

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022



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INTRODUCTORY SECTION

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY

LIST OF OFFICIALS
As of September 30, 2022

BOARD OF COMMISSIONERS

Dave Dennis	Commissioner
Brig. Gen. Benjamin J. Spraggins, USAF (Ret.)	Commissioner
Lt. Gen. Clark Griffith, USAF (Ret.)	Commissioner

EXECUTIVE DIRECTOR

Clay Williams

DIRECTOR OF FINANCE AND ADMINISTRATION

Kim Allison, CPA

INDEPENDENT AUDITOR'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

February 10, 2023

Board of Commissioners
Gulfport-Biloxi Regional Airport Authority
Gulfport, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Gulfport-Biloxi Regional Airport Authority (the Authority), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of September 30, 2022, and the changes in its financial position and its cash flows 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 (GAAS) and the standards applicable to the 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 Gulfport-Biloxi Regional Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, schedule of the Authority's proportionate share of net pension liability on page 30 and schedule of Authority's contributions on page 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Gulfport-Biloxi Regional Airport Authority's basic financial statements. The introductory list of officials, budgetary comparison, Capital Projects Fund – Schedule of Revenues & Expenditures, schedule of passenger facility charges, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023 on our consideration of the Gulfport-Biloxi Regional Airport 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulfport-Biloxi Regional Airport Authority's internal control over financial reporting and compliance.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2022

Management's Discussion and Analysis

Our discussion and analysis of the Airport's financial performance provides an overview of the Airport's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the Airport's financial statements, which are included below.

Using This Annual Report

This annual report consists of a series of financial statements. The Statements of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about the activities of the Airport similar to a for profit private-sector business enterprise with the appropriation and use of economic resources as the measurement focus. The notes to financial statements provide detailed support to individual balances and classes of transactions found in the various statements. The required and other supplemental information provides information about the Airport's operating activities as compared to its budget, as well as certain other schedules required by *Government Auditing Standards*.

The Statement of Net Position reports the Airport's net position. You can think of the Airport's net position (the difference between assets and liabilities), as one way to measure the Airport's financial health, or financial position. Net position is divided into the following three basic categories: net investment in capital assets; net position restricted for debt covenant and other purposes, and net position unrestricted and available for spending. Over time, increases or decreases in the Airport's net position are one indicator of whether its financial health is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position measures the annual change in the net position displayed on the Statement of Net Position. The Statement of Cash Flows converts all economic resources and uses to cash and displays them into their basic categories of operating; non-capital financing; capital financing and investing activities.

Terminology

FAA – Federal Aviation Administration

AIP – Federal Airport Improvement Program that provides entitlement and discretionary grants for capital improvements to the Airport

PFC – Passenger Facility Charges are assessments of \$4.50 per enplaning passenger to fund capital improvements to the Airport

GA – General Aviation area of the Airport property

CFC – Customer Facility Charge of \$3.00 for each car rental customer used to fund construction (\$2.00) and operations (\$1.00) of the rental car service facility

Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2022

Financial Summaries and Comparisons

The following are summary presentations of the Statement of Net Position and Statements of Revenues, Expenses and Changes in Net Position for the years ended September 30, 2022 and 2021:

Statements of Net Position
(in Thousands)

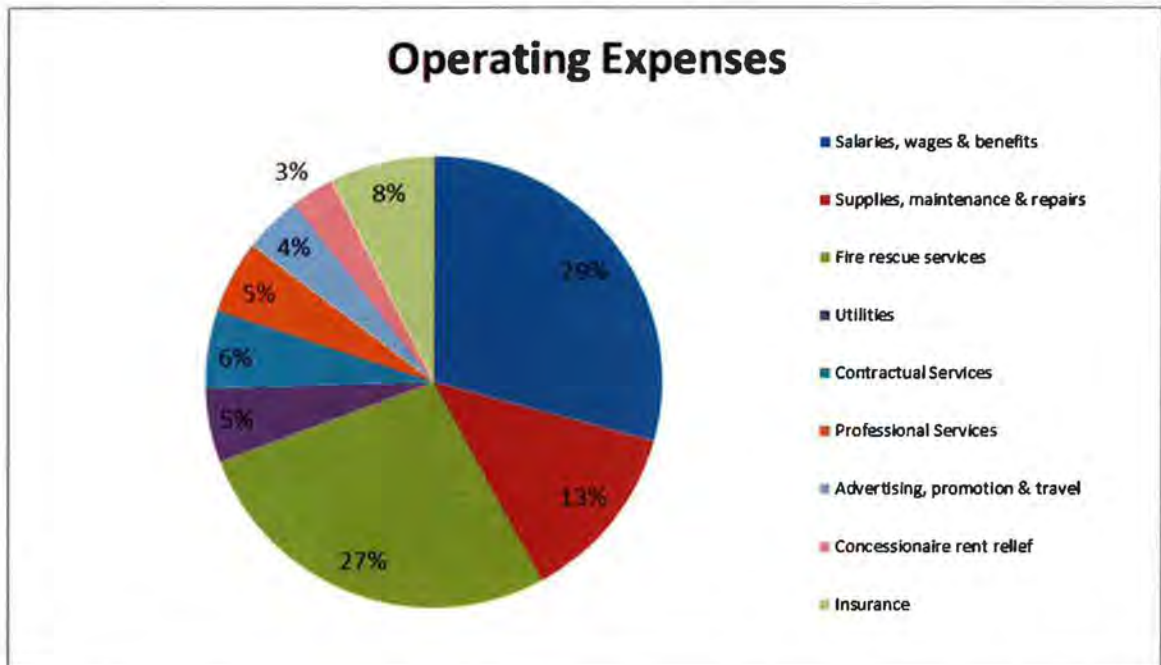
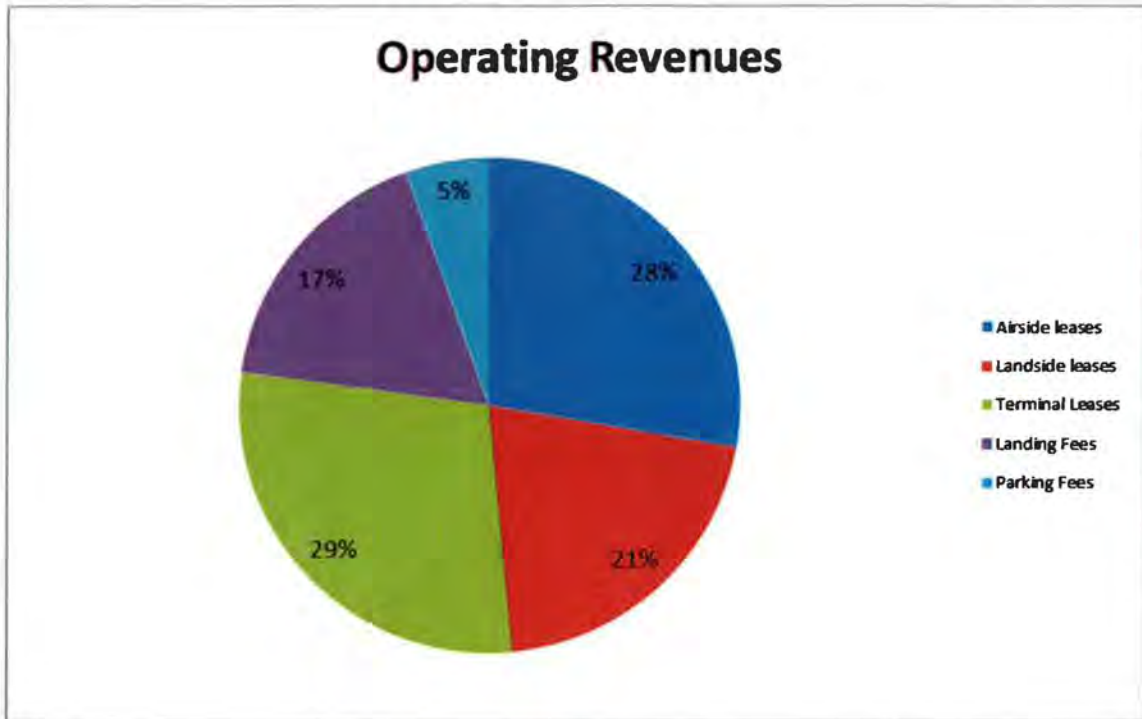
	September 30, 2022	2021
Current assets	\$ 28,527	\$ 19,532
Noncurrent Assets	197,397	193,531
Deferred outflows	716	411
Total assets and deferred outflows	<u>226,640</u>	<u>213,474</u>
Current liabilities from current assets	2,374	1,063
Noncurrent liabilities	6,182	7,430
Deferred inflows	9,843	-
Total liabilities and deferred inflows	<u>18,399</u>	<u>8,493</u>
Net position	<u>\$ 208,241</u>	<u>\$ 204,981</u>
Summary of net position		
Net investment in capital assets	\$ 187,428	\$ 193,531
Unrestricted and spendable	20,813	11,450
Totals	<u>\$ 208,241</u>	<u>\$ 204,981</u>

Statements of Revenues, Expenses & Changes in Net Position
(in Thousands)

	Year Ended September 30, 2022	2021
Operating revenues	\$ 12,597	\$ 10,940
Operating expenses	(22,588)	(9,258)
Non-operating revenues	7,082	9
Non-operating expenses	(362)	(609)
Capital grants, PFCs and CFCs	6,448	4,569
Increase (decrease) in net position	<u>\$ 3,177</u>	<u>\$ 5,651</u>

Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2022

The following pie charts represent actual operating revenues (excluding fire and rescue services, operating grants and donations) and operating expenses (excluding depreciation and fire and rescue services) by category for the year ended September 30, 2022.



Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2022

Financial Highlights

- The Airport's net position had an increase of \$3.3 million as compared to 2021 which had a decrease of \$0.6 million. Unrestricted net position, which represents net position available for operations was at \$20.8 million at the end of 2022.
- Operating revenues increased by \$1.7 million or 15.1% from 2021 to 2022, compared to 2021, which had a decrease of \$1.8 million or 14.3% from 2020.
- Operating expenses increased by \$1.2 million or 13.0%, as compared to 2021, which had an increase of \$435,000 or 2.1% from 2021.
- Operating expenses, excluding GASB 68 pension liability expense, depreciation and amortization expenses, fire and rescue services, and concessionaire relief were approximately \$7.0 million in 2022 compared to \$6.8 million in 2021.
- Operating grants and other income decreased by \$22,700, compared to 2021, which decreased \$1.5 million over 2020. In 2020, a donated building valued at \$1.5 million was included in other income.
- The Airport had capital grants, PFC, and CFC revenues of \$6.4 million, which was an increase of \$1.9 million over 2021. In 2021, capital grants, PFC and CFC revenues were \$4.6 million, which was consistent with 2020.

*Note: Fiscal year 2021 results were not restated to conform to GASB 87 standards for lease reporting in the preceding charts and tables. For details of the effects of the implementation of GASB 87, please refer to Note 14 in the notes to the financial statements.

Budgetary Highlights

The following table summarizes the year 2022 budgets and comparative results.

Year 2022 Budget to Actual Comparison
(in Thousands)

	Original Budget	Amended Budget	Actual Results	Variance
Operating revenues	\$ 8,011	\$ 8,011	\$ 9,760	\$ 1,749
Operating expenses	(7,512)	(7,512)	(7,291)	221
Operating surplus (deficiency)	499	499	2,469	1,970
Other income	7	7	7	-
Capital grants, PFCs and CFCs	5,139	5,139	5,685	546
Debt service	(2,007)	(2,007)	-	2,007
Capital expenditures	(5,017)	(5,017)	(5,282)	(265)
Surplus (deficiency)	\$ (1,379)	\$ (1,379)	\$ 2,879	\$ 4,258

Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2022

Generally, operating revenues and expenses were consistent with budgeted amounts. The more significant variances centered on capital grants and construction budgets. Capital expenditures and the related federal and state grants typically have budget variances caused by the fact that when projects are first budgeted, they are generally budgeted 100%, but rarely are they completed by the end of the fiscal year. All the projects at the end of 2022 were on updated schedules and these budget amounts will carry over to 2023 when the projects are expected to be completed. Debt service was budgeted prior to the knowledge that the debt would be paid off in full before year end. Please see the analysis of the capital budget under Capital Assets.

Capital Assets

At the end of 2022, the Airport had \$188 million invested in Airport facilities, infrastructure, and equipment. This amount represents a net decrease (including additions and depreciation deductions) of \$5.8 million or about 3.0% over 2021. The Airport had a net decrease of \$8.9 million or about 4.4% in 2021. Most of the Airport's capital expenditures are funded with Federal AIP grants, State Airport Development grants, PFCs, CFCs, and other local funds. The following is a summary presentation of actual capital expenditures and related funding sources for 2022 and 2021 and the Airport's capital budget summary for 2023:

Capital Expenditures & Funding Sources

	Budgeted 2023	Actual 2022	Actual 2021
Capital expenditures			
Runway and taxiway expansion	\$ 2,420	\$ 152	\$ 2,298
Long range planning	50	3,287	73
Terminal improvements	802	168	380
Software	80	51	-
Perimeter roads and fence	-	34	-
Rental car facility	892	1,590	-
Maintenance equipment	141	-	-
Fleet maintenance facility	3,000	-	426
Totals	<u>\$ 7,385</u>	<u>\$ 5,282</u>	<u>\$ 3,177</u>
Funding sources			
Federal grants	\$ 2,076	\$ 3,224	\$ 2,878
State grants	3,298	442	3
PFCs (for debt service)	1,332	1,384	1,168
CFCs	612	634	520
Local funds	67	(402)	(1,392)
Totals	<u>\$ 7,385</u>	<u>\$ 5,282</u>	<u>\$ 3,177</u>

Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2022

The Airport's 2023 capital budget is approximately \$7.4 million. The capital budget for 2023 is focused primarily on Airport infrastructure projects including terminal improvements.

Economic Factors and Next Year's Operating Budget

The demand for air travel continues to improve and Gulfport-Biloxi International Airport saw an increase in passenger numbers with calendar year 2022 year-end finishing 8% ahead of 2021 traffic. Leisure demand and military travel continue to lead the rebound from the pandemic at GPT. Casino resort charter traffic continues to comprise a sizable number of enplanements. The Airport is working with existing airlines to retain and increase seat capacity and frequencies to the respective hubs: Atlanta, Charlotte, Dallas/Ft. Worth and Houston. The pandemic exacerbated the pilot shortage which was already beginning to impact the aviation industry prior to 2020 and regional operators are feeling the impact as many of their pilots have transitioned to flying mainline aircraft for the legacy carriers. The Airport continues to focus its efforts on retaining air service, providing excellence in customer service and constantly enhancing the overall passenger experience. The Airport works with local business partners to support low-cost air service routes that are added on a seasonal basis.

Delta Air Lines offers service to its hub in Atlanta, GA. American Airlines provides service to both Charlotte, NC and Dallas, TX. United Airlines serves Houston, TX from GPT and Allegiant Air offers seasonal service to Orlando-Sanford twice per week. Sun Country Airlines continues to operate charters on behalf of the gaming industry from a variety of domestic markets as well as providing seasonal scheduled service to and from Minneapolis St. Paul.

Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2022

The Airport has on average approximately 10-14 daily departures served by American, Delta, United, Sun Country and Allegiant. The airlines utilize a variety of equipment types providing available seats to the community supporting leisure and business flying. The seat share by carrier as of December 2021 is as follows:

- American Airlines 29%
- Delta Air Lines 34%
- Sun Country 27%
- United 9%
- Allegiant 1%

GPT has service to markets as represented on the following route map:



Gulfport–Biloxi Regional Airport Authority
Financial Statements
September 30, 2022

The Airport's total budgeted operating expenses (excluding depreciation expense and fire & rescue services) for 2023 is \$8.2 million.

The following table is a summary of the Airport's operating budget for the fiscal year ending September 30, 2023:

Year 2023 Operating Budget Summary
(in Thousands)

Operating revenues	\$ 9,175
Operating expenses (excludes depreciation & fire and rescue services)	<u>(8,209)</u>
Operating surplus	966
Capital grants, PFCs and CFCs	7,319
Debt service	-
Capital expenditures	<u>(7,385)</u>
Surplus (deficiency)	<u>\$ 900</u>

Contacting the Airport's Director of Finance and Administration

This financial report is designed to provide the user with a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Director of Finance and Administration at 228-863-5951 / 14035-L Airport Road, Gulfport, Mississippi 39503.

FINANCIAL STATEMENTS

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 20,232,846
Investments, current	3,017,089
Accounts receivable, net	1,545,584
Due from other governments	2,502,017
Lease receivable, current	662,352
Prepaid expenses	567,373
	<hr/>
Total current assets	28,527,261

NONCURRENT ASSETS

Capital assets:

Right to use asset, net of related amortization	14,774
Other capital assets,	
Airport facilities, net of accumulated depreciation	187,682,002
	<hr/>
Total capital assets	187,696,776

Lease receivable, net of current maturities	7,804,355
Investments, net of current maturities	1,895,430
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Total noncurrent assets	197,396,561

Total assets	225,923,822
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for pensions	715,927
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 226,639,749
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LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 1,508,553
Construction and retainage payable	268,864
Accrued salaries	155,073
Lease liability, current	7,304
Federal grant payable	275,261
Compensated absences payable	<u>158,756</u>
Total current liabilities	<u>2,373,811</u>

NONCURRENT LIABILITIES

Net pension liability	6,175,092
Lease liability, noncurrent	<u>7,358</u>
Total noncurrent liabilities	<u>6,182,450</u>
Total liabilities	<u>8,556,261</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows on lease receivables	<u>9,842,941</u>
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NET POSITION

Invested in capital assets, net of related debt	187,427,912
Unrestricted	<u>20,812,635</u>
Total net position	<u>208,240,547</u>

TOTAL LIABILITIES AND NET POSITION

\$ 226,639,749

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

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

OPERATING REVENUES

Airside leases	\$ 3,484,009
Landside leases	2,609,829
Terminal leases	3,605,166
Landing fees	2,181,772
Parking leases	685,070
Operating grants and other income	30,962
Total operating revenues	<u>12,596,808</u>

OPERATING EXPENSES

Salaries and wages	2,234,163
Employee taxes and benefits	825,469
Fire and rescue services	2,836,566
Grant concessionaire rent relief	324,379
Operating supplies, maintenance, and repairs	1,240,858
Contracted services	584,039
Utilities	555,557
Office expense	100,757
Professional services	545,308
Advertising, promotion, training, and travel	430,051
Insurance	774,630
Total operating expenses	<u>10,451,777</u>

**INCOME FROM OPERATIONS BEFORE DEPRECIATION
AND AMORTIZATION**

	<u>2,145,031</u>
Depreciation expense	12,129,065
Amortization expense, leases	7,142
Total depreciation and amortization	<u>12,136,207</u>

LOSS FROM OPERATIONS

(9,991,176)

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NONOPERATING REVENUES (EXPENSES)	
Interest income and other investment income (loss)	(71,536)
Interest income, leases	99,652
Non-capital operating grant revenue	6,981,910
Grant repayment expense	(290,071)
Gain (loss) on sale of capital assets	207
Interest expense, leases	(205)
Total nonoperating revenues (expenses)	<u>6,719,957</u>
NET LOSS	
BEFORE CONTRIBUTIONS	<u>(3,271,219)</u>
Capital contribution - federal grants	3,223,622
Capital contribution - state grants	442,618
Capital contribution - passenger facility charges	1,383,811
Capital contribution - customer facility charges	634,259
Capital contribution - county	43,568
Capital contribution - other government	720,000
Total capital contributions	<u>6,447,878</u>
CHANGE IN NET POSITION	<u>3,176,659</u>
TOTAL NET POSITION - BEGINNING, as previously reported	204,981,288
Prior period adjustment - change in accounting principle	<u>82,600</u>
TOTAL NET POSITION - BEGINNING, as restated	<u>205,063,888</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 208,240,547</u></u>

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

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	\$ 12,259,193
Cash payments for goods and services	(6,687,937)
Cash payments for employee services	(2,968,759)
Net cash provided by operating activities	<u>2,602,497</u>

**CASH FLOWS FROM NON-CAPITAL
FINANCING ACTIVITIES**

Cash received from other governments	<u>7,025,070</u>
Net cash provided by noncapital financing activities	<u>7,025,070</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Proceeds from capital grants	4,854,312
Acquisition and construction of capital assets	(5,415,367)
Interest paid on lease payable	<u>(205)</u>
Net cash used in capital and related financing activities	<u>(561,260)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(5,000,000)
Interest received	<u>115,805</u>
Net cash used in investing activities	<u>(4,884,195)</u>

Net increase in cash and cash equivalents	4,182,112
Cash and cash equivalents:	
Beginning of year	<u>16,050,734</u>
End of year	<u>\$ 20,232,846</u>

**RECONCILIATION OF TOTAL CASH AND
CASH EQUIVALENTS**

Cash and cash equivalents	<u>\$ 20,232,846</u>
Total cash and cash equivalents	<u>\$ 20,232,846</u>

**NON-CASH INVESTING, CAPITAL, AND
FINANCING ACTIVITIES**

Asset reversion	<u>\$ 720,000</u>
Total non-cash investing, capital, and financing activities	<u>\$ 720,000</u>

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**RECONCILIATION OF LOSS FROM OPERATIONS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Loss from operations	<u>\$ 2,145,031</u>
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation and amortization	12,136,207
Pension expense adjustment	(4,387)
Deferred inflows - leases	9,842,941
(Increase) decrease in operating assets:	
Accounts receivable	(172,700)
Lease receivable	(8,384,108)
Prepaid expenses	(130,885)
Increase (decrease) in operating liabilities:	
Accounts payable	820,431
Lease liability	14,662
Accrued salaries	96,967
Compensated absences payable	(1,707)
Prepaid leases	<u>(1,623,748)</u>
Total adjustments	<u>12,593,673</u>
Net cash provided by operating activities	<u><u>\$ 14,738,704</u></u>

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

NOTES TO FINANCIAL STATEMENTS

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Gulfport-Biloxi Regional Airport Authority (the Authority), complies with accounting principles generally accepted in the United States of America. The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Authority's financial activities for the fiscal year ended September 30, 2022.

Reporting Entity

The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the airport on October 1, 1977. The Authority is comprised of appointees from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County, Mississippi. The reporting entity consists of and includes all funds that are covered by the oversight responsibility of the Gulfport-Biloxi Regional Airport Authority. There are no funds excluded from the reporting entity, which are under the control of the Gulfport-Biloxi Regional Airport Authority. The reporting entity is not a component unit of another entity, nor does the reporting entity include any component units. However, the Authority is classified as a jointly governed organization of the City of Biloxi, the City of Gulfport, and Harrison County, Mississippi.

Basis of Reporting

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

The Authority has been identified as an "enterprise fund" as described by GAAP for governmental entities. Enterprise funds utilize accounting principles in a manner similar to private business enterprises and are accounted for on a flow of economic resources measurement focus.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and liabilities associated with the operation of the Authority are included on the statements of net position.

Operating revenues of the Authority include all revenues generated by exchange transactions entered into with any other entity (whether public or private) engaging in business on Authority property. The primary sources of operating revenue are landing fees and terminal rentals paid by the airlines for the use of Authority facilities. Airline rental charges and fees are adjusted annually based on estimates of terminal and airfield expenses the airlines utilize. Annual landing fees and terminal rents paid by the airlines are compared to actual expenses for the year, resulting in an annual settlement between the airlines and the Authority. Operating expenses include all of the expenses necessary to operate, maintain and manage the Authority, as well as depreciation expense. Non-operating revenues include interest income, non-capital grants, and investment income. Non-operating expenses include interest expense, investment expenses, and investment loss. Capital contributions include capital financing grants from federal and state governments, Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs).

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

For the purpose of the statements of cash flows, the Authority considers all highly liquid investments (including funds invested in savings type accounts) purchased with maturities of three months or less to be cash equivalents. All investments are reported at fair value, which is determined using quoted market values with unrealized gain and losses charged or credited to investment income.

Receivables

The Authority reports receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2022 are recorded as prepaid items.

Advertising costs and inventories of materials and supplies

Advertising costs are expensed when incurred. Inventories of material and supplies are not maintained and purchases of these items are expensed when incurred.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are externally imposed by creditors, contributors, grantors, or laws. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

Capital Assets

The Authority's facilities are recorded at the original cost or assigned cost reported by the municipality that contributed them. Additions to the Authority's facilities are recorded at cost and depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Land and intangible assets identified as noise and navigation easements, having an indefinite useful life, are not depreciated or amortized. Repairs and maintenance, which do not substantially increase capacity or operational efficiency, are expensed as incurred. Donated assets are recorded at their estimated fair value at the date of donation. The estimated useful lives are as follows:

Capital Assets	Useful Life (Years)
Buildings and airfield improvements	20 - 30
Other property and equipment	3 - 10

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and thus will not be recognized as an expense until then. The Authority has one item that meets this criterion, the unamortized changes in investments actual performance, expectations, and projections, and plan assumptions related to the pension plan (see Note 9). In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future periods and so will not be recognized as inflow of resources (revenue) until that time. The Authority has two items that meet this criterion, the unamortized changes in investments actual performance, expectations, and projections, and plan assumptions related to the pension plan (see Note 9) and lease receivables (see Note 8).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Compensated Absences

The Authority has two types of compensated absences which are described as follows:

- *Vacation* – Full-time employees who work year round are granted 12 vacation days for service period up to 5 years; 18 days for 6 to 10 years; and 24 days for over 10 years of service. Employees may accrue and carryover unused vacation time from year to year. Upon termination of employment, employees are paid up to a maximum of 30 days of unused vacation days. Any excess days may be applied towards days of service upon retirement under the Public Employees Retirement System
- *Sick Leave* – Each full-time employee is entitled to 12 days of sick leave per year. However, sick leave is not reimbursed upon termination. It may however be applied towards days of service upon retirement under the Public Employees Retirement System.

The Authority considers compensated absences payable to be current liabilities and accrues for the accumulated vacation leave up to 30 days. However, no accrual is made for sick leave as it is not paid upon termination.

Net Position

The Authority classifies net position into three components:

- *Invested in capital assets, net of related debt* – consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- *Restricted for capital activity and debt service* – consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation. The Authority has no restricted net position at yearend.
- *Unrestricted net position* – consists of all other net position not limited or restricted in use.

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2: DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Authority does not have a deposit policy for custodial credit risk. However, all of the Authority's bank balances are entirely insured or collateralized. 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 of the Mississippi Code. Under this program, the Authority'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. The Authority deposits funds in financial institutions selected by its Board of Commissioners in accordance with Mississippi statutes. At September 30, 2022, deposits (including restricted deposits) were as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 20,288,858	\$ 20,232,846

Investments

The Authority is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved. At September 30, 2022, investments consisted of the following:

	Yield	Maturity Date	Reported Amount	Fair Value
U.S. Treasury Bill	0.50%	Jan 2023	\$ 1,022,465	\$ 1,022,465
U.S. Treasury Notes	0.125%	Oct 2023	958,090	958,090
U.S. Treasury Notes	0.125%	Nov 2022	994,930	994,930
U.S. Treasury Notes	0.50%	Mar 2023	999,694	999,694
U.S. Treasury Notes	1.375%	Jan 2025	937,340	937,340
Total investments			<u>\$ 4,912,519</u>	<u>\$ 4,912,519</u>

Investments are reported on the statement of net position as of September 30, 2022, as follows:

Current Assets:	
Investments	\$ 3,017,089
Non- Current Assets:	
Investments	<u>1,895,430</u>
Total investments	<u>\$ 4,912,519</u>

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable input (Level 3 measurements). The three levels of the fair value hierarchy are as follows on next page:

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

All of the Authority's marketable securities have been valued using Level 1 measurements.

Interest Rate Risk This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Concentration of Credit Risk The Authority places no limit on the amount the Authority may invest in any one issuer.

Credit risk Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. All of the Authority's investments have been given the AAA rating.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Accounts receivable	\$ 1,547,832
Less allowance for doubtful accounts	<u>(2,248)</u>
Total accounts receivable, net	<u><u>\$ 1,545,584</u></u>

The Authority recorded no bad debt expense for the year ended September 30, 2022.

NOTE 4: DUE FROM OTHER GOVERNMENTS

As of September 30, 2022, due from other governments includes the following:

FAA - Airport Improvement Program	\$ 941,510
FAA - Airport Coronavirus Relief Program	414,601
FAA - Cares Act	872,285
MDOT - Airport Improvement Program projects	97,301
MDOT - Multi-Modal projects	98,425
National Guard Bureau - Military	
Construction Cooperative Agreement	34,327
Harrison County	<u>43,568</u>
	<u><u>\$ 2,502,017</u></u>

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5: ACCUMULATED PASSENGER FACILITY CHARGE SHORTFALL

As described in Note 1, the Authority has implemented an FAA endorsed Passenger Facility Charge (PFC) Program to finance airport development costs. The PFC assessments (\$4.50 per enplaning passenger) are collected by the airlines. \$0.11 is retained by the airlines and the remaining \$4.39 is remitted to the Authority monthly. PFC revenues are used to reimburse the Authority for the accumulated shortfall of PFC revenues whereby the Authority has funded the difference between PFC revenues and prior year debt service payments out of operating revenues. The total accumulated shortfall as of September 30, 2022 is as follows:

Accumulated shortfall as of September 30, 2021	\$ 13,616,688
Less: current year passenger facility charge receipts - cash basis	<u>1,365,838</u>
Accumulated shortfall as of September 30, 2022	<u><u>\$ 12,250,850</u></u>

NOTE 6: AIRPORT FACILITIES

A summary of changes in capital assets is as follows:

For the Year Ended September 30, 2022:

	Balance October 1, 2021 (restated)	Additions	Deletions	Transfers	Balance September 30, 2022
Capital assets, not being depreciated:					
Land, rights of way and easements	\$ 60,904,677	\$ 6,177	\$ -	\$ 76,334	\$ 60,987,188
Airport development in progress	<u>2,594,940</u>	<u>5,282,169</u>	<u>(101,227)</u>	<u>(3,528,484)</u>	<u>4,247,398</u>
Total capital assets, not being depreciated	<u>63,499,617</u>	<u>5,288,346</u>	<u>(101,227)</u>	<u>(3,452,150)</u>	<u>65,234,586</u>
Capital assets, being depreciated					
Buildings	99,152,323	903,728	-	14,086	100,070,137
Runways, taxiways, and other infrastructure	178,667,736	4,203	-	2,854,130	181,526,069
Equipment	13,689,146	185,221	-	583,934	14,458,301
Right of use asset	<u>28,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,328</u>
Total capital assets, being depreciated	<u>291,537,533</u>	<u>1,093,152</u>	<u>-</u>	<u>3,452,150</u>	<u>296,082,835</u>
Less accumulated depreciation for:					
Buildings	49,298,655	3,170,685	-	-	52,469,340
Runways, taxiways, and other infrastructure	103,336,431	7,981,959	-	-	111,318,390
Equipment	8,842,940	976,421	-	-	9,819,361
Right of use asset	<u>6,412</u>	<u>7,142</u>	<u>-</u>	<u>-</u>	<u>13,554</u>
Total accumulated depreciation	<u>161,484,438</u>	<u>12,136,207</u>	<u>-</u>	<u>-</u>	<u>173,620,645</u>
Total capital assets being depreciated, net	<u>130,053,095</u>	<u>(11,043,055)</u>	<u>-</u>	<u>3,452,150</u>	<u>122,462,190</u>
Capital assets, net	<u><u>\$ 193,552,712</u></u>	<u><u>\$ (5,754,709)</u></u>	<u><u>\$ (101,227)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 187,696,776</u></u>

Depreciation and amortization expense for the year ended September 30, 2022 was \$12,129,065 and \$7,142, respectively.

The beginning balance of the above summary has been restated for GASB 87 implementation in the current year. See Note 14 for more information.

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance October 1, 2021	Adjustments	Payments/ Reductions	Balance September 30, 2022	Amount due within Twelve Months
Lease liability	\$ 21,876	\$ -	\$ (7,214)	\$ 14,662	\$ 7,304
Net pension liability	5,874,827	300,265	-	6,175,092	-
Total	<u>\$ 5,896,703</u>	<u>\$ 300,265</u>	<u>\$ (7,214)</u>	<u>\$ 6,189,754</u>	<u>\$ 7,304</u>

NOTE 8: LEASING ARRANGEMENTS

Substantially all of the Authority's capital assets are leased to various businesses for periods up to 40 years. The Governmental Accounting Standards Board (GASB) Statement No. 87 – Leases has been implemented for the year ended September 30, 2022. Beginning net position has been adjusted for the effect of implementing the change in accounting principle. See Note 14 for more information.

The following is a reconciliation of revenue from leases as of September 30, 2022:

	Airside	Landside	Terminal	Parking
GASB 87 leases	\$ 189,928	\$ 77,457	\$ 341,736	\$ 249,087
Short term and other leases	3,243,117	530,936	668,963	-
Contingent rental fees	50,964	2,001,436	319,939	435,983
Regulated leases	-	-	2,274,528	-
	<u>\$ 3,484,009</u>	<u>\$ 2,609,829</u>	<u>\$ 3,605,166</u>	<u>\$ 685,070</u>

Lessor

The Authority is a lessor under 22 non-cancelable lease arrangements involving the lease of Authority assets. The agreements permit the lessee the right to use the specified asset for the term of the agreement. The terms of the agreements range from 1 to 40 years, expiring between February 2023 and June 2047. Six of the leases contain variable payment adjustments based on the Consumer Price Index and 18 leases include contingent payments based on the gross revenues of the lessee. These amounts were not included in the lease receivable calculation and related deferred inflows – leases.

The following is a schedule of future minimum rentals and receivables through the end of the lease agreements in effect as of September 30, 2022, not including contingent rentals or consumer price index adjustments:

Year ending September 30,	Lease Receivables			Lease Revenues
	Principal	Interest	Total	
2023	\$ 662,352	\$ 92,117	\$ 754,469	\$ 811,716
2024	580,637	85,093	665,730	718,032
2025	594,138	78,443	672,581	718,032
2026	607,929	71,637	679,566	718,032
2027	605,079	64,715	669,794	701,728
2028 - 2032	2,316,732	240,265	2,556,997	2,640,981
2033 - 2037	2,544,519	105,829	2,650,348	2,534,252
2038 - 2042	555,321	3,966	559,287	746,025
2043 - 2047	-	-	-	254,143
	<u>\$ 8,466,707</u>	<u>\$ 742,065</u>	<u>\$ 9,208,772</u>	<u>\$ 9,842,941</u>

Seven of the non-cancelable leases were paid in advance and are not included in the lease receivable on the statement of net position.

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8: LEASING ARRANGEMENTS (Continued)

Lessee

The Authority is the lessee under two non-cancelable lease agreements involving the lease of equipment for use by the Authority. The agreements permit the Authority to use the specified property for the term of the agreement.

The following is a schedule of the Authority's lease liability at September 30, 2022:

Year Ending September 30	Liability Reduction	Interest	Total
2023	\$ 7,304	\$ 122	\$ 7,426
2024	5,744	41	5,785
2025	872	13	885
2026	742	3	745
	<u>\$ 14,662</u>	<u>\$ 179</u>	<u>\$ 14,841</u>

Regulated Leases

In accordance with GASB 87, the Authority does not recognize a lease receivable and deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. U.S. Department of Transportation and the Federal Aviation Administration, regulated aviation leases between airports and carriers and other aeronautical users.

The rights, services and privileges, including the leases of preferentially assigned gates, an airline has in connection with the use of the airport and its facilities is addressed in the Gulfport-Biloxi Regional Airport Authority Rules, Regulations & Fees schedule. By definition, these agreements are considered regulated leases and do not recognize receivables and related deferred inflow of resources.

The Authority and participating airlines originally entered into these agreements June 1, 2011. The agreements are amended and agreed upon on a yearly basis, most recent amendments effective May 4, 2022.

The following is a schedule of regulated revenues as of September 30, 2022:

Exclusive use space rent	\$ 2,274,528
Variable fees related to actual air travel	<u>2,181,772</u>
	<u>\$ 4,456,300</u>

Due to the annual amendment of the rates & fees schedule and the variable nature of the above revenues from year-to-year, expected future minimum payments are indeterminable.

Under the agreements with the airlines, they may have exclusive use of certain space and facilities of the terminals, of which are classified as buildings within capital assets, in the airport as summarized below:

Airlines Exclusive Use	Exclusively Used Terminal Area (SQFT)
Delta	4,192
United	3,552
American Airlines	4,662
Sun Country	4,284
	<u>16,690</u>

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description.

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

Benefits Provided

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

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

Contributions

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate, currently 17.40%. The Authority's contributions to PERS for the year ended September 30, 2022 were \$370,496, equal to the required contributions for that year.

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

At September 30, 2022, the Authority recognized \$6,175,092 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021, the Authority's proportion was 0.030324 percent, which was a decrease of 0.002211 from its proportion measured as of June 30, 2020 (0.032535 percent).

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended September 30, 2022, the Authority recognized expense of \$379,365, which includes \$4,387 adjustment to expense related to increase in net pension liability for GASB 68 calculation. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,435	\$ -
Changes of assumptions	213,573	-
Net difference between projected and actual earnings on Plan investments	324,346	-
Differences between Commission's contributions and proportionate share of contributions	-	-
Commission contributions	90,573	-
Total	<u>\$ 715,927</u>	<u>\$ -</u>

The Authority's contributions subsequent to the measurement date, \$90,573, will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year	Amount
2023	\$ 195,797
2024	144,247
2025	(49,768)
2026	335,078
	<u>\$ 625,354</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021 and a measurement date determined of June 30, 2022 using standard rollforward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020. 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 will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022, are summarized as follows:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current 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 of the cost-sharing plan, 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:

	Discount Rate	Authority's Proportionate Share of Net Pension Liability
1% decrease	6.55%	\$8,059,125
Current discount rate	7.55%	\$6,175,092
1% increase	8.55%	\$4,621,802

Plan Fiduciary Net Position

Detailed information about the PERS pension plan is available in a separately issued PERS financial report, available at www.pers.ms.gov.

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10: DEFERRED COMPENSATION PLAN

In addition to PERS, full time employees may also participate in a Section 457 deferred compensation plan funded through a private retirement corporation. All contributions are made by the employees through salary deferral elections. The participants are fully vested in all contributions. The investment of the funds is self-directed by each participant and the retirement corporation through a joint agreement. With respect to the Section 457 plan, the Authority has no unfunded pension liability or fiduciary responsibility.

NOTE 11: NON-CASH TRANSACTIONS

The Authority is required to provide fire and rescue service to commercial air transportation to meet the requirements of the Federal Aviation Regulation Part 139. Since the Authority assumed responsibility for the airport operations in 1977, the fire and rescue function has been provided jointly by the Authority and the Air National Guard (ANG). While the ANG provided the firehouse and fire rescue vehicles, the Authority paid the salaries of Gulfport City Firemen to man the facility 24 hours a day and respond to various civil and military alerts. This joint effort aided both the Authority and the ANG because no resources are duplicated; yet emergency response coverage was conducted in accordance with FAR 139. In April 1995, the ANG accepted responsibility for providing firemen labor, also. This was justified by the military's recognition of its impact on the Authority, and its desire to pay (or assume) its fair share of Authority operating costs.

The non-cash value of crash, fire and rescue services and facilities provided by the ANG in the amount of \$2,836,566 has been included in airside lease income and fire and rescue service expense on the statement of revenues, expenses, and changes in net position.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Outstanding Construction Commitments

The Authority had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2022, which will be paid from existing debt proceeds and grants:

AIP 94 Master plan update	\$ 17,855
AIP 97 Airfield drainage	154,132
AIP 102 Airfield drainage	971,162
Future tree obstruction	23,223
Generator replacement	1,314,712
MDOT MM Terminal access road	690,616
MDOT MM Flooring replacement	50,802
Civix ABRM software	17,063
Military Co-Op wetlands	282,528
Terminal canopy painting and coating	8,042
MDOT MM Rental car parking	134,979
Chiller piping repairs	45,000
Terminal canopy gutter/roof repairs	7,868
Storm water pollution prevention	1,108
	<u>\$ 3,719,090</u>

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 13: RISK MANAGEMENT

Risk Management

The Authority is involved in various legal matters arising during the normal course of business activities. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the condition of the Authority.

The Authority is exposed to certain environmental liabilities in the ordinary course of business. The Authority utilizes consultants to adequately evaluate exposures to such liabilities as they arise. The Authority is not aware of any liabilities arising from environmental exposures that management believes will have a material adverse effect on the financial condition of the Authority.

Federal Grants

In the normal course of operations and as a result of the destruction from various natural disasters, the Authority has received grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

NOTE 14: IMPLEMENTATION OF NEW ACCOUNTING STANDARD GASB NO. 87

The implementation of a new accounting standard, GASB 87 – Leases, required the recording of lease receivables, deferred inflow of resources – leases, right to use assets, related amortization of right to use assets, and a lease liability related to leases for the year ended September 30, 2022. The statement of net position beginning net position had been restated to reflect the adjustments related to the implementation of this new standard.

The effects of the restatement on the statement of net position is as follows:

	As Previously Stated	As Restated	Effect of Restatement Increase (Decrease)
Lease receivable	\$ -	\$ 9,125,980	\$ 9,125,980
Deferred inflow of resources - leases	\$ -	\$ (10,666,450)	\$ (10,666,450)
Right of use asset, net of related amortization	\$ -	\$ 21,186	\$ 21,186
Lease liability	\$ -	\$ (21,863)	\$ (21,863)
Prepaid leases	\$ (1,623,747)	\$ -	\$ 1,623,747
Net position	\$ (204,981,288)	\$ (205,063,888)	\$ (82,600)

NOTE 15: RELATED PARTY TRANSACTIONS

In a prior year the Authority conveyed property to the City of Gulfport to be used as a Mississippi Department of Corrections Work Center with a reverter provision that the property would revert back to the Authority if the property ceased to be used for this purpose. The property is no longer being used for that purpose and was reverted back to the Authority in the current year. The reversion is recorded as a capital asset on the statement of net position and capital contribution – other government on the statement of revenues, expenses, and changes in net position for the year ended September 30, 2022.

NOTE 16: SUBSEQUENT EVENTS

The Authority has evaluated events occurring subsequent to year end through February 10, 2023, which is the date the statements were available to be issued. The following event has been identified:

On December 20, 2022, the Public Employees' Retirement System (PERS) Board of Trustees voted to increase the PERS employer contribution rate to 22.4 percent, based on actuarial recommendations.

REQUIRED SUPPLEMENTAL INFORMATION

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST EIGHT FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%
Commission's proportionate share of the net pension liability	\$ 6,175,092	\$ 5,874,827	\$ 5,541,647	\$ 5,591,839	\$ 5,644,141	\$ 5,922,132	\$ 5,365,172	\$ 4,265,353
Commission's covered employee payroll	\$ 2,091,587	\$ 2,020,758	\$ 2,051,571	\$ 2,146,866	\$ 2,178,088	\$ 2,120,946	\$ 2,168,346	\$ 2,147,204
Commission's proportionate share of the net pension liability as a percentage of covered employee payroll	295.23%	290.72%	270.12%	260.47%	259.13%	279.22%	247.43%	198.65%
Plan fiduciary net position as a percentage of total pension liability	59.93%	70.44%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

See independent auditor's report and notes to required supplementary information.

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST EIGHT FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 370,496	\$ 360,368	\$ 367,052	\$ 344,038	\$ 334,858	\$ 332,246	\$ 328,794	\$ 342,671
Contributions in relation to contractually required contribution	370,496	360,368	367,052	344,038	334,858	332,246	328,794	342,671
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered employee payroll	\$ 2,129,287	\$ 2,071,079	\$ 2,109,493	\$ 2,132,176	\$ 2,126,085	\$ 2,109,501	\$ 2,087,581	\$ 2,175,686
Contributions as a percentage of covered employee payroll	17.40%	17.40%	17.40%	16.14%	15.75%	15.75%	15.75%	15.75%

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

See independent auditor's report and notes to required supplementary information.

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022**

NOTE 1: CHANGES OF ASSUMPTIONS

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

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of males 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 disable mortality was changed to PubG.H-2010 Disabled Table for disable retirees with the following adjustments:
 - For males, 134% of males 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 males rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2019

- The expectation of life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 80 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of males rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022**

NOTE 1: CHANGES OF ASSUMPTIONS (Continued)

2019 (continued)

- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

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

2016

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

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using the Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

NOTE 2: CHANGES IN BENEFIT PROVISIONS

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of 1.00% and a maximum rate of 5.00%.

NOTE 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, 2020 valuation for the June 30, 2022 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	27.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022**

NOTE 4: PRESENTATION REQUIREMENTS

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

OTHER SUPPLEMENTAL INFORMATION

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
BUDGET TO ACTUAL COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final Amended	(Budgetary Basis)	with Final Budget
REVENUES				
From Airport operations				
Airside leases	\$ 576,323	\$ 576,323	\$ 647,443	\$ 71,120
Landside leases	1,507,209	1,507,209	2,609,829	1,102,620
Terminal leases	3,391,399	3,391,399	3,605,166	213,767
Landing fees	2,208,298	2,208,298	2,181,772	(26,526)
Parking fees	312,331	312,331	685,070	372,739
Other administrative income	15,820	15,820	30,962	15,142
Total from Airport operations	<u>8,011,380</u>	<u>8,011,380</u>	<u>9,760,242</u>	<u>1,748,862</u>
EXPENDITURES				
Operating expenditures				
Salaries and wages	2,255,002	2,255,002	2,234,163	20,839
Employee taxes and benefits	871,223	871,223	825,469	45,754
Operating supplies, maintenance and repairs	1,435,640	1,435,640	1,240,858	194,782
Contracted services	566,000	566,000	584,039	(18,039)
Utilities	525,072	525,072	555,557	(30,485)
Office expense	99,643	99,643	100,757	(1,114)
Professional services	580,000	580,000	545,308	34,692
Advertising, promotion, training and travel	476,800	476,800	430,051	46,749
Insurance	702,788	702,788	774,630	(71,842)
Total operating expenditures	<u>7,512,168</u>	<u>7,512,168</u>	<u>7,290,832</u>	<u>221,336</u>
Non-operating revenues (expenditures)				
Interest income	7,000	7,000	7,118	118
Customer facility charges	434,455	434,455	634,259	199,804
Passenger facility charges	1,500,840	1,500,840	1,383,811	(117,029)
Federal grant revenues	2,793,079	2,793,079	3,223,622	430,543
State grant revenues	410,408	410,408	442,618	32,210
Debt service interest expense	1,500	1,500	-	(1,500)
Debt service principal reduction	(2,008,549)	(2,008,549)	-	2,008,549
Capital expenditures	(5,016,980)	(5,016,980)	(5,282,169)	(265,189)
Total non-operating revenues (expenses)	<u>(1,878,247)</u>	<u>(1,878,247)</u>	<u>409,259</u>	<u>2,287,506</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,379,035)</u>	<u>\$ (1,379,035)</u>	<u>\$ 2,878,669</u>	<u>\$ 4,257,704</u>

See independent auditor's report

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
BUDGET TO ACTUAL COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
YEAR ENDED SEPTEMBER 30, 2022**

EXCESS OF REVENUES OVER EXPENSES/BUDGET BASIS	\$ 2,878,669
Reconciling items	
Depreciation and amortization expense	(12,136,207)
Investment income (loss)	(78,652)
Interest income - leases	99,652
Operating grant - expense	(614,450)
Operating grants - CARES	6,981,910
Capital contributions	763,568
Capital expenditures added to property and equipment	<u>5,282,169</u>
Change in net position / GAAP basis	<u><u>\$ 3,176,659</u></u>

See independent auditor's report

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
CAPITAL PROJECTS
SCHEDULE OF REVENUES AND EXPENDITURES**

REVENUES AND OTHER SOURCES

Federal Grants	\$ 3,223,622
State Grants	442,618
Passenger Facility Charges (PFC)	1,383,811
Customer Facility Charges (CFC)	634,259
Transfers (to) from Operating Fund	<u>(402,141)</u>
Total revenues & other sources	<u><u>\$ 5,282,169</u></u>

EXPENDITURES

Terminal improvements	\$ 152,004
Runway, taxiway and ramp improvements	3,286,848
Long range planning	168,763
Software	51,189
Perimeter roads and fence	33,583
Rental car facility	<u>1,589,782</u>
Total expenditures	<u><u>\$ 5,282,169</u></u>

See independent auditor's report

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGE COLLECTIONS AND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2022

Collections	Date Approved	Amount Approved For Use	Cumulative Total - September 30, 2021	Quarter 1 October - December	Quarter 2 January - March	Quarter 3 April - June	Quarter 4 July - September	Year Ended September 30, 2022	Cumulative Total September 30, 2022
Passenger facility charge collections			\$ 37,652,908	\$ 333,287	\$ 298,144	\$ 362,618	\$ 371,789	\$ 1,365,838	\$ 39,018,746
Interest earned			132,877	4	9	2	7	22	132,899
Total passenger facility charge collections received			<u>\$ 37,785,785</u>	<u>\$ 333,291</u>	<u>\$ 298,153</u>	<u>\$ 362,620</u>	<u>\$ 371,796</u>	<u>\$ 1,365,860</u>	<u>\$ 39,151,645</u>
Application 92-01-C-04-GPT	4/3/1992	\$ 1,312,996	\$ 1,312,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,312,996
Application 93-02-C-03-GPT	11/2/1993	742,224	742,224						\$ 742,224
Application 95-03-C-03-GPT	8/31/1995	4,763,478	4,763,478						\$ 4,763,478
Application 98-04-C-01-GPT	7/14/1998	1,428,501	1,428,501						\$ 1,428,501
Application 02-05-C-01-GPT	3/28/2002	1,031,474	1,031,474						\$ 1,031,474
Application 03-06-C-02-GPT	1/29/2003	<u>57,145,388</u>	<u>28,456,252</u>	<u>334,006</u>	<u>346,443</u>	<u>362,999</u>	<u>371,998</u>	<u>1,415,446</u>	<u>\$ 29,871,698</u>
Total passenger facility collections expended		<u>\$ 66,424,061</u>	<u>\$ 37,734,925</u>	<u>\$ 334,006</u>	<u>\$ 346,443</u>	<u>\$ 362,999</u>	<u>\$ 371,998</u>	<u>\$ 1,415,446</u>	<u>\$ 39,150,371</u>

See accompanying notes to schedule

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE COLLECTIONS AND EXPENDITURES
SEPTEMBER 30, 2022

NOTE 1 – GENERAL

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized domestic airports to impose a passenger facility charge (PFC) on enplaning passengers.

The Federal Aviation Administration (FAA) has approved six applications and amendments submitted by Gulfport-Biloxi Regional Airport Authority. The Authority is currently authorized to collect PFCs in the amount of \$4.50 per enplaned passenger up to a total for approved collections of \$66,424,061. Project expenditures may include amounts used to pay PFC-eligible costs on approved projects.

As of September 30, 2022, the Authority has received \$39,018,746 of PFC revenue and \$132,899 of interest earnings. The Authority has expended \$39,150,371.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of passenger facility charge collections and expenditures has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

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

February 10, 2023

Board of Commissioners
Gulfport-Biloxi Regional Airport Authority
Gulfport, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Gulfport-Biloxi Regional Airport Authority (the Authority), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Gulfport-Biloxi Regional Airport Authority's basic financial statements, and have issued our report thereon dated February 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gulfport-Biloxi Regional Airport 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 Gulfport-Biloxi Regional Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Gulfport-Biloxi Regional Airport 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 a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gulfport-Biloxi Regional Airport 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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

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

Certified Public Accountants

Gulfport, Mississippi



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

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

February 10, 2023

Board of Commissioners
Gulfport-Biloxi Regional Airport Authority
Gulfport, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gulfport-Biloxi Regional Airport Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Gulfport-Biloxi Regional Airport Authority's major federal program for the year ended September 30, 2022. Gulfport-Biloxi Regional Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gulfport-Biloxi Regional Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Gulfport-Biloxi Regional Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Gulfport-Biloxi Regional Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Gulfport-Biloxi Regional Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

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

Certified Public Accountants

Gulfport, Mississippi

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing	Identifying Number	Federal Expenditures
<i>U.S. Department of Transportation</i>			
<i>Federal Aviation Administration</i>			
Airport Improvement Program -2019	20.106	3-28-0030-093-2019	\$ 1,066
Airport Improvement Program -2019	20.106	3-28-0030-094-2019	116,766
Airport Improvement Program -2020	20.106	3-28-0030-095-2020	456
Airport Improvement Program -2021	20.106	3-28-0030-097-2021	1,475,801
Airport Improvement Program -2022	20.106	3-28-0030-102-2022	1,629,533
COVID-19 Cares Act	20.106	3-28-0030-096-2020	6,242,931
COVID-19 Airport Coronavirus Relief Program	20.106	3-28-0030-098-2021	414,601
COVID-19 Coronavirus Response and Relief Appropriation Act (CRRSA)	20.106	3-28-0030-101-2022	324,378
<i>Total U.S. Department of Transportation</i>			<u>10,205,532</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 10,205,532</u></u>

See accompanying notes to the schedule.

GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES 2 – DE MINIMIS COST RATE

The Gulfport-Biloxi Regional Airport Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Gulfport-Biloxi Regional Airport Authority (Authority) under programs of the federal government for the year ended September 30, 2022 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Gulfport-Biloxi Regional Airport Authority.

NOTE 4 – RECONCILIATION TO FINANCIAL STATEMENTS

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of revenues, expenses, and changes in net position for the year ended September 30, 2022:

Total expenditures of federal awards	<u>\$ 10,205,532</u>
Total federal revenues	<u>\$ 10,205,532</u>
Non-operating revenues (expenses)	
Non-capital operating grant revenue	\$ 6,981,910
Capital contribution - federal	<u>3,223,622</u>
Total federal revenues	<u>\$ 10,205,532</u>

**GULFPORT-BILOXI REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Assistance Listing
20.106

Name of Federal Program
Airport Improvement Program

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

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings

None reported.