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MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
AUDIT REPORT  
JUNE 30, 2022

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi

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**COLLINS, BARR & HEMBREE, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

To the Board of Directors  
Mississippi Development Bank  
Jackson, Mississippi

### **Opinion**

We have audited the accompanying basic financial statements of Mississippi Development Bank, a component unit of the State of Mississippi, which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of Mississippi Development Bank, as of June 30, 2022 and 2021, and the respective changes in net position, and cash flows thereof 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. 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 Mississippi Development Bank, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities 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 generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

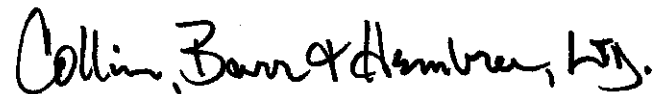
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 10 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of Mississippi Development Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi Development Bank's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Collin Barr & Hembree, LLP." The signature is written in a cursive, flowing style.

September 30, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# MISSISSIPPI DEVELOPMENT BANK

A Component Unit of the State of Mississippi

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Mississippi Development Bank's (the "Bank") audit report presents our discussion and analysis of the Bank's financial performance during the fiscal years that ended on June 30, 2022 and 2021. Please read it in conjunction with the Bank's financial statements, which follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Bank was established as a separate body corporate and politic of the State of Mississippi (the "State") for the public purposes set forth under the provisions of Sections 31-25-1 *et seq.*, Mississippi Code of 1972, as amended (the "Act"). The purpose of the Bank is to foster and promote, in accordance with the Act, the provision of adequate markets and facilities for the borrowing of funds for public purposes by governmental units. To provide funds to accomplish this purpose, the Bank is granted under the Act the power to borrow money and issue its bonds in such principal amounts as it shall deem necessary. The Bank is not liable on any of the bonds issued by the Bank. All such indebtedness is considered conduit debt and therefore is not recorded on the Bank's financial statements.

The Bank is an independent public body and the powers conferred upon the Bank are vested in the Board of Directors of the Bank ("Board") and in no other state agency (House Bill 781, 2001 Regular Session). The Bank has been determined to be a component unit of the State.

Funds are accounting devices that state and local political subdivisions use to keep track of specific sources of funding and spending for particular purposes. Activities the political subdivision operates like businesses are accounted for in proprietary funds. Proprietary fund reporting focuses on the determination of net position, operating income, changes in net position, and cash flows. The proprietary fund category includes enterprise funds. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. All of the activities of the Bank are recorded in one enterprise fund.

GASB Statement No. 34 and related pronouncements are written from the perspective of general purpose governments – states, cities, counties, towns, and villages. However, the Bank and many political subdivisions are special purpose governments. These political subdivisions are legally separate entities and generally provide a limited set of services or programs. Special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds under the provisions of GASB Statement No. 34 and related pronouncements.

## MISSISSIPPI DEVELOPMENT BANK

A Component Unit of the State of Mississippi

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the special purpose governments described in the previous paragraph, basic financial statements consist of:

1. Statement of net position,
2. Statement of revenues, expenses, and changes in net position,
3. Statement of cash flows.

The financial statements also include notes to the financial statements that explain some of the information in the financial statements and provide more detailed data. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities, both financial and capital, and short-term and long-term are included in the financial statements. In addition, all revenues and expenses during the year are included in the financial statements using the accrual method of accounting, regardless of when cash is received or paid.

#### FINANCIAL ANALYSIS

##### Changes in Net Position

Net position decreased \$97,768 during the year ended June 30, 2022 as compared to a decrease of \$57,020 in 2021 and an increase of \$107,902 in 2020.

Operating revenues consist of bond issuer fees. Fees earned by the Bank totaled \$418,815, \$230,175, and \$280,973 for the years ended June 30, 2022, 2021 and 2020, respectively. Fees earned depend upon the level of participation in the various finance programs provided through the Bank. The level of participation by governmental units varies from year to year and is affected by various economic factors.

Operating expenses totaled \$326,214 in 2022 as compared to \$327,618 in 2021. Operating expenses were \$326,520 for 2020. The Bank's office facilities and administrative support are provided by the Mississippi Business Finance Corporation ("MBFC"), a related party. Administrative fees charged by MBFC for these services totaled \$300,000 during each of the years ended June 30, 2022, 2021 and 2020.

Nonoperating revenues (expenses) is comprised of net earnings (loss) on investments. During fiscal year 2022, the Bank recorded a net loss on investments of \$190,369. The net earnings on investments for fiscal years 2021 and 2020 totaled \$40,423, and \$153,449 respectively. The differences between years are primarily due to fluctuations in the amounts available for investment and in the yield on the Bank's investments, including adjustments to fair value in each respective year. Although fluctuations in the fair value of investments materially impacts the net earnings (loss) reported on investments in some years, the Bank's investments are comprised of debt securities that are generally held to maturity. The Bank has not realized any material losses on investments during fiscal years 2022, 2021 and 2020.

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	For the Year Ended June 30, 2022	2021
Operating revenues	\$ 418,815	\$ 230,175
Operating expenses	<u>326,214</u>	<u>327,618</u>
Operating income (loss)	92,601	(97,443)
Nonoperating revenues	<u>(190,369)</u>	<u>40,423</u>
Change in net position	(97,768)	(57,020)
Net position, beginning of year	<u>4,959,032</u>	<u>5,016,052</u>
Net position, end of year	<u><u>\$ 4,861,264</u></u>	<u><u>\$ 4,959,032</u></u>

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position

Cash and cash equivalents, investments and interest receivable for fiscal years 2022, 2021 and 2020 represent approximately 99%, 99%, and 97% of total assets, respectively.

Current liabilities consisted of accounts payable and accrued expenses in the amount of \$117,421 at June 30, 2022 and \$116,867 at June 30, 2021, and 2020.

Net position of the Bank totaled \$4,861,264 at June 30, 2022 as compared to \$4,959,032 at June 30, 2021 and \$5,016,052 at June 30, 2020.

Net Position

	As of June 30, 2022	2021
	<u>2022</u>	<u>2021</u>
Current assets	\$ 4,977,739	\$ 5,072,435
Noncurrent assets	<u>946</u>	<u>3,464</u>
Total assets	<u>4,978,685</u>	<u>5,075,899</u>
Liabilities	<u>117,421</u>	<u>116,867</u>
Net position:		
Invested in capital assets	946	3,464
Unrestricted	<u>4,860,318</u>	<u>4,955,568</u>
Total net position	<u>\$ 4,861,264</u>	<u>\$ 4,959,032</u>

## BASIC FINANCIAL STATEMENTS

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi

STATEMENTS OF NET POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,406,224	\$ 1,369,736
Investments	3,538,448	3,689,373
Receivables	<u>33,067</u>	<u>13,326</u>
Total current assets	<u>4,977,739</u>	<u>5,072,435</u>
Noncurrent assets:		
Capital assets:		
Property and equipment, net	<u>946</u>	<u>3,464</u>
Total assets	<u>4,978,685</u>	<u>5,075,899</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>117,421</u>	<u>116,867</u>
NET POSITION		
Invested in capital assets	946	3,464
Unrestricted	<u>4,860,318</u>	<u>4,955,568</u>
Total net position	<u>\$ 4,861,264</u>	<u>\$ 4,959,032</u>

The notes to the financial statements are an integral part of these statements.

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Issuer fees	<u>\$ 418,815</u>	<u>\$ 230,175</u>
OPERATING EXPENSES:		
Administrative fees	300,000	300,000
Contractual services	16,448	15,594
Depreciation	3,936	3,465
Other	<u>5,830</u>	<u>8,559</u>
Total operating expenses	<u>326,214</u>	<u>327,618</u>
Operating income (loss)	92,601	(97,443)
NONOPERATING REVENUES (EXPENSES):		
Net earnings (loss) on investments	<u>(190,369)</u>	<u>40,423</u>
Change in net position	(97,768)	(57,020)
NET POSITION, BEGINNING OF YEAR	<u>4,959,032</u>	<u>5,016,052</u>
NET POSITION, END OF YEAR	<u><u>\$ 4,861,264</u></u>	<u><u>\$ 4,959,032</u></u>

The notes to the financial statements are an integral part of these statements.

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 398,815	\$ 230,175
Administrative fees paid to related party	(300,000)	(300,000)
Cash payments to suppliers for goods and services	(21,724)	(24,153)
Refund received from debt service reserve funds	-	130,820
Net cash provided (used) by operating activities	<u>77,091</u>	<u>36,842</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net earnings on investments	59,166	71,115
Proceeds from sale of investments	1,204,532	965,612
Purchases of investments	(1,302,883)	(1,012,826)
Purchases of capital assets	(1,418)	-
Net cash provided (used) by investing activities	<u>(40,603)</u>	<u>23,901</u>
Net increase in cash and cash equivalents	36,488	60,743
Cash and cash equivalents, beginning of year	<u>1,369,736</u>	<u>1,308,993</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,406,224</u></u>	<u><u>\$ 1,369,736</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 92,601	\$ (97,443)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,936	3,465
Increase in receivables	(20,000)	-
Decrease in restricted assets	-	130,820
Increase in accounts payable and accrued expenses	554	-
Net cash provided (used) by operating activities	<u><u>\$ 77,091</u></u>	<u><u>\$ 36,842</u></u>

The notes to the financial statements are an integral part of these statements.



MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Mississippi Development Bank (the "Bank"), which have been followed in preparing the accompanying financial statements, are set forth below. The Bank's fiscal year runs annually from July 1<sup>st</sup> to June 30<sup>th</sup> of the following year.

Organization

The Mississippi Development Bank was established as a separate body corporate and politic of the State of Mississippi (the "State") for the public purposes set forth under the provisions of Sections 31-25-1 *et seq.*, Mississippi Code of 1972, as amended (the "Act"). The purpose of the Bank is to foster and promote, in accordance with the Act, the provision of adequate markets and facilities for the borrowing of funds for public purposes by governmental units. To provide funds to accomplish this purpose the Bank is granted under the Act the power to borrow money and issue its bonds in such principal amounts as it shall deem necessary. The Bank is not liable on any of the bonds issued by the Bank. Therefore, all such indebtedness is considered conduit debt as further discussed in Note 5.

The Bank is not an agency of the State. The Bank operates independently and is separate from the State in its corporate and sovereign capacity and has no taxing power. The Bank has been determined to be a component unit of the State. In the event of dissolution, all rights and properties shall pass to and be vested in the State.

Capital Assets

Purchased or constructed capital assets are stated at cost and include expenditures for new additions and those which substantially increase the useful lives of existing property and equipment. Maintenance, repairs and minor replacements are expensed as incurred. The cost of equipment is depreciated on a straight-line basis over the estimated useful lives of 3-5 years for each asset. Depreciation expense for the years ended June 30, 2022 and 2021 was \$3,936 and \$3,465 respectively.

Revenue Recognition

All revenue of the Bank is derived from bond issuance fees and earnings on investments. Bond issuance fees related to the Bank's programs are recognized when bonds are sold. Revenue transactions are classified as operating revenue if those transactions constitute the Bank's principal ongoing operations.

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Operating Expenses

Bond issuance costs are paid by the local governmental units from bond proceeds. The Bank's office facilities and administrative support are provided by Mississippi Business Finance Corporation ("MBFC"), a related party (see Note 4). Expense transactions are classified as operating expenses if those transactions constitute the Bank's principal ongoing operations.

Note 2 – Cash, Cash Equivalents and Investments

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The Bank considers certificates of deposit to be cash equivalents if they have a maturity of three months or less when acquired. Certificates of deposit with maturities in excess of three months are considered investments.

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Bank will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Bank does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. The carrying amount of the Bank's deposits with financial institutions was \$1,406,224 for 2022 and \$1,369,736 for 2021. The bank balance was \$1,406,372 for 2022 and \$1,369,884 for 2021. At June 30, 2022 and 2021, none of the bank balances were exposed to custodial credit risk.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents and Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Bank has a policy regarding investment maturity. Investments should be primarily with maturities of five years or less. United States government and agency obligations and guaranteed investment contracts may be considered for maturities greater than five years. Investments with maturities of greater than five years require approval by the Bank's investment committee.

The Bank categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Bank has the following recurring fair value measurements as of June 30, 2022:

- Government agency bonds, municipal obligations, and mortgage-backed securities of \$3,538,448 are valued using quoted market prices (Level 1 inputs).

Investments made by the Bank that are included on the statements of net position are summarized below as of June 30, 2022 and 2021.

Investment Type	2022 at Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	5-10
Government agency bonds	\$ 931,185	\$ -	\$ 595,453	\$ 335,732
Municipal obligations	1,011,518	419,597	265,710	326,211
Mortgage-backed securities	1,595,745	-	1,189,893	405,852
Total	<u>\$ 3,538,448</u>	<u>\$ 419,597</u>	<u>\$ 2,051,056</u>	<u>\$ 1,067,795</u>

Investment Type	2021 at Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	5-10
Government agency bonds	\$ 801,609	\$ 199,287	\$ 413,743	\$ 188,579
Municipal obligations	1,315,010	347,521	752,137	215,352
Mortgage-backed securities	1,572,754	3,662	1,569,092	-
Total	<u>\$ 3,689,373</u>	<u>\$ 550,470</u>	<u>\$ 2,734,972</u>	<u>\$ 403,931</u>

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents and Investments (Continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Bank's investments in debt securities at June 30, 2022 and 2021 are summarized by Standard & Poor's credit quality rating as follows:

<u>S&amp;P Rating</u>	<u>2022</u>	<u>2021</u>
AA+	\$ 1,592,510	\$ 1,568,234
AA	498,703	646,150
AA-	512,815	542,822
BBB+	3,235	4,520
Not rated - investment grade (1)	<u>-</u>	<u>126,038</u>
Total	<u>\$ 2,607,263</u>	<u>\$ 2,887,764</u>

(1) Investment grade rated by agency other than Standard & Poor.

The Bank's investments in government agency bonds are not considered to have credit risk and are not included in the disclosure of credit quality. The Bank's investment policy requires investments in obligations of insurance firms or other corporations be rated "AA", or its equivalent, or better by recognized rating companies at the time of purchase.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Bank, and are held by either the counterparty or the counterparty's trust department or agent but not in the Bank's name. The Bank does not have any investment securities at June 30, 2022 and 2021 that are exposed to custodial credit risk.

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents and Investments (Continued)

Excluding government agency bonds, certificates of deposit, investments in mutual funds and other pooled investments, the Bank has the following investments in any one issuer that represent five percent or more of total investments at June 30, 2022 and 2021.

Description	2022	2021
MS State Taxable Ser G, 2.470% due 11/01/21	\$ -	\$ 251,960
MS State Taxable Ser B, 2.829% due 10/01/25	211,708	232,669
FN AN6862 DUS Bond, 2.750% due 09/01/24	-	255,848
Harrison County MS Ref Ser B 1.769% Due 10/01/22	224,696	228,051
Mississippi St Dev Dk Txbl Desoto Cnty Hghwy Rev 2.544% Due 01/01/28	188,164	212,808
FN AN3621 Dus Bond floats @ 1M Libor + 0.58% Due 09/01/26	246,462	249,898
FRESB 2021-SB92 ASF 1.2% Due 09-25-26	216,360	-
FR RD5073 10 YEAR PASS THROUGH 2.0% Due 11-01-31	217,981	-
FN MA4278 15 Year Pass Through, 1.5% Due 03/01/36	186,388	245,799
FN FM6779 10 Year Pass Through, 1.5% Due 04/01/31	193,044	248,805
FFCB Bullet 2.8% Due 12/17/21	-	202,488
	<u>\$ 1,684,803</u>	<u>\$ 2,128,326</u>

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 3 – Capital Assets

The changes in capital assets for the years ended June 30, 2022 and 2021 are summarized as follows:

	July 1, 2021 Beginning Balance	Increases	Decreases	June 30, 2022 Ending Balance
Capital assets-				
Property & equipment	\$ 81,852	\$ 1,418	\$ -	\$ 83,270
Accumulated depreciation-				
Property & equipment	(78,388)	(3,936)	-	(82,324)
Capital assets, net	<u>\$ 3,464</u>	<u>\$ (2,518)</u>	<u>\$ -</u>	<u>\$ 946</u>
	July 1, 2020 Beginning Balance	Increases	Decreases	June 30, 2021 Ending Balance
Capital assets-				
Property & equipment	\$ 81,852	\$ -	\$ -	\$ 81,852
Accumulated depreciation-				
Property & equipment	(74,923)	(3,465)	-	(78,388)
Capital assets, net	<u>\$ 6,929</u>	<u>\$ (3,465)</u>	<u>\$ -</u>	<u>\$ 3,464</u>

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 4 – Related Party

MBFC is a not-for-profit public corporation that administers a variety of finance programs designed to assist business and industry in locating or expanding in the State. MBFC is a component unit of the State. MBFC's members are appointed by various state elected officials. MBFC's Board of Directors are elected by its members. By statute, the Board of Directors of MBFC serve as the Board of Directors of the Bank. Also, the officers of MBFC serve as officers of the Bank in accordance with the Bank's by-laws.

The Bank's office facilities and administrative support are provided by MBFC. Administrative fees charged annually by MBFC for the years ended June 30, 2022 and 2021 were \$300,000 for each year.

Note 5 – Conduit Debt Transactions

The Bank assists governmental units through programs of providing loans under loan agreements between such governmental units and the Bank. The Bank issues special obligation bonds in order to provide funds for making loans to the governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds. The bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements.

The outstanding balance of special obligation bonds issued by the Bank was approximately \$2.93 billion at June 30, 2022 and approximately \$2.91 billion at June 30, 2021. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds. However, a debt service reserve fund pursuant to Mississippi Code Annotated Section 31-25-105 has been authorized on approximately \$124 million of the bonds outstanding as of June 30, 2022.

MISSISSIPPI DEVELOPMENT BANK  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 6 – Risk Management

The Bank is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Bank carries commercial insurance for these risks. There have been no settled claims resulting from these insured risks in any of the past three fiscal years.

Note 7 – Subsequent Events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Bank through September 30, 2022, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



## INTERNAL CONTROL AND COMPLIANCE REPORT



**COLLINS, BARR & HEMBREE, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Directors  
Mississippi Development Bank  
Jackson, 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 basic financial statements of the Mississippi Development Bank (the "Bank"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Bank's financial statements, and have issued our report thereon dated September 30, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bank's internal control over financial reporting (internal control) to determine the 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 Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bank'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 Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Collins, Barr & Hambrecht, LLP*

September 30, 2022