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YELLOW CREEK STATE INLAND PORT AUTHORITY

IUKA, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023



Certified Public Accountants

**YELLOW CREEK STATE INLAND PORT AUTHORITY
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YEAR ENDED JUNE 30, 2023**

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Yellow Creek State Inland Port Authority
Iuka, Mississippi

Qualified Opinion

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

Qualified Opinion on Business-type Activities

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Yellow Creek State Inland Port Authority as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Yellow Creek State Inland Port Authority 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.

Matter Giving Rise to the Qualified Opinion on Business-type Activities

Due to the inadequacy of accounting records prior to July 1, 1992, we were unable to form an opinion regarding the existence of and amounts at which capital assets (net of accumulated depreciation) are recorded in the accompanying statement of net position at June 30, 2023, (stated at \$29,974,172), net of accumulated depreciation, and the amount at which the related depreciation expense for the year then ended (stated at \$653,889) is recorded in the accompanying statement of revenues, expenses and changes in net position. The effect of any adjustments as might have been determined to be necessary had we been able to examine evidence regarding existence of capital assets and the related depreciation on assets, net position, and expenses has not been determined.

Muscle Shoals, Alabama
Phone: (256) 314-5082

Red Bay, Alabama
Phone: (256) 356-9375

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
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Corinth, Mississippi
Phone: (662) 286-7082

Iuka, Mississippi
Phone: (662) 423-5057

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 GAAS 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Authority's Proportionate Share of the Net Pension Liability, the Schedule of the Authority's Contributions - PERS, the Schedule of Authority's Proportionate Share of Net OPEB Liability, and the Schedule of Authority's Contributions – MS State and School Employees' Life and Health Insurance plan be presented to supplement the basic financial statements. Such information, 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.

Omission of Required Supplementary Information

Yellow Creek State Inland Port Authority, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2023, on our consideration of Yellow Creek State Inland Port Authority'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 Yellow Creek State Inland Port Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
November 29, 2023
Corinth, Mississippi

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,397,775
Accounts receivable, net	265,683
MRHC receivable	208,004
Notes receivable, current (Note 3)	190,723
Prepaid expenses	793
Total Current Assets	<u>3,062,978</u>

NONCURRENT ASSETS

Capital assets	
Nondepreciable land, improvements and construction in progress	9,675,899
Capital assets, net of accumulated depreciation	20,298,273
Lease receivable	6,972,250
Interest receivable	1,829
Notes receivable, net of current (Note 3)	6,683,279
Total Noncurrent Assets	<u>43,631,530</u>

Total Assets	<u>46,694,508</u>
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DEFERRED OUTFLOWS OF RESOURCES

Other post-employment benefits	14,811
Pensions	339,990
Total Deferred Outflows of Resources	<u>354,801</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	154,752
Accrued interest expense	33,427
Other accrued liabilities	10,665
Current portion of notes payable	1,199,556
Current portion of other post-employment benefits liability	2,715
Total Current Liabilities	<u>1,401,115</u>

NONCURRENT LIABILITIES

Compensated absences	59,972
Notes payable, net of current portion	9,920,072
Other post-employment benefits liability, net of current portion	42,239
Net pension liability	1,771,222
Total Noncurrent Liabilities	<u>11,793,505</u>

Total Liabilities	<u>13,194,620</u>
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DEFERRED INFLOWS OF RESOURCES

Other post-employment benefits	24,200
Leases	6,972,250
Pensions	82,553
Total Deferred Outflows of Resources	<u>7,079,003</u>

NET POSITION

Net Investment in capital assets	18,854,544
Restricted - capital projects	2,419,215
Unrestricted	5,501,927
Total Net Position	<u>\$ 26,775,686</u>

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

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES

User fees	\$ 1,666,417
Rental income	<u>457,189</u>

Total Operating Revenue	<u>2,123,606</u>
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OPERATING EXPENSES

Personnel services	803,545
Travel	25,934
Contractual	746,424
Commodities	160,031
Property taxes	265
Depreciation	653,889
Pension expense	<u>174,955</u>

Total Operating Expenses	<u>2,565,043</u>
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NET OPERATING INCOME (LOSS)	<u>(441,437)</u>
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NON-OPERATING REVENUE (EXPENSE)

Other Sales	512,195
Gain on sale of asset	1,230,623
Interest expense	(207,009)
Interest income	725,128
Other income - MRHC	969,767
Other expense - MRHC	(2,253,609)
Intergovernmental revenue	<u>1,500,000</u>

Total Non-Operating Revenues (Expenses)	<u>2,477,095</u>
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CHANGES IN NET POSITION	2,035,658
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NET POSITION - BEGINNING OF YEAR	24,740,028
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NET POSITION - END OF YEAR	<u><u>\$ 26,775,686</u></u>
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The accompanying notes are an integral part of these financial statements.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,077,311
Cash paid to suppliers of goods and services	(946,780)
Cash paid to/for employees or employee benefits	<u>(908,070)</u>

Net Cash Provided (Used) by Operating Activities

222,461

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	723,328
Proceeds from MRHC	970,573
Economic investment MRHC	<u>(1,235,508)</u>

Net Cash Provided (Used) by Investing Activities

458,393

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on debt	(600,377)
Proceeds from long term debt	3,078,342
Interest and fiscal charges on debt	(192,361)
Proceeds from other sales	512,195
Intergovernmental revenues	1,500,000
Proceeds from notes receivable	185,093
Acquisition of capital assets	<u>(5,247,635)</u>

Net Cash Provided (Used) by Capital and Related Financing Activities

(764,743)

NET DECREASE IN CASH

(83,889)

CASH - BEGINNING OF YEAR

2,481,664

CASH - END OF YEAR

\$ 2,397,775

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

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

**Reconciliation of Loss from Operations to Net Cash Provided
by Operating Activities**

Loss from Operations	\$ (441,437)
Adjustments Reconciling Loss from Operations to Net Cash Provided by Operating Activities:	
Depreciation	653,889
Pension and other postemployment benefit liability adjustment expense	53,579
Deferred inflows - leases	3,709,459
(Increase) Decrease in assets:	
Accounts receivable	(46,295)
Lease receivable	(3,709,459)
Prepaid expenses	5,481
Increase (Decrease) in liabilities:	
Accounts payable	(19,607)
Other accrued liabilities	10,665
Accrued compensated absences	6,186
Total Adjustments	<u>663,898</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 222,461</u>

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

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Yellow Creek State Inland Port Authority was established in 1970 by an act of the legislature of the State of Mississippi. The Authority operates under the direction of a board of directors appointed by local and state governing bodies. Each Board of Supervisors of the four participating Mississippi counties of Alcorn, Itawamba, Prentiss and Tishomingo appoint one director and the Governor of the State of Mississippi appoints four directors. The State of Mississippi holds the corporate powers of the Authority. As such, the Authority is an agency of the State of Mississippi and its financial activities are blended into the State of Mississippi's basic financial statements.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Authority are included in the Comprehensive Annual Financial Report of the State of Mississippi. The more significant of the Authority's accounting policies are disclosed below.

B. Measurements Focus, Basis of Accounting and Financial Statements Presentation

The term measurement focus is used to denote what is being measured and reported in the Authority's operating statement. The Authority is accounted for on a flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better off or worse economically as a result of events and transactions of the period.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the Authority's operating statement. The Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Authority follows GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The adoption of GASB 62 does not have any impact on the Authority's financial statements.

The Authority follows GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components assets, deferred outflows of resources, liabilities and deferred inflows of resources.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The Authority follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014, replaces the requirements of GASB Statement Nos. 27 and 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for the past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

The Authority follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – an amendment of GASB Statement No. 45*, effective for periods beginning after June 15, 2017, replaces the requirements of GASB Statement No. 45 as it relates to postemployment benefits other than pensions. The standard requires government employers to recognize as a liability, for the first time, for their long-term obligation for other postemployment benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the other postemployment benefit plan for the past periods of service less the amount of the plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the other postemployment benefit plan. The standard also requires more immediate recognition of annual service cost, interest, and changes in benefits for other postemployment benefit expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

C. Budgets and Budgetary Accounting

The Authority adopts an annual budget prepared in accordance with the modified cash basis of accounting established by the State of Mississippi. The budget must be submitted to the State of Mississippi for approval by the State of Mississippi legislature. The Executive Director is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the Board of Directors. Expenditures exceeding 5% of the major object of expense must be submitted to the State of Mississippi for approval.

D. Cash and Cash Equivalents and Investments

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

State law authorizes the Authority to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the Authority may invest in certain repurchase agreements.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

E. Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Receivables consist of amounts due from user charges for loading and unloading freight and rental charges for facilities. Receivables become delinquent if not paid by the end of the following month. Accounts receivable are written off when customers go bankrupt and authorized by the Board of Directors.

Management reviews outstanding receivables at year end and establishes a provision for doubtful accounts when collection is deemed doubtful. No provision for uncollectible accounts was recorded as of June 30, 2023.

F. Prepaid Items

Payments made to vendors and/or granting agencies that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

G. Capital Assets

Property and equipment exceeding the State of Mississippi's mandated capitalization thresholds are stated at historical cost. Donated assets are valued at their estimated fair value on the date donated. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property and exceed the mandated thresholds are capitalized. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives and capitalization thresholds are as follows:

	Useful Life	Capitalization Threshold
Land	NA	\$ -
Furniture and equipment	3-15 Years	\$ 5,000
Land improvements	13-40 Years	\$ 25,000
Buildings	40 Years	\$ 50,000
Infrastructure improvements	20-50 Years	\$ 100,000

H. Use of Estimates

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Compensated Absences

The Authority allows permanent employees to accumulate annual leave according to the following schedule:

Period of Service	Annual Leave Allowed
1 month - 3 years	18 days
37 months - 8 years	21 days
97 months - 15 years	24 days
Over 15 years	27 days

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

There is no limit on the accumulation of personal leave. Upon termination of employment, each employee shall be paid for not more than 30 days of accumulated personal leave. Unused personal leave in excess of thirty days and all unused major medical leave will be counted as creditable service for the purpose of the retirement system. There is no accrual for unused major medical leave due to it not vesting since there is no statutory authority to pay for unused medical leave upon employee termination.

As of June 30, 2023, the liability for annual leave is \$59,972.

J. Long Term Obligations

Long term debt and other obligations are reported as Authority's liabilities. The Authority does not engage in conduit debt transactions.

K. Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are fees for loading and unloading freight, rent income, and operating grants and contributions. Operating expenses include the costs associated with providing the above services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

2. Deposits 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 Depository Insurance Corporation.

At June 30, 2023, the carrying amount of the Authority's deposits with financial institutions was \$2,397,775 and the bank balance was \$2,504,312 of which \$750,000 was covered by federal depository insurance and \$1,754,312 was covered by the Statewide Collateral Pool Program.

Investments

As of June 30, 2023, the Authority had no investments.

Interest Rate Risk –The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk –State law limits investments to those prescribe in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The Authority does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Custodial Credit Risks – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investments pools, and other pooled investments. As of June 30, 2023, the Authority had no investments.

3. Accounts and Notes Receivable

Accounts receivable consist of the following:

Billed for user charges and rent	\$ 265,683
Less provision for doubtful accounts	<u>-</u>
	<u>\$ 265,683</u>

The notes receivable are as follows:

On August 16, 2017, Yellow Creek State Inland Port Authority entered into an agreement with CMC Cometals Processing, Inc. (CMC) for the purchase of a facility to conduct the business activities of CMC. The agreement stipulated that CMC would pay \$25,005 per month commencing on February 1, 2019, for a term of twenty years. At the end of the term, the facility will be transferred to CMC upon completion of the underlying debt.

On July 7, 2022, Yellow Creek State Inland Port Authority entered into an agreement with Biostock, LLC for the purchase of a facility to conduct the business activities of Biostock, LLC. The agreement stipulated that Biostock, LLC would pay \$8,698 per month commencing on October 1, 2023, for a term of twenty years. At the end of the term, the facility will be transferred to Biostock, LLC upon completion of the underlying debt.

The above notes receivable requires the following payments:

Year Ending June 30:	Principal	Interest
2024	\$ 190,723	\$ 216,221
2025	196,524	210,507
2026	202,502	204,619
2027	314,787	180,113
2028	317,204	208,853
2029 - 2033	1,621,562	1,003,718
2034 - 2038	1,685,886	939,394
2039 - 2043	2,344,814	803,626
Total	<u>\$ 6,874,002</u>	<u>\$ 3,767,051</u>

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

4. Changes in Capital Assets

Summaries of changes in capital assets are as follows:

	Balance 6/30/2022	Additions	Deletions	Adjustments	Balance 6/30/2023
Capital assets not being depreciated:					
Land	\$ 2,923,137	339,867	(8,663)	(145,668)	\$ 3,108,673
Construction in Progress	11,708,667	5,233,263	-	(10,374,704)	6,567,226
Total capital assets, not being depreciated:	14,631,804	5,573,130	(8,663)	(10,520,372)	9,675,899
Capital assets being depreciated:					
Buildings	16,315,380	81,997	(2,181,946)	8,279,129	22,494,560
Improvements	12,011,000	-	-	616,048	12,627,048
Furniture and equipment	7,241,420	-	-	(50,779)	7,190,641
Vehicles	-	-	-	107,438	107,438
Total capital assets being depreciated	35,567,800	81,997	(2,181,946)	8,951,836	42,419,687
Less accumulated depreciation					
Buildings	5,705,057	40,320	23,736	(300,511)	5,468,602
Improvements	10,892,514	255,906	-	-	11,148,420
Furniture and equipment	5,134,751	347,445	-	(41,974)	5,440,222
Vehicles	-	10,218	-	53,952	64,170
Total accumulated depreciation	21,732,322	653,889	23,736	(288,533)	22,121,414
Total net capital assets being depreciated	13,835,478	(571,892)	(2,205,682)	9,240,369	20,298,273
Total capital assets	\$ 28,467,282	5,001,238	(2,214,345)	(1,280,003)	\$ 29,974,172

5. Long-Term Debt

Long-term debt activity for the year ended June 30, 2023, consisted of the following:

	Beginning Balance	Additions	Repayments	Ending Balance	Amounts Due Within One Year
Notes payable	\$ 8,641,663	3,078,342	(600,377)	\$ 11,119,628	\$ 1,199,556
Compensated absences	53,786	6,186	-	59,972	-
Total	\$ 8,695,449	3,084,528	(600,377)	\$ 11,179,600	\$ 1,199,556

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Long term debt interest rate and maturity dates are as follows:

	Amount Outstanding	Interest Rate	Final Maturity Date
Notes payable	\$ 3,632,438	3.75%	4/1/2029
Notes payable – Construction loan	7,487,190	3.50%	4/1/2034
Compensated absences	59,972	0%	

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Year Ending June 30:	Notes Payable	
	Principal	Interest
2024	\$ 1,199,556	\$ 446,664
2025	1,254,645	391,575
2026	1,311,087	335,133
2027	1,362,971	276,065
2028	1,437,967	216,025
2029-2031	4,553,402	433,561
Total	<u>\$ 11,119,628</u>	<u>\$ 2,099,023</u>

6. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The Authority 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 for those who became members of PERS before July 1, 2011), plus 2.5 percent of each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became

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members of PERS before July 1, 2011), with a 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the Authority is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2023, was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Authority's contributions (employer share only) to PERS for the years ending June 30, 2023, 2022, and 2021 were \$113,585, \$103,072, and \$106,820, respectively, equal to the required contribution for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the Authority reported a liability of \$1,771,222 for its proportionate share of the net pension liability. The net pension liability was measured as June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The Authority's proportionate share used to calculate the June 30, 2023, net pension liability was 0.008605 percent, which was based on a measurement date of June 30, 2022. This was an decrease of 0.000628 percent from its proportionate share used to calculate the June 30, 2023 net pension liability, which was based on a measurement date of June 30, 2022.

For the year ended June 30, 2023, the Authority recognized pension expense of \$174,955. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,079	\$ -
Net difference between projected and actual earnings on pension plan investments	93,033	82,553
Changes in assumptions	61,260	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	47,033	-
Authority contributions subsequent to the measurement date	113,585	-
Total	<u>\$ 339,990</u>	<u>\$ 82,553</u>

\$113,585 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2024	\$ 58,154
2025	24,953
2026	(35,366)
2027	96,111
Total	<u>\$ 143,852</u>

Actuarial assumptions. The total pension liability as of June 30, 2023 was determined by an actuarial valuation prepared as of June 30, 2021, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2021 valuation based on the experience investigation for the four-year period ending June 30, 2021, and by the investment experience for the fiscal year ending June 20, 2022, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods in the measurement:

Inflation	2.40 percent
Salary increases	2.65 - 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H.-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitant Table were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 100% for females. Mortality rates will be rejected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the four-year period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00%	4.60%
International Equity	22.00%	4.50%
Global Equity	12.00%	4.80%
Fixed Income	20.00%	(0.25%)
Real Estate	10.00%	3.75%
Private Equity	8.00%	6.00%
Cash Equivalent	1.00%	(1.00%)
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Authority's proportionate share of the net pension liability	\$ 2,311,626	\$ 1,771,222	\$ 1,325,687

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

7. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided. The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

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The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions. The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the Authority were \$2,715 for the year ended June 30, 2023.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2023, the Authority reported a liability of \$44,954 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the Authority's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2021, the Authority's proportion was 0.00912389 percent. This was an increase of 0.00002521 percent from the proportionate share as of the measurement date of June 30, 2022.

For the year ended June 30, 2023, the Authority recognized OPEB expense of (\$5,077). At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37	\$ 19,475
Changes of assumptions	7,011	4,162
Net difference between projected and actual earnings on OPEB plan investments	3	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	5,045	563
Authority contributions subsequent to the measurement date	2,715	-
Total	<u>\$ 14,811</u>	<u>\$ 24,200</u>

\$2,715 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year Ending June 30:	
2024	\$ (2,880)
2025	(1,921)
2026	(2,394)
2027	(2,653)
2028	(1,610)
Thereafter	(646)
Total	<u>\$ (12,104)</u>

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

Inflation	2.40 percent
Salary increases	2.65%-17.90% percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.37 percent
Prior Measurement Date	2.13 percent
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Measurement Date	3.37 percent
Prior Measurement Date	2.13 percent
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study dated April 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

The long-term investment rate of return, net of OPEB plan expense, including inflation was 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022 was 3.37 percent.

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The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates (formerly published monthly by the Board of Governors of the Federal Reserve System).

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Authority's proportionate share of the net OPEB liability, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.13 percent) or 1-percentage-point higher (3.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 49,520	\$ 44,954	\$ 41,028

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the Authority's proportionate share of the net OPEB liability, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 41,825	\$ 44,954	\$ 48,471

OPEB plan fiduciary net position.

Detailed information about the OPEB plan's fiduciary net position is available in separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

8. Risk Management

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described in the next paragraph, the Authority carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Risk Pools

The Authority finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi State Agencies Self-Insured Workers' Compensation Trust, a public entity risk pool. The Authority pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. Risk of loss is remote for claims exceeding the pool's retention liability.

The Authority manages its exposure to tort claims through the Mississippi Torts Claim Board, a public entity risk pool. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. The Authority purchases commercial insurance for excess auto liability. In the last three years settled claims have not exceeded commercial coverage. Claim payments are based on an annual assessment based on the amount of payroll and past loss history as determined by the State of Mississippi.

The Authority operates a self-insurance program and retains risk of loss for unemployment. The Authority is on a cost reimbursement plan for unemployment with the State of Mississippi. The Authority contributes one percent of the first \$14,000 of wages paid to each employee to the State

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of Mississippi self-insurance program. Management does not expect any additional liability of unemployment because no employees were laid off during the current year and none are expected to be laid off. There has been no material liability for unemployment in excess of the funding during the prior three years.

9. Dependency on Major Customers

The Authority is economically dependent on a small number of major customers. The percentage of revenue derived from each are as follows:

	<u>Revenues</u>
Ferrous Metal Processing Facility	15.04%
Skyline Steel - Pipe Group	8.86%
Roll Foam Group	5.75%
Kansas City Southern Railroad	3.04%
B M S I	2.92%
Kane Steel & Iron LLC	2.25%

10. Concentration of Credit Risk

The majority of the Authority's business is derived from industries within a 75 mile radius of the Yellow Creek Port. Credit is extended to customers without obtaining credit evaluations or collateral. At June 30, 2023, the Authority had extended credit to various customers for accounts receivable totaling \$265,683.

11. Litigation and Uncertainty

The Authority receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency.

The amount of any disallowance of grant expenditures, if any, is unknown; therefore, the accompanying financial statements do not include any liability for such disallowances. In the opinion of the Authority management, such disallowances, if any, will not be significant.

12. Leases

As Lessor:

The Authority has entered into lease agreements involving land and buildings. The agreements permit the lessee the right to use the specified asset for the term of the agreement. The terms of the agreements range from 5 to 20 years, expiring between April 2026 and December 2042. The lessee can terminate the lease after 10 years with a 12 month written notice.

For the year ended June 30, 2023, the Authority received \$177,195 in lease revenue and \$516,477 in lease interest revenues.

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The following is a schedule of future minimum rentals through the end of the lease agreements in effect as of June 30, 2023:

Year Ending June 30,	Principal	Interest	Total
2024	216,232	987,440	1,203,672
2025	255,365	948,307	1,203,672
2026	296,436	901,624	1,198,060
2027	303,322	866,678	1,170,000
2028	354,094	815,906	1,170,000
2029 - 2033	1,681,142	3,373,858	5,055,000
2034 - 2038	1,950,801	1,829,199	3,780,000
2039 - 2043	1,914,858	515,142	2,430,000
Total	\$ 6,972,250	\$ 10,238,154	\$ 17,210,404

13. Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$5,293,923 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$113,585 resulting from the Authority's contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The \$226,405 balance of deferred outflow of resources related to pensions, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next four years.

The unrestricted net position amount of \$5,293,923 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$82,553 balance of deferred inflow of resources related to pensions, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next six years.

The unrestricted net position amount of \$5,293,923 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$2,715 resulting from the Authority's contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The \$12,096 balance of deferred outflow of resources related to OPEB, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next four years.

The unrestricted net position amount of \$5,293,923 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$24,200 balance of deferred inflow of resources related to OPEB, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next six years.

The unrestricted net position amount of \$5,293,923 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$6,972,250 balance of deferred inflow of resources related to leases, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next twenty years.

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14. Construction-in-Progress Commitments

As of June 30, 2023, the Authority had construction commitments for projects in various states of completion. The amount for each project is as follows:

	Total Project	Amount Expended	Amount Remaining
Railroad Improvement Projects	\$ 6,000,000	\$ 5,276,275	\$ 723,725
South Premier Site Development	508,364	437,613	70,751
Barge Terminal Access Improvements	322,000	88,849	233,151
MDA Rail Grant	785,209	764,489	20,720
Total	<u>\$ 7,615,573</u>	<u>\$ 6,567,226</u>	<u>\$ 1,048,347</u>

15. MRHC Facility

The Authority entered into a construction agreement with Magnolia Regional Health Center (MRHC) to build a primary care clinic on land owned by the Authority. The total expected cost is \$2,600,000. Grant funds totaling \$750,000 were awarded to the Authority for use in constructing the clinic under Section 22 of Senate Bill 2971, 2021 Regular Legislative Session. MRHC was responsible for paying the first 70% of the building costs with the Authority picking up the remaining 30% up to the \$750,000. For the current year, the Authority has spent \$958,004 of which \$208,004 is to be received in fiscal year 2024. The project has been completed as of June 30, 2023.

16. Subsequent Events

Events that occur after the statement of financial 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 financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through November 29, 2023, which is the date the financial statements were issued or available to be issued and determined the following subsequent event has occurred requiring disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

- For the fiscal year 2024, the Authority has received a \$1,000,000 MDA Port Grant, a \$1,000,000 ARC Port Grant, and a \$300,000 MDOT Multi Modal Money Grant. All the grants are to be used for the Burnsville Port.

17. Impact of Recently Issued Account Preponements

For June 30, 2022, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. The Authority's June 30, 2023 financial statements included an adjustment to record the lease receivable and corresponding deferred inflow of resources. This adjustment had no effect on the beginning net position since the deferred inflows equal the amount of the lease receivable.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Authority's Proportionate Share of Net Pension Liability
PERS
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability (asset)	0.008605%	0.009233%	0.008910%	0.008343%	0.008174%	0.007656%	0.007339%	0.006092%
Authority's proportionate share of the net pension liability (asset)	\$1,771,222	\$1,364,678	\$1,724,872	\$1,467,698	\$1,359,579	\$1,272,687	\$1,310,929	\$941,704
Authority's covered payroll	\$ 592,365	\$ 613,906	\$ 593,283	\$ 543,364	\$ 520,275	\$ 491,200	\$ 469,543	\$ 380,622
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	299.01%	222.29%	290.73%	270.11%	250.22%	259.10%	266.88%	200.56%
Plan fiduciary net position as a percentage of the total pension liability	559.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

The notes to the required supplementary information are an integral part of this schedule.

The amounts are presented for each year and were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, The Authority has only presented information for the years in which information is available.

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Schedule of Authority's Contributions
PERS
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 113,585	\$ 103,072	\$ 106,820	\$ 103,238	\$ 85,580	\$ 81,943	\$ 77,364	\$ 73,953
Contributions in relation to the contractually required contribution	113,585	103,072	106,820	103,238	85,580	81,943	77,364	73,953
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Authority's covered payroll	\$ 652,785	\$ 592,365	\$ 613,906	\$ 593,283	\$ 543,364	\$ 520,275	\$ 491,200	\$ 469,543
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, The Authority has only presented information for the years in which information is available.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
Schedule of Authority's Proportionate Share of Net OPEB Liability
MS State and School Employees' Life and Health Insurance Plan
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's proportion of the net OPEB liability (asset)	0.912389%	0.914909%	0.885468%	0.008118%	0.808200%	0.795100%
Authority's proportionate share of the net OPEB liability (asset)	\$ 44,954	\$ 58,892	\$ 68,911	\$ 68,888	\$ 62,435	\$ 62,387
Authority's covered-employee payroll	\$ 598,662	\$ 613,906	\$ 593,283	\$ 543,364	\$ 520,275	\$ 491,200
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.51%	9.59%	11.62%	12.68%	12.00%	12.70%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	0.16%	0.13%	0.12%	0.13%	0.00%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, The Authority has only presented information for the years in which information is available.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
Schedule of Authority's Contributions
MS State and School Employees' Life and Health Insurance Plan
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018
Actuarially required contribution	\$ 2,715	\$ 1,832	\$ 2,367	\$ 2,748	\$ 2,761	\$ 2,703
Contributions in relation to the contractually required contribution	(2,715)	(1,832)	(2,367)	(2,748)	(2,761)	(2,703)
Contribution deficiency (excess)	-	-	-	-	-	-
Authority's covered-employee payroll	\$ 652,785	\$ 598,662	\$ 613,906	\$ 593,283	\$ 543,364	\$ 520,275
Contributions as a percentage of covered-employee payroll	6.89%	8.19%	7.30%	7.69%	8.30%	8.57%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, The Authority has only presented information for the years in which information is available.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

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

2016:

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

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
- For females, 84% of female rates up to age 72, 100% for ages above 76.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

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

2022:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
- For females, 84% of female rates up to age 72, 100% for ages above 76.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

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

(2) *Changes in benefit provisions*

2016:

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

(3) *Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

YELLOW CREEK STATE INLAND PORT AUTHORITY
(An Agency of the State of Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.40 percent
Salary increases, including wage inflation	2.65 percent to 17.90 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.00 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.50 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2029
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	4.50 percent

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

To the Board of Directors of
Yellow Creek State Inland Port Authority
Iuka, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Yellow Creek State Inland Port Authority, an agency of the State of Mississippi, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Yellow Creek State Inland Port Authority's basic financial statements and have issued our report thereon dated November 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yellow Creek State Inland Port Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yellow Creek State Inland Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Yellow Creek State Inland Port Authority'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 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 the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yellow Creek State Inland Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

Yellow Creek State Inland Port Authority's Response to Finding

Yellow Creek State Inland Port Authority's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. Yellow Creek State Inland Port Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Corinth, Mississippi
November 29, 2023



Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

Certified Public Accountants

www.sparkscpas.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

To the Board of Directors of
Yellow Creek State Inland Port Authority
Iuka, Mississippi

We have audited the financial statements of Yellow Creek State Inland Port Authority (an agency of the State of Mississippi) as of and for the year ended June 30, 2023, which collectively comprise the Authority's basic financial statements and have issued our report dated November 29, 2023. The report was qualified due to insufficient audit evidence existing prior to July, 1992 to support the amount at which capital assets (net of accumulated depreciation) are recorded in the accompanying Statement of Net Position at June 30, 2023 (stated at \$29,973,172) and the amount at which the related depreciation expense (stated at \$653,889) is recorded in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Except as discussed in the preceding sentence, 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.

As required, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements did not disclose any material instances of noncompliance with state laws and regulations.

This report is intended for the information and use of the board of directors and management, others within the entity, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Corinth, Mississippi
November 29, 2023

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**YELLOW CREEK STATE INLAND PORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditors' report issued on the financial statements: | |
| Business-type activities | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified that are not considered to be a material weakness? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statements Findings:

Material Weakness

Finding Number 2023-001

Condition: The Authority does not have an adequate segregation of duties.

Criteria: Internal controls should be in place to require segregation of duties among personnel.

Effect: There is an overlapping of duties among office personnel.

Cause: The Authority does not have enough personnel to have an adequate segregation of duties.

Recommendation: Due to the size of the staff and that the expense of hiring additional employees could be cost prohibitive; we recommend that the Board of Directors periodically review the accounting functions to compensate for the lack of segregation of duties.

Response: Agency concurs. Over many years, Yellow Creek State Inland Port Authority has managed without any problems, however, the Agency does agree to focus on more review to compensate for lack of segregation of duties.