$ 23,975,000</u>	<u>\$ 1,525,000</u>

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
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Changes in long-term debt for the year ended September 30, 2014 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	\$ 29,720,000	\$ 25,455,000	\$ (29,720,000)	\$ 25,455,000	\$ 1,480,000

Interest expense for the years ended September 30, 2015 and 2014 was \$822,093 and \$1,816,495 respectively.

**Note G – Pension Plan**

**General information about the Pension Plan**

**Plan description**

All of the Airport’s full time employees participate in the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit plan. 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. The financial report can also be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

**Benefits provided**

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below age 65, whichever is less. Average compensation is the average of the employee’s earnings during the 4 highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits as well as annual COLA adjustments. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member’s accumulated contributions and interest are paid to the designated beneficiary.

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
(Continued)

**Contributions**

PERS' members are required to contribute 9% of their annual covered salary and the Airport is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The Airport's contributions for the years ending September 30, 2015 and 2014 were \$342,671 and \$337,835, respectively. These amounts were 100% of the required contributions.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2015, the Airport reported a liability of \$4,265,353 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport's proportion of the net pension liability was based on a projection of the Airport's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Airport's proportion was .035140%, which was a decrease of .002500% from its proportion measured as of June 30, 2013.

For the year ended September 30, 2015, the Airport recognized pension expense of \$199,290. At September 30, 2015, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 66,538	\$ -
Net difference between projected and actual earnings on pension plan investments	-	618,294
Airport contributions subsequent to the measurement date	434,448	-
<b>Totals</b>	<b>\$ 500,986</b>	<b>\$ 618,294</b>

\$434,448 reported as deferred outflows of resources related to pensions resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
(Continued)

<b>Year ended September 30,</b>	<b>Net Outflows &amp; Inflows of Resources</b>	<b>Amortization of difference between</b>	
		<b>expected and actual experience</b>	<b>projected and actual earnings</b>
2016	\$ (130,639)	\$ 23,935	\$ (154,573)
2017	(130,639)	23,935	(154,573)
2018	(135,904)	18,669	(154,573)
2019	(154,574)		(154,574)
Total	<u>\$ (551,756)</u>	<u>\$ 66,538</u>	<u>\$ (618,294)</u>

**Actuarial assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.50%

Salary increases 4.25-19.50%, average, including inflation

Investment rate of return 8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
U.S. Broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	<u>100.00%</u>	

**Discount rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 8.00%, as well as what the plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
Net pension liability	\$ 5,814,948	\$ 4,265,353	\$ 2,972,760

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

**Note H – Deferred Compensation Plan**

In addition to PERS, full time employees may also participate in a Section 457 deferred compensation plan funded through a private retirement corporation. All contributions are made by the employees through salary deferral elections. The participants are fully vested in all contributions. The investment of the funds is self-directed by each participant and the retirement corporation through a joiner agreement. With respect to the Section 457 plan, the Airport has no unfunded pension liability or fiduciary responsibility.

**Note I – Non-Cash Transactions**

The Airport Authority is required to provide fire and rescue service to commercial air transportation to meet the requirements of Federal Aviation Regulation Part 139. Since the Airport assumed responsibility for airport operations in 1977, the fire and rescue function had been provided jointly by the Airport and the Air National Guard (ANG). While the ANG provided the firehouse and fire and rescue vehicles, the Airport paid the salaries of Gulfport City Firemen to man the facility 24 hours a day and respond to various civil and military alerts. This joint effort aided both the Airport and the ANG because no resources were duplicated; yet emergency response coverage was conducted in accordance with FAR 139. In April 1995, the ANG accepted responsibility for providing firemen labor, also. This was justified by the military's recognition of its impact on the Airport, and its desire to pay (or assume) its fair share of Airport operating costs.

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Financial Statements**  
(Continued)

The non-cash value of crash, fire and rescue services and facilities provided by ANG in the amounts of \$2,359,500 for 2015 and \$2,490,361 for 2014, have been included in airside lease income and fire and rescue service expense.

**Note J – Capital Grants, PFCs and CFCs**

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Federal Grant Funds	<b>\$ 9,208,220</b>	\$ 16,680,767
State Grant Funds	<b>686,344</b>	2,135,555
PFC Funds	<b>1,320,837</b>	1,377,550
CFC Funds	<b>409,766</b>	415,687
National Guard Capital Reimbursements	<b>4,424,635</b>	2,332,239
TSA Capital Reimbursements	<b>8,489</b>	(33,236)
Total	<b><u>\$ 16,058,291</u></b>	<b><u>\$ 22,908,562</u></b>

**Note K – Commitments and Contingencies**

The Airport is involved in various legal matters arising during the normal course of business activities. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Airport.

Additionally, the Airport is exposed to certain environmental liabilities in the ordinary course of business. The Airport utilizes consultants to adequately evaluate exposures to such liabilities as they arise. The Airport is not aware of any liabilities arising from environmental exposures that management believes will have a material adverse effect on the financial condition of the Airport.

**Note L – Prior Period Adjustment – Change in Accounting Principle**

In fiscal year 2015, the Airport implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions.” This statement requires employers to recognize a liability as employees earn their pension benefits. The Airport will now recognize its proportionate share of the collective pension amounts for all benefits provided through the plan. As a result of implementing GASB 68, the Airport has restated the beginning net position in the Statements of Revenues, Expenses, and Changes in Net Position, effectively decreasing net position as of October 1, 2014 by \$4,528,233. The statement does not require retroactive re-statement of prior years’ comparative information and as such, the Airport has chosen to adjust the beginning balances for the current year presentation.

**Note M – Subsequent Events**

Management has evaluated subsequent events through January 14, 2016, the date on which the financial statements were available to be issued.

### **Section III**

#### **Required and Other Supplemental Information**

**Gulfport–Biloxi Regional Airport Authority**  
**Schedule of the Airport's Proportionate Share of the Net Pension Liability**  
**Public Employees Retirement Plan of Mississippi**  
**Last Two Fiscal Years**

	<b>September 30,</b>	
	<u><b>2015</b></u>	<u>2014</u>
Airport's proportion of the net pension liability	<b>0.035140%</b>	0.037640%
Airport's proportionate share of the net pension liability	<b>\$ 4,265,353</b>	\$ 5,215,375
Airport's covered-employee payroll	<b>\$ 2,175,686</b>	\$ 2,144,983
Airport's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>196.05%</b>	243.14%
Plan fiduciary net position as a percentage of the total pension liability	<b>67.21%</b>	61.02%

*See independent auditors' report.*

**Gulfport–Biloxi Regional Airport Authority**  
**Schedule of Airport Contributions**  
**Public Employee's Retirement System of Mississippi**  
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 342,671	\$ 337,835	\$ 321,614	\$ 325,548	\$ 305,836	\$ 265,930	\$ 253,558	\$ 224,475	\$ 181,940	\$ 146,037
Contributions in relation to the contractually required contribution	342,671	337,835	321,614	325,548	305,836	265,930	253,558	224,475	181,940	146,037
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Airport's covered-employee payroll	\$ 2,175,686	\$ 2,144,983	\$ 2,194,239	\$ 2,487,509	\$ 2,548,634	\$ 2,216,085	\$ 2,133,715	\$ 1,894,305	\$ 1,591,664	\$ 1,417,364
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	14.66%	13.09%	12.00%	12.00%	11.88%	11.85%	11.43%	10.30%

*See independent auditors' report.*

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2015**

**Changes of Assumptions**

In 2013 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2013. In 2013, withdrawal rates, pre-retirement mortality rates, disability rates and retirement rates were adjusted to more closely reflect actual experience. In 2013, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

*See independent auditors' report.*

**Gulfport–Biloxi Regional Airport Authority**  
**Budget to Actual Comparison Statement**  
Year Ended September 30, 2015

<b>Revenues</b>	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final Amended		
<b>From Airport operations</b>				
Airside leases	\$ 516,965	\$ 455,129	\$ 453,931	\$ (1,198)
Landside leases	1,978,750	1,918,069	1,880,983	(37,086)
Terminal leases	3,684,228	3,659,713	3,570,657	(89,056)
Landing fees	1,989,237	2,110,279	2,034,529	(75,750)
Parking fees	728,556	731,270	739,789	8,519
Other administrative income	20,000	239,476	255,979	16,503
Total from Airport operations	<u>8,917,736</u>	<u>9,113,936</u>	<u>8,935,868</u>	<u>(178,068)</u>
<b>Expenditures</b>				
<b>Operating expenditures</b>				
Salaries and wages	2,122,286	2,115,614	2,099,960	15,654
Employee taxes and benefits	774,997	771,123	740,856	30,267
Operating supplies, maintenance and repairs	1,462,250	1,436,232	1,328,383	107,849
Contracted services	730,000	730,000	719,888	10,112
Utilities	744,800	648,924	414,221	234,703
Office expense	77,549	79,781	67,869	11,912
Professional services	725,800	673,876	637,969	35,907
Advertising, promotion, conferences and travel	591,450	549,950	520,232	29,718
Insurance	613,593	653,216	661,988	(8,772)
Total operating expenditures	<u>7,842,725</u>	<u>7,658,716</u>	<u>7,191,366</u>	<u>467,350</u>
<b>Non-operating revenues (expenditures)</b>				
Interest income	3,750	4,750	3,584	(1,166)
Customer facility charges	500,000	430,000	409,766	(20,234)
Passenger facility charges	1,382,411	1,282,411	1,320,837	38,426
Federal grant revenues	22,212,500	15,005,349	13,641,781	(1,363,568)
State grant revenues	2,643,750	592,630	685,907	93,277
Debt service interest expense	(860,279)	(744,105)	(789,105)	(45,000)
Debt service principal reduction	(1,525,000)	(1,525,000)	(1,525,000)	-
Capital expenditures	(26,261,500)	(16,352,226)	(15,303,622)	1,048,604
Total non-operating revenues (expenses)	<u>(1,904,368)</u>	<u>(1,306,191)</u>	<u>(1,555,852)</u>	<u>(249,661)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (829,357)</u>	<u>\$ 149,029</u>	<u>\$ 188,650</u>	<u>\$ 39,621</u>

*See independent auditors' report.*

**Gulfport–Biloxi Regional Airport Authority**  
**Budget to Actual Comparison Statement**  
**Budget to GAAP Reconciliation**  
Year Ended September 30, 2015

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<b>Excess of revenues over expenses / budgetary basis</b>	\$ 188,650
<b>Reconciling items</b>	
Depreciation expense	(10,112,720)
Amortization of deferred outflows	(32,988)
Deferred outflows of resources on net pension expense	145,572
Bad debt recoveries, net	113,859
Principal reduction on bonds	1,525,000
Capital expenditures added to property and equipment	<u>15,295,142</u>
 Change in net position / GAAP basis	 <u><u>\$ 7,122,515</u></u>

*See independent auditors' report.*

**Gulfport–Biloxi Regional Airport Authority**  
**Capital Projects Fund**  
**Statements of Revenues and Expenditures**

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues and Other Sources</b>		
Federal Grants	\$ 9,208,220	\$ 16,680,767
State Grants	686,344	2,135,555
Passenger Facility Charges (PFC)	1,320,837	1,377,550
Customer Facility Charges (CFC)	409,766	415,687
National Guard capital expense reimbursement	4,424,635	2,332,239
FAA and TSA capital expense reimbursement	8,489	(33,236)
Transfers (to) from Operating Fund	(754,669)	(1,104,161)
	<u>\$ 15,303,622</u>	<u>\$ 21,804,401</u>
<b>Expenditures</b>		
Terminal expansion and improvements	\$ 45,841	\$ -
Runway, taxiway and ramp improvements	11,716,438	16,394,791
Long range planning	95,367	88,778
Air cargo	32,152	-
General aviation	601,218	2,159
Noise compatibility	2,623,411	2,967,101
Perimeter roads	44,877	1,903,208
Office park	-	59,915
Furniture, machinery, equipment and small tools	128,446	388,449
Capital repairs to facilities and equipment	15,872	-
	<u>\$ 15,303,622</u>	<u>\$ 21,804,401</u>

*See independent auditors' report.*

**Schedule of Expenditures of Federal Awards and  
Schedule of Passenger Facility Charges**

**Gulfport–Biloxi Regional Airport Authority**  
**Schedule of Expenditures of Federal Awards**  
Year Ended September 30, 2015

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA Number	Contract/Grant Number	Federal Expenditures
<b>U.S. Department of Transportation</b>			
Small Community Air Service Development Program	20.930	2014-0113-0021	\$ 15,909
<b>Federal Aviation Administration</b>			
Airport Improvement Program	20.106	3-28-0030-076-2011	2,378,804
Airport Improvement Program	20.106	3-28-0030-077-2011	1,985,007
Airport Improvement Program	20.106	3-28-0030-078-2012	182,152
Airport Improvement Program	20.106	3-28-0030-080-2012	15,774
Airport Improvement Program	20.106	3-28-0030-081-2013	523,282
Airport Improvement Program	20.106	3-28-0030-082-2014	3,435,440
Airport Improvement Program	20.106	3-28-0030-083-2014	481,259
Airport Improvement Program	20.106	3-28-0030-084-2015	206,938
Total Airport Improvement Program			<u>9,208,656</u>
<b>Federal Highway Administration</b>			
Passed through the Mississippi Department of Transportation Intermodal Connector Improvements Program (ICIP)	20.205	NHS-9163-00(001) & 105684-701000	<u>(437)</u>
Total U.S. Department of Transportation			<u>9,224,128</u>
<b>U.S. Department of Defense</b>			
Military Construction Cooperative Agreement	N/A	W9127Q-14-2-2101	<u>4,424,635</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Transportation Security Administration In-Line Checked Baggage Inspection System Project-Other Transaction Agreement	N/A	HSTS04-10-H-CT1059	<u>8,489</u>
Total expenditures of federal awards			<u><u>\$ 13,657,252</u></u>

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

**Gulfport–Biloxi Regional Airport Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
Year Ended September 30, 2015

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Gulfport-Biloxi Regional Airport Authority under programs of the federal government for the year ended September 30, 2015. 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*. Because the Schedule presents only a selected portion of the operations of Gulfport-Biloxi Regional Airport Authority, it is not intended to and does not present the financial position, results of operations and cash flows of Gulfport-Biloxi Regional Airport Authority.

**Note B - Summary of Significant Accounting Policies**

**1. General**

The Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenditures when they are incurred. The expenditures are recognized following the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*.

**2. Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Authority. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

**Gulfport–Biloxi Regional Airport Authority**  
**Schedule of Passenger Facility Charges**  
Year Ended September 30, 2015

<u>Program Description</u>	<u>Application Approved Number</u>	<u>Amended Approved Amount</u>	<u>Cumulative Prior Year Earned Amount</u>	<u>Current Year Earned Amount</u>	<u>Total Earned Amount</u>
Passenger Facility Charge	03-06-C-02-GPT	<u>\$ 57,145,388</u>	<u>\$ 19,377,450</u>	<u>\$ 1,330,697</u>	<u>\$ 20,708,147</u>

*See independent auditors' report.*

## **Section IV**

### **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***



## Compliance and Other Matters

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

## Purpose of this Report

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

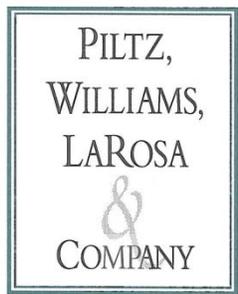


Certified Public Accountants

Biloxi, Mississippi  
January 14, 2016

**Section V**

**Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control Over  
Compliance Required by OMB Circular A-133**



CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Association

MEMBERS  
American Institute of CPAs  
AICPA Private Companies Practice Section  
AICPA Governmental Audit Quality Center  
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AICPA Employee Benefit Plan Audit Quality Center  
Mississippi Society of CPAs

Stephen P. Theobald, CPA, CVA  
Michael D. O'Neill, CPA  
John D. Prentiss, CPA  
Eric B. Bland, CPA  
David C. Neumann, CPA, CBA

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Gerald Piltz, CPA (1925-2013)  
Stanford A. Williams, Jr., CPA (Retired)  
Sam J. LaRosa, Jr., CPA (Retired)  
William S. Thompson, CPA (Retired)  
Gene M. Clark, Jr., CPA (Retired)  
Darrell L. Galey, CPA  
Margaret D. Closson, CPA

## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133**

Commissioners of the Airport Authority  
Gulfport–Biloxi Regional Airport Authority  
Gulfport, Mississippi

### **Report on Compliance for Each Major Federal Program**

We have audited Gulfport–Biloxi Regional Airport Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on Gulfport–Biloxi Regional Airport Authority's major federal program and passenger facility charge programs for the year ended September 30, 2015. Gulfport–Biloxi Regional Airport Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs and passenger facility charge program.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Gulfport–Biloxi Regional Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide). 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 Gulfport–Biloxi Regional Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gulfport–Biloxi Regional Airport Authority's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, Gulfport–Biloxi Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-01. Our opinion on each major federal program is not modified with respect to these matters.

Gulfport–Biloxi Regional Airport Authority’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Gulfport–Biloxi Regional Airport Authority’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of Gulfport–Biloxi Regional Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gulfport–Biloxi Regional Airport Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Gulfport–Biloxi Regional Airport Authority’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Biloxi, Mississippi  
January 14, 2016

## **Section 1 – Summary of Auditors' Results**

### **Financial Statements Section**

- An unmodified opinion was issued on the financial statements.
- There were no significant deficiencies in internal control disclosed by the audit of the financial statements.
- The audit did not disclose any noncompliance which is material to the financial statements.

### **Federal Awards Section**

- The audit did not disclose any significant deficiencies in internal control over major programs.
- An unmodified opinion was issued on compliance for major programs.
- The audit did disclose one audit finding that is required to be reported under Section 510(a) of OMB Circular A-133.
- The major programs were:
  - DOT - Airport Improvement Program CFDA #20.106
  - DOD - Military Construction Cooperative Agreement #W9127Q-14-2-2101
- The dollar threshold used to distinguish between Type A and Type B programs was \$409,718.
- The auditee was determined to be a low-risk auditee.

## **Section 2 – Findings Relating to the Financial Statements**

None

## **Section 3 – Findings and Questioned Costs for Federal Awards**

### **2015-01**

Airport Improvement Program CFDA No. 20.106 – Reporting

Grant no. 3-28-0030-083-2014

*Questioned Costs:* None

**Gulfport–Biloxi Regional Airport Authority**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2015  
(Continued)

*Criteria:* Controls should be in place to make certain that required reports are filed by the due date. Management is responsible for implementing these controls.

*Condition:* An Annual Noise Report was due to the FAA within 90 days following the end of the fiscal year. Management failed to file the report by the due date.

*Effect:* The report was filed shortly after the due date and thus not in compliance with the reporting requirement.

*Recommendation:* Management should implement controls to make certain all required reports are filed by the due date.

*Views of Management & Corrective Action Plan:* Management agrees with the finding, as well as the conditions that led to the finding. Management will identify a qualified staff member to serve as Grant Administrator for each individual grant. The Grant Administrator will be the primary focus point of grant related issues, overseeing team members involved in compliance, financial, and physical completion matters pertaining to each grant. The grant administration team will have periodic meetings to ensure the grant is being administered according to grant compliance requirements and adhering to all applicable grant assurances contained within the respective grant.