

**MISSISSIPPI STATE PORT AUTHORITY
AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
FINANCIAL STATEMENTS
JUNE 30, 2023, 2022, AND 2021**



MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
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INDEPENDENT AUDITOR'S REPORT



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Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

November 15, 2023

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

Report on 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, 2023, 2022, and 2021, 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 financial position of the business-type activities of Mississippi State Port Authority at Gulfport as of June 30, 2023, 2022 and 2021, and the changes in its financial position and its 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 audit 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*, 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 related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

To the Board of Commissioners
Mississippi 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, schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 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.

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Gulfport, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS



PORT OF GULFPORT MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Mississippi State Port Authority at Gulfport (the Authority or the Port), we offer the readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years (FY) ended June 30, 2023, 2022, and 2021. We recommend that readers consider the information presented here, in conjunction with the Authority's financial statements, which are on pages 12-15 of this report.

Financial Highlights

- The Authority's net position increased \$481,486 as a result of this fiscal year's operations. In fiscal years 2022 and 2021, net position increased by \$11.4 million and \$4.3 million, respectively. The \$11.0 million decrease in change in net position in FY 2023 as compared to FY 2022 is attributed to a decrease of \$11.7 in Community Development Block Grant (CDBG) funds. As a result of the completion of the Roger F. Wicker Center for Ocean Enterprise in FY 2023, the Authority will no longer receive CDBG funds from the U.S. Department of Housing and Urban Development (HUD) that are related to the Restoration Program due to Hurricane Katrina damages. The Authority is currently in the process of closing out this grant.
- Total operating revenues for fiscal year 2023 are \$28.4 million which equates to a 1.9% decrease over the prior year. This is primarily due to economics and a decrease in consumer demand, which equates to less containers and less tonnage coming into the Port during FY 2023 as compared to FY 2022. In fiscal years 2022 and 2021, operating revenues were \$29.0 million and \$26.4 million, respectively.
- Maritime revenues decreased 5.8% or \$1.1 million in fiscal year 2023, as compared to FY 2022. Maritime revenues in fiscal years 2023, 2022, and 2021 were \$18.0 million, \$19.1 million, and \$16.8 million, respectively. In FY 2023, the \$1.1 million decrease in maritime revenue can be attributed to a reduction of 275,000 short tons related to cargo, which equates to an 11.6% decrease in total tonnage. Regarding future maritime activity and revenue, in the third quarter of FY 2023, the Authority signed a contract with the largest stevedore company in the United States to lease and operate Terminal 4, which consists of 38 acres. This new tenant will invest \$43 million in improvements to Terminal 4, which will increase maritime revenue through additional containers and cargo. The Authority is currently in negotiations and discussions to secure additional tenants, vessels, and new business models that will enhance and diversify our revenue streams.
- As of June 30, 2023, the Authority's operating expenses totaled \$35.3 million, resulting in an operating loss of \$6.9 million. Depreciation expense of \$18.7 million is included within the \$35.3 million in operating expenses. Additionally in FY 2023, there is \$1.7 million in Hurricane Zeta repair expenses that will be reimbursed back to the Port by FEMA. In FY 2022 and 2021, the Authority had operating losses of \$4.8 million and \$6.6, respectively, which again included depreciation expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights (continued)

- Depreciation expense for fiscal year 2023 was \$18.7 million, as compared to \$18.4 million and 18.3 million for fiscal years 2022 and 2021, respectively. Depreciation expense totaled 53.2% of FY 2023 operating expenses. The Authority's depreciation expense is substantial due to all of the newly constructed Restoration Program assets that have been added to the Port. Upon review of the Authority's fiscal year 2023 Statement of Cash Flows, which excludes depreciation (a non-cash expense), the Authority had positive net cash flow from operating activities of \$12.0 million. In fiscal years 2022 and 2021, cash flows from operations were \$12.6 million and \$9.0 million, respectively. This indicates that the Authority is financially sound, strong, and successful in our day-to-day business operations.
- Regarding the Authority's Capital Construction and Capital Improvement Plan, costs incurred during fiscal year 2023 were \$11.6 million, and \$22.2 million and 17.3 million in FY 2022 and 2021, respectively. Primarily, the capital costs in FY 2023 consisted of the completed construction of the Roger F. Wicker Center for Ocean Enterprise and the construction and renovations of Ocean Aero's headquarters and manufacturing facility. In FY 2024, Ocean Aero's new building will be completed and fully occupied. Currently, the Authority is negotiating a lease agreement for the Center for Ocean Enterprise. Both of these projects are rooted in the "Blue Economy" which represents contributions of the oceans to our standard of living and a growth opportunity to create a more resilient, sustainable, and knowledge based ecological economy.
- In fiscal year 2023, the Authority recognized approximately \$2.1 million in grant funds related to damages from Hurricanes Zeta and Ida. Currently, the Authority, with assistance from FBMA and MEMA, is making repairs and implementing mitigation measures in order to reduce future disaster losses.

Overview of the Financial Statements

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

The financial statements consist of comparative statements of : (1) net position, (2) revenues, expenses, and changes in net position, and (3) cash flows. These statements include assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector companies. Current year revenues are recognized when earned and current year expenses are recognized when they are incurred, regardless of when the cash is received or disbursed.

Beginning in FY 2022, Statement No. 87 of the Governmental Accounting Standards Board (GASB) required governmental entities to implement new financial reporting for leases. The objective of this new standard is to better meet the informational needs of the financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based upon the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, the lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Additionally, this new Standard requires governmental entities to recognize an interest income component related to the lease payments received from tenants, which is listed separately under non-operating revenue on the statement of revenues, expenses, and

MANAGEMENT'S DISCUSSION AND ANALYSIS

changes in net position.

Comparative Statements of Net Position

The comparative statements of net position present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Authority is improving or declining, by reflecting the Authority's overall financial health.

With the implementation of GASB Statement No. 87, the MSPA, as Lessor, recognized short term and long term lease receivables in FY 2023 of \$75.8 million, and \$74.2 million and \$77.3 million in FY 2022 and FY 2021, respectively. Additionally, an off-setting deferred inflows of resources was recognized in FY 2023 of \$71.8 million, and \$71.0 million and \$75.1 million in FY 2022 and FY 2021, respectively. As Lessee, the MSPA recognized a right-to-use asset, net of related amortization of \$1.0 million in FY 2023, and \$1.3 million in FY 2022 and \$1.6 million in FY 2021. Regarding the right-to-use asset, there are off-setting short and long term lease liabilities of \$1.2 million in FY 2023, \$1.4 million in FY 2022, and \$1.7 million in FY 2021.

Within net position, the MSPA has committed or earmarked funds related to the Deepening and Widening of the Federal Navigation Channel (Dredging Project). In FY 2020, the Authority's Commission passed a resolution authorizing Management to commit funds for the Dredging Project. While these funds are not restricted within net position, they are reserved for the purpose of this major capital project. As of June 30, 2023, the Port has committed \$19 million toward this project.

The Port is making progress with the Dredging Project, and in April 2023, the Authority and United States Army Corps of Engineers (USACE) entered into a three-year Feasibility Study to determine viability of deepening and widening the Federal Navigation Channel to 46 feet. If this project is approved, based upon the results of the Study, it is anticipated that the actual dredging process will take up to 8 to 10 years to complete. If the channel is dredged to 46 feet, this will allow vessels to carry up to an additional 143% more containers/cargo/tonnage. This project is imperative to the MSPA's future growth and will be transformational for the Authority and the State of Mississippi.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative Statements of Net Position (continued)

A summary of the Authority's statement of net position as of June 30, 2023, with comparative amounts for June 30, 2022, 2021, and 2020, is as follows:

COMPARATIVE STATEMENTS OF NET POSITION				
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	2023	2022	2021	2020
CURRENT ASSETS				
Cash and investments	\$29,118,659	\$ 20,861,520	\$ 18,457,337	\$ 31,414,529
Accounts receivable	1,496,067	2,014,781	2,169,905	4,750,313
Other receivables	4,288,948	4,437,375	3,126,147	7,621,680
Lease receivables	2,335,146	2,260,702	3,128,705	2,868,112
Prepaid expenses	115,836	93,884	176,408	170,186
Total current assets	<u>37,354,656</u>	<u>29,668,262</u>	<u>27,058,502</u>	<u>46,824,820</u>
NON-CURRENT ASSETS				
Total capital assets, net of acc. depreciation	624,969,925	633,354,749	630,351,612	642,321,614
Other assets:				
Investments	67,828,723	68,741,324	62,961,419	32,122,498
Lease & Other Receivables	73,514,032	71,897,885	74,158,587	77,287,292
Total non-current assets	<u>141,342,755</u>	<u>140,639,209</u>	<u>137,120,006</u>	<u>109,409,790</u>
Total assets	<u>\$ 803,667,336</u>	<u>\$ 803,662,220</u>	<u>\$ 794,530,120</u>	<u>\$ 798,556,224</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows	<u>\$ 1,977,297</u>	<u>\$ 1,260,271</u>	<u>\$ 1,040,966</u>	<u>\$ 969,650</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accruals	\$ 3,618,479	\$ 4,135,662	\$ 2,398,380	\$ 7,624,917
Current maturities of lease liability	286,337	266,461	247,499	229,507
Retentionage payable	156,843	1,456,807	745,136	94,480
Customer Deposits	450,000	-	-	-
Total current liabilities	<u>4,511,659</u>	<u>5,858,930</u>	<u>3,391,015</u>	<u>7,948,904</u>
NON-CURRENT LIABILITIES				
Compensated absences	185,220	283,424	285,997	337,503
Lease liability, net of current maturities	868,569	1,154,906	1,421,368	1,668,866
Net pension & OPEB liabilities	9,446,280	6,346,004	8,639,498	7,941,928
Total non-current liabilities	<u>10,500,069</u>	<u>7,784,334</u>	<u>10,346,863</u>	<u>9,948,297</u>
Total liabilities	<u>\$ 15,011,728</u>	<u>\$ 13,643,264</u>	<u>\$ 13,737,878</u>	<u>\$ 17,897,201</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows	<u>\$ 72,023,464</u>	<u>\$ 73,151,272</u>	<u>\$ 75,152,056</u>	<u>\$ 79,296,858</u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 621,518,804	\$ 627,814,797	\$ 626,612,036	\$ 639,648,560
Unrestricted	<u>97,090,637</u>	<u>90,313,158</u>	<u>80,069,116</u>	<u>62,683,255</u>
TOTAL NET POSITION	<u>\$ 718,609,441</u>	<u>\$ 718,127,955</u>	<u>\$ 706,681,152</u>	<u>\$ 702,331,815</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A summary of the Authority's statements of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2023, with comparative amounts for June 30, 2022, 2021, and 2020, is as follows:

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
	2023	2022	2021	2020
OPERATING REVENUES				
Charges for services	\$ 8,347,189	\$ 9,278,081	\$ 6,840,401	\$ 6,913,119
Revenue from leases	13,048,599	12,822,023	13,202,661	15,358,951
Construction reimbursement	7,011,621	6,856,053	6,346,778	6,205,961
Total operating revenues	<u>28,407,409</u>	<u>28,956,157</u>	<u>26,389,840</u>	<u>28,478,031</u>
OPERATING EXPENSES	<u>35,265,966</u>	<u>33,786,926</u>	<u>32,966,297</u>	<u>36,475,980</u>
(LOSS) FROM OPERATIONS	<u>(6,858,557)</u>	<u>(4,830,769)</u>	<u>(6,576,457)</u>	<u>(7,997,949)</u>
NON-OPERATING REVENUE (EXPENSES)				
Revenue from other governments	1,379,563	2,847,624	1,237,991	960,058
Interest and other investment income	609,956	(3,951,794)	835,006	3,503,292
Interest income - leases	2,693,115	2,720,991	-	-
Transfers in from other State agencies	2,680,147	13,083,168	16,005,728	5,528,455
Insurance proceeds	18,437	1,626,573	240,728	2,061
Interest and other expenses	(48,775)	(58,590)	-	-
Loss on impairment of capital assets, net of insurance recoveries	-	-	(877,732)	-
Loss on disposal of assets	7,600	9,600	(8,420,498)	(537,960)
Total non-operating revenue	<u>7,340,043</u>	<u>16,277,572</u>	<u>9,021,223</u>	<u>9,455,906</u>
CHANGE IN NET POSITION	<u>481,486</u>	<u>11,446,803</u>	<u>2,444,766</u>	<u>1,457,957</u>
TOTAL NET POSITION - BEGINNING	<u>718,127,955</u>	<u>706,681,152</u>	<u>702,331,815</u>	<u>712,022,049</u>
Cumulative effect of change in accounting principle	-	-	1,904,571	(11,148,170)
Net position - beginning - restated	<u>718,127,955</u>	<u>706,681,152</u>	<u>704,236,386</u>	<u>700,873,879</u>
TOTAL NET POSITION - ENDING	<u>\$ 718,609,441</u>	<u>\$ 718,127,955</u>	<u>\$ 706,681,152</u>	<u>\$ 702,331,836</u>

The comparative statements of revenues, expenses, and changes in net position present information showing the change in the Authority's net position during the most recent fiscal year, with the three prior years presented for comparison. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses in this statement include items that will result in cash received or disbursed in future fiscal periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Charges for services - Maritime services that the Authority provides are reported within this category, which include: wharfage, dockage, usage, crane fees, harbor fees, line-handling, and security. This revenue category is significantly derived from cargo tonnage, container counts, vessel size, length of vessel stay at the Port, and crane utilization.

Revenue from leases - This source of revenue is generated from leases and agreements that the Authority has with its tenants and business partners, which includes Island View Casino Resort. Due to the implementation of GASB Statement No. 87, which classifies operating leases as financing transactions, the MSPA, as Lessor, recognizes monthly interest income for each lease with our tenants. It should be noted that prior to GASB 87, the total amount of each lease payment was recorded as Operating Revenue only, but now the interest components are recorded as Non-Operating Revenue. This revenue reclassification will impact the Authority's Gains or Losses from Operations.

Comparative Statements of Cash Flows

The comparative statements of cash flows detail the cash received and expended by the Authority during the current and prior fiscal years. These statements are divided into cash flows from (1) operating activities, (2) non-capital financing activities, (3) capital and related financing activities, and (4) investing activities.

In FY 2023, the Authority had positive operating cash flows of \$12.0 million from day-to-day business, as compared to \$12.6 million last fiscal year, and \$9.0 million in FY 2021; this indicates that the Authority's core business services, which are comprised of vessel and tenant activities, are thriving. In FY 2023, the Authority's net change in cash and cash equivalents, which include all of the Authority's activities, reflects a net increase of \$1.9 million, and \$2.4 million in FY 2022, and a negative \$8.4 million in FY 2021. The negative \$8.4 million in FY 2021 was due to purchases of investments and securities.

Overall Analysis of Financial Position

An important question to be answered about the Authority's finances is: "As a whole, is the Authority in a better or worse state, as a result of the current year's activities?" The comparative statements of net position and statements of revenues, expenses, and changes in net position are tools that Management uses as measurements of the Authority's overall financial health. Over a period of time, increases or decreases in the Authority's net position are an indicator as to whether its financial health is improving or declining. Additionally, Management considers other non-financial factors, such as legislative mandates, economic market conditions, and business and customer relationships, to assess the overall well-being of the Authority. To answer the question above: Yes, in FY 2023, the Authority is in better financial shape than the previous year. Looking at the Change in Net Position in the statements of revenues, expenses and changes in net position, for each of the four years presented, Net Position has increased every year.

The MSPA is evolving; in FY 2023, the Port entered into a long-term lease and operating agreement with Ports America, the largest terminal operator and stevedore in the United States. This agreement includes a \$43 million investment from Ports America to develop the Port's once vacant Terminal 4 into a cargo-handling terminal. This investment includes a new ship-to-shore crane, surface improvements and infrastructure, and recently acquired new cargo-handling equipment from a Mississippi-based manufacturer. Additionally, the

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Analysis of Financial Position (continued)

MSPA acquired Ocean Aero as a tenant; they were formerly headquartered in San Diego, CA. Their new manufacturing facility and headquarters at the Port will be complete in FY 2024. Ocean Aero creates the world's first and only environmentally (wind and solar) powered Autonomous Underwater and Surface Vehicle, the TRITON, which collects data above and below the ocean's surface, and relays it to the user from anywhere, at any time. Also, the Authority is continually developing new opportunities, business lines, tenants and carriers which in turn create new revenue sources to support expansion and the potential future dredging of the Federal Navigation Channel to 46 feet.

Capital asset acquisition and construction projects totaled \$11.6 million in FY 2023, which include completion of: the Roger F. Wicker Center for Ocean Enterprise, the Cotton Compress Water and Sewer Project, and the Rail Improvement Project on East Pier. During FY 2023, the Authority continued construction and planning on several other projects, such as: Ocean Aero Renovations, Warehouse 50 Renovations, Port Access Road Project, multiple East Pier renovation projects, and the Feasibility Study for the Deepening and Widening of the Federal Navigation Channel. Additionally, in FY 2023 and continuing in FY 2024, the Authority is progressing with FEMA related mitigation work for assets that were damaged during Hurricane Zeta.

Other Potentially Significant Matters

Capital Assets Administration

A summary of the Authority's ending balances for capital assets for the fiscal year ended June 30, 2023, with comparative amounts for June 30, 2022, 2021, and 2020, is as follows:

CAPITAL ASSETS AS OF JUNE 30, (Net of Depreciation, in Millions)				
	2023	2022	2021	2020
Land	\$ 132.1	\$ 132.1	\$ 127.1	\$ 127.1
Buildings	131.4	96.8	99.1	102.7
Machinery and equipment	18.0	19.9	21.7	24.0
Land improvements	121.2	127.0	132.9	139.2
Infrastructure	212.6	218.8	226.0	239.5
Leasehold improvements	0.1	0.1	0.1	0.2
Right to use asset	1.0	1.3	1.6	1.8
Construction in progress	8.6	37.4	21.9	7.8
Total capital assets	<u>\$ 625.0</u>	<u>\$ 633.4</u>	<u>\$ 630.4</u>	<u>\$ 642.3</u>

The Authority continues to maintain and expand its capital asset portfolio. With the assistance of federal and third party funding, the MSPA budgeted in excess of \$100 million for capital outlay during the next two fiscal years. Some of the planned capital projects are: Terminal 4 Land Improvements, a Cold Storage Facility,

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets Administration (continued)

USACE Feasibility Study for Deepening and Widening of Federal Navigation Channel, East Pier Expansion Project, Piers and Waterfront Infrastructure related to the Center for Ocean Enterprise, Cotton Compress Land Improvements/Infrastructure, and Land Acquisitions. Additionally, the Authority is working on the Port Access Road Project which is funded in part by a \$13.1 million federal grant through the U.S. Department of Transportation (USDOT)/Maritime Administration (MARAD), with the Port contributing \$3.9 million in matching funds. This project will improve roadway infrastructure that feeds into the Port and help to develop intermodal connectivity; it will connect directly to the Port's western entrance which facilitates all freight and military movement in and out of the Port. The project elements include: pavement strengthening along 30th Avenue, replacing existing span wire signals with mast arms, access management improvements, and implementing Intelligent Transportation Systems (ITS).

The Authority continually pursues opportunities to apply for financial assistance, through federal, state, local, and related industry agencies to assist the Authority with funding for capital projects which will allow for overall facility improvement and growth.

Note 14 to the financial statements, which is on page 37, provides details of the Authority's outstanding construction commitments as of June 30, 2023.

Economic Factors and Next Year's Budget

The management of the Authority utilizes a conservative approach when budgeting revenues to assist in the deterrence of a shortfall. The fiscal year 2024 operating budget was approved by the Commission in June 2023. The Authority planned a decrease in revenue of approximately \$605,000 or 2.2%. This can be attributed to current tenants' shipping trends, and in the fourth quarter of FY 2023, the MSPA assigned the three Gantry cranes and their associated revenues and expenses to the new operator and stevedores of Terminal 4. Regarding operating expenses, the Authority planned a slight increase of approximately \$585,000 or 3.7% in fiscal year 2024, as compared to fiscal year 2023. This increase is primarily attributable to increased insurance premiums, utility costs, and professional services related to new business lines of effort.

In FY 2023, the Authority contracted with one of the world's leading engineering and professional services firm to craft a new Strategic Master Plan (SMP). This plan provides a roadmap for the MSPA's long-term development with clear and actionable goals. The SMP included an Action Plan which identified and prioritized specific Lines of Effort. The Port has begun to implement the plans and strategies within the SMP which guides the Port's diligent pursuit of new business lines, diversification, efficiencies, strategic capital growth, and the development of the Blue Economy. The Authority is driven to ensure continued growth and profitability of the Mississippi State Port Authority at Gulfport.

Contacting the Authority's Financial Management

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

FINANCIAL STATEMENTS

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2023, 2022, AND 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 21,994,139	\$ 20,123,770	\$ 17,719,412
Equity in internal investment pool	740,290	737,750	737,925
Investments	6,384,230	-	-
Accrued interest receivable	834,229	592,118	700,457
Accounts receivable, net of allowance for doubtful accounts	1,496,067	2,014,781	2,169,905
Lease receivable	2,335,146	2,260,702	3,128,705
Due from other State agencies	3,227,436	3,053,486	2,140,715
Due from other governments	227,283	791,771	284,975
Prepaid expenses	115,836	93,884	176,408
	<hr/>	<hr/>	<hr/>
Total current assets	37,354,656	29,668,262	27,058,502
NON-CURRENT ASSETS			
Capital assets:			
Land	132,053,975	132,053,975	127,060,195
Buildings, net of accumulated depreciation	131,358,960	96,837,157	99,092,713
Machinery and equipment, net of accumulated depreciation	18,031,327	19,866,477	21,753,292
Land improvements, net of accumulated depreciation	121,187,770	127,018,717	132,897,343
Infrastructure, net of accumulated depreciation	212,650,501	218,771,963	225,958,906
Leasehold improvements, net of accumulated depreciation	85,800	109,200	132,600
Right to use asset, net of related amortization	1,012,585	1,288,744	1,564,905
Construction in progress	8,589,007	37,408,516	21,891,658
	<hr/>	<hr/>	<hr/>
Total capital assets, net of accumulated depreciation	624,969,925	633,354,749	630,351,612
Investments - non-current	67,828,723	68,741,324	62,961,419
Lease receivable - non-current	73,514,032	71,897,885	74,158,587
	<hr/>	<hr/>	<hr/>
Total non-current assets	766,312,680	773,993,958	767,471,618
	<hr/>	<hr/>	<hr/>
Total assets	\$ 803,667,336	\$ 803,662,220	\$ 794,530,120
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for pensions	\$ 1,932,865	\$ 1,206,094	\$ 977,170
Deferred outflows for other postemployment benefits	44,432	54,177	63,796
	<hr/>	<hr/>	<hr/>
Total deferred outflows of resources	\$ 1,977,297	\$ 1,260,271	\$ 1,040,966

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES			
Accounts payable	\$ 2,877,697	\$ 3,506,804	\$ 1,854,230
Retainage payable	156,843	1,456,807	745,136
Unearned revenue	610,293	563,002	499,696
Accrued salaries	59,923	25,420	12,495
Accrued interest payable	3,496	4,303	5,052
Current maturities of compensated absences payable	67,070	36,133	26,907
Current maturities of lease liability	286,337	266,461	247,499
Customer deposits	450,000	-	-
	<hr/>	<hr/>	<hr/>
Total current liabilities	4,511,659	5,858,930	3,391,015
	<hr/>	<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Compensated absences payable, net of current maturities	185,220	283,424	285,997
Lease liability, net of current maturities	868,569	1,154,906	1,421,368
Net pension liability	9,303,805	6,163,442	8,421,095
Net other postemployment benefit liability	142,475	182,562	218,403
	<hr/>	<hr/>	<hr/>
Total non-current liabilities	10,500,069	7,784,334	10,346,863
	<hr/>	<hr/>	<hr/>
Total liabilities	15,011,728	13,643,264	13,737,878
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows for pensions	177,235	2,132,211	24,906
Deferred inflows for other postemployment benefits	74,917	63,259	47,237
Deferred inflows on lease receivables	71,771,312	70,955,802	75,079,913
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	72,023,464	73,151,272	75,152,056
	<hr/>	<hr/>	<hr/>
NET POSITION			
Invested in capital assets, net of related debt	621,518,804	627,814,797	626,612,036
Unrestricted	97,090,637	90,313,158	80,069,116
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	\$ 718,609,441	\$ 718,127,955	\$ 706,681,152
	<hr/>	<hr/>	<hr/>

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, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUES			
Charges for services	\$ 8,347,189	\$ 9,278,081	\$ 6,840,401
Revenue from leases	13,048,599	12,822,023	13,202,661
Construction reimbursement	<u>7,011,621</u>	<u>6,856,053</u>	<u>6,346,778</u>
Total operating revenues	<u>28,407,409</u>	<u>28,956,157</u>	<u>26,389,840</u>
OPERATING EXPENSES			
General and administrative	4,067,478	4,150,639	3,434,888
Contractual services	9,998,544	10,879,585	10,235,448
Commodities	2,010,347	714,668	395,573
Pension and other postemployment benefit liability adjustment expense	439,932	(389,472)	605,563
Other services, charges, and expenses	-	507	-
Depreciation and amortization	<u>18,749,665</u>	<u>18,430,999</u>	<u>18,294,825</u>
Total operating expenses	<u>35,265,966</u>	<u>33,786,926</u>	<u>32,966,297</u>
LOSS FROM OPERATIONS	<u>(6,858,557)</u>	<u>(4,830,769)</u>	<u>(6,576,457)</u>
NON-OPERATING REVENUE (EXPENSES)			
Revenue from other governments	1,379,563	2,847,624	1,237,991
Interest and other investment income (loss)	609,956	(3,951,794)	835,006
Interest income - leases	2,693,115	2,720,991	-
Transfers in from other State agencies	2,680,147	13,083,168	16,005,728
Insurance proceeds	18,437	1,626,573	240,728
Interest expense and other fiscal charges	(48,775)	(58,590)	-
Loss on impairment of capital assets, net of insurance recoveries	-	-	(877,732)
Gain (Loss) on disposal of capital assets	<u>7,600</u>	<u>9,600</u>	<u>(8,420,498)</u>
Total non-operating revenue (expenses)	<u>7,340,043</u>	<u>16,277,572</u>	<u>9,021,223</u>
CHANGE IN NET POSITION	481,486	11,446,803	2,444,766
TOTAL NET POSITION - BEGINNING	<u>718,127,955</u>	<u>706,681,152</u>	<u>702,331,815</u>
Cumulative effect of change in accounting principle	-	-	1,904,571
Net position - beginning - restated	<u>718,127,955</u>	<u>706,681,152</u>	<u>704,236,386</u>
TOTAL NET POSITION - ENDING	<u>\$ 718,609,441</u>	<u>\$ 718,127,955</u>	<u>\$ 706,681,152</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, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 28,548,487	\$ 28,135,818	\$ 28,982,249
Cash payments for personnel services	(4,100,242)	(4,131,061)	(3,593,665)
Cash payments to suppliers of goods and services	(12,404,005)	(11,442,860)	(16,413,190)
Net cash provided by operating activities	<u>12,044,240</u>	<u>12,561,897</u>	<u>8,975,394</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other governments	1,944,051	2,340,828	979,554
Transfers in from other State agencies	2,506,043	12,213,252	20,743,585
Net cash provided by noncapital financing activities	<u>4,450,094</u>	<u>14,554,080</u>	<u>21,723,139</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received for capital asset disposal	7,600	9,600	54,120
Acquisition and construction of capital assets	(12,187,209)	(19,386,259)	(15,137,752)
Principal received on investment in lease	-	-	713,517
Insurance proceeds	18,437	1,626,573	721,175
Interest paid	(49,582)	(59,339)	-
Net cash used in capital and related financing activities	<u>(12,210,754)</u>	<u>(17,809,425)</u>	<u>(13,648,940)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5,985,735	6,079,853	4,156,388
Purchases of investments	(10,000,000)	(17,994,722)	(44,102,266)
Proceeds from maturities of investments	1,603,594	5,012,500	14,504,891
Net cash used in investing activities	<u>(2,410,671)</u>	<u>(6,902,369)</u>	<u>(25,440,987)</u>
Net change in cash and cash equivalents	1,872,909	2,404,183	(8,391,394)
Cash and cash equivalents at beginning of year	20,861,520	18,457,337	26,848,731
Cash and cash equivalents at end of year	<u>\$ 22,734,429</u>	<u>\$ 20,861,520</u>	<u>\$ 18,457,337</u>
CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:			
CURRENT ASSETS			
Cash and cash equivalents	\$ 21,994,139	\$ 20,123,770	\$ 17,719,412
Equity in internal investment pool	740,290	737,750	737,925
Cash and cash equivalents at end of year	<u>\$ 22,734,429</u>	<u>\$ 20,861,520</u>	<u>\$ 18,457,337</u>

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Loss from operations	<u>\$ (6,858,557)</u>	<u>\$ (4,830,769)</u>	<u>\$ (6,576,457)</u>
Adjustments reconciling loss from operations to net cash provided by operating activities:			
Depreciation	18,749,665	18,430,999	18,294,825
Provision for loss on accounts receivable	-	508	-
Pension and other postemployment benefit liability adjustment expense	439,932	(389,472)	605,563
Deferred inflows - leases	815,510	(4,124,111)	-
(Increase) decrease in assets:			
Accounts receivable	(1,171,877)	3,283,321	2,580,408
Prepaid expenses	(21,952)	82,524	(6,222)
Increase (decrease) in liabilities:			
Accounts payable	(106,701)	316,368	(5,775,950)
Lease liability	(266,461)	(247,500)	-
Due to other governments	(154)	42,855	-
Unearned revenue	47,599	(22,404)	12,001
Accrued salaries	34,503	12,925	(119,042)
Accrued compensated absences	(67,267)	6,653	(39,732)
Customer deposits	450,000	-	-
Total adjustments	<u>18,902,797</u>	<u>17,392,666</u>	<u>15,551,851</u>
Net cash provided by operating activities	<u><u>\$ 12,044,240</u></u>	<u><u>\$ 12,561,897</u></u>	<u><u>\$ 8,975,394</u></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, 2023, 2022, AND 2021

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 balance sheets.

Estimates

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

Restricted Assets

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023, 2022, AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Equity in Internal Investment Pool

Equity in internal investment pool is cash deposited with the State Treasurer's Office and consists of pooled demand deposits that are considered cash and cash equivalents. The State Treasurer is responsible for maintaining the cash balances in accordance with State laws, and excess cash is invested in the State's cash and short-term investment pool. As of June 30, 2023, 2022, and 2021 the Authority's share in the pooled investment as a state agency consists of cash and totals \$740,290, \$737,750, and \$737,925, 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 statement of net position at the end of each reporting period. Unrealized gains and losses are reported in interest and other investment income in the statements of revenues, expenses, and changes in net position.

Accounts Receivable

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

Due from Other State Agencies

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

Due from Other Governments

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

Capital Assets

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023, 2022, AND 2021

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 statement of financial 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 statement of financial 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, 2023, 2022, AND 2021

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, 2023, 2022, AND 2021

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, 2023, the carrying amount of the Authority's deposits (including equity in internal investment pool and restricted deposits) was \$22,734,429 and the bank balances totaled \$22,748,322. 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 \$15,315,839, 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, 2023. 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>2023</u>	<u>2022</u>	<u>2021</u>
Goldman Sachs				
Government Fund	AAAm	<u>\$ 15,315,839</u>	<u>\$ 14,593,573</u>	<u>\$ 13,145,191</u>
Total		<u>\$ 15,315,839</u>	<u>\$ 14,593,573</u>	<u>\$ 13,145,191</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, 2023, 2022, AND 2021

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:

	2023	2022	2021
Federal Farm Credit Bank	\$ 11,289,975	\$ 11,611,830	\$ 10,319,821
Federal Home Loan Banks	34,672,455	28,551,606	22,000,025
U.S. Government Treasury Note	11,579,585	11,778,245	10,627,207
Federal National Mortgage Association	9,593,470	12,148,530	14,593,817
Federal Home Loan Mortgage Corporation	7,077,468	4,651,113	5,420,549
	<u>\$ 74,212,953</u>	<u>\$ 68,741,324</u>	<u>\$ 62,961,419</u>

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

	2023	2022	2021
Current Assets:			
Investments	\$ 6,384,230	\$ -	\$ -
Non-Current Assets			
Investments	<u>67,828,723</u>	<u>68,741,324</u>	<u>62,961,419</u>
Total investments	<u>\$ 74,212,953</u>	<u>\$ 68,741,324</u>	<u>\$ 62,961,419</u>

Accounting principles generally accepted in the United State 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, 2023, 2022, AND 2021

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, 2023, 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	\$11,289,975	\$ -	\$ 5,377,580	\$ 5,912,395
Federal Home Loan Banks	34,672,455	2,981,865	29,174,690	2,515,900
U.S. Government Treasury Note	11,579,585	3,402,365	8,177,220	-
Federal National Mortgage Association	9,593,470	-	1,725,046	7,868,424
Federal Home Loan Mortgage Corporation	7,077,468	-	7,077,468	-
	<u>\$74,212,953</u>	<u>\$ 6,384,230</u>	<u>\$ 51,532,004</u>	<u>\$ 16,296,719</u>

Included in the amounts above are callable securities totaling \$12,000,000 with callable dates ranging from July 27, 2023 to July 20, 2025.

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:

	2023	2022	2021
Accounts receivable from customers	\$ 3,001,690	\$ 3,520,404	\$ 3,675,020
Less: allowance for doubtful accounts	<u>(1,505,623)</u>	<u>(1,505,623)</u>	<u>(1,505,115)</u>
Accounts receivable, net	<u>\$ 1,496,067</u>	<u>\$ 2,014,781</u>	<u>\$ 2,169,905</u>

The Authority recorded no bad debt expense for fiscal year ended June 30, 2023, \$508 in bad debt expense for fiscal year ended June 30, 2022, and no bad debt expense for fiscal year ended June 30, 2021.

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NOTE 4: DUE FROM OTHER STATE AGENCIES

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

	2023	2022	2021
MEMA - FEMA Hurricane Zeta projects	\$ 2,766,075	\$ 924,046	\$ 118,779
MEMA - FEMA Hurricane Ida projects	8,902	27,853	-
MDA - HUD/CDBG Port restoration projects	-	2,101,587	1,591,936
MDOT - Multimodal Port Grant	452,459	-	430,000
	<u>\$ 3,227,436</u>	<u>\$ 3,053,486</u>	<u>\$ 2,140,715</u>

NOTE 5: DUE FROM OTHER GOVERNMENTS

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

	2023	2022	2021
Harrison County Tax Collector - Ad Valorem Taxes	\$ 17,379	\$ 27,559	\$ 18,095
U.S. Department of Transportation			
Maritime Administration	41,492	230,808	-
U.S. Department of Homeland Security	-	25,000	-
Institutions of Higher Learning - University of			
Southern Mississippi - subrecipient	168,412	265,129	20,000
Institutions of Higher Learning - University of			
Southern Mississippi - subcontractor	-	243,275	246,880
	<u>\$ 227,283</u>	<u>\$ 791,771</u>	<u>\$ 284,975</u>

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NOTE 6: CAPITAL ASSETS

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

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	32,889,435	248,070	-	-	33,137,505
Land improvements	159,859,054	-	-	587,765	160,446,819
Infrastructure	291,797,009	-	-	1,324,326	293,121,335
Leasehold improvements	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	768,578,783	10,385,193	(20,354)	-	778,943,622
Less: accumulated depreciation for:					
Buildings	(15,382,414)	(2,502,384)	-	-	(17,884,798)
Machinery and equipment	(13,022,958)	(2,083,220)	-	-	(15,106,178)
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	(135,224,034)	(18,749,663)	-	-	(153,973,697)
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	187,185	-	-	32,889,435
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	21,501,088	(66,951)	-	768,578,783
Less: accumulated depreciation for:					
Buildings	(13,126,858)	(2,255,556)	-	-	(15,382,414)
Machinery and equipment	(10,948,958)	(2,074,000)	-	-	(13,022,958)
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)	(18,431,000)	-	-	(135,224,034)
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 6: CAPITAL ASSETS (Continued)

For the fiscal year ended June 30, 2021

	Balance July 1, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Land	\$ 127,060,195	\$ -	\$ -	\$ -	\$ 127,060,195
Buildings	113,990,820	-	(1,770,449)	-	112,219,571
Machinery and equipment	33,159,596	92,497	(549,843)	-	32,702,250
Land improvements	161,570,875	-	(4,384,609)	2,140,353	159,326,619
Infrastructure	300,558,891	-	(9,102,630)	136,869	291,593,130
Leasehold improv.	234,000	-	-	-	234,000
Right to use asset	2,117,223	-	-	-	2,117,223
Construction in progress	7,827,597	16,594,862	(253,579)	(2,277,222)	21,891,658
Total capital assets	746,518,397	16,687,359	(16,061,110)	-	747,144,646
Less: accumulated depreciation for:					
Buildings	(11,304,397)	(2,264,529)	442,068	-	(13,126,858)
Machinery and equipment	(9,158,480)	(2,093,244)	302,766	-	(10,948,958)
Land improvements	(22,300,475)	(6,394,164)	2,265,363	-	(26,429,276)
Infrastructure	(61,079,272)	(7,519,488)	2,964,536	-	(65,634,224)
Leasehold improv.	(78,000)	(23,400)	-	-	(101,400)
Right to use asset	(276,159)	(276,159)	-	-	(552,318)
Total accumulated depreciation	(104,196,783)	(18,570,984)	5,974,733	-	(116,793,034)
Net capital assets	\$ 642,321,614	\$ (1,883,625)	\$ (10,086,377)	\$ -	\$ 630,351,612

Construction in progress at June 30, 2021 is primarily composed of construction costs for Port connector road, Northport land improvements, North Harbor Ditch, and Ocean Enterprise Facility. In accordance with the standard, there is no capitalizable interest for the year ended June 30, 2021.

On October 30, 2020, several of the Authority's buildings and port operations were damaged by Hurricane Zeta. As of June 30, 2021, the Authority had received \$480,447 in insurance proceeds and recognized \$1,358,179 in capital asset impairment losses related to these damages. As required by GASB No. 34, the impairment loss, net of related insurance recoveries, totaled \$877,732, is reported in the comparative statements of revenue, expenses, and changes in net position.

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NOTE 7: UNEARNED REVENUE

As of June 30, unearned revenue includes the following:

	2023	2022	2021
Chemours (f/k/a Dupont)	\$ 302,133	\$ 290,373	\$ 276,546
Chiquita	233,914	227,103	220,480
Verizon	770	771	770
Hirschbach	550	-	-
Ocean Aero	28,325	-	-
KLLM	1,900	1,900	1,900
FEMA - Zeta grant	42,701	42,855	-
	<u>\$ 610,293</u>	<u>\$ 563,002</u>	<u>\$ 499,696</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
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>
2021	<u>\$ 352,636</u>	<u>\$ 210,491</u>	<u>\$(250,223)</u>	<u>\$ 312,904</u>	<u>\$ 26,907</u>

NOTE 9: LEASING ARRANGEMENTS

Substantially all of the Authority's capital assets are leased to various businesses for periods up to 40 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 nine 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 2076. Five 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.

The following is a reconciliation of revenue from leases as of June 30, 2023:

	2023	2022	2021
GASB 87 leases	\$ 4,272,403	\$ 4,124,111	\$ 4,965,283
Short term and minor leases	737,385	599,486	259,152
Gaming contingent rentals	8,038,811	8,098,426	7,978,226
Total revenue from leases	<u>\$ 13,048,599</u>	<u>\$ 12,822,023</u>	<u>\$ 13,202,661</u>

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NOTE 9: LEASING ARRANGEMENTS (Continued)

Lessor (Continued)

The following is a schedule of future minimum rentals through the end of the lease agreements in effect as of June 30, 2023, not including contingent rentals, consumer price index adjustments, or thruput charges:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 2,335,146	\$ 2,720,336	\$ 5,055,482
2025	2,422,766	2,638,489	5,061,255
2026	2,506,955	2,561,209	5,068,164
2027	1,741,498	2,499,594	4,241,092
2028	1,650,398	2,460,431	4,110,829
2029 - 2033	8,418,011	11,442,916	19,860,927
2034 - 2038	7,162,176	10,022,777	17,184,953
2039 - 2043	6,452,195	8,838,948	15,291,143
2044 - 2048	5,605,000	7,700,033	13,305,033
2049 - 2053	6,783,499	6,515,583	13,299,082
2054 - 2058	8,203,555	5,088,354	13,291,909
2059 - 2063	9,920,943	3,362,299	13,283,242
2064 - 2068	4,248,249	1,961,091	6,209,340
2069 - 2073	4,610,090	1,154,073	5,764,163
2074 - 2078	3,788,697	240,853	4,029,550
	<u>\$ 75,849,178</u>	<u>\$ 69,206,986</u>	<u>\$ 145,056,164</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, 2023, 2022, and 2021, 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.

The following is a schedule of expected future receipts for the guaranteed construction reimbursement as of June 30, 2023:

June 30,	Principal	Interest	Total
2024	\$ 7,170,718	\$ 520,673	\$ 7,691,391
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>\$ 25,817,458</u>	<u>\$ 1,102,410</u>	<u>\$ 26,919,868</u>

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NOTE 9: LEASING ARRANGEMENTS (Continued)

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 \$3,897,748 at June 30, 2023.

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, 2023) of the total capitalized costs expended (\$47,808,243 as of June 30, 2023) 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, 2023). 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, 2023, 2022, and 2021 the Authority abated \$494,483, \$468,165, and \$452,675, respectively, in additional percentage rental related to non-gaming activities. From inception of the amended and restated lease agreement through June 30, 2023, the total abated amount is \$4,459,376. As of June 30, 2023, the remaining unused hotel development assistance cap is \$12,273,509. In March 2020, an amendment to the lease was proposed, deferring rent amounts for the period gaming operations were suspended as a result of the COVID-19 pandemic. The deferred rent under the proposed lease amendment was paid in full during the year ended June 30, 2021.

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NOTE 9: LEASING ARRANGEMENTS (Continued)

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.

The following is schedule of the Authority's lease liability at June 30, 2023:

Year Ending June 30,	Liability Reduction	Interest	Total
2024	\$ 286,337	\$ 38,319	\$ 324,656
2025	307,478	26,881	334,359
2026	329,634	14,717	344,351
2027	231,457	2,634	234,091
	<u>\$ 1,154,906</u>	<u>\$ 82,551</u>	<u>\$ 1,237,457</u>

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.

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NOTE 10: RETIREMENT PLAN (Continued)

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.

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, 2023, 2022, and 2021, 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, 2023, 2022, and 2021 were \$533,204, \$544,137, and \$457,838, respectively.

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

At June 30, 2023, the Authority recognized \$9,303,805 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the Authority's proportion was 0.0452 percent, which was an increase of 0.0035 from its proportion measured as of June 30, 2021 (0.0417 percent).

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NOTE 10: RETIREMENT PLAN (Continued)

Pension Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

For the year ended June 30, 2023, the Authority recognized expense of \$991,820. 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	\$ 131,735	\$ -
Changes of assumptions	321,783	-
Net difference between projected and actual earnings on Plan investments	488,681	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	457,462	177,235
Authority contributions subsequent to the measurement date	533,204	-
Total	<u>\$ 1,932,865</u>	<u>\$ 177,235</u>

The Authority's contributions subsequent to the measurement date, \$533,204, 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
2024	\$ 364,073
2025	307,388
2026	46,115
2027	504,850
	<u>\$ 1,222,426</u>

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.55 percent, net of investment expense, including inflation
Projected salary increases	2.65 - 17.90 percent, including inflation
Inflation	2.40 percent

The actuarial assumptions used in the June 30, 2022 valuation were determined by an actuarial valuation prepared as of June 30, 2021, by the Board subsequent to the June 30, 2021 valuation based on the experience investigation for the four-year period ending June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. Mortality rates for service retirees 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.

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NOTE 10: RETIREMENT PLAN (Continued)

Actuarial Assumptions (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-term Expected Real Rate of Return %</u>
Domestic equity	25.00%	4.60%
International equity	20.00%	4.50%
Global equity	12.00%	4.85%
Fixed income	18.00%	1.40%
Real estate	10.00%	3.65%
Private equity	10.00%	6.00%
Private infrastructure	2.00%	4.00%
Private credit	2.00%	4.00%
Cash equivalents	1.00%	(0.10%)
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	<u>Discount Rate</u>	<u>Authority's Proportionate Share of Net Pension Liability</u>
1% decrease	6.55%	\$12,142,415
Current discount rate	7.55%	\$9,303,805
1% increase	8.55%	\$6,963,515

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023, 2022, AND 2021

NOTE 10: RETIREMENT PLAN (Continued)

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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.13%
Inflation	2.40%
Salary increases, including wage inflation	2.65% - 17.90%
Municipal bond index rate	3.37%
Health care cost trends	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2030

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023, 2022, AND 2021

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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, 2022 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) at June 30, 2022 was 3.37 percent. Since the trust had only \$1,049,208 as of June 30, 2022, the Plan was projected to be depleted immediately, in 2022.

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 3.37 percent, as well as the Authority's proportionate share of the net OPEB liability using a discount rate that is 1-percentage-point lower (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current rate:

	<u>Discount Rate</u>	<u>Authority's Proportionate Share of Net Other Postemployment Benefit Liability</u>
1% decrease	2.37%	\$156,954
Current discount rate	3.37%	\$142,475
1% increase	4.37%	\$130,038

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:

	<u>Net Other Postemployment Benefits Liability</u>	<u>Authority's Proportionate Share of Net Other Postemployment Benefits Liability</u>
1% decrease	\$542,752,000	\$156,954
Current discount rate	\$492,684,000	\$142,475
1% increase	\$449,676,000	\$130,038

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023, 2022, AND 2021

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the fiscal year ended June 30, 2023, the Authority recognized OPEB adjustment of \$18,684. 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	\$ 22,221	\$ 13,191
Differences between expected and actual experience	118	61,726
Implicit rate subsidy	6,033	-
Net difference between projected and actual earnings on OPEB plan investments	10	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	16,050	-
Total	<u>\$ 44,432</u>	<u>\$ 74,917</u>

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

The fiscal year 2023 implicit rate subsidy, \$6,033, 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
2024	\$ (6,729)
2025	(5,906)
2026	(9,352)
2027	(8,445)
2028	(4,346)
Thereafter	(1,740)
	<u>\$ (36,518)</u>

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, 2023, the Authority issued no tax abatements.

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023, 2022, AND 2021

NOTE 13: ECONOMIC DEPENDENCY

The Authority's only gaming operations lessee accounted for approximately 31%, 30%, and 35%, of the operating revenues in the fiscal years ended June 30, 2023, 2022, and 2021, respectively.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Commitments

Construction in Progress

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. The total amount of the construction contracts in progress as of June 30, 2023 is \$15,701,190, of which \$8,589,005 construction costs has been incurred through June 30, 2023. Of the construction costs incurred as of June 30, 2023 the Authority remains obligated to pay \$2,296,215 from unrestricted cash. The Authority is further obligated to pay the remaining amount of \$7,112,185 as work progresses on these construction contracts from federal grants and Authority revenues.

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, 2023, 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 company's claims and ruled the remaining two claims were subject to the Mississippi Tort Claims Act. 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.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023, 2022, AND 2021**

NOTE 14: COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 15, 2023, which is the date the financial statements were available to be issued.

On August 23, 2023, the Authority purchased property in the amount of \$460,000.

On August 24, 2023, the Authority awarded a construction contract for \$185,683.

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 NINE FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	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	\$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	\$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	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	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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)
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST NINE FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 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	(541,234)	(541,111)	(482,573)	(503,589)	(449,256)	(414,205)	(412,157)	(384,089)	(358,328)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered employee payroll	\$3,110,542	\$3,109,833	\$2,773,408	\$2,894,210	\$2,852,579	\$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%	15.75%	15.75%	15.75%	15.75%	15.75%

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

See independent 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 SIX FISCAL YEARS

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

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, 2023

NOTE 1: CHANGES OF ASSUMPTIONS

Net Pension Liability

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

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%.
- 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.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1: CHANGES OF ASSUMPTIONS (Continued)

Net Pension Liability (continued)

2019 (continued)

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

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1: CHANGES OF ASSUMPTIONS (Continued)

Other Postemployment Benefit Liability

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, 2023. In addition, the in-network deductible was increased for the Select coverage and the coinsurance maximums were increased for the Select Coverage beginning January 1, 2023.

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, 2020 valuation for the June 30, 2022 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	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

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

Other Postemployment Benefit Liability

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer contributions are calculated as of the most recent valuation date. The following actuarial methods and assumptions (from June 30, 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 year, 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	6.50%
Ultimate health care cost trend rates	
Medicare Supplement Claims - Pre Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims - Pre Medicare	2030
Long-term investment rate of return, net of pension plan investment expense, including price inflation	2.13%

NOTE 4: PRESENTATION REQUIREMENTS

Net Pension 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.

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 | FAYRE, 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 15, 2023

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, 2023, 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 15, 2023.

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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

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



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Certified Public Accountants & Business Consultants

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

November 15, 2023

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mississippi State Port Authority at Gulfport's, an agency of the State of Mississippi, compliance with the types of compliance requirements identified as subject to audit in the **OMB Compliance Supplement** that could have a direct and material effect on Mississippi State Port Authority at Gulfport's major federal programs for the year ended June 30, 2023. The Mississippi State Port Authority at Gulfport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mississippi State Port Authority at Gulfport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mississippi State Port Authority at Gulfport and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mississippi State Port Authority at Gulfport's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Mississippi State Port Authority at Gulfport's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mississippi State Port Authority at Gulfport's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mississippi State Port Authority at Gulfport's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Mississippi State Port Authority at Gulfport's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mississippi State Port Authority at Gulfport's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mississippi State Port Authority at Gulfport's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

To the Board of Commissioners
Mississippi State Port Authority at Gulfport

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency (MEMA):			
Disaster Public Assistance Grant	97.036		
Hurricane Zeta		PW 166	\$ 22,271
		PW 257	42,855
		PW 296	76,639
		PW 359	79,154
		PW 429	1,537,412
		PW 433	17,326
		PW 454	124,489
		PW 482	20,249
<i>Total U.S. Department of Homeland Security</i>			<u>1,920,395</u>
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority (MDA):			
Community Development Block Grant			
Disaster Recovery	14.228	R115-06-02	140,570
<i>Total U.S. Department of Housing and Urban Development</i>			<u>140,570</u>
U.S. Department of Commerce/U.S. Economic Development Administration			
Passed through the University of Southern Mississippi (USM):			
Gulf Blue Initiative	11.307	8006857.02-01 MSPA	13,961
<i>Total U.S. Department of Commerce/U.S. Economic Development Administration</i>			<u>13,961</u>

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency (MEMA):			
Disaster Public Assistance Grant	97.036		
Hurricane Ida		PW 66	10,242
		PW 90	47,699
<i>Total U.S. Department of Homeland Security</i>			<u>57,941</u>
U.S. Department of Transportation Maritime Administration			
Fiscal Year 2019 Port Infrastructure Development Program (PDIP)			
Port of Gulfport Access Project	20.823	693JF72040027	<u>243,859</u>
<i>Total U.S. Department of Transportation Maritime Administration</i>			<u>243,859</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,376,726</u></u>

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Mississippi State Port Authority at Gulfport under programs of the federal government for the year ended June 30, 2023 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mississippi State Port Authority at Gulfport, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mississippi State Port Authority at Gulfport.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3- RECONCILIATION TO GRANT REVENUE

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2023:

Non-operating revenues (expenses)	
Transfers in from other State agencies	\$ 2,680,147
Add: federal revenues from other governments	432,870
Less: non-federal State agency grant - Multi Modal	(452,458)
Less: non-federal State agency grant - MEMA	(108,784)
Less: non-federal State agency grant - MDA	(175,049)
Total expenditures of federal revenues	<u>\$ 2,376,726</u>

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Program tested as major program:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program</u>
97.036	Disaster Public Assistance Grant

Dollar threshold used to distinguish between type A and B Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted