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**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION
FINANCIAL STATEMENTS OF SELECTED FUNDS AND
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Mississippi Department of Transportation and
Mississippi Transportation Commission
401 North West Street
Jackson, MS 39201

Opinion

We have audited the accompanying financial statements of the general funds of the Mississippi Department of Transportation (MDOT), as of and for the year ended June 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general funds for the Mississippi Department of Transportation as of June 30, 2022, and the respective changes in financial position for the year 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 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 Mississippi Department of Transportation 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the general funds of the Mississippi Department of Transportation and do not purport to, and do not present fairly the financial position of the Mississippi Department of Transportation as of June 30, 2022, or its changes in financial position for the year ended in accordance with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

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.

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 opinions. 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 and *Government 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 and *Government 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 MDOT'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 MDOT'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2023, on our consideration of MDOT'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 solely 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 MDOT's 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 MDOT's internal control over financial reporting and compliance.

Haddox Reid Eubank Betts PLLC

Ridgeland, Mississippi
February 15, 2023

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**BALANCE SHEET
GENERAL FUNDS
AS OF JUNE 30, 2022**

ASSETS:

Cash and cash equivalents	\$ 248,283,690
Restricted cash	39,686,540
Receivables, net	22,534,884
Due from other governments, net	65,728,998
Due from other funds	17,704,832
Due from component units	3,253
Inventories	<u>16,692,411</u>
Total assets	\$ <u>410,634,608</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

Liabilities:

Warrants payable	\$ 3,637,725
Accounts payable and accruals	20,484,294
Contracts payable	88,316,053
Due to other governments	7,887,621
Due to other funds	4,780,334
Due to component units	<u>679,124</u>
Total liabilities	<u>125,785,151</u>

Deferred inflows of resources:

Unavailable revenues	<u>20,107,664</u>
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Fund balances:

Nonspendable:

Inventories	16,692,411
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Restricted:

Transportation	<u>248,049,382</u>
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Total fund balances	<u>264,741,793</u>
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Total liabilities, deferred inflows of resources and fund balances	\$ <u>410,634,608</u>
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The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GENERAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

Revenues:

Taxes:

Sales and use	\$ 17,092,176
Gasoline and other motor fuel	320,618,991
Other	82,622,989
Licenses, fees and permits	25,919,861
Court assessments	631,840
Donations	15,000
Federal government	616,102,284
Investment income	5,533,849
Charges for sales and services	8,449,141
Rentals	18,810
Other	<u>2,518,420</u>
Total revenues	<u>1,079,523,361</u>

Expenditures:

Transportation:

Salaries and fringe benefits	61,615,975
Travel	668,840
Contractual services	16,135,822
Commodities	32,836,779
Capital outlay	891,507,581
Subsidies, loans, and grants	<u>40,304,517</u>
Total transportation	1,043,069,515
Debt service:	
Principal	42,573,272
Interest and other fiscal charges	<u>28,403,529</u>
Total expenditures	<u>1,114,046,316</u>

Deficiency of revenues over expenditures	<u>(34,522,955)</u>
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**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CONTINUED:
GENERAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

Other Financing Sources (Uses):

Proceeds from capital leases	\$ 13,575,000
Transfers in	68,479,392
Transfers out	<u>(62,360,680)</u>
Net other financing sources	<u>19,693,712</u>
 Net change in fund balances	 (14,829,243)
 Fund balances - beginning	 <u>279,571,036</u>
Fund balances - ending	\$ <u><u>264,741,793</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Background Information

The Mississippi Department of Transportation (MDOT) is responsible for providing a safe intermodal network that is planned, designed, constructed and maintained in an effective, cost efficient, and environmentally sensitive manner. The State of Mississippi vests oversight of its transportation resources and operations in a three-member elected commission representing three geographic areas in the state as defined by the Supreme Court Districts: Central (Supreme Court District 1), Southern (Supreme Court District 2) and Northern (Supreme Court District 3). The Commissioners have the authority and responsibility for the supervision of all modes of transportation in the state dealing with aeronautics, highways, public transit, ports and railroads. In accordance with state law, the Commission is responsible for planning, developing and coordinating a comprehensive, balanced intermodal transportation policy for the state. The Commission membership appoints its Chairman. The Commission appoints an Executive Director of MDOT to carry out the day-to-day policies and procedures of the agency.

MDOT is funded through appropriations by the U.S. Congress and the Mississippi Legislature. The U.S. Congress provides funding through the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Federal Railroad Administration (FRA), and the Federal Aviation Administration (FAA). The Mississippi Legislature provides state funding through motor fuel taxes and other fees. MDOT is also funded through receipts derived from other dedicated state taxes such as truck and bus fees; the privilege tax; weight and size permits; trip permits; a contractor's tax of 3.5 percent assessed on certain highway construction contracts; a \$5 per vehicle tag registration fee; and a lubricating oil tax. MDOT also receives a portion of Lottery proceeds, investment income and interest income.

B. Financial Reporting Entity

MDOT is a state agency included in the State of Mississippi's Annual Comprehensive Financial Report. The selected general funds presented in these financial statements are part of the larger entity that in whole comprises the financial reporting entity of the Mississippi Department of Transportation.

C. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the balance sheet as applicable. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The State considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include sales taxes and federal grants. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures are recognized upon receipt of goods and services.

E. Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires MDOT to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and other changes in fund balances during the period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents include equity in State Treasury Funds, bank accounts, petty cash, and money market mutual funds. MDOT considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

G. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB establishes a fair value reporting hierarchy to maximize the use of observable inputs when measuring fair value and defines the three levels of inputs as noted below:

Level 1 - Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or futures contracts.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

G. Fair Value Measurements - continued:

Level 2 - Assets and liabilities valued based on observable market data for similar instruments. Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for assets and liabilities, either directly or indirectly.

Level 3 - Assets or liabilities for which significant valuation assumptions are not readily observable in the market and instruments, which are valued based on the best available data. Fair value is estimated using unobservable inputs that are significant to the fair value of the assets or liabilities. Level 3 assets may include instruments for which the determination of fair value requires significant management judgment or estimation.

H. Receivables

Receivables are reported net of an allowance for uncollectible accounts, where applicable. The details of the receivables and uncollectible amounts as of June 30, 2022 are reported in Note 4.

I. Inventories

Cost of inventories held for use by MDOT is determined by the weighted average method. Inventories of supplies and materials are recorded as expenditures when consumed rather than when purchased.

J. Deferred Inflows of Resources

Unavailable revenues are reported in the governmental fund financial statements as deferred inflows of resources until such time as the revenues become available.

K. Fund Balance

Fund balance is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources on governmental funds financial statements. Fund balances of governmental funds are classified as:

Nonspendable - amounts that cannot be spent because they are not in a spendable form (not expected to be converted to cash) or are legally required to be maintained intact. Examples include inventories.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

K. Fund Balance - continued:

Restricted - amounts where legally enforceable constraints are imposed by an external party such as a grantor, or by the constitution, or by the State Legislature at the same time the revenue is created.

L. Federal Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

M. Bonds and Notes

Bond and note proceeds, premiums and discounts are reported as other financing sources or uses in the governmental fund financial statements. Issuance costs are recognized as debt service expenditures/expenses in the period incurred.

NOTE 2 - DUE FROM OTHER STATE AGENCIES

All amounts due to MDOT are expected to be collected in fiscal year 2022, except for the \$6,794,486 due from the Department of Finance and Administration (DFA). In 1992, Senate Bill 2702 directed MDOT to make a \$12,000,000 loan to the DFA State General Fund 2999000000, which was supposed to be repaid by June 30, 1993. However, only \$5,205,514 was repaid to MDOT, with the last payment made approximately twenty years ago. The remaining balance of the loan is not expected to be repaid by the State General Fund at the present time. In accordance with the Mississippi Constitution, Article 4, Section 100, the remaining balance due is not permitted to be "extinguished except by payment," nor is the balance due permitted to be "exchanged or transferred except upon payment of its face value." Therefore, the balance remains a due from balance on MDOT's General Fund 3394100000 and a due to balance on the State General Fund. Because both of these funds are general funds, the due to and due from amounts eliminate in the consolidated State of Mississippi Annual Comprehensive Financial Report.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30, 2022:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Equity in State Treasury Funds	\$ 247,232,799	-	247,232,799
Cash with fiscal agent	-	9,469,183	9,469,183
Money market mutual funds with fiscal agent	-	30,217,357	30,217,357
Deposits at financial institutions	850,891	-	850,891
Petty cash	200,000	-	200,000
	<u>\$ 248,283,690</u>	<u>39,686,540</u>	<u>287,970,230</u>

The collateral for public entities' deposits in financial institutes 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, MDOT'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. Deposits at June 30, 2022, are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Deposits	\$ <u>10,320,074</u>	<u>9,614,310</u>

The difference of \$705,764 was principally due to a deposit in transit. Of the bank balance, \$395,127 was covered by Federal Depository Insurance.

Custodial Credit Risks - Deposits - Custodial risk is defined as the risk that, in the event of a financial institution's failure, MDOT's deposits may not be returned to it. As of June 30, 2022, \$9,219,183 of MDOT's bank balance of \$9,614,310 was exposed to custodial credit risk as follows:

Collateralized by the State Public Funds Guaranty Pool	\$ <u>9,219,183</u>
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**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 4 - RECEIVABLES

At June 30, 2022, receivables consisted of:

Accounts	\$ 24,789,468
Interest	31,348
Other	<u>70,000</u>
Gross receivables	24,890,816
Allowance for uncollectibles	<u>(2,355,932)</u>
Receivables, net	\$ <u>22,534,884</u>

NOTE 5 - DUE FROM OTHER GOVERNMENTS

At June 30, 2022, due from other governments consisted of:

Due from other governments	\$ 65,784,217
Allowance for uncollectibles	<u>(55,219)</u>
Due from other governments, net	\$ <u>65,728,998</u>

NOTE 6 - RETIREMENT PLANS

MDOT contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

PERS members are required to contribute 9.00% of their annual covered salary and the Agency is required to contribute at an actuarially determined rate. The current rate is 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. For the year ended June 30, 2022, MDOT contributed \$20,277,392 to PERS for the general funds included in these financial statements.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 7 - COMMITMENTS

At June 30, 2022, MDOT had contracts outstanding of approximately \$1,287,000,000 with performance continuing during fiscal year 2023. Of this amount \$57,215,000 is related to local public agencies, such as planning and development districts, counties and municipalities. These contracts were primarily for construction, repair and maintenance and will be paid through the selected general funds. Approximately 67 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline taxes.

NOTE 8 - RISK MANAGEMENT

MDOT is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The State has elected to finance most exposures to risk through the retention of risk. The State utilizes the Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits.

Health and Life Benefits: State law mandates that all employees of state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage. The State has elected to manage the cost of all required health benefits through the retention of all exposure. The life benefit is insured through the purchase of commercial insurance for death benefit distribution under tax law but management of the risk is accomplished by self insuring within an insured shell.

Tort Liability: The State manages tort claims through the retention of all liability exposure. The State Legislature created the Tort Claims Board to administer these claims beginning in fiscal year 1994. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. Claim payments are financed by the State through an annual assessment to all state agencies based on amount of payroll and past loss history.

Unemployment Benefits: Unemployment benefits are established in statute and administered by the Mississippi Department of Employment Security. The State elects to manage the financial risk for state agencies through retention of all liability exposure. Benefits are financed by the State through collection of premiums from agencies, which provides a stable cash flow for payment of claims.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 8 - RISK MANAGEMENT - CONTINUED:

Workers' Compensation Benefits: Workers' compensation benefits are established in statute and the rules and regulations are established by the Mississippi Workers' Compensation Commission and the Mississippi State Agencies Self-Insured Workers' Compensation Trust Board of Trustees. The exposure of risk in the Risk Management Fund is financed by the State mostly through retention of all exposure, with limited purchase of commercial excess insurance. The benefits are financed through collection of premiums based on an actuarial estimate from agencies which provides a stable cash flow for claims payments.

NOTE 9 - CONTINGENCIES

Federal Grants - MDOT has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of MDOT. MDOT estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

Litigation - MDOT is party to various legal proceedings that arise in the normal course of governmental operations. If an unfavorable outcome of the litigation is determined to be likely and probable, MDOT will record a liability to reflect the estimated outcome of the litigation. All litigation is handled through the State's Attorney General's Office (AGO). The AGO believes that they will be successful in defending MDOT in a majority of these cases, and the ultimate disposition of these matters will not have a material adverse effect on the financial position of MDOT.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

GASB Statement No. 87, *Leases*, issued June 2017, will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. However, the effective date of this pronouncement was postponed by Statement No. 95 in May 2020 until reporting periods beginning after June 15, 2021. The requirements of this standard had no impact on MDOT's financial statement.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2020. However, the effective date of this pronouncement was postponed by Statement No. 95 in May 2020 until reporting periods beginning after December 15, 2021. The requirements of this standard had no impact on MDOT's financial statement.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. However, the effective date of this pronouncement was postponed by Statement No. 95 in May 2020 until reporting periods beginning after June 15, 2022. The requirements of this standard had no impact on MDOT's financial statement.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, addresses certain debt instruments that some governments have entered into in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR will cease to exist at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. However, the effective date of this pronouncement was postponed by Statement No. 95 in May 2020 until reporting periods beginning after June 15, 2021. The requirements of this standard had no impact on MDOT's financial statement.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Adopted Accounting Pronouncements - continued:

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The effects of paragraph 4 and 5 of this Statement do not have a material impact on MDOT's financial statements. The requirements of this standard had no impact on MDOT's financial statement.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, with the primary objective to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement on MDOT's financial statements.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement on MDOT's financial statements.

GASB Statement No. 99, *Omibus 2022*, issued April 2022, this statement objective is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the impact of the adoption of this Statement on MDOT's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting - understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Recently Issued Accounting Pronouncements - continued:

be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this Statement on MDOT's financial statements.

GASB Statement No. 101, *Compensated Absences*, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this Statement on MDOT's financial statements.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO FINANCIAL STATEMENTS OF SELECTED FUNDS
JUNE 30, 2022**

NOTE 11 - SUBSEQUENT EVENTS

MDOT has evaluated subsequent events through February 15, 2023, the date the selected general fund financial statements were approved by MDOT's management and thereby available to be issued, and has determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying selected general fund financial statements.

NOTE 12 - CHANGE IN REPORTING ENTITY

In the financial statements for the year ended June 30, 2021, only General Funds 3394100000 and 5394100000 were included. For the year ended June 30, 2022, all general funds of MDOT were included. Fund balance at June 30, 2021, for the funds added in 2022 totaled \$96,066,213.

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**INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF CHANGES
IN CAPITAL ASSETS AND SCHEDULE OF CHANGES IN NOTES PAYABLE**

To the Mississippi Department of Transportation and
Mississippi Transportation Commission
401 North West Street
Jackson, MS 39201

Opinions

We have audited the accompanying schedule of changes in capital assets and the schedule of changes in notes payable (the schedules) that are the direct result of the cumulative activity of the general funds of the Mississippi Department of Transportation (MDOT), as of and for the year ended June 30, 2022, and the related notes to the schedules.

In our opinion, the schedules referred to above present fairly, in all material respects, the respective financial position of the general funds for the Mississippi Department of Transportation, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Mississippi Department of Transportation 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 opinions.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of the schedules 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 the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedules

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 opinions. 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 and *Government 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 and *Government 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 MDOT'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 MDOT'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2023, on our consideration of MDOT'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 solely 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 MDOT's 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 MDOT's internal control over financial reporting and compliance.

Haddox Reid Eubank Bell PLLC

Ridgeland, Mississippi
February 15, 2023

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**SCHEDULE OF CHANGES IN CAPITAL ASSETS
GENERAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance at June 30, 2022</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 2,244,250,048	130,891,396	(117,984,605)	-	2,257,156,839
Construction in progress	<u>3,349,986,547</u>	<u>751,044,161</u>	<u>(443,941)</u>	<u>(1,487,872,654)</u>	<u>2,612,714,113</u>
Total capital assets not being depreciated	<u>5,594,236,595</u>	<u>881,935,557</u>	<u>(118,428,546)</u>	<u>(1,487,872,654)</u>	<u>4,869,870,952</u>
Capital assets being depreciated:					
Buildings	211,461,607	121,594	(9,509,247)	-	202,073,954
Land improvements	109,743,662	38,818	(28,506,924)	-	81,275,556
Machinery and equipment	216,150,762	9,411,612	(9,303,909)	-	216,258,465
Infrastructure	<u>13,737,447,811</u>	<u>-</u>	<u>(257,802,169)</u>	<u>1,487,872,654</u>	<u>14,967,518,296</u>
Total capital assets being depreciated	<u>14,274,803,842</u>	<u>9,572,024</u>	<u>(305,122,249)</u>	<u>1,487,872,654</u>	<u>15,467,126,271</u>
Less accumulated depreciation for:					
Buildings	65,542,635	3,912,068	(3,300,311)	-	66,154,392
Land improvements	60,776,776	3,507,290	(19,217,410)	-	45,066,656
Machinery and equipment	151,976,116	12,064,019	(7,497,499)	-	156,542,636
Infrastructure	<u>4,672,621,106</u>	<u>578,092,932</u>	<u>(257,802,169)</u>	<u>-</u>	<u>4,992,911,869</u>
Total accumulated depreciation	<u>4,950,916,633</u>	<u>597,576,309</u>	<u>(287,817,389)</u>	<u>-</u>	<u>5,260,675,553</u>
Total capital assets being depreciated, net	<u>9,323,887,209</u>	<u>(588,004,285)</u>	<u>(17,304,860)</u>	<u>1,487,872,654</u>	<u>10,206,450,718</u>
Governmental activities capital assets, net	\$ <u>14,918,123,804</u>	<u>293,931,272</u>	<u>(135,733,406)</u>	<u>-</u>	<u>15,076,321,670</u>

The accompanying notes to the schedules are an integral part of this schedule.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**SCHEDULE OF CHANGES IN NOTES PAYABLE
GENERAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

	Beginning Balance <u>July 1, 2021</u>	Additions/ <u>Proceeds</u>	Reductions/ <u>Payments</u>	Ending Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
Desoto Series 2010B	\$ 136,780,000	-	-	136,780,000	-
Premium on bond	10,741	-	793	9,948	793
Desoto Series 2014	9,870,000	-	4,815,000	5,055,000	5,055,000
Premium on bond	6,259,092	-	736,604	5,522,488	736,604
Desoto Series 2015A	20,930,000	-	1,085,000	19,845,000	1,135,000
Premium on bond	4,335,002	-	321,046	4,013,956	321,046
Desoto Series 2017A	34,895,000	-	2,450,000	32,445,000	2,575,000
Premium on bond	3,356,623	-	319,594	3,037,029	319,594
Desoto Series 2019	46,955,000	-	795,000	46,160,000	810,000
Harrison Series 2009B	63,295,000	-	-	63,295,000	-
Harrison Series 2013A	36,050,000	-	6,510,000	29,540,000	6,840,000
Premium on bond	5,203,716	-	1,044,806	4,158,910	1,044,806
Laurel Series 2013B	11,505,000	-	2,095,000	9,410,000	2,185,000
Premium on bond	1,359,375	-	272,936	1,086,439	272,936
Madison Series 2013C	58,535,000	-	8,580,000	49,955,000	9,020,000
Premium on bond	8,248,095	-	1,379,152	6,868,943	1,379,152
Marshall Series 2012	21,435,000	-	10,420,000	11,015,000	10,380,000
Premium on bond	4,624,651	-	715,736	3,908,915	715,736
Marshall Series 2015B	34,460,000	-	1,760,000	32,700,000	1,850,000
Premium on bond	9,000	-	664	8,336	664
Marshall Series 2017	59,445,000	-	-	59,445,000	-
Premium on bond	7,792,965	-	1,200,458	6,592,507	1,200,458
Tunica Series 2012	13,160,000	-	3,055,000	10,105,000	3,205,000
Premium on bond	1,581,528	-	451,865	1,129,663	451,865
Total	\$ <u>590,095,788</u>	<u>-</u>	<u>48,008,654</u>	<u>542,087,134</u>	<u>49,498,654</u>

The accompanying notes to the schedules are an integral part of this schedule.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO SCHEDULE OF CHANGES IN CAPITAL ASSETS AND
SCHEDULE OF CHANGES IN NOTES PAYABLE
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Schedule Presentation

The Mississippi Department of Transportation (MDOT) is a state agency included in the State of Mississippi's Annual Comprehensive Financial Report. The accompanying schedule of changes in capital assets and schedule of changes in notes payable (the schedules) are derived from the government-wide accounting records of MDOT's general funds. The schedules are reported using the economic resources measurement focus and are on the accrual basis in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

B. Capital Assets

Capital assets are reported, net of depreciation, in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their acquisition value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or acquisition value on the date of donation, software - \$1,000,000, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$5,000, infrastructure - \$100,000, and construction in progress - based on the project's class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets. Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated service lives of the respective assets. Estimated service lives include 5 to 20 years for software, 40 years for buildings, 20 years for land improvements, 5 to 15 years for machinery and equipment, 3 years for computer equipment, 5 to 15 years for heavy and outdoor equipment, and 3 to 10 years for vehicles. The estimated service life varies from 12 to 50 years for infrastructure, based on the individual asset.

C. Notes Payable

Notes payable are presented at the face amount of the bonds outstanding plus or minus unamortized premiums or discounts. Bond premiums or discounts are amortized on the straight line basis over the life of the bonds.

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO SCHEDULE OF CHANGES IN CAPITAL ASSETS AND
SCHEDULE OF CHANGES IN NOTES PAYABLE
JUNE 30, 2022**

NOTE 2 - CAPITAL ASSETS

Construction in progress is as follow:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Outstanding Commitment</u>
Land and building	\$ 17,474,384	14,243,753	2,093,765
Infrastructure	3,939,564,303	2,598,470,360	1,349,468,446
Total	\$ <u>3,957,038,687</u>	<u>2,612,714,113</u>	<u>1,351,562,211</u>

NOTE 3 - NOTES PAYABLE

A. At June 30, 2022, MDOT's outstanding notes payable from direct borrowings are:

<u>Purpose</u>	<u>Outstanding Amount</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Original Amount</u>
Roads and bridges	\$ 505,750,000	2% - 6.589%	Jan. 2040	\$ 864,490,000
Premium on bonds	-			
Total notes payable, net	\$ <u>505,750,000</u>			

B. Refundings and Defeased Notes

In a previous year, MDOT entered into a financing agreement for the advance refunding of a \$43,135,000 portion of the 2014 highway project note payable. The net proceeds of the refunding debt were deposited into an irrevocable trust to be used solely for satisfying all future scheduled principal and interest payments on the refunded portion of the 2014 note payable. Accordingly, this resulted in an in-substance defeasance of the refunded portion of the 2014 note payable for financial reporting purposes, and the defeased portion of the 2014 note payable and the related trust account are not included in the accompanying schedule of changes in notes payable. At June 30, 2022, \$43,135,000 of the defeased bonds is still outstanding.

In a previous year, MDOT entered into a financing agreement for the advance refunding of a \$62,485,000 portion of the 2012 highway project note payable. The net proceeds of the refunding debt were deposited into an irrevocable trust account to be used solely for satisfying all future scheduled principal and interest payments on the refunded portion of the 2012 note payable. Accordingly, this resulted in an in-substance defeasance of the refunded

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO SCHEDULE OF CHANGES IN CAPITAL ASSETS AND
SCHEDULE OF CHANGES IN NOTES PAYABLE
JUNE 30, 2022**

NOTE 3 - NOTES PAYABLE - CONTINUED:

B. Refundings and Defeased Notes - continued:

portion of the 2012 note payable for financial reporting purposes, and the defeased portion of the 2012 note payable and the related trust account are not included in the accompanying schedule of changes in notes payable. At June 30, 2022, \$62,485,000 of the defeased bonds is still outstanding.

At June 30, 2022, \$62,485,000 of the in-substance defeased 2012 note payable remained outstanding with a January 2022, call date, and \$43,135,000 of the in-substance defeased 2014 note payable remained outstanding with a January 2023, call date.

C. At June 30, 2022, MDOT's future debt service requirements for notes payable are:

Fiscal Year Ending <u>June 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 43,055,000	30,359,874
2024	45,090,000	22,558,511
2025	47,215,000	20,750,251
2026	52,485,000	18,455,940
2027	63,210,000	20,777,949
2028-2032	123,735,000	73,207,846
2033-2037	89,525,000	32,162,751
2038-2041	41,435,000	3,382,215
Total	\$ <u>505,750,000</u>	<u>221,655,337</u>

D. Debt Service

A reconciliation of reductions/payments in the accompanying schedule of changes in notes payable to debt service included in MDOT's statement of revenues, expenditures, and changes in fund balances of the selected general funds is as follows:

Reductions/payments per schedule	\$ 48,008,654
Current amortization of premium	(6,443,654)
Principal payments on capital lease obligations	<u>1,008,272</u>
Total debt service - principal	\$ <u>42,573,272</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF TRANSPORTATION**

**NOTES TO SCHEDULE OF CHANGES IN CAPITAL ASSETS AND
SCHEDULE OF CHANGES IN NOTES PAYABLE
JUNE 30, 2022**

NOTE 4 - SUBSEQUENT EVENTS

MDOT has evaluated subsequent events through February 15, 2023, the date the schedules were approved by MDOT's management and thereby available to be issued, and has determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying schedules.

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**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 Mississippi Department of Transportation and
Mississippi Transportation Commission
401 North West Street
Jackson, MS 39201

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 general funds of the Mississippi Department of Transportation (MDOT), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2023, which contained an unmodified opinion with an Other Matter paragraph regarding the omission of management's discussion and analysis. We have also audited the schedule of changes in capital assets and schedule of changes in notes payable (the schedules) as of and for the year ended June 30, 2022, and the related notes to the schedules and have issued our report thereon dated February 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements and the schedules, we considered MDOT'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 opinions on the financial statements and the schedules, but not for the purpose of expressing an opinion on the effectiveness of MDOT's internal control. Accordingly, we do not express an opinion on the effectiveness of MDOT'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.

Internal Control over Financial Reporting - continued:

Our consideration of internal control was for the limited purpose described in the first paragraph of this letter 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 financial statements and schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements and schedules. 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.

Haddox Reid Embank Betts PLLC

Ridgeland, Mississippi
February 15, 2023