

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

FINANCIAL STATEMENTS

JUNE 30, 2024, 2023, AND 2022



**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
LIST OF OFFICIALS
JUNE 30, 2024**

Board of Commissioners

		<u>Term</u>
John K. Rester	President	12/2024
Cowles Symmes	Vice President	12/2025
Mark Loughman	Secretary	12/2026
Robert Knesal	Treasurer	12/2027
Kate Dennis Spear	Commissioner	12/2028

Executive Director and Chief Executive Officer

Jon Nass

Chief Financial Officer

Deborah "DeeDee" Wood, CPA (Through September 2024)
Kyle Spradling- Interim (September 2024 – Present)

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
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JUNE 30, 2024, 2023, AND 2022

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INDEPENDENT AUDITOR'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

November 26, 2024

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

Report on Audit of the Financial Statements

Opinion

We have audited the comparative financial statements of the business-type activities of Mississippi State Port Authority at Gulfport (Authority), an agency of the State of Mississippi, as of and for the years ended June 30, 2024, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Mississippi State Port Authority at Gulfport as of June 30, 2024, 2023 and 2022, and the respective changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Members: American Institute of CPA's. Mississippi Society of CPA's.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, pension schedules on pages 39 and 40, and other post-employment benefit schedule on page 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Commissioners
Mississippi State Port Authority at Gulfport

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mississippi State Port Authority at Gulfport's basic financial statements. The introductory list of officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory list of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2024 on our consideration of the Mississippi State Port Authority at Gulfport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi State Port Authority's internal control over financial reporting and compliance.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis (MD&A) for Fiscal Year 2024

As management of the Mississippi State Port Authority at Gulfport (the Authority), we present this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2024, with comparative data for the fiscal years ended June 30, 2023, 2022, and 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and notes to the financial statements, which follow this section.

Financial Highlights

- **Net Position:** The Authority's total net position increased by **\$3.37 million** during FY 2024, or **0.47%**, from **\$718.61 million** in FY 2023 to **\$721.98 million** in FY 2024. This increase was largely attributed to strategic management of both operating and non-operating revenues, including federal grant funding and investments in infrastructure, despite the impact of accumulated depreciation on overall capital assets.
- **Operating Revenues:** Total operating revenues for FY 2024 were **\$27.72 million**, representing a decrease of **2.4%** compared to FY 2023, which was **\$28.41 million**. This decrease was driven by lower charges for services.
- **Operating Expenses:** Total operating expenses for FY 2024 were **\$34.48 million**, representing a decrease of **2.2%** compared to FY 2023, which was **\$35.27 million**. This decrease was primarily due to reduced commodities costs.
- **Capital Assets:** During FY 2024, the Authority invested in new capital assets, including terminal upgrades and construction projects aimed at expanding the port's capacity. Despite these investments, net capital assets decreased to **\$615.61 million**, a decrease of **1.5%** from **\$624.97 million** in FY 2023, primarily due to accumulated depreciation exceeding new acquisitions.
- **Lease Agreements:** The Authority entered into significant lease agreements, including leasing the Roger Wicker Center for Ocean Enterprise for 20 years with 10 one-year options, with annual lease revenue of more than **\$1 million** expected. The Authority also recognized a receivable of **\$3.95 million** related to new lease arrangements for Terminal 4.

Overview of the Financial Statements

This annual report consists of the financial statements of the Mississippi State Port Authority at Gulfport (MSPA). This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The financial statements include the comparative Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, similar to the methods used by private-sector companies.

Comparative Statements of Net Position

The comparative Statements of Net Position present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

Comparative Statements of Net Position

(In Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024	2023	2022	2021
CURRENT ASSETS				
Cash and investments	\$23,388	\$29,119	\$20,862	\$18,457
Accounts receivable	\$1,768	\$1,496	\$2,015	\$2,170
Other receivables	\$5,073	\$4,289	\$4,437	\$3,126
Lease receivables (current)	\$3,135	\$2,335	\$2,261	\$3,129
Prepaid expenses	\$111	\$116	\$94	\$176
Total current assets	\$33,475	\$37,355	\$29,669	\$27,058
NON-CURRENT ASSETS				
Capital assets, net of depreciation	\$615,605	\$624,970	\$633,355	\$630,352
Investments (non-current)	\$83,966	\$67,829	\$68,741	\$62,961
Lease & other receivables (non-current)	\$84,132	\$73,514	\$71,898	\$74,159

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024	2023	2022	2021
Total non-current assets	\$783,704	\$766,313	\$773,994	\$767,472
Total assets	\$817,179	\$803,667	\$803,662	\$794,530
DEFERRED OUTFLOWS OF RESOURCES	\$2,773	\$1,977	\$1,260	\$1,041
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accruals	\$1,760	\$3,618	\$4,136	\$2,398
Current maturities of lease liability	\$307	\$286	\$266	\$248
Retainage payable	\$36	\$157	\$1,457	\$745
Customer deposits	\$0	\$450	\$0	\$0
Total current liabilities	\$2,103	\$4,512	\$5,859	\$3,391
NON-CURRENT LIABILITIES				
Compensated absences	\$223	\$185	\$283	\$286
Lease liability, net of current maturities	\$561	\$869	\$1,155	\$1,421
Net pension & OPEB liabilities	\$10,701	\$9,446	\$6,346	\$8,639
Total non-current liabilities	\$11,485	\$10,500	\$7,784	\$10,346
Total liabilities	\$13,588	\$15,012	\$13,643	\$13,738
DEFERRED INFLOWS OF RESOURCES	\$84,380	\$72,023	\$73,151	\$75,152
NET POSITION				
Invested in capital assets, net of related debt	\$614,264	\$621,519	\$627,815	\$626,612
Unrestricted	\$107,720	\$97,091	\$90,313	\$80,069
TOTAL NET POSITION	\$721,984	\$718,609	\$718,128	\$706,681

Discussion of the Statements of Net Position

- **Total Assets:** The Authority's total assets increased by **\$13.51 million** or **1.68%** from FY 2023 to FY 2024, primarily due to increases in non-current investments and lease receivables.
- **Total Liabilities:** Total liabilities decreased by **\$1.43 million** or **9.5%**, reflecting the Authority's effective management of its obligations.
- **Net Position:** The net position increased by **\$3.37 million**, reflecting operational successes and strategic investments.

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

(In Thousands)

OPERATING REVENUES	2024	2023	2022	2021
Charges for services	\$6,941	\$8,347	\$9,278	\$6,840
Revenue from leases	\$20,783	\$13,049	\$12,822	\$13,203
Construction reimbursement	\$0	\$7,012	\$6,856	\$6,347
Total operating revenues	\$27,724	\$28,408	\$28,956	\$26,390
OPERATING EXPENSES	\$34,484	\$35,266	\$33,787	\$32,966
(LOSS) FROM OPERATIONS	\$(6,760)	\$(6,858)	\$(4,831)	\$(6,576)
NON-OPERATING REVENUES (EXPENSES)				
Revenue from other governments	\$1,817	\$1,380	\$2,848	\$1,238
Interest and other investment income	\$7,906	\$610	\$(3,952)	\$835
Interest income - leases	\$0	\$2,693	\$2,721	\$0
Transfers in from other State agencies	\$600	\$2,680	\$13,083	\$16,006
Insurance proceeds	\$0	\$18	\$1,627	\$241
Interest and other expenses	\$(194)	\$(49)	\$(59)	\$0

OPERATING REVENUES	2024	2023	2022	2021
Loss on impairment of capital assets, net of insurance recoveries	\$0	\$0	\$0	\$(878)
Gain (loss) on disposal of assets	\$5	\$8	\$10	\$(8,420)
Total non-operating revenues	\$10,134	\$7,340	\$16,278	\$9,022
<hr/>				
CHANGE IN NET POSITION	\$3,375	\$481	\$11,447	\$2,445
<hr/>				
TOTAL NET POSITION - BEGINNING	\$718,609	\$718,128	\$706,681	\$704,236
<hr/>				
TOTAL NET POSITION - ENDING	\$721,984	\$718,609	\$718,128	\$706,681

Discussion of Revenues and Expenses

- **Operating Revenues:** Operating revenues decreased by **\$0.68 million** or **2.4%** in FY 2024 compared to FY 2023. This decrease was largely attributable to lower charges for services.
- **Operating Expenses:** Operating expenses decreased by **\$0.78 million** or **2.2%** in FY 2024 compared to FY 2023, mainly due to reduced general and administrative costs.
- **Non-Operating Revenues:** Non-operating revenues increased by **\$2.8 million**, primarily due to higher interest and investment income and revenue from other governments.

Capital Assets Administration

The Authority continued to invest in its capital assets during FY 2024, focusing on enhancing port capacity and resilience. Key investments included terminal expansion, berth improvements, and upgrades to existing infrastructure. These investments are part of the Authority's long-term strategic plan to position Gulfport as a key hub for shipping activity in the Gulf region.

As of June 30, 2024, the Authority's net capital assets totaled **\$615.6 million**, a decrease of **1.5%** from **\$625.0 million** in FY 2023. This reflects the impact of accumulated depreciation exceeding new acquisitions and ongoing construction projects.

Capital Assets as of June 30

(Net of Depreciation, in Thousands)

Capital Assets	2024	2023	2022	2021
Land	\$132,054	\$132,054	\$132,054	\$127,060
Buildings	\$135,383	\$131,359	\$96,837	\$99,100
Machinery and equipment	\$15,965	\$18,031	\$19,866	\$21,700
Land improvements	\$117,751	\$121,188	\$127,019	\$132,900
Infrastructure	\$205,492	\$212,651	\$218,772	\$226,000
Leasehold improvements	\$62	\$86	\$109	\$150
Right-to-use asset	\$736	\$1,013	\$1,289	\$1,600
Construction in progress	\$8,160	\$8,589	\$37,409	\$21,900
Total capital assets	\$615,606	\$624,971	\$633,356	\$630,410

Liabilities

- **Current Liabilities:** Current liabilities decreased from **\$4.5 million** in FY 2023 to **\$2.1 million** in FY 2024, a reduction of **\$2.4 million** or **53.5%**. This was primarily due to decreases in accounts payable and retainage payable.
- **Non-Current Liabilities:** Non-current liabilities increased to **\$11.5 million** in FY 2024 from **\$10.5 million** in FY 2023, an increase of **\$1.0 million** or **9.4%**, driven by an increase in net pension and OPEB liabilities.
- **Deferred Inflows:** Total deferred inflows increased from **\$72.0 million** in FY 2023 to **\$84.4 million** in FY 2024, an increase of **\$12.4 million** or **17.2%**. This was driven by the increase of deferred inflows on lease receivables, reflecting the timing of lease payments and amounts.

Economic Factors and Next Year's Budget

The economic outlook for the Gulf region remains cautiously optimistic, with expected growth in cargo volume and new contracts secured with international shipping partners. Key factors influencing the Authority's financial position include changes in global trade policies, the ongoing recovery of the supply chain, and competitive pressures from other Gulf ports.

Contacting the Authority's Financial Management

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

FINANCIAL STATEMENTS

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2024, 2023, AND 2022**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2024</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 13,786,493	\$ 21,994,139	\$ 20,123,770
Equity in internal investment pool	741,433	740,290	737,750
Investments	8,859,830	6,384,230	-
Accrued interest receivable	1,217,491	834,229	592,118
Accounts receivable, net of allowance for uncollectible accounts	1,767,711	1,496,067	2,014,781
Lease receivable	3,134,817	2,335,146	2,260,702
Due from other State agencies	3,325,716	3,227,436	3,053,486
Due from other governments	530,038	227,283	791,771
Prepaid expenses	111,436	115,836	93,884
	<hr/>	<hr/>	<hr/>
Total current assets	33,474,965	37,354,656	29,668,262
NON-CURRENT ASSETS			
Capital assets:			
Land	132,053,975	132,053,975	132,053,975
Buildings, net of accumulated depreciation	135,383,485	131,358,960	96,837,157
Machinery and equipment, net of accumulated depreciation	15,965,470	18,031,327	19,866,477
Land improvements, net of accumulated depreciation	117,751,067	121,187,770	127,018,717
Infrastructure, net of accumulated depreciation	205,492,275	212,650,501	218,771,963
Leasehold improvements, net of accumulated depreciation	62,400	85,800	109,200
Right to use asset, net of related amortization	736,425	1,012,585	1,288,744
Construction in progress	8,160,227	8,589,007	37,408,516
	<hr/>	<hr/>	<hr/>
Total capital assets, net of accumulated depreciation	615,605,324	624,969,925	633,354,749
Investments - non-current	83,966,298	67,828,723	68,741,324
Lease receivable - non-current	84,132,264	73,514,032	71,897,885
	<hr/>	<hr/>	<hr/>
Total non-current assets	783,703,886	766,312,680	773,993,958
	<hr/>	<hr/>	<hr/>
Total assets	\$ 817,178,851	\$ 803,667,336	\$ 803,662,220
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for pensions	\$ 2,722,588	\$ 1,932,865	\$ 1,206,094
Deferred outflows for other postemployment benefits	50,419	44,432	54,177
	<hr/>	<hr/>	<hr/>
Total deferred outflows of resources	\$ 2,773,007	\$ 1,977,297	\$ 1,260,271

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2024</u>	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES			
Accounts payable	\$ 1,074,964	\$ 2,877,697	\$ 3,506,804
Retainage payable	35,514	156,843	1,456,807
Unearned revenue	561,227	610,293	563,002
Accrued salaries	65,226	59,923	25,420
Accrued interest payable	2,630	3,496	4,303
Current maturities of compensated absences payable	55,862	67,070	36,133
Current maturities of lease liability	307,478	286,337	266,461
Customer deposits	-	450,000	-
	<u>2,102,901</u>	<u>4,511,659</u>	<u>5,858,930</u>
NON-CURRENT LIABILITIES			
Compensated absences payable, net of current maturities	222,628	185,220	283,424
Lease liability, net of current maturities	561,091	868,569	1,154,906
Net pension liability	10,563,554	9,303,805	6,163,442
Net other postemployment benefit liability	137,592	142,475	182,562
Payable from restricted assets:			
	<u>11,484,865</u>	<u>10,500,069</u>	<u>7,784,334</u>
Total non-current liabilities	<u>11,484,865</u>	<u>10,500,069</u>	<u>7,784,334</u>
Total liabilities	<u>13,587,766</u>	<u>15,011,728</u>	<u>13,643,264</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows for pensions	510,335	177,235	2,132,211
Deferred inflows for other postemployment benefits	72,267	74,917	63,259
Deferred inflows on lease receivables	83,797,359	71,771,312	70,955,802
	<u>84,379,961</u>	<u>72,023,464</u>	<u>73,151,272</u>
Total deferred inflows of resources	<u>84,379,961</u>	<u>72,023,464</u>	<u>73,151,272</u>
NET POSITION			
Invested in capital assets, net of related debt	614,264,249	621,518,804	627,814,797
Unrestricted	107,719,882	97,090,637	90,313,158
	<u>721,984,131</u>	<u>718,609,441</u>	<u>718,127,955</u>
TOTAL NET POSITION	<u>\$ 721,984,131</u>	<u>\$ 718,609,441</u>	<u>\$ 718,127,955</u>

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024, 2023, AND 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Charges for services	\$ 6,940,780	\$ 8,347,189	\$ 9,278,081
Revenue from leases	13,612,111	13,048,599	12,822,023
Construction reimbursement	<u>7,170,718</u>	<u>7,011,621</u>	<u>6,856,053</u>
Total operating revenues	<u>27,723,609</u>	<u>28,407,409</u>	<u>28,956,157</u>
OPERATING EXPENSES			
General and administrative	3,948,778	4,067,478	4,150,639
Contractual services	9,894,165	9,998,544	10,879,585
Commodities	345,216	2,010,347	714,668
Pension and other postemployment benefit liability adjustment expense	789,606	439,932	(389,472)
Other services, charges, and expenses	-	-	507
Depreciation and amortization	<u>19,506,541</u>	<u>18,749,665</u>	<u>18,430,999</u>
Total operating expenses	<u>34,484,306</u>	<u>35,265,966</u>	<u>33,786,926</u>
LOSS FROM OPERATIONS	<u>(6,760,697)</u>	<u>(6,858,557)</u>	<u>(4,830,769)</u>
NON-OPERATING REVENUE (EXPENSES)			
Revenue from other governments	1,817,444	1,379,563	2,847,624
Interest and other investment income (loss)	4,716,229	609,956	(3,951,794)
Interest income - leases	3,189,910	2,693,115	2,720,991
Transfers in from other State agencies	600,464	2,680,147	13,083,168
Insurance proceeds	-	18,437	1,626,573
Interest expense and other fiscal charges	(193,854)	(48,775)	(58,590)
Gain on disposal of capital assets	<u>5,194</u>	<u>7,600</u>	<u>9,600</u>
Total non-operating revenue (expenses)	<u>10,135,387</u>	<u>7,340,043</u>	<u>16,277,572</u>
CHANGE IN NET POSITION	3,374,690	481,486	11,446,803
TOTAL NET POSITION - BEGINNING	<u>718,609,441</u>	<u>718,127,955</u>	<u>706,681,152</u>
TOTAL NET POSITION - ENDING	<u>\$ 721,984,131</u>	<u>\$ 718,609,441</u>	<u>\$ 718,127,955</u>

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

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024, 2023, AND 2022**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 27,603,745	\$ 28,548,487	\$ 28,135,818
Cash payments for personnel services	(3,917,275)	(4,100,242)	(4,131,061)
Cash payments to suppliers of goods and services	<u>(10,621,671)</u>	<u>(12,404,005)</u>	<u>(11,442,860)</u>
Net cash provided by operating activities	<u>13,064,799</u>	<u>12,044,240</u>	<u>12,561,897</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other governments	1,514,689	1,944,051	2,340,828
Transfers in from other State agencies	<u>459,483</u>	<u>2,506,043</u>	<u>12,213,252</u>
Net cash provided by noncapital financing activities	<u>1,974,172</u>	<u>4,450,094</u>	<u>14,554,080</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received for capital asset disposal	38,100	7,600	9,600
Acquisition and construction of capital assets	(11,994,265)	(12,187,209)	(19,386,259)
Insurance proceeds	-	18,437	1,626,573
Interest paid	<u>(194,721)</u>	<u>(49,582)</u>	<u>(59,339)</u>
Net cash used in capital and related financing activities	<u>(12,150,886)</u>	<u>(12,210,754)</u>	<u>(17,809,425)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6,842,509	5,985,735	6,079,853
Purchases of investments	(22,535,831)	(10,000,000)	(17,994,722)
Proceeds from maturities of investments	<u>4,598,734</u>	<u>1,603,594</u>	<u>5,012,500</u>
Net cash used in investing activities	<u>(11,094,588)</u>	<u>(2,410,671)</u>	<u>(6,902,369)</u>
Net change in cash and cash equivalents	(8,206,503)	1,872,909	2,404,183
Cash and cash equivalents at beginning of year	<u>22,734,429</u>	<u>20,861,520</u>	<u>18,457,337</u>
Cash and cash equivalents at end of year	<u>\$ 14,527,926</u>	<u>\$ 22,734,429</u>	<u>\$ 20,861,520</u>
CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:			
CURRENT ASSETS			
Cash and cash equivalents	\$ 13,786,493	\$ 21,994,139	\$ 20,123,770
Equity in internal investment pool	<u>741,433</u>	<u>740,290</u>	<u>737,750</u>
Cash and cash equivalents at end of year	<u>\$ 14,527,926</u>	<u>\$ 22,734,429</u>	<u>\$ 20,861,520</u>

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
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COMPARATIVE STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2024, 2023, AND 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Loss from operations	<u>\$ (6,760,697)</u>	<u>\$ (6,858,557)</u>	<u>\$ (4,830,769)</u>
Adjustments reconciling loss from operations to net cash provided by operating activities:			
Depreciation and amortization	19,506,541	18,749,665	18,430,999
Provision for loss on accounts receivable	-	-	508
Pension and other postemployment benefit liability adjustment expense	789,606	439,932	(389,472)
Deferred inflows - leases	12,026,047	815,510	(4,124,111)
(Increase) decrease in assets:			
Accounts receivable	(11,689,547)	(1,171,877)	3,283,321
Prepaid expenses	4,400	(21,952)	82,524
Increase (decrease) in liabilities:			
Accounts payable	(100,353)	(106,701)	316,368
Lease liability	(286,337)	(266,461)	(247,500)
Due to other governments	(42,701)	(154)	42,855
Unearned revenue	36,336	47,599	(22,404)
Accrued salaries	5,304	34,503	12,925
Accrued compensated absences	26,200	(67,267)	6,653
Customer deposits	(450,000)	450,000	-
Total adjustments	<u>19,825,496</u>	<u>18,902,797</u>	<u>17,392,666</u>
Net cash provided by operating activities	<u>\$ 13,064,799</u>	<u>\$ 12,044,240</u>	<u>\$ 12,561,897</u>

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

NOTES TO FINANCIAL STATEMENTS

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Port of Gulfport was conveyed by the City of Gulfport to the State of Mississippi on September 26, 1960. On February 9, 1961, the Port of Gulfport was officially renamed and the Mississippi State Port Authority at Gulfport (Authority) was created. The Mississippi Development Authority (MDA) is authorized by state law, Mississippi Code Ann. 1972 Section 59-5-11, to oversee operations of the Authority. Furthermore, Mississippi Code Ann. 1972 Section 59-5-21 provides MDA with the authority to operate a port through a State Port Authority.

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

Financial Reporting Entity

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

Basis of Accounting

These financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) relative to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority has been identified as an "enterprise fund" as described by GAAP for governmental entities. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and liabilities associated with the operation of the Authority are included on the comparative statements of net position.

Estimates

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

Restricted Assets

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

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Equity in Internal Investment Pool

Equity in internal investment pool is cash deposited with the State Treasurer's Office and consists of pooled demand deposits that are considered cash and cash equivalents. The State Treasurer is responsible for maintaining the cash balances in accordance with State laws, and excess cash is invested in the State's cash and short-term investment pool. As of June 30, 2024, 2023, and 2022 the Authority's share in the pooled investment as a state agency consists of cash and totals \$741,433, \$740,290, and \$737,750, respectively.

Investments

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the comparative statements of net position at the end of each reporting period. Unrealized gains and losses are reported in interest and other investment income in the comparative statements of revenues, expenses, and changes in net position.

Accounts Receivable

The Authority reports receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and estimates an allowance for uncollectible accounts.

Due from Other State Agencies

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

Due from Other Governments

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

Capital Assets

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

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Unearned Revenue

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

Deferred Outflows and Inflows of Resources

In addition to assets, the comparative statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The Authority has two items that meet this criterion, the unamortized changes in investments actual performance, expectations, and projections, and plan assumptions related to the pension plan (see Note 10) and other postemployment benefits (see Note 11). In addition to liabilities, the comparative statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future periods and so will not be recognized as inflow of resources (revenue) until that time. The Authority has three items that meet this criterion, the unamortized changes in investments actual performance, expectations, and projections, and plan assumptions related to the pension plan (see Note 10), other postemployment benefits (see Note 11), and lease receivables (see Note 9).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

The other postemployment benefit (OPEB) liability is the actuarial present value of projected healthcare benefit payments to be provided to employees in the period after employment. The net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB and OPEB expense have been measured using the same basis as the State Life and Health Insurance Plan's fiduciary net position. For the purpose of determining the OPEB fiduciary net position, benefit payments are recognized when due and payable in accordance with benefit terms. The OPEB Plan reports investments at fair value.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Net Position

The Authority's net position is categorized as follows:

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

Unrestricted – represents resources not limited or restricted in use.

Revenues

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

Concentration of Credit Risk

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

Qualifying collateral includes:

- a. Obligations of the U.S. Treasury and obligations guaranteed by the U.S. Government.
- b. Obligations of the Federal Home Loan Bank, Federal National Mortgage Association (Fannie Mae), Federal Farm Credit Bank and similar agencies approved by the State Treasurer.
- c. Tennessee Valley Authority obligations.
- d. Obligations of the State of Mississippi, its agencies, political subdivisions, and municipalities or any body corporate and politic created by the State of Mississippi.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Deposits (continued)

- e. Legal obligations of any state, county, parish or municipality that are rated “A” or better.
- f. Surety bonds of any surety company authorized to do business in the State of Mississippi.
- g. All bonds authorized as security for state funds under items c, d, and e, inclusive, must be investment quality and any bonds under said items c, d, e and f, inclusive, which are rated substandard by any of the appropriate supervisory authorities having jurisdiction over said depository or by any recognized national rating agency engaged in the business of rating bonds, are not eligible for pledging as security.

The responsibility for ensuring the proper collateralization of deposits rests with the State of Mississippi Treasury Department. At June 30, 2024, the carrying amount of the Authority’s deposits (including equity in internal investment pool and restricted deposits) was \$14,527,926 and the bank balances totaled \$15,467,621. The total of the bank balance was covered by federal depository insurance or by collateral held by the State of Mississippi Treasury Department or its agent in the State’s name.

Investments

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the financial institution with which the Authority invests, the Authority will not be able to recover the value of its investments, which are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counter party or the counter party’s trust department or agent but not in the Authority’s name. The money market funds of \$10,612,616, included in cash and cash equivalents, are held by the trust department at one financial investment institution and consist of investment in a government fund mutual fund that is uninsured and uncollateralized at June 30, 2024. Those securities are not registered in the Authority’s name. However, the money market funds are held in the Authority’s name and are controlled solely by the Authority. The Authority’s money market account had the following credit risk as of June 30.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>		
		<u>2024</u>	<u>2023</u>	<u>2022</u>
Goldman Sachs				
Government Fund	AAAm	\$ 10,612,616	\$ 15,315,839	\$ 14,593,573
Total		<u>\$ 10,612,616</u>	<u>\$ 15,315,839</u>	<u>\$ 14,593,573</u>

All investments made by the Authority are authorized by the Executive Director in accordance with all applicable state laws. As outlined by the Mississippi Code Section 27-105-33, the Authority invests in United States Government Instrumentalities.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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

	2024	2023	2022
Federal Farm Credit Bank	\$ 11,505,815	\$ 11,289,975	\$ 11,611,830
Federal Home Loan Banks	41,312,000	34,672,455	28,551,606
U.S. Government Treasury Note	23,881,595	11,579,585	11,778,245
Federal National Mortgage Association	9,318,138	9,593,470	12,148,530
Federal Home Loan Mortgage Corporation	6,808,580	7,077,468	4,651,113
	<u>\$ 92,826,128</u>	<u>\$ 74,212,953</u>	<u>\$ 68,741,324</u>

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

	2024	2023	2022
Current Assets:			
Investments	\$ 8,859,830	\$ 6,384,230	\$ -
Non-Current Assets			
Investments	83,966,298	67,828,723	68,741,324
Total investments	<u>\$ 92,826,128</u>	<u>\$ 74,212,953</u>	<u>\$ 68,741,324</u>

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable input (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

All of the Authority's marketable securities have been valued using Level 1 measurements.

Credit Risk

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. Mississippi State law requires a minimum quality rating of A-3 by Standard and Poor's for corporate short-term obligations. This law also requires corporate and taxable municipal bonds to be of investment grade as rated by Standard and Poor's, with bonds rated BAA/BBB not to exceed 5% of total fixed income investments. The highest credit rating that can be obtained from Standard and Poor's is AAA. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. As of June 30, all of the Authority's investments were U.S. Government securities.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

Interest Rate Risk

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

Future Maturities

As of June 30, 2024, the future maturities of the Authority investments are as follows:

Investment Type:	Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	5-10
Federal Farm Credit Bank	\$ 11,505,815	\$ -	\$ 9,410,090	\$ 2,095,725
Federal Home Loan Banks	41,312,000	6,859,830	26,565,355	7,886,815
U.S. Government Treasury Note	23,881,595	2,000,000	12,416,165	9,465,430
Federal National Mortgage Association	9,318,138	-	7,647,898	1,670,240
Federal Home Loan Mortgage Corporation	6,808,580	-	6,808,580	-
	<u>\$92,826,128</u>	<u>\$ 8,859,830</u>	<u>\$ 62,848,088</u>	<u>\$ 21,118,210</u>

Included in the amounts above are callable securities totaling \$10,900,000 with callable dates ranging from July 20, 2025 to April 15, 2027.

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

NOTE 3: ACCOUNTS RECEIVABLE

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

	2024	2023	2022
Accounts receivable from customers	\$ 3,273,334	\$ 3,001,690	\$ 3,520,404
Less: allowance for uncollectible accounts	(1,505,623)	(1,505,623)	(1,505,623)
Accounts receivable, net	<u>\$ 1,767,711</u>	<u>\$ 1,496,067</u>	<u>\$ 2,014,781</u>

The Authority recorded no bad debt expense for fiscal years ended June 30, 2024 and 2023, \$508 in bad debt expense for fiscal year ended June 30, 2022.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 4: DUE FROM OTHER STATE AGENCIES

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
MEMA - FEMA Hurricane Zeta projects	\$ 3,239,698	\$ 2,766,075	\$ 924,046
MEMA - FEMA Hurricane Ida projects	-	8,902	27,853
MDA - HUD/CDBG Port restoration projects	-	-	2,101,587
MDOT - Multimodal Port Grant	86,018	452,459	-
	<u>\$ 3,325,716</u>	<u>\$ 3,227,436</u>	<u>\$ 3,053,486</u>

NOTE 5: DUE FROM OTHER GOVERNMENTS

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Harrison County Tax Collector - Ad Valorem Taxes	\$ 18,157	\$ 17,379	\$ 27,559
U.S. Department of Transportation Maritime Administration	148,473	41,492	230,808
U.S. Department of Homeland Security	-	-	25,000
Institutions of Higher Learning - University of Southern Mississippi - subrecipient	363,408	168,412	265,129
Institutions of Higher Learning - University of Southern Mississippi - subcontractor	-	-	243,275
	<u>\$ 530,038</u>	<u>\$ 227,283</u>	<u>\$ 791,771</u>

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022

NOTE 6: CAPITAL ASSETS

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

For the fiscal year ended June 30, 2024

	Balance July 1, 2023	Additions	Disposals	Transfers	Balance June 30, 2024
Land	\$ 132,053,975	\$ -	\$ -	\$ -	\$ 132,053,975
Buildings	149,243,758	-	(24,426)	7,204,149	156,423,481
Machinery and equipment	33,137,506	62,802	(106,443)	-	33,093,865
Land improvements	160,446,819	-	-	3,064,193	163,511,012
Infrastructure	293,121,335	-	-	268,193	293,389,528
Leasehold improvements	234,000	-	-	-	234,000
Right to use asset	2,117,223	-	-	-	2,117,223
Construction in progress	8,589,007	10,240,866	(133,111)	(10,536,535)	8,160,227
Total capital assets	778,943,623	10,303,668	(263,980)	-	788,983,311
Less: accumulated depreciation for:					
Buildings	(17,884,798)	(3,158,384)	3,186	-	(21,039,996)
Machinery and equipment	(15,106,179)	(2,121,282)	99,066	-	(17,128,395)
Land improvements	(39,259,049)	(6,500,896)	-	-	(45,759,945)
Infrastructure	(80,470,834)	(7,426,419)	-	-	(87,897,253)
Leasehold improv.	(148,200)	(23,400)	-	-	(171,600)
Right to use asset	(1,104,638)	(276,160)	-	-	(1,380,798)
Total accumulated depreciation	(153,973,698)	(19,506,541)	102,252	-	(173,377,987)
Net capital assets	\$ 624,969,925	\$ (9,202,873)	\$ (161,728)	\$ -	\$ 615,605,324

Construction in progress at June 30, 2024 is primarily composed of construction costs for renovations to University of South Mississippi's and National Oceanic and Atmospheric Administration's piers, dredging channel improvements, West Pier expansion, renovation to the 28th street property, repairs and renovations caused by Hurricane Zeta, Port connector road, Northport land improvements, Building 53 modifications/renovations for Ocean Aero, Shed 50 renovations/repairs, and East Pier renovations. In accordance with the standard, there is no capitalizable interest for the year ended June 30, 2024.

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022

NOTE 6: CAPITAL ASSETS (Continued)

For the fiscal year ended June 30, 2023

	Balance July 1, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Land	\$ 132,053,975	\$ -	\$ -	\$ -	\$ 132,053,975
Buildings	112,219,571	-	-	37,024,187	149,243,758
Machinery and equipment	32,889,434	248,072	-	-	33,137,506
Land improvements	159,859,054	-	-	587,765	160,446,819
Infrastructure	291,797,009	-	-	1,324,326	293,121,335
Leasehold improv.	234,000	-	-	-	234,000
Right to use asset	2,117,223	-	-	-	2,117,223
Construction in progress	37,408,516	10,137,123	(20,354)	(38,936,278)	8,589,007
Total capital assets	768,578,782	10,385,195	(20,354)	-	778,943,623
Less: accumulated depreciation for:					
Buildings	(15,382,414)	(2,502,384)	-	-	(17,884,798)
Machinery and equipment	(13,022,957)	(2,083,222)	-	-	(15,106,179)
Land improvements	(32,840,337)	(6,418,712)	-	-	(39,259,049)
Infrastructure	(73,025,046)	(7,445,788)	-	-	(80,470,834)
Leasehold improv.	(124,800)	(23,400)	-	-	(148,200)
Right to use asset	(828,479)	(276,159)	-	-	(1,104,638)
Total accumulated depreciation	(135,224,033)	(18,749,665)	-	-	(153,973,698)
Net capital assets	\$ 633,354,749	\$ (8,364,470)	\$ (20,354)	\$ -	\$ 624,969,925

Construction in progress at June 30, 2023 is primarily composed of construction costs for Port connector road, Northport land improvements, Building 53 modifications/renovations for Ocean Aero, Shed 50 renovations/repairs, and East Pier renovations. In accordance with the standard, there is no capitalizable interest for the year ended June 30, 2023.

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NOTE 6: CAPITAL ASSETS (Continued)

For the fiscal year ended June 30, 2022

	Balance July 1, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Land	\$ 127,060,195	\$ 2,762	\$ -	\$ 4,991,018	\$ 132,053,975
Buildings	112,219,571	-	-	-	112,219,571
Machinery and equipment	32,702,250	187,184	-	-	32,889,434
Land improvements	159,326,619	-	-	532,435	159,859,054
Infrastructure	291,593,130	-	-	203,879	291,797,009
Leasehold improv.	234,000	-	-	-	234,000
Right to use asset	2,117,223	-	-	-	2,117,223
Construction in progress	21,891,658	21,311,141	(66,951)	(5,727,332)	37,408,516
Total capital assets	747,144,646	21,501,087	(66,951)	-	768,578,782
Less: accumulated depreciation for:					
Buildings	(13,126,858)	(2,255,556)	-	-	(15,382,414)
Machinery and equipment	(10,948,958)	(2,073,999)	-	-	(13,022,957)
Land improvements	(26,429,276)	(6,411,061)	-	-	(32,840,337)
Infrastructure	(65,634,224)	(7,390,822)	-	-	(73,025,046)
Leasehold improv.	(101,400)	(23,400)	-	-	(124,800)
Right to use asset	(552,318)	(276,161)	-	-	(828,479)
Total accumulated depreciation	(116,793,034)	(18,430,999)	-	-	(135,224,033)
Net capital assets	\$ 630,351,612	\$ 3,070,088	\$ (66,951)	\$ -	\$ 633,354,749

Construction in progress at June 30, 2022 is primarily composed of construction costs for Port connector road, Northport land improvements, Cotton Compress site improvements, and Ocean Enterprise Facility. In accordance with the standard, there is no capitalizable interest for the year ended June 30, 2022.

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NOTE 7: UNEARNED REVENUE

As of June 30, unearned revenue includes the following:

	2024	2023	2022
Chemours (f/k/a Dupont)	\$ 312,013	\$ 302,133	\$ 290,373
Chiquita	240,862	233,914	227,103
Crown Castle	1,837	-	-
Core X	4,615	-	-
Verizon	-	770	771
Hirschbach	-	550	-
Ocean Aero	-	28,325	-
KLLM	1,900	1,900	1,900
FEMA - Zeta grant	-	42,701	42,855
	<u>\$ 561,227</u>	<u>\$ 610,293</u>	<u>\$ 563,002</u>

NOTE 8: COMPENSATED ABSENCES

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

	Beginning Balance	Earned	Used	Ending Balance	Due within 12 months
2024	<u>\$ 252,290</u>	<u>\$ 248,903</u>	<u>\$(222,703)</u>	<u>\$ 278,490</u>	<u>\$ 55,862</u>
2023	<u>\$ 319,557</u>	<u>\$ 134,484</u>	<u>\$(201,751)</u>	<u>\$ 252,290</u>	<u>\$ 67,070</u>
2022	<u>\$ 312,904</u>	<u>\$ 262,196</u>	<u>\$(255,543)</u>	<u>\$ 319,557</u>	<u>\$ 36,133</u>

NOTE 9: LEASING ARRANGEMENTS

Substantially all of the Authority's capital assets are leased to various businesses for periods up to 53 years. The Governmental Accounting Standards Board (GASB) Statement No. 87 – Leases has been implemented as of the year ended June 30, 2022.

Lessor

The Authority is a lessor under twelve non-cancelable lease arrangements involving the lease of Authority assets. The agreements permit the lessee the right to use the specified asset for the term of the agreement. The terms of the agreements range from 1 to 55 years, expiring between June 2026 and December 2079. Six of the leases contain variable payment adjustments based on the Consumer Price Index and one lease includes contingent payments based on the gross revenues of gaming operations. These amounts are not included in the lease receivable calculation and related deferred inflows – leases.

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NOTE 9: LEASING ARRANGEMENTS (Continued)

Lessor (Continued)

The following is a reconciliation of revenue from leases as of June 30, 2024:

	2024	2023	2022
GASB 87 leases	\$ 5,088,157	\$ 4,272,403	\$ 4,124,111
Short term and minor leases	533,660	737,385	599,486
Gaming contingent rentals	7,990,294	8,038,811	8,098,426
Total revenue from leases	<u>\$ 13,612,111</u>	<u>\$ 13,048,599</u>	<u>\$ 12,822,023</u>

The following is a schedule of future minimum rentals through the end of the lease agreements in effect as of June 30, 2024, not including contingent rentals, consumer price index adjustments, or thruput charges:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 3,134,817	\$ 3,432,539	\$ 6,567,356
2026	3,283,762	3,327,773	6,611,535
2027	2,588,697	3,216,386	5,805,083
2028	2,593,197	3,105,630	5,698,827
2029	2,737,487	2,958,398	5,695,885
2030- 2034	14,109,742	12,570,863	26,680,605
2035 - 2039	8,328,974	10,372,945	18,701,919
2040 - 2044	8,365,059	8,783,552	17,148,611
2045 - 2049	5,826,549	7,477,360	13,303,909
2050 - 2054	7,046,242	6,251,513	13,297,755
2055 - 2059	8,521,301	4,769,004	13,290,305
2060 - 2064	9,225,026	2,993,386	12,218,412
2065 - 2069	3,960,978	1,809,278	5,770,256
2070 - 2074	4,788,254	974,230	5,762,484
2075 - 2079	2,756,996	120,772	2,877,768
	<u>\$ 87,267,081</u>	<u>\$ 72,163,629</u>	<u>\$ 159,430,710</u>

Construction Reimbursement

On January 1, 2017, the Authority commenced the guaranteed construction reimbursement clause included in a port facilities tenant's 30 year non-exclusive, amended, restated, and modified operating lease agreement executed on July 1, 2013. The lease terms state that upon occupancy, the tenant will reimburse the Authority for all construction costs incurred related to a new ilmenite facility constructed by the Authority and operated by the tenant on Authority property. As of the years ended, June 30, 2024, 2023, and 2022, the tenant's responsibility for construction costs incurred was \$67,157,035. Under the terms of the agreement, the reimbursement will be paid over ten years, at 2.25% per annum, in quarterly payments of \$1,820,406, beginning January 1, 2017. As of July 1, 2021, quarterly payments are \$1,922,848, adjusted to include all completed project enhancements. As a non-capital component of the original lease agreement, the guaranteed construction reimbursement is recognized as current year revenue and interest, and will be fully paid on October 1, 2026.

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NOTE 9: LEASING ARRANGEMENTS (Continued)

Construction Reimbursement (Continued)

The following is a schedule of expected future receipts for the guaranteed construction reimbursement as of June 30, 2024:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 7,333,426	\$ 357,965	\$ 7,691,391
2026	7,499,825	191,566	7,691,391
2027	3,813,489	32,206	3,845,695
	<u>\$ 18,646,740</u>	<u>\$ 581,737</u>	<u>\$ 19,228,477</u>

Public Private Partnership

On March 24, 2023, the Authority and the Mississippi Development Authority, entered into an agreement with its terminal operator, under which the terminal operator will lease Terminal 4 (approximately 38.02 acres), use and possess three Gantry cranes and the crane maintenance area, and be entitled to a preferential berthing assignment at Berth 4 on West Pier for 20 years, with two 10-year options to renew. The terminal operator will retain all wharfage collected and payable for cargo loaded or unloaded at the leased premises and operating revenue associated with the cranes in connection with the services, including crane revenue generated through the existing leases, but not including any crane lift fee. If the terminal operator collects any vessel fees, it will remit the fees to the Authority. In addition, the terminal operator will establish and publish a tariff applicable at the Port, which will set forth reasonably competitive rates for the services, including crane operating rates.

The terms of the initial 20-year lease agreement include a development phase of 5 years, ending March 23, 2028. In this development phase, the Authority will collect no rents. After completion of the development phase, the Authority will collect rent in the amount of \$418,220 payable in equal monthly installments. Beginning in year 7, and each contract year thereafter, the rent amount will be subject to a minimum annual adjustment based on the lesser of the change in the consumer price index or 3.5%.

The Authority has recognized a receivable in the amount of \$3,951,389 and a deferred inflow of resources in the amount of \$3,700,179 at June 30, 2024.

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NOTE 9: LEASING ARRANGEMENTS (Continued)

Gaming Lease

Effective October 18, 2013, the Authority entered into an amended and restated lease agreement with its gaming lessee. The terms of the lease agreement include a ten-year primary term, expiring on October 18, 2023, with two five-year renewal options. On January 30, 2023, the Authority received confirmation from its gaming lessee exercising their right to extend the lease term for an additional 5 years through October 18, 2028. Also included in the lease terms is an additional percentage rental abatement that reduces the 3% non-gaming additional percentage rental by 35% (\$16,732,885 as of June 30, 2024) of the total capitalized costs expended (\$47,808,243 as of June 30, 2024) by the lessee in connection with its hotel renovation and restoration (hotel development assistance cap amount) and \$33,333 monthly base (\$400,000 as of June 30, 2024). The abatement expires when the hotel development assistance cap amount is met or at the end of the second five-year renewal term, October 18, 2033, whichever occurs first. During the years ended June 30, 2024, 2023, and 2022 the Authority abated \$500,781, \$494,483, and \$468,165, respectively, in additional percentage rental related to non-gaming activities. From inception of the amended and restated lease agreement through June 30, 2024, the total abated amount is \$4,960,156. As of June 30, 2024, the remaining unused hotel development assistance cap is \$11,772,729.

Guaranteed MSPA Acquisition Reimbursement

On March 26, 2015, the Authority purchased 114.23 acres of land and facilities and equipment thereon for a total of \$32 million, which constitutes the Guaranteed MSPA Acquisition Reimbursement. In a simultaneous transaction, the Authority entered into a forty-year direct financing capital lease agreement with a limited liability company (Company) for this property. Under the terms of the agreement, the Company initially provided \$10 million as a cash contribution toward the purchase price of the property. It is the intent of the agreement that, after proposed legislation is enacted that will exempt the Authority from having to offer the leased property to other state agencies before granting the Company a purchase option, the Company will pay the Authority an additional \$6 million of the Guaranteed MSPA Acquisition Reimbursement. During the 2016 fiscal year, the proposed legislation was enacted, and the Company paid the additional \$6 million as included in the Guaranteed MSPA Acquisition Agreement.

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

Lessee

The Authority is the lessee under one non-cancelable lease agreement involving the lease of a floor in Hancock Bank building. The agreement permits the Authority the right to use the specified property for the term of the agreement.

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NOTE 9: LEASING ARRANGEMENTS (Continued)

Lessee (Continued)

The following is schedule of the Authority's lease liability at June 30, 2024:

Year Ending June 30,	Liability Reduction	Interest	Total
2025	\$ 307,478	\$ 26,881	\$ 334,359
2026	329,634	14,717	344,351
2027	231,457	2,634	234,091
	\$ 868,569	\$ 44,232	\$ 912,801

NOTE 10: RETIREMENT PLAN

Plan Description

The Authority's employees are provided pensions through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Mississippi's Public Employees' Retirement System's Board of Trustees. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS, 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

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NOTE 10: RETIREMENT PLAN (Continued)

Contributions

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. For the periods ending June 30, 2024, 2023, and 2022, the Authority's contribution rates were 17.40% of annual covered payroll for each year. The Authority's contributions to PERS for the years ended June 30, 2024, 2023, and 2022 were \$515,544, \$533,204, and \$544,137, respectively.

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

At June 30, 2024, the Authority recognized \$10,563,554 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions relative to the projected contributions of all participating members, actuarially determined. At June 30, 2023, the Authority's proportion was 0.0420 percent, which was a decrease of 0.0032 from its proportion measured as of June 30, 2022 (0.0452 percent).

For the year ended June 30, 2024, the Authority recognized expense of \$1,317,670. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 264,496	\$ -
Changes of assumptions	1,240,360	-
Net difference between projected and actual earnings on Plan investments	413,294	-
Change in proportionate share	289,894	510,335
Commission contributions	514,544	-
Total	\$ 2,722,588	\$ 510,335

The Authority's contributions subsequent to the measurement date, \$514,544, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2025	\$ 632,058
2026	391,480
2027	671,029
2028	3,142
	\$ 1,697,709

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NOTE 10: RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.00 percent, net of pension plan investment expense, includi
Projected salary increases	2.65 - 17.90 percent, including inflation
Inflation	2.40 percent

The actuarial assumptions used in the June 30, 2023 valuation were determined by an actuarial valuation prepared as of June 30, 2022, by the Board subsequent to the June 30, 2022 valuation based on the experience investigation for the four-year period ending June 30, 2022, and by the investment experience for the fiscal year ending June 30, 2023. Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

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

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return %
Domestic equity	27.00%	4.75%
International equity	22.00%	4.75%
Global equity	12.00%	4.95%
Fixed income	20.00%	1.75%
Real estate	10.00%	3.25%
Private equity	8.00%	6.00%
Cash equivalents	1.00%	0.25%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be phased in to 22.40% over three fiscal years (17.40% for FYE 2024, 19.40% for FYE 2025, 21.40% for FYE 2026, and 22.40% for FYE 2027). 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. In June 2024, there were legislative changes to the discount rate. See Note 17.

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NOTE 10: RETIREMENT PLAN (Continued)

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>Discount Rate</u>	<u>Authority's Proportionate Share of Net Pension Liability</u>
1% decrease	6.00%	\$ 13,621,971
Current discount rate	7.00%	\$ 10,563,554
1% increase	8.00%	\$ 8,053,784

Plan Fiduciary Net Position

Detailed information about the PERS pension plan is available in a separately issued PERS financial report, available at www.pers.ms.gov.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Eligibility

Eligible retirees will include State and School employees retiring from the State of Mississippi and electing coverage at retiree contribution rates. General State employees hired before July 1, 2011 are eligible to retire at any age with 25 years of service or at age 60 with at least 4 years (if hired before July 1, 2007) or 8 years (if hired after July 1, 2007) of service. General State employees hired after July 1, 2011 are eligible to retire at any age with 30 years of service or at age 60 with at least 8 years of service.

Contributions

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

Net Other Postemployment Benefit Liability

The Authority's net other postemployment benefit (OPEB) liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

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NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.66%
Inflation	2.40%
Salary increases, including wage inflation	2.65% - 17.90%
Municipal bond index rate	3.66%
Health care cost trends	6.50% for 2024 decreasing to an ultimate rate of 4.50% by 2029 FYE

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of males rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy. The demographic actuarial assumptions used in the June 30, 2023 valuation were based on the results of the last actuarial experience study, dated April 21, 2023.

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) at June 30, 2023 was 3.66 percent. Since the trust had only \$1,067,750 as of June 30, 2023, the Plan was projected to be depleted immediately, in 2023.

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

The following presents the net OPEB liability calculated using the discount rate of 3.66 percent, as well as the Authority's proportionate share of the net OPEB liability using a discount rate that is 1-percentage-point lower (2.66 percent) or 1-percentage-point higher (4.66 percent) than the current rate:

	<u>Discount Rate</u>	<u>Authority's Proportionate Share of Net Other Postemployment Benefit Liability</u>
1% decrease	2.66%	\$150,711
Current discount rate	3.66%	\$137,592
1% increase	4.66%	\$126,218

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NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

	Net Other Postemployment Benefits Liability	Authority's Proportionate Share of Net Other Postemployment Benefits Liability
1% decrease	\$515,625,000	\$128,206
Current discount rate	\$553,375,000	\$137,592
1% increase	\$595,655,000	\$148,105

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

For the fiscal year ended June 30, 2024, the Authority recognized OPEB adjustment of \$13,520. At June 30, 2023, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 12,292	\$ 10,351
Differences between expected and actual experience	22,554	38,846
Implicit rate subsidy	5,797	-
Net difference between projected and actual earnings on OPEB plan investments	8	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	9,768	23,070
Total	\$ 50,419	\$ 72,267

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NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The fiscal year 2024 implicit rate subsidy, \$5,797, represents the Authority’s proportionate share of amounts paid as benefits come due subsequent to the measurement date of the net OPEB liability and before the end of the reporting period that are recognized as an additional deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year	Amount
2025	\$ (5,003)
2026	(8,280)
2027	(7,746)
2028	(4,273)
2029	(2,089)
Thereafter	(254)
	\$ (27,645)

Plan Fiduciary Net Position

Detailed information about the Life and Health OPEB Plan is available in the separately issued financial report available at www.dfa.ms.gov.

NOTE 12: TAX ABATEMENTS

For the year ended June 30, 2024, the Authority issued no tax abatements.

NOTE 13: ECONOMIC DEPENDENCY

The Authority’s only gaming operations lessee accounted for approximately 32%, 31%, and 30%, of the operating revenues in the fiscal years ended June 30, 2024, 2023, and 2022, respectively.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Commitments

Construction in Progress

Construction in progress at June 30, 2024 is primarily composed of construction costs for Port connector road, Northport land improvements, Building 53 modifications/renovations for Ocean Aero, Shed 50 renovations/repairs, and East Pier renovations. In accordance with the standard, there is no capitalizable interest for the year ended June 30, 2024. The total amount of the construction contracts in progress as of June 30, 2024 is \$21,335,352, of which \$8,160,227 construction costs has been incurred through June 30, 2024. Of the construction costs incurred as of June 30, 2024 the Authority remains obligated to pay \$472,506 from unrestricted cash. The Authority is further obligated to pay the remaining amount of \$13,175,125 as work progresses on these construction contracts from federal grants and Authority revenues.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 14: COMMITMENTS AND CONTINGENCIES (Continued)

Dredging Project

In December 2019, the Authority's Commission passed a resolution authorizing Management to commit funds for the deepening and widening of the federal navigation channel. While these funds are not restricted within net position, they are committed or earmarked for a proposed major dredging project, which will serve to advance, develop and improve the channels and waterways. As of June 30, 2024, the Authority has committed \$19 million toward the dredging project.

Contingencies

Regulatory Environment

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

Litigation

In 2019, the MSPA entered into a Letter of Intent with a Turkish based company to negotiate a long-term agreement for terminal operating services. No agreement was reached and the MSPA exercised its right to terminate the Letter of Intent in November 2021. In March 2022 the company filed a Notice of Claim pursuant to the Mississippi Tort Claims Act. In April 2022, the MSPA received an invitation to mediation in Turkey. Based on information that the company may pursue claims against the MSPA in Turkish courts, the MSPA filed a Complaint for Declaratory Judgment and Injunctive Relief in the Harrison County Circuit Court in June 2022. In October 2022, the company filed an Answer to the Complaint and a Counterclaim, alleging it incurred damages of not less than \$38,500,000. The MSPA filed a Motion for Summary Judgment in June 2023, and a hearing was held on June 16, 2023, in which the Court dismissed most of the Turkish based company's claims and ruled the remaining two claims were subject to the Mississippi Tort Claims Act. Both parties have filed interlocutory appeals which are pending before the Mississippi Supreme Court. The MSPA intends to continue to vigorously pursue its Complaint and defend against the Counterclaim and will not express an opinion of the likely outcome at this time.

Federal Grants

In the normal course of operations and as a result of the destruction from hurricanes, the Authority has received grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

NOTE 15: MISSISSIPPI COAST FOREIGN TRADE ZONE, INC.

In January 1999, the U. S. Department of Commerce Foreign Trade Zone Board approved the expansion of the Greater Gulfport/Biloxi Foreign Trade Zone, Inc. to include Harrison County. Such designation allows foreign or domestic merchandise coming into the Mississippi State Port Authority at Gulfport to generally be considered as part of international commerce and not officially entered in United States Commerce. Therefore, the usual duties charged on goods may be deferred, reduced, avoided or eliminated.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024, 2023, AND 2022**

NOTE 16: RISK MANAGEMENT

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

Self-Insurance

Tort Claims

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

Unemployment Insurance

The Authority is a member and participant in the Unemployment Insurance Fund under the administration of the Mississippi Department of Finance and Administration, Office of Insurance. The entity is a self-insurance unemployment insurance fund organized under Mississippi Code Ann. 1972 Section 71-5-1 *et. Seq.* Membership for state agencies is mandatory. The group is self-insured for all unemployment claims filed with the Mississippi Department of Employment Security by former State employees. The members of the group are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

NOTE 17: SUBSEQUENT EVENTS

The Authority has evaluated events occurring subsequent to year end through November 26, 2024, which is the date the financial statements were available to be issued.

On July 31, 2024, the former CFO retired.

Since June 30, 2024, the Authority has been awarded approximately \$2 million in grants.

On June 18, 2024, Mississippi Legislature passed Senate Bill 3231 pertaining to the PERS retirement system. This bill limits the yearly increase of the employer's contribution rate to 0.50% effective July 1, 2024. Employer contribution rates will be phased in to 18.90% over three fiscal years (17.90% for FYE 2025, 18.40% for FYE 2026, and 18.90% for FYE 2027). The originally projected PERS contribution rates per the latest actuarial report is detailed in Note 10 under "Discount Rate". The effect of this change cannot be reasonably estimated for financial statement purposes.

SUPPLEMENTAL INFORMATION

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.0420%	0.0452%	0.0417%	0.0435%	0.0438%	0.0412%	0.0408%	0.0381%	0.0364%	0.0365%
Authority's proportionate share of the net pension liability	\$ 10,563,554	\$ 9,303,805	\$ 6,163,442	\$ 8,421,095	\$ 7,705,284	\$ 6,852,786	\$ 6,782,345	\$ 6,805,611	\$ 5,626,724	\$ 4,430,431
Authority's covered employee payroll	\$ 2,937,154	\$ 3,110,542	\$ 3,109,833	\$ 2,773,408	\$ 2,894,210	\$ 2,852,578	\$ 2,630,020	\$ 2,438,795	\$ 2,275,227	\$ 2,228,329
Authority's proportionate share of the net pension liability as a percentage of covered employee payroll	359.65%	299.11%	198.19%	303.64%	266.23%	240.23%	257.88%	279.06%	247.30%	198.82%
Plan fiduciary net position as a percentage of total pension liability	55.70%	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

See independent auditor's report and notes to required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 511,065	\$ 541,234	\$ 541,111	\$ 482,573	\$ 503,589	\$ 449,256	\$ 414,205	\$ 412,157	\$ 384,089	\$ 358,328
Contributions in relation to contractually required contribution	(511,065)	(541,234)	(541,111)	(482,573)	(503,589)	(449,256)	(414,205)	(412,157)	(384,089)	(358,328)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered employee payroll	\$2,937,154	\$3,110,542	\$3,109,833	\$2,773,408	\$2,894,210	\$2,852,379	\$2,630,020	\$2,617,020	\$2,438,795	\$2,275,227
Contributions as a percentage of covered employee payroll	17.40%	17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

See independent auditor's report and notes to required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.02486422%	0.02891809%	0.02836218%	0.02806483%	0.02788834%	0.02506881%	0.02495849%
Authority's proportionate share of the net other postemployment benefit liability - beginning	\$ 142,475	\$ 182,562	\$ 218,403	\$ 236,644	\$ 193,920	\$ 195,827	\$ 192,586
Authority's proportionate share of service cost	3,606	5,820	6,954	5,654	5,289	5,131	5,451
Authority's proportionate share of interest	4,036	3,910	4,760	8,194	8,220	6,845	6,018
Authority's proportionate share of difference in expected and actual experience	(20,463)	(64,744)	(62,280)	(44,776)	(3,692)	468	-
Authority's proportionate share of the change in assumptions or other inputs	1,905	9,121	7,389	3,977	23,083	(5,966)	(522)
Authority's proportionate share of benefit payments	6,033	5,806	7,336	8,710	9,824	(8,385)	(7,706)
Authority's total proportionate share of the net other postemployment benefit liability - ending	\$ 137,592	\$ 142,475	\$ 182,562	\$ 218,403	\$ 236,644	\$ 193,920	\$ 195,827

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

See independent auditor's report and notes to required supplementary information.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1: CHANGES OF ASSUMPTIONS

Net Pension Liability

The changes in assumptions for the years presented are as follows:

2023

- The investment rate of return assumption was changed from 7.55% to 7.00%.
- The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.
- Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changes to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1: CHANGES OF ASSUMPTIONS (Continued)

Net Pension Liability (continued)

- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2019

- The expectation of life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of males rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using the Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1: CHANGES OF ASSUMPTIONS (Continued)

Net Pension Liability (continued)

2015 (Continued)

- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Other Postemployment Benefit Liability

2023

- The single equivalent interest rate (SEIR) was changed from 3.37% for the prior measurement date to 3.66% for the current measurement date. Withdrawal rates, disability rates, service retirement rates and salary merit rates were adjusted to reflect actual experience more closely.

2022

- The single equivalent interest rate (SEIR) was changed from 2.13% for the prior measurement date to 3.37% for the current measurement date.

2021

- The single equivalent interest rate (SEIR) was changed from 2.19% for the prior measurement date to 2.13% for the current measurement date.

2020

- The single equivalent interest rate (SEIR) was changed from 3.50% for the prior measurement date to 2.19% for the current measurement date.

2019

- The single equivalent interest rate (SEIR) was changed from 3.89% for the prior measurement date to 3.50% for the current measurement date.

2017

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

NOTE 2: CHANGES IN BENEFIT PROVISIONS

Net Pension Liability

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of 1.00% and a maximum rate of 5.00%.

Other Postemployment Benefit Liability

The schedule of monthly retiree contributions was increased as of January 1, 2024. In addition, the medical deductible was increased for the Base Family coverage beginning January 1, 2024.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

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

Net Pension Liability

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2021 valuation for the June 30, 2023 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	26.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Other Postemployment Benefit Liability

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from June 30, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims - Pre Medicare	7.00%
Ultimate health care cost trend rates	
Medicare Supplement Claims - Pre Medicare	4.50%
Year of ultimate trend rates	
Medicare Supplement Claims - Pre Medicare	2029
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.37%

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4: PRESENTATION REQUIREMENTS

Net Pension Liability

This schedule is presented to illustrate the requirement to show information for 10 years.

Other Postemployment Benefit Liability

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

November 26, 2024

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Mississippi State Port Authority at Gulfport, an agency of the State of Mississippi, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Mississippi State Port Authority at Gulfport's basic financial statements, and have issued our report thereon dated November 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Board of Commissioners
Mississippi State Port Authority at Gulfport

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mississippi State Port Authority at Gulfport's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

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

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Gulfport, Mississippi