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**MISSISSIPPI STATE PORT AUTHORITY
AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
FINANCIAL STATEMENTS
JUNE 30, 2021, 2020, AND 2019**



MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
LIST OF OFFICIALS
JUNE 30, 2021

Board of Commissioners

Term

E.J Roberts	President	12/2021
Robert J. Knesal	Vice-President	12/2022
James C. Simpson, Jr.	Secretary	12/2023
John K. Rester	Treasurer	12/2024
Jack Norris	Commissioner	12/2025

Executive Director and Chief Executive Officer

Jon Nass

Chief Operating Officer and Deputy Executive Director

Matthew Wypyski

Chief Financial Officer

Deborah "DeeDee" Wood, CPA

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
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JUNE 30, 2021, 2020, AND 2019

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INDEPENDENT AUDITORS' REPORT



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

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

October 22, 2021

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, 2021, 2020, and 2019, 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 Mississippi State Port Authority at Gulfport as of June 30, 2021, 2020, and 2019, 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 one year after the date that the financial statements are issued.

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Partnering for CPA Practice Success, National Association of Certified Valuation Analysts

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, pension schedules on pages 38 and 39, and other post-employment benefit schedule on page 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 October 22, 2021 on our consideration of the Mississippi State Port Authority at Gulfport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi State Port Authority's internal control over financial reporting and compliance.

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

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC

Certified Public Accountants

Gulfport, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Mississippi State Port Authority at Gulfport (the Authority), we offer the readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2021, 2020, and 2019. We recommend that readers consider the information presented here, in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's net position increased \$2.4 million as a result of this year's operations. Last year the Authority's operations increased net position by \$1.5 million, and fiscal year 2019 had an \$8.6 million increase, as compared to fiscal year 2018.
- Total operating revenues for fiscal year 2021 were \$26.4 million which equates to a 7.3% decrease over the prior year. This decrease is due to the loss of a tenant as a result of their bankruptcy filing. In fiscal years 2020 and 2019, operating revenues were \$28.5 million and \$28.2 million, respectively.
- Maritime revenues decreased 16.4% or \$3.3 million in fiscal year 2021, as compared to a 5.1% increase in fiscal year 2020. Maritime revenues in fiscal years 2021, 2020, and 2019 were \$16.8 million, \$20.1 million, and \$19.1 million, respectively. The \$3.3 million decrease in maritime revenue can be attributed to the loss of a tenant on East Pier, as mentioned in the previous paragraph. As with every State entity, COVID-19 has affected our operations. In fiscal year 2021, our business partners were adjusting to changes in consumer and labor markets, resulting in a 2.5% decrease in vessel related activities, as compared to last year. The Authority is working to accommodate our tenants as consumer's consumption and needs change. The Authority is actively pursuing and negotiating agreements with new companies to enhance and diversify our revenue streams.
- As of June 30, 2021, the Authority's operating expenses totaled \$33.0 million (which includes \$18.3 million in depreciation expense) resulting in an operating loss of \$6.6 million. This compares to an operating loss of \$8.0 million in fiscal year 2020 and a \$5.6 million loss for fiscal year 2019. In fiscal year 2021, \$630 thousand in operating expenses were related to the Community Development Block Grant (CDBG); these costs were reimbursed back to the Authority. In fiscal year 2020, CDBG grant related operating expenses totaled \$2.7 million, and in fiscal year 2019, CDBG grant related operating expenses were \$2.3 million.
- Depreciation expense for fiscal year 2021 was \$18.3 million, as compared to \$18.8 million for fiscal year 2020 and \$18.2 million for fiscal year 2019. Depreciation expense totals 55.5% of our current operating expenses. The Authority's depreciation expense is considerable due to the newly constructed assets that have been added to our facility. Upon review of the Authority's fiscal year 2021 Statement of Cash Flows, which excludes non-cash depreciation expense, the Authority had positive cash flows from our core business activities of \$9.0 million. This indicates that the Authority is financially successful in our day-to-day regular business operations.
- Regarding the Authority's Overall Facility Restoration Plan, costs incurred during fiscal year 2021 were over \$17.3 million. \$15.7 million in CDBG grant related funds were used to finance a major portion of the

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights (continued)

Roger F. Wicker Ocean Enterprise Facility construction project. In fiscal year 2021, facility restoration projects that were completed include: Ilmenite Facility Enhancement Project, East Pier Water Main Replacement Project, North Port Property Fencing Project.

- In fiscal year 2021, the Authority received \$118,779 in grant funds for damages due to Hurricane Zeta. The Authority is currently completing final obligation of all Hurricane Zeta projects with FEMA, and in fiscal year 2022 the Authority will repair and mitigate Hurricane Zeta damages with the assistance of FEMA and MBMA. As of June 30, 2021, the Authority has a grant agreement for \$430,000 from the Mississippi Department of Transportation through the Multi-Modal grant program to assist with construction of the North Harbor Ditch Project.

Overview of the Financial Statements

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

The financial statements include comparative: statements of net position, statements of revenues, expenses, and changes in net position, and statements of 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.

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.

In fiscal year 2020, the Authority's Commission passed a resolution authorizing Management to commit funds annually 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, 2021, the Port has committed \$12 million toward the dredging project.

A summary of the Authority's statement of net position as of June 30, 2021, with comparative amounts for June 30, 2020, 2019, and 2018, is as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative Statements of Net Position (continued)

COMPARATIVE STATEMENTS OF NET POSITION				
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS				
Cash and investments	\$ 18,457,337	\$ 31,414,529	\$ 24,541,968	\$ 38,519,115
Accounts receivable	2,169,905	4,750,313	2,651,680	2,472,772
Other receivables	3,431,759	7,890,265	9,459,761	35,849,206
Prepaid expenses	176,408	170,186	157,401	142,858
Restricted assets:				
Cash and investments	-	-	100,000	100,000
Total current assets	<u>24,235,409</u>	<u>44,225,293</u>	<u>36,910,810</u>	<u>77,083,951</u>
NON-CURRENT ASSETS				
Capital assets, net of accumulated depreciation	628,786,707	640,480,550	655,532,507	657,539,895
Other assets:				
Investments	62,961,419	32,122,498	24,665,097	-
Investment in lease	11,036,348	11,767,909	12,481,426	13,177,344
Restricted - lease deposit	-	-	-	450,000
Total non-current assets	<u>702,784,474</u>	<u>684,370,957</u>	<u>692,679,030</u>	<u>671,167,239</u>
Total assets	<u>\$ 727,019,883</u>	<u>\$ 728,596,250</u>	<u>\$ 729,589,840</u>	<u>\$ 748,251,190</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows	\$ 1,040,966	\$ 969,650	\$ 692,484	\$ 1,007,147
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accruals	\$ 2,393,328	\$ 7,619,170	\$ 9,437,990	\$ 24,242,728
Retainage payable	745,136	94,480	1,198,101	8,012,089
Bonds payable	-	-	-	6,045,000
Total current liabilities	<u>3,138,464</u>	<u>7,713,650</u>	<u>10,636,091</u>	<u>38,299,817</u>
NON-CURRENT LIABILITIES				
Compensated absences	285,997	337,503	300,393	286,085
Net pension & OPEB liability	8,639,498	7,941,928	7,046,706	6,978,172
Payable from restricted assets:				
Customer deposits	-	-	100,000	100,000
Total non-current liabilities	<u>8,925,495</u>	<u>8,279,431</u>	<u>7,447,099</u>	<u>7,364,257</u>
Total liabilities	<u>\$ 12,063,959</u>	<u>\$ 15,993,081</u>	<u>\$ 18,083,190</u>	<u>\$ 45,664,074</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows	\$ 72,143	\$ 92,834	\$ 177,085	\$ 154,268
NET POSITION				
Invested in capital assets, net of related debt	\$ 626,715,999	\$ 639,705,868	\$ 653,928,453	\$ 629,056,688
Restricted	-	-	-	450,000
Unrestricted	<u>89,208,748</u>	<u>73,774,117</u>	<u>58,093,596</u>	<u>73,933,307</u>
TOTAL NET POSITION	<u>\$ 715,924,747</u>	<u>\$ 713,479,985</u>	<u>\$ 712,022,049</u>	<u>\$ 703,439,995</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, 2021, with comparative amounts for June 30, 2020, 2019, and 2018, is as follows:

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION				
	2021	2020	2019	2018
OPERATING REVENUES				
Charges for services	\$ 7,032,996	\$ 7,090,256	\$ 8,047,810	\$ 7,951,505
Revenue from leases	<u>19,356,844</u>	<u>21,387,775</u>	<u>20,103,480</u>	<u>18,561,539</u>
Total operating revenues	<u>26,389,840</u>	<u>28,478,031</u>	<u>28,151,290</u>	<u>26,513,044</u>
OPERATING EXPENSES	<u>32,966,301</u>	<u>36,476,001</u>	<u>33,752,145</u>	<u>30,312,635</u>
LOSS FROM OPERATIONS	<u>(6,576,461)</u>	<u>(7,997,970)</u>	<u>(5,600,855)</u>	<u>(3,799,591)</u>
NON-OPERATING REVENUE (EXPENSES)				
Revenue from other governments	1,237,991	960,058	951,445	934,671
Interest and other investment income	835,006	3,503,292	2,880,034	2,015,456
Transfers in from other State agencies/governments	16,005,728	5,528,455	13,278,064	90,293,095
Insurance proceeds	240,728	2,061	3,934	7,538
Interest expense and other fiscal charges	-	-	(23,986)	(281,093)
Loss on impairment of capital assets, net of insurance recoveries	(877,732)	-	-	-
Loss on disposal of assets	<u>(8,420,498)</u>	<u>(537,960)</u>	<u>(2,906,582)</u>	<u>(2,825,473)</u>
Total non-operating revenue	<u>9,021,223</u>	<u>9,455,906</u>	<u>14,182,909</u>	<u>90,144,194</u>
CHANGE IN NET POSITION	2,444,762	1,457,936	8,582,054	86,344,603
TOTAL NET POSITION - BEGINNING	<u>713,479,985</u>	<u>712,022,049</u>	<u>703,439,995</u>	<u>617,095,392</u>
TOTAL NET POSITION - ENDING	<u>\$ 715,924,747</u>	<u>\$ 713,479,985</u>	<u>\$ 712,022,049</u>	<u>\$ 703,439,995</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.

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

Charges for services - Most of the Authority's maritime services that are provided are reported within this category, which includes: wharfage, dockage, usage, crane fees, harbor fees, line-handling, and security.

Revenue from leases - All revenue received from maritime and non-maritime lease activities are reported within this category; beginning in fiscal year 2017, this category of lease revenue includes Chemours' Guaranteed Construction Reimbursement payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

The Authority's current year total cash flows show a net decrease of \$8.4 million in cash and cash equivalents, as compared to fiscal year 2020. This decrease is primarily attributed to cash outlay for capital construction and the purchase of governmental investment securities. Most importantly, the Authority has positive cash flows of \$9.0 million from day to day operations, which indicates that the Authority's core business services, which are comprised of vessel and tenant activities, are thriving.

Overall Analysis of Financial Position

One of the most important questions to be answered about the Authority's finances is: "Is the Authority, as a whole, 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 and economic market conditions, to assess the overall well-being of the Authority.

The Authority and our tenants have been impacted by COVID-19; in fiscal year 2021, operating revenues decreased by approximately \$2.1 million, as compared to fiscal year 2020. This is attributed to the loss of one of the Authority's main tenants in fiscal year 2021. To offset this loss in revenue, the Authority decreased expenses in fiscal year 2021 by \$3.5 million. This increased our net position by \$2.4 million, which is a 67.2% increase over fiscal year 2020's gain in net position of \$1.5 million.

In fiscal year 2021, expenses incurred for capital asset acquisition and construction were approximately \$16.7 million. The Authority continued planning and construction on several projects in fiscal year 2021, such as: The Port Connector Road Project, North Harbor Ditch Project, Cotton Compress Water and Sewer Project, and several East Pier projects. Additionally, in fiscal year 2022, the Authority will begin FEMA related mitigation work for assets that were damaged during Hurricane Zeta.

The use of CDBG funds for Restoration Projects is nearing its end with the construction of the last capital project, the Roger F. Wicker Center for Ocean Enterprise, which broke ground in November 2019. This Center will encompass nearly 62,000 sq. ft. and will be located near the Port of Gulfport's North Harbor site. The proximity to the water for vessel access, maintenance, and testing was a critical component of site selection. The building will include administrative offices, classrooms, laboratories, and storage areas. This project is scheduled to be completed within the next year.

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, 2021, with comparative amounts for June 30, 2020, 2019, and 2018, is as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets Administration (continued)

CAPITAL ASSETS AS OF JUNE 30, (Net of Depreciation, in millions)				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 127.1	\$ 127.1	\$ 127.1	\$ 127.1
Buildings	99.1	102.7	104.9	75.9
Machinery and equipment	21.7	24.0	27.4	29.6
Land improvements	132.9	139.2	145.6	120.8
Infrastructure	226.0	239.5	240.3	142.3
Leasehold improvements	0.1	0.2	0.2	0.2
Construction in progress	21.9	7.8	10.0	161.6
Total capital assets	<u>\$ 628.8</u>	<u>\$ 640.5</u>	<u>\$ 655.5</u>	<u>\$ 657.5</u>

The Authority continues to maintain and expand its capital asset portfolio. Over \$67 million is budgeted for capital outlay during the next two fiscal years. With the major projects being, the Roger F. Wicker Center for Ocean Enterprise Facility, the acquisition of land/real property, and the Port of Gulfport Access Project or Connector Road Project. The Road project is funded by a \$15.7 million federal grant through the U.S. Department of Transportation (USDOT) Maritime Administration (MARAD) and will improve the roadway infrastructure that feeds into the Port in order to develop intermodal connectivity. The Port of Gulfport Access Project 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: a 160-foot grade-separated bridge over U.S. Highway 90, pavement strengthening along 30th Avenue, replacing existing span wire signals with mast arms, access management improvements, and implementing Intelligent Transportation Systems (ITS).

The Authority's Workforce/Grant Development Department 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 allow for overall facility improvement and growth.

Note 17 to the financial statements, which is on page 35, provides details of the Authority's outstanding construction commitments as of June 30, 2021.

Debt Administration

A summary of the Authority's outstanding bond obligations for the fiscal year ended June 30, 2021, with comparative amounts for June 30, 2020, 2019, and 2018, is as follows:

DEBT OUTSTANDING AS OF JUNE 30,				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds: (backed by the State of Mississippi)				
Series 2009C	\$ -	\$ -	\$ -	\$ 6,045,000

The Authority made their final bond payment in September 2018 of fiscal year 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

Management of the Authority considered a variety of factors in compiling the fiscal year 2022 operating budget, which was approved in June 2021. The Authority planned a 3.5% increase in revenue from operations due to the current tenant trends and the increase in additional crane usage due to an existing tenant's new vessel and increased capacity. The Authority also planned an increase in operating expenses of 4.3% in fiscal year 2022, as compared to fiscal year 2021. This increase is mainly attributable to increased insurance costs as well as repairs and maintenance. As the Authority's infrastructure, buildings, and cranes age, costs to maintain and repair are increasing annually.

Additionally, the Authority will continue to diligently pursue diversified business opportunities with new companies and prospective tenants.

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, 2021, 2020, AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 17,719,412	\$ 26,110,673	\$ 17,815,102
Equity in internal investment pool	737,925	738,058	739,402
Investments	-	4,565,798	5,987,464
Accrued interest receivable	274,508	271,638	228,864
Accounts receivable, net of allowance for doubtful accounts	2,169,905	4,750,313	2,651,680
Investment in lease	731,561	713,517	695,918
Due from other State agencies	2,140,715	6,878,572	8,338,841
Due from other governments	284,975	26,538	196,138
Prepaid expenses	176,408	170,186	157,401
Restricted assets:			
Cash and cash equivalents	-	-	100,000
Total current assets	<u>24,235,409</u>	<u>44,225,293</u>	<u>36,910,810</u>
NON-CURRENT ASSETS			
Capital assets:			
Land	127,060,195	127,060,195	127,060,195
Buildings, net of accumulated depreciation	99,092,713	102,685,623	104,977,071
Machinery and equipment, net of accumulated depreciation	21,753,292	24,001,116	27,411,181
Land improvements, net of accumulated depreciation	132,897,343	139,270,400	145,610,817
Infrastructure, net of accumulated depreciation	225,958,906	239,479,619	240,304,522
Leasehold improvements, net of accumulated depreciation	132,600	156,000	179,400
Construction in progress	21,891,658	7,827,597	9,989,321
Total capital assets, net of accumulated depreciation	<u>628,786,707</u>	<u>640,480,550</u>	<u>655,532,507</u>
Investments - non-current	62,961,419	32,122,498	24,665,097
Investment in lease - non-current	11,036,348	11,767,909	12,481,426
Total non-current assets	<u>702,784,474</u>	<u>684,370,957</u>	<u>692,679,030</u>
Total assets	<u>\$ 727,019,883</u>	<u>\$ 728,596,250</u>	<u>\$ 729,589,840</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for pensions	\$ 977,170	\$ 925,161	\$ 666,126
Deferred outflows for other postemployment benefits	63,796	44,489	26,358
Total deferred outflows of resources	<u>\$ 1,040,966</u>	<u>\$ 969,650</u>	<u>\$ 692,484</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES			
Accounts payable	\$ 1,854,230	\$ 6,984,805	\$ 8,633,644
Retainage payable	745,136	94,480	1,198,101
Unearned revenue	499,696	487,695	688,766
Accrued salaries	12,495	131,537	96,753
Current maturities of compensated absences payable	<u>26,907</u>	<u>15,133</u>	<u>18,827</u>
Total current liabilities	<u>3,138,464</u>	<u>7,713,650</u>	<u>10,636,091</u>
NON-CURRENT LIABILITIES			
Compensated absences payable, net of current maturities	285,997	337,503	300,393
Net pension liability	8,421,095	7,705,284	6,852,786
Net other postemployment benefit liability	218,403	236,644	193,920
Payable from restricted assets:			
Customer deposits	<u>-</u>	<u>-</u>	<u>100,000</u>
Total non-current liabilities	<u>8,925,495</u>	<u>8,279,431</u>	<u>7,447,099</u>
Total liabilities	<u>12,063,959</u>	<u>15,993,081</u>	<u>18,083,190</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows for pensions	24,906	77,176	163,268
Deferred inflows for other postemployment benefits	<u>47,237</u>	<u>15,658</u>	<u>13,817</u>
Total deferred inflows of resources	<u>72,143</u>	<u>92,834</u>	<u>177,085</u>
NET POSITION			
Invested in capital assets, net of related debt	626,715,999	639,705,868	653,928,453
Unrestricted	<u>89,208,748</u>	<u>73,774,117</u>	<u>58,093,596</u>
TOTAL NET POSITION	<u>\$ 715,924,747</u>	<u>\$ 713,479,985</u>	<u>\$ 712,022,049</u>

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUES			
Charges for services	\$ 7,032,996	\$ 7,090,256	\$ 8,047,810
Revenue from leases	<u>19,356,844</u>	<u>21,387,775</u>	<u>20,103,480</u>
Total operating revenues	<u>26,389,840</u>	<u>28,478,031</u>	<u>28,151,290</u>
OPERATING EXPENSES			
General and administrative	3,434,892	3,978,842	3,801,277
Contractual services	10,235,448	12,324,887	10,992,334
Commodities	395,573	333,235	387,100
Pension and other postemployment benefit liability adjustment expense	605,563	533,805	406,014
Other services, charges, and expenses	-	456,525	-
Depreciation and amortization	<u>18,294,825</u>	<u>18,848,707</u>	<u>18,165,420</u>
Total operating expenses	<u>32,966,301</u>	<u>36,476,001</u>	<u>33,752,145</u>
LOSS FROM OPERATIONS	<u>(6,576,461)</u>	<u>(7,997,970)</u>	<u>(5,600,855)</u>
NON-OPERATING REVENUE (EXPENSES)			
Revenue from other governments	1,237,991	960,058	951,445
Interest and other investment income	835,006	3,503,292	2,880,034
Transfers in from other State agencies	16,005,728	5,528,455	13,278,064
Insurance proceeds	240,728	2,061	3,934
Interest expense and other fiscal charges	-	-	(23,986)
Loss on impairment of capital assets, net of insurance recoveries	(877,732)	-	-
Loss on disposal of capital assets	<u>(8,420,498)</u>	<u>(537,960)</u>	<u>(2,906,582)</u>
Total non-operating revenue (expenses)	<u>9,021,223</u>	<u>9,455,906</u>	<u>14,182,909</u>
CHANGE IN NET POSITION	2,444,762	1,457,936	8,582,054
TOTAL NET POSITION - BEGINNING	<u>713,479,985</u>	<u>712,022,049</u>	<u>703,439,995</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 715,924,747</u></u>	<u><u>\$ 713,479,985</u></u>	<u><u>\$ 712,022,049</u></u>

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

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 28,982,249	\$ 25,681,897	\$ 27,979,022
Cash payments for personnel services	(3,593,665)	(3,910,642)	(3,785,348)
Cash payments to suppliers of goods and services	(16,413,190)	(11,860,441)	(13,092,379)
Net cash provided by operating activities	<u>8,975,394</u>	<u>9,910,814</u>	<u>11,101,295</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other governments	979,554	1,129,658	776,351
Transfers in from other State agencies	20,743,585	5,134,244	40,053,544
Net cash provided by noncapital financing activities	<u>21,723,139</u>	<u>6,263,902</u>	<u>40,829,895</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received for capital asset disposal	54,120	750,925	58,636
Acquisition and construction of capital assets	(15,137,752)	(6,854,176)	(38,568,232)
Principal received on investment in lease	713,517	695,918	678,753
Insurance proceeds	721,175	2,061	3,934
Interest paid	-	-	(117,684)
Principal paid on bonds payable	-	-	(6,045,000)
Net cash used in capital and related financing activities	<u>(13,648,940)</u>	<u>(5,405,272)</u>	<u>(43,989,593)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4,156,388	4,450,539	2,649,711
Purchases of investments	(44,102,266)	(23,957,915)	(33,555,919)
Proceeds from maturities of investments	14,504,891	16,932,159	3,000,000
Net cash used in investing activities	<u>(25,440,987)</u>	<u>(2,575,217)</u>	<u>(27,906,208)</u>
Net change in cash and cash equivalents	<u>(8,391,394)</u>	<u>8,194,227</u>	<u>(19,964,611)</u>
Cash and cash equivalents at beginning of year	<u>26,848,731</u>	<u>18,654,504</u>	<u>38,619,115</u>
Cash and cash equivalents at end of year	<u>\$ 18,457,337</u>	<u>\$ 26,848,731</u>	<u>\$ 18,654,504</u>
CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:			
CURRENT ASSETS			
Cash and cash equivalents	\$ 17,719,412	\$ 26,110,673	\$ 17,815,102
Equity in internal investment pool	737,925	738,058	739,402
Restricted Assets:			
Cash and cash equivalents	-	-	100,000
Cash and cash equivalents at end of year	<u>\$ 18,457,337</u>	<u>\$ 26,848,731</u>	<u>\$ 18,654,504</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, 2021, 2020, AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Loss from operations	<u>\$ (6,576,461)</u>	<u>\$ (7,997,970)</u>	<u>\$ (5,600,855)</u>
Adjustments reconciling loss from operations to net cash provided by operating activities:			
Depreciation	18,294,825	18,848,707	18,165,420
Provision for loss on accounts receivable	-	456,525	-
Pension and other postemployment benefit liability adjustment expense	605,563	533,805	406,014
(Increase) decrease in assets:			
Accounts receivable	2,580,408	(2,555,158)	(178,921)
Prepaid expenses	(6,222)	(12,798)	(14,533)
Increase (decrease) in liabilities:			
Accounts payable	(5,775,946)	810,479	(1,698,399)
Due to other governments	-	(60,095)	-
Unearned revenue	12,001	(80,881)	6,640
Accrued salaries	(119,042)	34,784	(1,379)
Accrued compensated absences	(39,732)	33,416	17,308
Customer deposits	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Total adjustments	<u>15,551,855</u>	<u>17,908,784</u>	<u>16,702,150</u>
Net cash provided by operating activities	<u>\$ 8,975,394</u>	<u>\$ 9,910,814</u>	<u>\$ 11,101,295</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, 2021, 2020, AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Financial Reporting Entity

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

Basis of Accounting

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

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

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, 2021, 2020, AND 2019**

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, 2021, 2020, and 2019 the Authority's share in the pooled investment as a state agency consists of cash and totals \$737,925, \$738,058, and \$739,402, 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, 2021, 2020, AND 2019

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 12) and other postemployment benefits (see Note 13). 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 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 12) and other postemployment benefits (see Note 13).

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, 2021, 2020, AND 2019**

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

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

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

Qualifying collateral includes:

- a. Obligations of the U.S. Treasury and obligations guaranteed by the U.S. Government.
- b. Obligations of the Federal Home Loan Bank, Federal National Mortgage Association (Fannie Mae), Federal 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, 2021, 2020, AND 2019

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, 2021, the carrying amount of the Authority’s deposits (including equity in internal investment pool and restricted deposits) was \$18,457,337 and the bank balances totaled \$18,586,098. The total of the bank balance was covered by federal depository insurance or by collateral held by the State of Mississippi Treasury Department or its agent in the State’s name.

As of June 30, 2021, 2020, and 2019, restricted cash and cash equivalents consist of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current:			
Restricted for customer deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Total current	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>

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 \$13,145,191, 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, 2021. 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.

Goldman Sachs				
Government Fund	AAAm	<u>\$ 13,145,191</u>	<u>\$ 20,074,257</u>	<u>\$ 13,500,556</u>
Total		<u>\$ 13,145,191</u>	<u>\$ 20,074,257</u>	<u>\$ 13,500,556</u>

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021, 2020, AND 2019

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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

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

	2021	2020	2019
Federal Farm Credit Bank	\$ 10,319,821	\$ 10,596,848	\$ 4,013,395
Federal Home Loan Banks	22,000,025	6,324,541	9,737,979
U.S. Government Treasury Bill	-	-	4,466,027
U.S. Government Treasury Note	10,627,207	7,946,719	3,033,516
Federal National Mortgage Association	14,593,817	7,993,632	3,975,987
Federal Home Loan Mortgage Corporation	5,420,549	3,826,556	5,425,657
	<u>\$ 62,961,419</u>	<u>\$ 36,688,296</u>	<u>\$ 30,652,561</u>

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

	2021	2020	2019
Current Assets:			
Investments	\$ -	\$ 4,565,798	\$ 5,987,464
Non-Current Assets			
Investments	<u>62,961,419</u>	<u>32,122,498</u>	<u>24,665,097</u>
Total investments	<u>\$ 62,961,419</u>	<u>\$ 36,688,296</u>	<u>\$ 30,652,561</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.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021, 2020, AND 2019**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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.

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, 2021, 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	\$10,319,821	\$ -	\$ -	\$ 10,319,821
Federal Home Loan Banks	22,000,025	-	9,181,100	12,818,925
U.S. Government Treasury Note	10,627,207	-	7,460,332	3,166,875
Federal National Mortgage Association	14,593,817	-	-	14,593,817
Federal Home Loan Mortgage Corporation	5,420,549	-	2,158,655	3,261,894
	<u>\$62,961,419</u>	<u>\$ -</u>	<u>\$ 18,800,087</u>	<u>\$ 44,161,332</u>

Included in the amounts above are callable securities totaling \$36,000,000 with callable dates ranging from July 29, 2021 to November 17, 2022.

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.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
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NOTE 3: INVESTMENT IN LEASE

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.

The lease agreement terms require monthly principal and interest payments of \$84,784 beginning March 26, 2015 through February 26, 2035, at 2.5% per annum interest rate. In addition, the Company shall pay an additional rent of \$1,000 (which represents an administrative fee) per month for the forty-year lease period.

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.

The following is a summary of the future minimum lease payments receivable as of June 30, 2021:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 731,561	\$ 285,853	\$ 1,017,414
2023	750,061	267,353	1,017,414
2024	769,028	248,385	1,017,413
2025	788,476	228,938	1,017,414
2026	808,415	208,998	1,017,413
2027-2035	7,920,368	897,216	8,817,584
	<u>\$ 11,767,909</u>	<u>\$ 2,136,743</u>	<u>\$ 13,904,652</u>

NOTE 4: ACCOUNTS RECEIVABLE

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

	2021	2020	2019
Accounts receivable from customers	\$ 3,675,020	\$ 6,255,428	\$ 3,700,270
Less: allowance for doubtful accounts	<u>(1,505,115)</u>	<u>(1,505,115)</u>	<u>(1,048,590)</u>
Accounts receivable, net	<u>\$ 2,169,905</u>	<u>\$ 4,750,313</u>	<u>\$ 2,651,680</u>

The Authority recorded no bad debt expense for fiscal year ended June 30, 2021, \$456,525 for fiscal year ended June 30, 2020 and no bad debt expense for the fiscal year ended June 30, 2019.

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NOTE 5: DUE FROM OTHER STATE AGENCIES

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
MEMA - FEMA Hurricane Zeta projects	\$ 118,779	\$ -	\$ -
MEMA - FEMA Hurricane Nate projects	-	12,373	39,892
MDA - HUD/CDBG Port restoration projects	1,591,936	6,866,199	8,298,949
MDOT - Multimodal Port Grant	430,000	-	-
	<u>\$ 2,140,715</u>	<u>\$ 6,878,572</u>	<u>\$ 8,338,841</u>

NOTE 6: DUE FROM OTHER GOVERNMENTS

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Harrison County Tax Collector - Ad Valorem Taxes	\$ 18,095	\$ 26,538	\$ 196,138
Institutions of Higher Learning - University of Southern Mississippi - subrecipient	20,000	-	-
Institutions of Higher Learning - University of Southern Mississippi - subcontractor	246,880	-	-
	<u>\$ 284,975</u>	<u>\$ 26,538</u>	<u>\$ 196,138</u>

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NOTE 7: CAPITAL ASSETS

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

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	113,990,020	-	(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 improvements	234,000	-	-	-	234,000
Construction in progress	7,827,597	16,594,862	(253,579)	(2,277,222)	21,891,658
Total capital assets	744,401,174	16,687,359	(16,061,110)	-	745,027,423
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)
Total accumulated depreciation	(103,920,624)	(18,294,825)	5,974,733	-	(116,240,716)
Net capital assets	\$ 640,480,550	\$ (1,607,466)	\$ (10,086,377)	\$ -	\$ 628,786,707

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: CAPITAL ASSETS (Continued)

For the fiscal year ended June 30, 2020

	Balance July 1, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Land	\$ 127,060,195	\$ -	\$ -	\$ -	\$ 127,060,195
Buildings	113,990,020	-	-	-	113,990,020
Machinery and equipment	37,022,540	46,069	(3,909,013)	-	33,159,596
Land improvements	161,450,493	120,382	-	-	161,570,875
Infrastructure	293,477,983	-	-	7,080,908	300,558,891
Leasehold improv.	234,000	-	-	-	234,000
Construction in progress	9,989,321	5,570,101	(650,917)	(7,080,908)	7,827,597
Total capital assets	<u>743,224,552</u>	<u>5,736,552</u>	<u>(4,559,930)</u>	<u>-</u>	<u>744,401,174</u>
Less: accumulated depreciation for:					
Buildings	(9,012,949)	(2,291,448)	-	-	(11,304,397)
Machinery and equipment	(9,611,359)	(2,167,249)	2,620,128	-	(9,158,480)
Land improvements	(15,839,676)	(6,460,799)	-	-	(22,300,475)
Infrastructure	(53,173,461)	(7,905,811)	-	-	(61,079,272)
Leasehold improv.	(54,600)	(23,400)	-	-	(78,000)
Total accumulated depreciation	<u>(87,692,045)</u>	<u>(18,848,707)</u>	<u>2,620,128</u>	<u>-</u>	<u>(103,920,624)</u>
Net capital assets	<u>\$ 655,532,507</u>	<u>\$ (13,112,155)</u>	<u>\$ (1,939,802)</u>	<u>\$ -</u>	<u>\$ 640,480,550</u>

Construction in progress at June 30, 2020 is primarily composed of construction costs for ilmenite facility enhancement project, 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, 2020.

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NOTE 7: CAPITAL ASSETS (Continued)

For the fiscal year ended June 30, 2019

	Balance July 1, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Land	\$ 127,065,818	\$ 450,000	\$ (2,055,888)	\$ 1,600,265	\$ 127,060,195
Buildings	82,884,849	519,260	(987,955)	31,573,866	113,990,020
Machinery and equipment	37,102,572	181,524	(261,556)	-	37,022,540
Land improvements	130,377,572	-	-	31,072,921	161,450,493
Infrastructure	188,149,171	-	-	105,328,812	293,477,983
Leasehold improv.	234,000	-	-	-	234,000
Construction in progress	161,592,719	18,282,858	(310,392)	(169,575,864)	9,989,321
Total capital assets	<u>727,406,701</u>	<u>19,433,642</u>	<u>(3,615,791)</u>	<u>-</u>	<u>743,224,552</u>
Less: accumulated depreciation for:					
Buildings	(6,948,754)	(2,167,935)	103,740	-	(9,012,949)
Machinery and equipment	(7,495,387)	(2,352,413)	236,441	-	(9,611,359)
Land improvements	(9,605,420)	(6,234,256)	-	-	(15,839,676)
Infrastructure	(45,786,045)	(7,387,416)	-	-	(53,173,461)
Leasehold improv.	(31,200)	(23,400)	-	-	(54,600)
Total accumulated depreciation	<u>(69,866,806)</u>	<u>(18,165,420)</u>	<u>340,181</u>	<u>-</u>	<u>(87,692,045)</u>
Net capital assets	<u>\$ 657,539,895</u>	<u>\$ 1,268,222</u>	<u>\$ (3,275,610)</u>	<u>\$ -</u>	<u>\$ 655,532,507</u>

Construction in progress at June 30, 2019 is primarily composed of construction costs for East and West Pier site improvements, East Pier Wharf expansion and fendering system, ilmenite facility enhancement project, sheds 16 and 53 modifications, Northport land improvements, Ocean Enterprise Facility, and Cotton Compress development. In accordance with the standard, there is no capitalizable interest for the year ended June 30, 2019.

NOTE 8: UNEARNED REVENUE

As of June 30, unearned revenue includes the following:

	2021	2020	2019
Chemours (f/k/a Dupont)	\$ 276,546	\$ 266,037	\$ 261,076
Chiquita	220,480	219,058	216,895
McDermott, Inc.	-	-	150,000
Verizon	770	700	700
KLLM	1,900	1,900	-
FEMA - Nate grant	-	-	60,095
	<u>\$ 499,696</u>	<u>\$ 487,695</u>	<u>\$ 688,766</u>

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NOTE 9: CAPITALIZED LEASE

In May 2009, the Authority entered into a land lease on approximately 33 acres in Gulfport, Mississippi. The original amount of the lease is \$699,751 and it has a bargain purchase option. Payments are \$60,500 for 12 months and then continue with annual payments of \$1 for nine years. The lease also included an additional \$450,000 escrow deposit for future site remediation, if necessary. Thus far, no further site remediation has been identified and the escrow deposit is considered part of the land lease. In May 2020, per amendment 2, the lease was extended to December 31, 2020. On June 28, 2021 the Authority declared their intent to exercise the purchase option. As such, the lease was extended until September 30, 2021 or until such time the closing is complete. The closing was executed on September 30, 2021. The Authority is awaiting final signed closing documents from the Secretary of State's Office. The asset is valued at \$1,149,751 and is included in land on the balance sheets.

NOTE 10: COMPENSATED ABSENCES

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

	<u>Beginning Balance</u>	<u>Earned</u>	<u>Used</u>	<u>Ending Balance</u>	<u>Due within 12 months</u>
2021	<u>\$ 352,636</u>	<u>\$ 210,491</u>	<u>\$(250,223)</u>	<u>\$ 312,904</u>	<u>\$ 26,907</u>
2020	<u>\$ 319,220</u>	<u>\$ 315,412</u>	<u>\$(281,996)</u>	<u>\$ 352,636</u>	<u>\$ 15,133</u>
2019	<u>\$ 301,912</u>	<u>\$ 275,995</u>	<u>\$(258,687)</u>	<u>\$ 319,220</u>	<u>\$ 18,827</u>

NOTE 11: LEASING ARRANGEMENTS

Substantially all of the Authority's capital assets are leased to various businesses for periods up to 40 years. All of the leases are accounted for as operating leases. Revenue from leases was \$13,010,066, \$15,181,814, and \$14,035,211 for 2021, 2020, and 2019, respectively. The leases to gaming operations include contingent rentals of \$7,978,226, \$6,801,128, and \$7,562,011, for 2021, 2020, and 2019, respectively. These contingent rentals are based on gross revenues of the gaming operations.

The following is a schedule of future minimum rentals through the end of the lease agreements in effect as of June 30, 2021, not including contingent rentals, consumer price index adjustments, or thruput charges:

<u>Year</u>	<u>Amount</u>
2022	\$ 4,315,542
2023	4,315,432
2024	3,478,953
2025	3,117,739
2026	3,113,539
2027 - 2047	<u>21,394,158</u>
Total	<u>\$ 39,735,363</u>

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NOTE 11: LEASING ARRANGEMENTS (Continued)

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, 2021, 2020, and 2019, 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. The operating lease guaranteed construction reimbursement will be fully paid on October 1, 2026. Lease revenue for fiscal year 2021 totaled \$6,346,778 and is included in revenue from leases on the statement of revenues, expenses, and changes in net position. Interest received from this lease for the year ended June 30, 2021 was \$934,846 and is included under non-operating revenue in interest and other investment income on the statements of revenues, expenses, and changes in net position.

The following is a schedule of future minimum rentals through the end of the lease agreement in effect as of June 30, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,856,053	\$ 835,338	\$ 7,691,391
2023	7,011,621	679,770	7,691,391
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
Total	<u>\$39,685,132</u>	<u>\$2,617,518</u>	<u>\$42,302,650</u>

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. 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, 2021) of the total capitalized costs expended (\$47,808,243 as of June 30, 2021) 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, 2021). 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, 2021, 2020, and 2019 the Authority abated \$452,675, \$467,486, and \$485,666, respectively, in additional percentage rental related to non-gaming activities. From inception of the amended and restated lease agreement through June 30, 2021, the total abated amount is \$3,496,728. As of June 30, 2021, the remaining unused hotel development assistance cap is \$13,236,157. 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 12: RETIREMENT PLAN

Plan Description

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

Benefits Provided

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

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

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, 2021, 2020, and 2019, the Authority's contribution rates were 17.40%, 17.40%, and 15.75% respectively, of annual covered payroll for each year. The Authority's contributions to PERS for the years ended June 30, 2021, 2020, and 2019 were \$457,838, \$517,372, and \$452,777, respectively.

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

At June 30, 2021, the Authority recognized \$8,421,095 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Authority's proportion was 0.0435 percent, which was an decrease of 0.0003 from its proportion measured as of June 30, 2019 (0.0438 percent).

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NOTE 12: RETIREMENT PLAN (Continued)

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

For the year ended June 30, 2021, the Authority recognized expense of \$611,532. 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	\$ 72,981	\$ -
Changes of assumptions	47,433	-
Net difference between projected and actual earnings on Plan investments	357,459	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	41,462	24,906
Authority contributions subsequent to the measurement date	457,835	-
Total	<u>\$ 977,170</u>	<u>\$ 24,906</u>

The Authority's contributions subsequent to the measurement date, \$457,835, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2022	\$ 110,678
2023	196,154
2024	114,868
2025	72,729
	<u>\$ 494,429</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75 percent, net of investment expense, including inflation
Projected salary increases	3.00 - 18.25 percent, including inflation
Inflation	2.75 percent

The actuarial assumptions used in the June 30, 2020 valuation were based on the experience investigation for the four-year period ending June 30, 2018. Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 112% of males rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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NOTE 12: 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	27.00%	4.90%
International equity	22.00%	4.75%
Global equity	12.00%	5.00%
Fixed income	20.00%	0.50%
Real estate	10.00%	4.00%
Private equity	8.00%	6.25%
Cash	1.00%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>Discount Rate</u>	<u>Authority's Proportionate Share of Net Pension Liability</u>
1% decrease	6.75%	\$10,128,863
Current discount rate	7.75%	\$7,705,284
1% increase	8.75%	\$5,704,837

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.

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NOTE 13: 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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.19%
Inflation	2.75%
Salary increases, including wage inflation	3.00% - 18.25%
Municipal bond index rate	2.19%
Health care cost trends	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2030

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of males 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. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy. The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2020.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021, 2020, AND 2019**

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) at June 30, 2020 was 2.19 percent. Since the trust had only \$1,037,371 as of June 30, 2020, the Plan was projected to be depleted immediately, in 2020.

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 2.19 percent, as well as the Authority's proportionate share of the net OPEB liability using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current rate:

	<u>Discount Rate</u>	<u>Authority's Proportionate Share of Net Other Postemployment Benefit Liability</u>
1% decrease	1.19%	\$241,350
Current discount rate	2.19%	\$218,403
1% increase	3.19%	\$198,720

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	\$718,556,000	\$201,662
Current discount rate	\$778,208,000	\$218,403
1% increase	\$845,791,000	\$237,370

MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021, 2020, AND 2019

NOTE 13: 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, 2021, the Authority recognized OPEB adjustment of \$5,969. At June 30, 2021, 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	\$ 33,909	\$ 9,229
Differences between expected and actual experience	278	38,008
Implicit rate subsidy	7,338	-
Net difference between projected and actual earnings on OPEB plan investments	7	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	22,264	-
Total	<u>\$ 63,796</u>	<u>\$ 47,237</u>

The fiscal year 2021 implicit rate subsidy, \$7,338, 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
2022	\$ 2,168
2023	2,168
2024	2,257
2025	3,020
2026	(392)
	<u>\$ 9,221</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 14: LEASES

Office Space

In October 2016, the Authority entered into a lease agreement for office space at One Hancock Plaza in Gulfport, Mississippi, which would encompass all offices at One Hancock Plaza. The office space lease is classified as an operating lease. Effective March 1, 2017 the lease is for a period of 10 years expiring on February 28, 2027. Annual rent under this lease agreement is \$278,020, due in monthly installments of \$23,168. Beginning in the third year and each year after, there is an annual rate increase of 3%. Rent expense was \$298,638 for the year ended June 30, 2021 and \$278,020 for the years ended June 30, 2020, and 2019. Rent expenses are included in the statements of revenues, expenses, and changes in net position as contractual services.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021, 2020, AND 2019**

NOTE 14: LEASES (Continued)

Copier Lease

In February 2013, the Authority entered into a lease agreement for copiers. The lease is classified as an operating lease. The lease term is four years. Monthly rent under this lease agreement is \$1,100. In April 2017, the lease was renewed for a new four-year term with monthly rent of \$879. Rent expense was \$10,548 for the years ended June 30, 2020, and 2019. In April 2021 the Authority entered into a new lease agreement with a new vendor. The agreement commenced May 2021 and will expire April 2024, with two one-year renewal options. Monthly rent under this agreement will be \$569. Rent expense was \$9,928 for the year ended June 30, 2021. Rent expenses are included in the statements of revenues, expenses, and changes in net position as contractual services.

Minimum Future Lease Payments

The minimum future lease payments on the above leases at June 30, 2021 are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 313,666
2023	322,871
2024	331,214
2025	335,290
2026	345,348
Thereafter	<u>234,791</u>
Total	<u>\$ 1,883,180</u>

NOTE 15: TAX ABATEMENTS

For the year ended June 30, 2021, the Authority issued no tax abatements.

NOTE 16: ECONOMIC DEPENDENCY

The Authority's only gaming operations lessee accounted for approximately 35%, 29%, and 32%, of the operating revenues in the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Commitments

Construction in Progress

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. The total amount of the construction contracts in progress as of June 30, 2021 is \$39,905,610, of which \$21,891,658 construction costs has been incurred through June 30, 2021. Of the construction costs incurred as of June 30, 2021 the Authority remains obligated to pay \$2,070,708 from unrestricted cash. The Authority is further obligated to pay the remaining amount of \$18,013,953 as work progresses on these construction contracts from federal grants and Authority revenues.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021, 2020, AND 2019**

NOTE 17: COMMITMENTS AND CONTINGENCIES (Continued)

Dredging Project

In December 2019, the Authority's Commission passed a resolution authorizing Management to commit funds annually 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, 2021, the Authority has committed \$12 million toward the dredging project.

Subcontractor

In March 2021, the Authority entered into a contract with the recipient of federal grant funds to oversee the redesign of two floors of the Ocean Enterprise Facility for the recipient's use as future tenant.

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 April 2012, a construction company filed a bid protest appeal against the Mississippi Department of Finance and Administration and the Authority protesting the award of a construction contract related to a fill project at the Port. The Mississippi Department of Finance and Administration is no longer a party to this proceeding. In July 2020, the Hinds County Circuit Court entered an Order adverse to the Authority. The Authority has filed an appeal of that Order to the Supreme Court of Mississippi and is awaiting oral argument and resolution of the appeal. Should the court uphold the Order, the Authority's potential liability is estimated to be approximately \$3,000,000. General Counsel for the Authority believe that the likelihood of the Authority prevailing is strong.

No accrual for losses as a result of the litigation above has been made in the financial statements.

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 18: MISSISSIPPI COAST FOREIGN TRADE ZONE, INC.

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

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021, 2020, AND 2019**

NOTE 19: RISK MANAGEMENT

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

COVID-19

A novel strain of coronavirus (COVID-19) spread across the world and was declared a pandemic by the World Health Organization on March 11, 2020. As a result of the spread of COVID-19, economic uncertainties have arisen. In response to the effects of the pandemic, the Authority took steps to reduce expenses and limit the effect on the Authority. The future effects of COVID-19 on operational and financial performance will depend on the duration and spread of the outbreak.

Self-Insurance

Tort Claims

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

Unemployment Insurance

The Authority is a member and participant in the Unemployment Insurance Fund under the administration of the Mississippi Department of Finance and Administration, Office of Insurance. The entity is a self-insurance unemployment insurance fund organized under Mississippi Code Ann. 1972 Section 71-5-355. Membership for state agencies is mandatory. The group is self-insured for all unemployment claims filed with the Mississippi Department of Employment Security by former State employees. The members of the group are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

NOTE 20: SUBSEQUENT EVENTS

The Authority has evaluated events occurring subsequent to year end through October 22, 2021, which is the date the financial statements were available to be issued. The following events occurred subsequent to June 30, 2021:

On August 29, 2021 Hurricane Ida swept through the central Gulf Coast region. The extent of the impact of Hurricane Ida on operational and financial performance will depend on damages and duration of recovery efforts. As of the date of this report, the effects are uncertain and cannot be reasonably estimated.

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 SEVEN FISCAL YEARS

	<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	0.0435%	0.0438%	0.0412%	0.0408%	0.0381%	0.0364%	0.0365%
Authority's proportionate share of the net pension liability	\$8,421,095	\$7,705,284	\$6,852,786	\$6,782,345	\$6,805,611	\$5,626,724	\$4,430,431
Authority's covered employee payroll	\$2,773,408	\$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	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	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 auditors' 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 SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 482,573	\$ 503,589	\$ 449,256	\$ 414,205	\$ 384,089	\$ 358,328	\$ 350,941
Contributions in relation to contractually required contribution	(482,573)	(503,589)	(449,256)	(414,205)	(384,089)	(358,328)	(350,941)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered employee payroll	\$2,773,408	\$2,894,210	\$2,852,578	\$2,630,020	\$2,438,795	\$2,275,227	\$2,228,329
Contributions as a percentage of covered employee payroll	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 auditors' 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 FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's proportion of the net OPEB liability	0.02806483%	0.02788834%	0.02506881%	0.02495849%
Authority's proportionate share of the net other postemployment benefit liability - beginning	\$ 236,644	\$ 193,920	\$ 195,827	\$ 192,586
Authority's proportionate share of service cost	5,654	5,289	5,131	5,451
Authority's proportionate share of interest	8,194	8,220	6,845	6,018
Authority's proportionate share of difference in expected and actual experience	(44,776)	(3,692)	468	-
Authority's proportionate share of the change in assumptions or other inputs	3,977	23,083	(5,966)	(522)
Authority's proportionate share of benefit payments	<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><u>\$ 218,403</u></u>	<u><u>\$ 236,644</u></u>	<u><u>\$ 193,920</u></u>	<u><u>\$ 195,827</u></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.

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: CHANGES OF ASSUMPTIONS

Net Pension Liability

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

2019

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

2017

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

2016

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

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using the Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- 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, 2021**

NOTE 1: CHANGES IN ASSUMPTIONS (Continued)

Other Postemployment Benefit Liability

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, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

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, 2018 valuation for the June 30, 2020 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	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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, 2021**

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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

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	7.00%
Ultimate health care cost trend rates	
Medicare Supplement Claims - Pre Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims - Pre Medicare	2028
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.50%

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 | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

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

October 22, 2021

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, 2021, 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 October 22, 2021.

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 entity'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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

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Gulfport, Mississippi



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Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC

Wealth Management

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

October 22, 2021

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

Report on Compliance for 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 described 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, 2021. The Mississippi State Port Authority at Gulfport's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Mississippi State Port Authority at Gulfport's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi State Port Authority at Gulfport's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Mississippi State Port Authority at Gulfport's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mississippi State Port Authority at Gulfport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Mississippi State Port Authority at Gulfport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi State Port Authority at Gulfport's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi State Port Authority at Gulfport's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Identifying Number	Federal Expenditures
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	\$ 15,456,950
<i>Total U.S. Department of Housing and Urban Development</i>			<u>15,456,950</u>
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency (MEMA):			
Disaster Public Assistance Grant	97.036		
Hurricane Zeta		PW 143	15,428
		PW 188	105
		PW 194	8,372
		PW 198	23,825
		PW 202	12,259
		PW 257	1,472
		PW 264	9,949
		PW 284	1,241
		PW 303	3,022
		PW 363	26,138
<i>Total U.S. Department of Homeland Security</i>			<u>101,811</u>
U.S. Department of Defense			
Passed through the University of Southern Mississippi (USM):			
Mississippi Defense Initiative Phase III	12.617	8006541-02.01 MSPAG	20,000
<i>Total U.S. Department of Defense</i>			<u>20,000</u>
Total Expenditures of Federal Awards			<u>\$ 15,578,761</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, 2021**

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, 2021 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, 2021:

Total expenditures of federal awards	\$ 15,578,761
Total federal revenues	<u>\$ 15,578,761</u>
Non-operating revenues (expenses)	
Transfers in from other State agencies	\$ 16,005,728
Less: non-federal State agency grant - MDOT	(430,000)
Less: non-federal State agency grant - MEMA	(16,967)
Add: federal revenues from other governments	20,000
Total federal revenues	<u>\$ 15,578,761</u>

NOTE 4- UNEXPENDED GRANT APPROPRIATIONS

The following are unexpended grant awards at June 30, 2021:

Federal agency	FEMA	HUD	DOD
Total awards at June 30, 2021	\$ 375,808	\$ 561,149,309	\$ 360,000
Total expenditures at June 30, 2021	<u>(101,811)</u>	<u>(551,709,893)</u>	<u>(20,000)</u>
Unexpended at June 30, 2021	<u>\$ 273,997</u>	<u>\$ 9,439,416</u>	<u>\$ 340,000</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, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ 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 auditors’ 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>
14.228	Community Development Block Grant
97.036	Disaster Public Assistance Grant

Dollar threshold used to distinguish between type A and B Programs	*
Auditee qualified as low-risk auditee?	*

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

**MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT
(AN AGENCY OF THE STATE OF MISSISSIPPI)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted