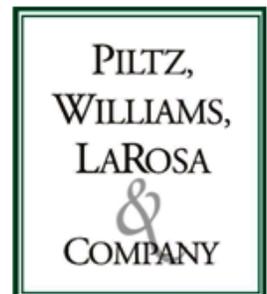


**Jackson County Utility Authority
Pascagoula, Mississippi**

**Financial Statements
September 30, 2020**

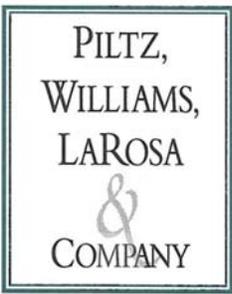


CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

Jackson County Utility Authority
Financial Statements

September 30, 2020

Independent Auditors' Report.....	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Net Position	10
Statement of Cash Flows	11
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	12
Notes to Financial Statements.....	13-31
Required Supplementary Information	
Schedule of the Authority's Proportionate Share of the Net Pension Liability	32
Schedule of the Authority's Employer Contributions.....	33
Notes to the Required Supplementary Information.....	34
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	35
Notes to the Schedule of Expenditures of Federal Awards	36
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	39-41
Schedule of Findings and Questioned Costs.....	42-43
Summary Schedule of Prior Audit Findings.....	44



CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

MEMBERS
American Institute of CPAs
AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center
AICPA Center for Audit Quality
AICPA Employee Benefit Plan Audit Quality Center
Mississippi Society of CPAs

John D. Prentiss, CPA
Eric B. Bland, CPA
David C. Neumann, CPA, CBA
Mildrey Egües-Strickland, CPA
Elsé A. Marie, CPA
Jordan R. Church, CPA

Gerald Piltz, CPA (1925-2013)
Stanford A. Williams, Jr., CPA (1935-2017)
Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)
Darrell L. Galey, CPA (Retired)
Margaret D. Closson, CPA (Retired)
Stephen P. Theobald, CPA, CVA
Michael D. O'Neill, CPA

Independent Auditors' Report

Board of Directors
Jackson County Utility Authority
Pascagoula, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Jackson County Utility Authority as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Jackson County Utility Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of Jackson County Utility Authority as of September 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, and the Schedule of the Authority's Employer Contributions on pages 4-8 and 32-33, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County Utility Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2021, on our consideration of the Jackson County Utility Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County Utility Authority's internal control over financial reporting and compliance.



Certified Public Accountants

Biloxi, Mississippi
August 6, 2021

Section I

Management's Discussion and Analysis

Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2020

Introduction

This discussion and analysis of the Jackson County Utility Authority (Authority) financial performance provides an overall narrative review of the Authority's financial activities for the year ended September 30, 2020. The intent of this discussion and analysis is to look at the Authority's performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Authority's financial performance. Information contained in this section should be considered in conjunction with that presented in the Authority's financial statements, notes to financial statements and any accompanying schedules.

Financial Highlights

- The Authority's net position decreased approximately \$(4.2) million over 2020; and is approximately \$102.9 million. Unrestricted net position decreased by approximately \$.9 million to approximately \$(10.9) million; restricted net position increased by approximately \$2.1 million to approximately \$4 million; and net position invested in capital assets net of related debt decreased approximately \$(5.4) million to \$109.9 million.
- Operating revenues were approximately \$18.1 million while operating expenses were approximately \$22.1 million, or approximately \$13.3 million excluding depreciation.
- The Authority increased noncurrent liabilities by approximately \$1.1 million to \$68.7 million and reported a net pension liability of approximately \$14.5 million.

Budgetary Highlights

Throughout the year the Authority reviews capital projects and presents budget amendments to the Board of Directors to accommodate economic conditions that adversely affect operating expenses. Generally, non-urgent capital projects can be delayed, if necessary, to prevent any changes in fee contributions from participating agencies. Depreciation expense is noted specifically at approximately \$8.8 million. The following table summarizes the final budget, excluding certain Grant and Bond activities, to actual comparative results.

Year 2020 Budget to Actual Comparison

	Budget	Actual	Variance
Operating revenues	\$19,044,944	\$18,133,501	\$ (911,443)
Operating expenditures	(14,720,284)	(13,363,429)	1,356,855
Grant and other revenue	861,332	1,387,663	526,331
Debt service	(4,434,915)	(4,023,051)	411,864
Depreciation	(7,700,000)	(8,804,586)	(1,104,586)
Excess (deficiency)	<u>\$ (6,948,923)</u>	<u>\$ (6,669,902)</u>	<u>\$ 279,021</u>

Overview of the Financial Statements

This report includes Management's Discussion and Analysis, the Independent Auditor's report, the basic financial statements, notes to the financial statements and other information in addition to the basic statements themselves.

Basic Financial Statements - The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting with accounting principles generally accepted in the United States of America (GAAP). Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of the related cash flows. These statements offer short and long-term information about the Authority's activities.

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Authority's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement provides a measurement of the Authority's operation over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its rates and other charges and to also analyze profitability and credit worthiness.

The Statement of Cash Flows provides relevant information about the Authority's cash receipts and disbursements, resulting from operating, non-capital financing, capital and related financing and investing activities. The changes in cash balances are an important indicator of the Authority's liquidity and financial position.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 13-31 of this report.

The Required Supplementary Information section presents the Schedule of the Authority's Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Contributions; and the related notes to these schedules.

The Supplementary Information section presents the Schedule of Expenditures of Federal Awards and the Notes to the Supplementary Information.

Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2020

Financial Summaries and Comparisons

The following are summary presentations of the Statements of Net Position and Statements of Revenues, Expenditures and Changes in Net Position for the years ended September 30, 2020 and 2019:

Statements of Net Position

	September 30,	
	2020	2019
Current and other assets	\$ 13,962,513	\$ 14,997,411
Capital assets, net	162,705,108	165,029,506
Total assets	<u>176,667,621</u>	<u>180,026,917</u>
Deferred outflows of resources	<u>1,468,867</u>	<u>769,290</u>
Current liabilities	6,397,651	5,824,780
Long-term liabilities	<u>68,742,029</u>	<u>67,573,224</u>
Total liabilities	<u>75,139,680</u>	<u>73,398,004</u>
Deferred inflows of resources	<u>-</u>	<u>153,966</u>
Summary of net position		
Invested in capital assets, net of related debt	109,915,007	115,390,471
Restricted	4,066,267	1,947,628
Unrestricted	<u>(10,984,466)</u>	<u>(10,093,862)</u>
Total net position	<u>\$ 102,996,808</u>	<u>\$ 107,244,237</u>

The Authority's investment in capital assets accounted for 106.7% of total net position. It should be noted the total assets and total net position are calculated using capital asset values as depreciated and do not reflect fair market value of real property and facilities held throughout Jackson County.

Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2020

Statements of Revenues, Expenditures and Changes in Net Position

	September 30,	
	2020	2019
Operating revenues	\$ 18,133,501	\$ 17,299,107
Operating expenditures	(22,168,015)	(21,515,769)
Non-operating revenues	101,000	220,600
Non-operating expenditures	(1,600,578)	(1,807,280)
Capital contributions and grants	<u>1,286,663</u>	<u>3,831,015</u>
 Change in net position	 <u>\$ (4,247,429)</u>	 <u>\$ (1,972,327)</u>

Capital Assets and Debt Administration

Capital Assets – As of September 30, 2020, the Authority had approximately \$163 million invested in facilities, infrastructure and equipment. This amount represents a net decrease of approximately \$(2.3) million, or about (1.4%) below last year. The following table presents a summary of the Authority's capital assets for the fiscal year.

Capital Assets at September 30, 2020 and 2019

	September 30,	
	2020	2019
Land and construction in progress (CIP)	\$ 16,214,513	\$ 24,755,266
Other capital assets (net of depreciation)	<u>146,490,595</u>	<u>140,274,240</u>
 Total capital assets	 <u>\$ 162,705,108</u>	 <u>\$ 165,029,506</u>

Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2020

Debt Administration – As of September 30, 2020, the Authority had \$56.1 million in credit lines, notes and bonds outstanding. The following table presents a summary of the Authority's debt as of the end of the fiscal year.

Bonds and Notes Outstanding

	September 30,	
	2020	2019
State SRF Loans	\$ 19,338,976	\$ 17,403,474
USDA revenue bonds	7,551,060	7,734,460
Bank financing, line of credit	1,849,934	695,450
Bank financing, term loans	338,057	442,862
Series 2016 revenue bonds	27,050,000	27,930,000
Total outstanding	<u>\$ 56,128,027</u>	<u>\$ 54,206,246</u>

Economic Factors and Next Year's Budget Rates

The Authority will focus on the long-term goals of maximizing labor and equipment utilization and improving our customer experience. No other significant financial challenges are forecast that should significantly affect the stability of customer rates.

Contacting the Authority's Management

This financial report is designed to provide the user with an executive overview of the Authority's finances and to show accountability for the money it receives. If you have any questions about this report, or need additional information, please use the contact information provided below.

Jackson County Utility Authority
1225 Jackson Avenue
Pascagoula, MS 39567

(228) 266-2225 (office)
(228) 762-3299 (fax)
email: lgreen@jcua-ms.us
lhardin@jcua-ms.us

Contacts:
Linda Green - Director of Finance/Administration
Lynette Hardin – Accounting Supervisor
Eric Page – Executive Director

Section II
Financial Statements

Jackson County Utility Authority
Statement of Net Position
September 30, 2020

Assets	
Current assets	
Cash and cash equivalents	\$ 2,390,524
Accounts receivable	644,615
Grants receivable	1,560,046
Inventory	120,171
Prepaid expenses and deposits	253,205
Total current assets	<u>4,968,561</u>
Restricted assets	
Cash and cash equivalents	6,904,811
Investments	2,089,141
Total restricted assets	<u>8,993,952</u>
Noncurrent assets	
Capital assets, net	<u>162,705,108</u>
Total assets	<u>176,667,621</u>
Deferred outflows of resources	
Deferred outflows, pensions	<u>1,468,867</u>
Totals	<u><u>\$ 178,136,488</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 956,573
Retainage payable	44,451
Accrued payroll liabilities	936,522
Accrued interest payable	108,793
Bonds and notes payable	4,351,312
Total current liabilities	<u>6,397,651</u>
Noncurrent liabilities	
Bonds and notes payable	54,287,365
Net pension liability	14,454,664
Total noncurrent liabilities	<u>68,742,029</u>
Total liabilities	<u>75,139,680</u>
Net position	
Invested in capital assets, net of related debts	109,915,007
Restricted assets	4,066,267
Unrestricted	(10,984,466)
Total net position	<u>102,996,808</u>
Totals	<u><u>\$ 178,136,488</u></u>

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

Jackson County Utility Authority
Statement of Revenues, Expenditures and Changes in Net Position
For the Fiscal Year Ended September 30, 2020

Operating revenues	
Utility revenue	\$ 17,334,238
Other revenue	799,263
Total operating revenues	<u>18,133,501</u>
 Operating expenses	
Administrative services	41,451
Chemicals and other supplies	985,321
Depreciation	8,804,586
Insurance	320,530
Legal services	350,616
Office and other expense	232,370
Outside services	785,515
Repairs and maintenance	457,938
Salaries and related expense	8,555,126
Utilities and telephone	1,517,894
Vehicle expense	116,668
Total operating expenses	<u>22,168,015</u>
Operating loss	<u>(4,034,514)</u>
 Non-operating revenues (expenses)	
Grant revenue	1,286,663
Interest and investment income (expense)	101,000
Interest expense	(1,594,993)
Bond issuance costs	(5,585)
Total non-operating revenues	<u>(212,915)</u>
Change in net position	(4,247,429)
Net position, beginning of year	<u>107,244,237</u>
Net position, end of year	<u><u>\$ 102,996,808</u></u>

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

Jackson County Utility Authority
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2020

11

Cash flows from operating activities	
Cash received from customers	\$ 17,963,875
Cash paid to suppliers for goods and services	(3,931,428)
Cash paid for employees and related expenses	(7,486,857)
Net cash provided by operating activities	<u>6,545,590</u>
Cash flows from capital and related financing activities	
Proceeds from federal and state grants	2,130,867
Acquisition of capital assets	(9,242,682)
Proceeds received from lines of credit	2,928,254
Proceeds received from state revolving loans	2,929,273
Principal paid on lines of credit	(1,773,770)
Principal paid on bank loans	(104,805)
Principal paid on bonds	(1,086,325)
Principal paid on state revolving loans	(993,771)
Principal paid on USDA revenue bonds	(183,400)
Interest paid	(1,597,451)
Net cash used in capital and related financing activities	<u>(6,993,810)</u>
Cash flows from investing activities	
Increase in 2016 revenue bond reserves	(93,666)
Sale of U.S. Treasury Bills	2,000,000
Proceeds from interest income	101,000
Net cash provided by investing activities	<u>2,007,334</u>
Net increase in cash and cash equivalents	1,559,114
Cash and cash equivalents, beginning of year	<u>7,736,221</u>
Cash and cash equivalents, end of year	<u>\$ 9,295,335</u>
Summary of cash and cash equivalents, end of year	
Unrestricted	\$ 2,390,524
Restricted	<u>6,904,811</u>
Totals	<u>\$ 9,295,335</u>

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

Jackson County Utility Authority
Reconciliation of Operating Income to Net Cash
Provided by Operating Activities
For the Fiscal Year Ended September 30, 2020

12

Operating loss	\$ (4,034,514)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	8,804,586
Changes in assets and liabilities	
Increase in accounts receivable	(169,626)
Increase in inventory	(54,716)
Decrease in prepaid expenses	62,231
Increase in operating payables	869,360
Increase in accrued payroll liabilities	279,558
Increase in deferred outflows	(699,577)
Decrease in deferred inflows	(153,966)
Increase in net pension liability	1,642,254
Net cash provided by operating activities	<u>\$ 6,545,590</u>

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

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements of the Jackson County Utility Authority (hereafter called “Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting purposes.

Financial reporting entity – Under the “Mississippi Gulf Coast Region Utility Act” enacted by the Mississippi Legislature, on May 15, 2006, Mississippi Gulf Coast Regional Wastewater Authority merged with Jackson County Utility Authority and now operates under said name. The legislature felt that there was a need to plan, acquire, construct, maintain, operate and coordinate water and wastewater systems in order to ensure the delivery of water and wastewater services to the citizens in Jackson County. On November 16, 1981, the Authority assumed the operations and maintenance of the wastewater treatment plants for the Cities of Pascagoula and Moss Point, Mississippi and on December 1, 1981, the plant for the City of Ocean Springs, Mississippi. During fiscal years 1986 and 1988, the Authority assumed operations and maintenance of treatment plants for the West Jackson County and the City of Gautier, Mississippi, respectively.

The significant operating revenues of the Authority are the result of subscription agreements entered into with each of the above governing bodies and utility districts and call for monthly revenue payments from each, based upon budgeted costs of operations and debt service requirements allocated to each, based upon actual flow data. In addition, the Authority is generating revenue from new services being provided as a result of newly constructed utility facilities financed through federal and state grants and loans. The reporting entity consists of and includes all funds that are covered by the oversight responsibility of the Authority. There are no funds excluded from the reporting entity which are under the control of the Authority. The reporting entity is not a component unit of another entity, nor does the reporting entity include any component units. The reporting entity is a joint venture of all the above named primary governments.

Measurement focus, basis of accounting and financial statement presentation – The Authority is classified as an enterprise fund for purposes of financial reporting. The Authority’s financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenditures are recognized when incurred, regardless of the timing of related cash flows.

The revenues and expenses of the Authority are classified as operating or non-operating. Operating revenues and expenses generally result from providing water and sewer collection and treatment services in connection with the Authority’s primary operations. All other revenues and expenses are reported as non-operating.

Property, plant and equipment – Property, plant and equipment are recorded at cost and depreciation is recorded using the straight line method over the estimated useful lives of the assets (treatment system 20-25 years and other property and equipment 5-15 years). Repairs and maintenance, which do not substantially increase capacity or operational efficiency, are expensed as incurred.

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Capitalized interest – Interest costs on outstanding debt are capitalized as incurred during the construction period of the asset.

Net position – Net position as presented in the statement of net position includes:

Investment in capital assets, net of related debt – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – The component of net position that reports the funds that are restricted for contingencies and pledged as collateral for a line of credit.

Unrestricted – The difference between the assets and liabilities that is not reported in the components of net position detailed above.

Operating and non-operating revenues and expenditures – Operating revenues of the Authority include all revenues generated by exchange transactions entered into with the four local municipalities and any other entity (whether public or private) utilizing the Authority’s wastewater treatment services, and revenues from retail water and sewer customers. Operating expenditures included all of the expenditures necessary to operate, maintain and manage the water and wastewater treatment systems as well as depreciation. Non-operating revenues include interest and investment income. Non-operating expenditures include interest expense. Capital contributions and grants include capital financing grants from the federal and state governments. Restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Capital contributions and grants – The Authority currently has several major construction projects in process that are funded all or in part by direct and pass-through grants from the United States Department of the Interior, the United States Environmental Protection Agency and the United States Department of Transportation. These grant funds are restricted for capital acquisition or construction.

Paid time off – An employee with a ten-hour workday schedule earns paid time off according to the following schedule:

Continuous Service	Accrual Rate (Monthly)	Accrual rate (Annually)
1 month to 5 years	15.33 hours	18 days
61 months to 15 years	18.67 hours	22 days
Over 15 years	22 hours	26 days

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

All other eligible, full-time employees earn paid time off according to the following schedule:

Continuous Service	Accrual Rate (Monthly)	Accrual rate (Annually)
1 month to 5 years	15.33 hours	23 days
61 months to 15 years	18.67 hours	28 days
Over 15 years	22 hours	33 days

Upon termination of employment, all ten (10) hour per day employees will first have accumulated service time converted into eight (8) hour days (for example one ten hour day will equal one and one-quarter eight hour day) . When an employee leaves the employment of the JCUA after ninety (90) days of continuous service, he or she will be paid for earned but unused PTO up to a maximum of 240 hours. Unused PTO in excess of 240 hours will be counted as creditable service for the purposes of the retirement system. The employee may, however, elect to have all earned but unused PTO credited to State Retirement.

Employees resigning prior to completing ninety (90) consecutive working days of service will not be paid for earned but unused PTO.

As of September 30, 2020, the Authority had accrued paid time off totaling \$465,890. This amount is included with accrued payroll liabilities.

Budget information – The Authority annually adopts a budget on the cash basis of accounting for its operating and debt service activities.

Cash and investments – The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In compliance with Governmental Accounting Standards Board Statement No. 31, the Authority’s investments are stated at fair value, except for highly liquid market investments with maturities of one year or less at the time of purchase, which are stated at amortized cost.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

Deferred outflows/inflows of resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Jackson County Utility Authority
Notes to Financial Statements
September 20, 2020
(Continued)

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

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for fiscal years beginning after June 15, 2014.

Note 2 – Cash and Investments

Cash and cash equivalents

Cash and cash equivalents consist of demand deposit checking and money market accounts with no withdrawal restrictions, and petty cash balances. As of September 30, 2020, cash bank deposits (including restricted deposits) and cash equivalents are as follows:

	Cash in Banks		Short-Term Investments	
	Bank Balance	Cash Carrying Amount	Federal U.S. Cash Reserves	Total
Cash and cash equivalents	\$ 6,845,673	\$ 6,456,324	2,838,544	\$ 9,294,868

The book balance of the Authority’s unrestricted cash and cash equivalents totaled \$2,390,524.

The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The Authority’s deposits were fully insured or collateralized as required by State statues as of September 30, 2020.

Investments

The Authority is authorized by law to invest any moneys of the Authority, including proceeds from the sale of bonds, notwithstanding any law to the contrary, but subject to any agreements with bondholders, on such terms and in such manner as the Authority and the Trustee deems proper. The Authority’s investment policy allows funds to be invested into saving accounts, certificates of deposit, money market accounts, U.S. Treasury Bills and U.S. Treasury Notes. The deposits held for satisfaction of bond covenants by the Trustee may be placed on automatic renewal.

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Interest rate risk

Interest rate risk is the risk that, over time, the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not specifically restrict investment maturities other than commercial paper which is limited by state law. The Authority's policy minimizes interest rate risk by requiring that the particular fund match its investments with the anticipated cash flow requirements thus allowing investments to be held to maturity and minimizing interest rate risk.

Credit risk

Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of September 30, 2020, the Authority's investments in U.S. Treasury Bills are unrated. The Authority's policy allows only the highest or the second highest rating categories for investments other than U.S. government securities. The investments at September 30, 2020 meet the Authority's investment policy and state law restrictions.

Custodial credit risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk.

Concentration of credit risk

The Authority has no specific policy regarding concentrations of credit risk. GAAP requires disclosure when any one issuer is 5% or more of the investment portfolio. 100% of the Authority's investment portfolio is made up of U.S. Treasury Bills.

Restricted assets

At September 30, 2020, the Authority had the following restricted assets:

Description	Amount
BancorpSouth Bank – Bond Debt Reserve	\$ 3,451,261
BancorpSouth Bank – USDA RUS Bond Reserves	600,037
BancorpSouth Bank – Mississippi Department of Employment Security Reserve	14,969
Trustmark Bank – 2016 Revenue Bond Reserve Cash	2,837,833
Trustmark Bank – 2016 Revenue Bond Prefunded Payment	711
Trustmark Bank – 2016 Revenue Bond Reserve Investments	2,089,141
Total restricted cash equivalents and investments	<u>\$ 8,993,952</u>

Note 3 – Accounts Receivable

Accounts receivable at September 30, 2020 includes amounts due for utility services. All receivables are current and therefore due within one year. Receivables are reported net of allowance for uncollectible amounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable was \$25,705 and there were no uncollectible amounts netted with utility revenue for the year ended September 30, 2020.

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Note 4 – Grants Receivable

Grants receivable consists of grant proceeds due from grantors for grant-related expenditures incurred but not reimbursed as of the end of the fiscal year. At September 30, 2020, the Authority had grants receivable totaling \$1,560,046.

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance 10/1/19	Additions	Dispositions and Transfers	Ending Balance 9/30/20
Land and construction in progress				
Land and easements	\$ 7,948,426	\$ 122,970	\$ -	\$ 8,071,396
Construction in progress	16,806,840	5,543,646	14,207,369	8,143,117
Total land and construction in progress	<u>24,755,266</u>	<u>5,666,616</u>	<u>14,207,369</u>	<u>16,214,513</u>
Other capital assets				
CDBG program constructed assets	100,765,804	-	-	100,765,804
CDBG program equipment	440,865	-	-	440,865
CIAP state wastewater project assets	692,904	-	-	692,904
CIAP county collection systems	3,590,940	-	-	3,590,940
COE Vicksburg Water Line	8,205,815	-	-	8,205,815
Vancleave laboratory facility	1,315,628	-	-	1,315,628
Pascagoula-Moss Point plant	37,093,557	-	-	37,093,557
West Jackson County plant	23,810,753	-	-	23,810,753
Escatawpa plant	8,720,533	-	-	8,720,533
Gautier plant	3,180,083	-	-	3,180,083
Retail systems, Ocean Beach Estates	925,573	-	-	925,573
Retail Systems, St. Andrews	3,491,439	-	-	3,491,439
Ramsey/Seaman Road water supply well	1,139,359	-	-	1,139,359
Big Hill Acres water and sewer systems	9,943,528	-	-	9,943,528
Connection systems	14,450,395	396,656	-	14,847,051
Pumping stations	15,446,694	-	-	15,446,694
Equipment, operation and maintenance	1,370,400	-	-	1,370,400
Equipment, retail operations	1,187,882	547,750	-	1,735,632
Vehicles and transportation equipment	1,808,485	-	-	1,808,485
Jackson Avenue administration building	1,243,422	-	-	1,243,422
Moss Point building	-	377,977	-	377,977
Wastewater treatment systems	5,636,197	3,215	-	5,639,412
Water System Facilities	4,006,356	497,560	-	4,503,916
Ground water well	-	621,474	-	621,474
Utility relocation	-	12,574,886	-	12,574,886
Hurley treatment & water storage	18,882	-	-	18,882
Surface water treatment facility	11,115	-	-	11,115
Office furniture and equipment	288,626	1,423	-	290,049
Software	1,226,580	-	-	1,226,580
Total	<u>250,011,815</u>	<u>15,020,941</u>	<u>-</u>	<u>265,032,756</u>
Less accumulated depreciation	<u>109,737,575</u>	<u>8,804,586</u>	<u>-</u>	<u>118,542,161</u>
Total other capital assets	<u>140,274,240</u>	<u>6,216,355</u>	<u>-</u>	<u>146,490,595</u>
Total capital assets, net	<u>\$ 165,029,506</u>	<u>\$ 11,882,971</u>	<u>\$ 14,207,369</u>	<u>\$ 162,705,108</u>

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

19

Depreciation expense reported for assets placed in service totaled \$8,804,586 for the year ended September 30, 2020.

Capital Projects

Mississippi Department of Transportation utility relocation project – The Authority has been awarded a grant from the Mississippi Department of Transportation (MDOT) for the relocation and improvement of water and sewer lines along Highway 57 from Humphrey Road to Vancleave. The grant provides for \$2,000,000 for water line relocation and improvement and \$4,500,000 for sewer line relocation and improvement for a total award of \$6,500,000. In March 2018, the Authority was awarded an additional \$3,338,467 for water line relocation.

The Authority has been awarded a grant from MDOT for the adjustment of the transmission and/or distribution facilities along Highway 57 from Interstate 10 to Humphrey Road in Vancleave for 50% reimbursement totaling \$1,860,512.

The Authority has been awarded a grant from the Mississippi Department of Transportation (MDOT) for the adjustment of the transmission and/or distribution facilities located on Highway 613 at Black Creek in Jackson County. The grant provides for \$1,100,915 for the water facilities and \$274,718 for wastewater facilities.

As of September 30, 2020, the Authority has incurred \$12,574,886 in costs associated with these projects. These projects were completed and placed in service during the year.

Wastewater force main system project – The Authority has been awarded a loan in the total amount of \$5,611,422 from the Water Pollution Control Revolving Loan Fund through the Mississippi Department of Environmental Quality (MDEQ) for the existing 700 GPM pump station #7 with a new sewage pump station, installation of 9,000 linear feet of 12-inch force main, 3,800 linear feet of 21-inch sanitary sewer collection, 3,500 linear feet of 2-inch water main to the new pump station, and related appurtenances.

The Authority has been awarded a loan in the amount of \$3,587,790 from the Water Pollution Control Revolving Loan Fund through MDEQ for the construction of a new sewage pump station on Pine Avenue and approximately 5,700 linear feet of 12-inch force main routing to the new gravity main from Phase 1.

As of September 30, 2020, the Authority has incurred \$6,860,641 in costs associated with these projects.

Water system facilities plan – The Authority has been awarded a loan in the amount of \$6,501,588 from the Drinking Water Systems Improvements Revolving Loan Fund through the Mississippi State Department of Health for Phase II of the Jackson County Utility Authority Western Regional Water System Improvements. As of September 30, 2020, the Authority has incurred \$20,400 in costs associated with this project.

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

20

Water and Wastewater Treatment System Revenue Bonds, Series 2016 – During the year ended September 30, 2016, the Authority issued \$30,440,000 in revenue bonds for the purpose of financing the construction, enlargement, improvement, repairs or extension of its utility systems. As of September 30, 2020, a portion of the bond proceeds had been used to finance various projects totaling \$20,856,978 of which, \$20,083,327 in completed construction has been placed in service and \$773,651 in costs are construction in progress.

Other construction projects and activity – In addition to the major construction projects undertaken by the Authority as described above, the Authority has incurred construction and design costs associated with various other projects within the Authority’s service area. Costs associated with these projects totaled \$488,425 as of September 30, 2020.

Construction in progress for the above projects totaled \$8,143,117 as of September 30, 2020.

Note 6 – Defined Benefit Pension Plan

Plan description

The Authority contributes to the Public Employees’ Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees’ authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that can be obtained at www.pers.ms.gov.

Benefits provided

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

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Contributions

PERS members are required to contribute 9.00% of their annual covered salary, and the Authority is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2020 was 17.40% of annual covered payroll. The employer's rate increased from 15.75% on July 1, 2019. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Authority's contributions to PERS for the fiscal years ending September 30, 2020, 2019 and 2018 were \$876,805, \$764,222, and \$742,305, respectively, which equaled the required contributions for each year.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At September 30, 2020, the Authority reported a liability of \$14,454,664 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2020, the Authority's proportion was 0.074667% which was an increase of 0.001836% from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the Authority recognized pension expense of \$1,667,171. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 125,468	\$ -
Net difference between projected and actual earnings on pension plan investments	593,742	-
Changes in assumptions	80,860	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	464,366	
Authority contributions subsequent to the measurement date	204,431	
Totals	\$ 1,468,867	\$ -

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

\$204,431 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,		
2021	\$	249,303
2022		433,687
2023		325,419
2024		256,027
Total	\$	1,264,436

Actuarial assumptions

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

Inflation	2.75%	
Salary increases	3.00 – 18.25%, average, including inflation	
Investment rate of return	7.75%, net of pension plan investment expense, including inflation	

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females 85 percent of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2020 valuation were based on the experience investigation for the four-year period ending June 30, 2019.

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

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	27.00%	4.90%
International equity	22.00%	4.75%
Global equity	12.00%	5.00%
Debt securities	20.00%	0.50%
Real estate	10.00%	4.00%
Private equity	8.00%	6.25%
Cash equivalents	1.00%	0.00%
Total	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.75%</u>	<u>7.75%</u>	<u>8.75%</u>
Net pension liability	\$ 18,709,786	\$ 14,454,664	\$ 10,942,478

Pension plan fiduciary net position

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

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Note 7 – Deferred Compensation Plan

In addition to PERS, fulltime employees may also participate in a Section 457 deferred compensation plan funded through Mississippi Deferred Compensation Plan and Trust. Contributions are made through employee salary deferral elections. For each employee that contributes up to 3% of gross annual salary, the Authority will contribute matching funds to the employee’s plan. Employees are permitted to make contributions up to the applicable Internal Revenue Code limits. Participants are fully vested in all contributions and earnings thereon. Participant’s investments are self-directed from a list of funds provided. With respect to the Section 457 plan, the Authority has no unfunded pension liability or fiduciary responsibility.

Note 8 – Lines of Credit

In November 2018, the Authority established an unsecured line of credit with Community Bank in the amount of \$1,500,000, payable monthly, interest only, at an annual interest rate of 2.3% through maturity in November 2020. During 2020, the Authority had draws totaling \$2,493,746. The maturity date was extended to February 2021. As of September 30, 2020, the balance on the line of credit was \$1,415,426.

In February 2020, the Authority established a line of credit with Community Bank in the amount of \$438,000, payable monthly, interest only, at an annual interest rate of 3.06% through maturity in the fiscal year ending September 30, 2021. As of September 30, 2020, the balance on the line of credit was \$434,508.

Note 9 – Notes Payable

On December 31, 2013, the Authority secured financing for the purchase of machinery and equipment from Trustmark Bank. The loan was in the amount of \$486,946 bearing interest at 4.32%, payable in monthly installments of \$6,742 for a period of eighty-four months, with the first payment due December 5, 2014. Current year activity under the loan may be stated as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
\$ 166,940	\$ -	\$ 75,069	\$ 91,871	\$ 78,503

Principal and interest payments required under the loan are as follows:

Year Ended September 30,	Principal	Interest
2021	\$ 78,503	\$ 2,399
2022	13,368	46
Totals	\$ 91,871	\$ 2,445

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

On August 29, 2017, the Authority secured financing for the purchase of 2 parcels of land located at Washington Avenue / Tucker Road in Jackson County from The Citizens Bank. The loan was in the amount of \$334,000 bearing interest at 4.25%, payable in monthly installments of \$3,435 through August, 2027. Current year activity under the loan may be stated as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
\$ 275,922	\$ -	\$ 29,736	\$ 246,186	\$ 31,397

Principal and interest payments required under the loan are as follows:

Year Ended September 30,	Principal	Interest
2021	\$ 31,397	\$ 9,828
2022	32,757	8,468
2023	34,177	7,048
2024	35,658	5,567
2025	37,203	4,021
2026-2027	74,994	2,842
Totals	\$ 246,186	\$ 37,774

Note 10 – State Loans in Aid of Construction

Mississippi State Revolving Loan Fund: SRF-C280878-01, payable in monthly installments of \$2,767, bearing interest at 1.75%, through December, 2023. As of September 30, 2020, the balance on the loan was \$73,210, with \$32,182 due in one year.

Mississippi State Revolving Loan Fund: SRF-C280878-02, payable in monthly installments of \$49,889, bearing interest at 2.5%, through April, 2027. As of September 30, 2020, the balance on the loan was \$3,630,514, with \$513,767 due in one year.

Mississippi State Revolving Loan Fund: SRF-C280878-03, the Authority was originally approved for a loan in the amount of \$1,526,351 for the construction of a wastewater compliance testing laboratory. Construction was completed during the fiscal year ended September 30, 2012, at a lower anticipated cost resulting in a reduction in the final amount of the loan. The loan was closed in January, 2013, at a total principal amount of \$1,356,544, with monthly payments of \$6,822 beginning in April, 2013. The loan bears interest at 1.75% with a term of 235 months. As of September 30, 2020, the balance on the loan was \$891,048, with \$66,808 due within one year.

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Mississippi State Revolving Loan Fund: SRF-C280878-04, the Authority is approved for a loan in the amount of \$4,900,000 for the installation of a new wastewater force main system, including upgrades to pumps and controls in an existing pump station and installation of three additional new pump stations. The loan closed in April 2018 at a total principal amount of \$4,992,269, which includes interest accrued, with payments beginning June 2018 payable monthly in the amount of \$25,197 for a period of 234 months, bearing interest at 1.75%. As of September 30, 2020, the balance on the loan was \$4,480,610, with \$225,755 due within one year.

Mississippi State Revolving Loan Fund: DWI-L300164-01-0, On October 27, 2015, the Authority entered into a Drinking Water Systems Improvements Revolving Loan Fund loan agreement authorized in the amount of \$6,295,862 for the installation of 60,000 linear feet of 12” force mains with appurtenances along Old Fort Bayou and Humphrey Road, Woodlake Lane, Ocean Springs and Vanleave Road; and interconnection with the existing water mains on Highway 57 and Highway 90. The loan closed in January 2019 at a total principal amount of \$4,045,255, which includes interest accrued, with payments beginning February 2019 payable monthly in the amount of \$20,723 for a period of 237 months, bearing interest at 1.95%. At September 30, 2020, the balance of the loan was \$3,757,852, with \$176,975 due within one year.

Mississippi State Revolving Loan Fund: SRF-C280878-06, the Authority is approved for a loan in amount of \$4,076,634 for the installation of a new wastewater force main system, including upgrades to pumps and controls in an existing pump station. In October 2018, the Authority was awarded an additional \$1,534,788 resulting in a total award of \$5,611,422. The loan bears interest at 1.75% and is to be repaid over a period of 237 months at \$28,425 monthly beginning October 2020. As of September 30, 2020, \$5,532,635 has been drawn on the loan, with \$242,429 is due within one year.

Mississippi State Revolving Loan Fund: SRF-C280878-07, the Authority is approved for a loan in amount of \$3,587,790 for the construction of a new sewage pump station on Pine Avenue and approximately 5,700 linear feet of 12-inch force main routing to the new gravity main from Phase 1. The loan bears interest at 1.75% and is to be repaid over a period of 237 months at \$17,916 monthly beginning February 2021. As of September 30, 2020, \$904,107 has been drawn on the loan, with \$38,861 due within one year.

Mississippi State Revolving Loan Fund: SRF-C280878-08, the Authority is approved for a loan in amount of \$5,613,000 for the relocation of existing Pump Station No. 6. The loan bears interest at 0.8% and is to be repaid over a period of 237 months at \$29,196 monthly beginning October 2022. As of September 30, 2020, \$69,000 has been drawn on the loan.

Changes in state loans in aid of construction for the year ended September 30, 2020, are summarized as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
\$17,403,474	\$ 2,929,273	\$ 993,771	\$19,338,976	\$ 1,296,777

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Principal and interest payments required under the loans are as follows:

Year Ended September 30,	Principal	Interest
2021	\$ 1,296,777	\$ 360,671
2022	1,323,942	333,506
2023	1,326,643	305,900
2024	1,346,127	278,114
2025	1,374,491	249,751
2026-2030	5,186,878	888,876
2031-2035	4,413,872	475,211
2036-2039	3,070,246	332,616
Totals	<u>\$19,338,976</u>	<u>\$ 3,224,645</u>

Note 11 – USDA Revenue Bonds

USDA Revenue Bond 28-030-640652582-001: On May 12, 2011, the Authority was approved for a USDA Rural Development revenue bond loan issued in the amount of \$4,996,050 to finance the engineering and construction costs of connections to the Big Hill Acres water and sewer system. During the year ended September 30, 2016, an interim financing arrangement with BancorpSouth in the amount of \$3,662,709 was paid off with proceeds of the loan and the Authority received additional proceeds totaling \$529,884 during the year to fund costs of construction, for a total outstanding balance of \$4,192,593. At September 30, 2020, the balance of the loan totaled \$4,338,325. The loan bears interest at 3.25% and is to be repaid over a period of thirty-five (35) years; the first two years will consist of interest only payments in the amount of \$162,372, payable October 8, 2016 and October 8, 2017. Payments for the remaining thirty-three (33) years, payable monthly in three hundred ninety-six (396) installments of \$20,755.

USDA Revenue Bond 28-030-640652582-002: The Authority received financing from USDA for the construction of an elevated storage tank and water well to supply the southern waterline extension. The loan is approved in the amount of \$2,881,029. At September 30, 2020, the balance of the loan totaled \$2,336,217. The loan bears interest at 3.625%, payable in monthly installments of \$12,218.

USDA Revenue Bond 28-030-640652582-003: The Authority received financing from USDA for the completion of construction of the elevated storage tank and water well to supply the southern waterline extension. The loan was approved in the amount of \$954,259. At September 30, 2020, the balance of the loan totaled \$876,519. The loan bears interest at 3.625%, payable in monthly installments of \$4,046.

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Changes in USDA revenue bond loans for the year ended September 30, 2020, are summarized as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>\$ 7,734,460</u>	<u>\$ -</u>	<u>\$ 183,400</u>	<u>\$ 7,551,060</u>	<u>\$ 189,702</u>

Principal and interest payments required under the loans are as follows:

Year Ended September 30,	Principal	Interest
2021	\$ 189,702	\$ 254,520
2022	196,269	247,953
2023	203,065	241,157
2024	210,097	234,125
2025	217,373	226,849
2026-2030	1,205,165	1,015,945
2031-2035	1,428,961	792,149
2036-2040	1,694,461	526,649
2041-2045	1,831,630	215,186
2046-2050	374,337	18,710
Totals	<u>\$ 7,551,060</u>	<u>\$ 3,773,243</u>

Note 12 – Water and Wastewater Treatment System Revenue Bond, Series 2016

On January 27, 2016, the Authority issued the Jackson County Utility Authority Water and Wastewater Treatment System Revenue Bond, Series 2016; par value \$30,440,000 with an original issue premium of \$3,486,203, and net proceeds of \$33,363,063 after the underwriters discount of \$563,140. The bonds were issued for the purpose of financing the construction, enlargement, improvement, repair and/or extension of the Authority’s water and wastewater systems, funding a debt service reserve fund for the bond issue, refunding a line of credit, funding capitalized interest on the bond issue through September 1, 2016; and paying the cost of issuance for the bond issue. The bonds bear interest at rates between 2% and 5%; first interest payment date was September 1, 2016; first principal payment date was September 1, 2017; and final maturity date is September 1, 2040. The original issue premium is amortized over the life of bond resulting in a decrease in interest expense.

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

Changes in Water and Wastewater Treatment System Revenue Bond, Series 2016 the year ended September 30, 2020, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2016	\$27,930,000	\$ -	\$ 880,000	27,050,000	\$ 905,000
Issuance Premium	2,716,974	-	206,325	2,510,649	201,816
Net Revenue Bond, Series 2016	<u>\$30,646,974</u>	<u>\$ -</u>	<u>\$ 1,086,325</u>	<u>\$29,560,649</u>	<u>\$ 1,106,816</u>

Principal and interest payments required under the bond are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 905,000	\$ 1,181,825
2022	935,000	1,154,675
2023	950,000	1,135,975
2024	970,000	1,116,975
2025	1,010,000	1,078,175
2026-2030	5,855,000	4,581,625
2031-2035	7,355,000	3,080,125
2036-2040	9,070,000	1,372,863
Totals	<u>\$ 27,050,000</u>	<u>\$ 14,702,238</u>

Note 13 – Interest Expense and Capitalized Interest

As of September 30, 2020, the following schedule sets forth the components of interest expense:

Total interest costs incurred	\$ 1,594,993
Capitalized interest	-
Total	<u>\$ 1,594,993</u>

Note 14 – Sixteenth Section Leases

The Authority leases portions of sixteenth section land from the Jackson County School District for use as utility line easements. The leases provide for annual lease payments for a term of forty years. The annual lease amount for the first ten-year period of each lease is based on a 5% appraised fee simple value of the land. Rent increases each ten-year anniversary date by 10% above that charged during the immediately preceding ten-year period for the term of the lease. The Authority has entered into two leases with a beginning date of June 15, 2009, which were prepaid as part of the CDBG grant

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

program; five leases with a beginning date of July 22, 2014, with a combined annual rental for the initial ten-year period of \$2,610; and two leases with a beginning date of October 21, 2014, with a combined annual rental of \$1,265. Future minimum payments under these leases may be stated as follows:

Year Ended September 30,	Future Minimum Rentals
2021	\$ 3,875
2022	3,875
2023	3,875
2024	4,136
2025	4,136
2026-2030	20,680
2031-2035	21,254
2036-2040	22,115
2041-2045	22,745
2046-2050	23,690
2051-2054	15,479
Totals	\$ 145,860

Rent expenditures were \$3,875 for the year ended September 30, 2020

Note 15 – Commitments and Contingencies

Self-Insured Worker’s Compensation – The Authority participates in a self-insured worker’s compensation pool (Mississippi Public Entity’s Worker’s Compensation Trust) approved by the Mississippi Worker’s Compensation Commission. Participants are jointly and severally liable only for liabilities incurred under the provisions of the Mississippi Worker’s Compensation Act. Management is of the opinion that the possibility of liability resulting from the indemnity is remote.

In June 2018, the Authority and the United States Department of the Army signed an agreement for design assistance for the Jackson County Water Reclamation Project (Project). The agreement provides for cost-sharing and financing of Project. The Project is design of a system the will reclaim treated wastewater effluent and utilize it to supplement water requirements for the Jackson County Industrial Complex. The total design costs are projected to \$4,000,000.00. This cost-sharing agreement commits the Authority to 25% of the total funding. Congress of the United States has made available \$3,000,000.00 for this purpose.

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 effect on the financial condition of the Authority.

Jackson County Utility Authority
Notes to Financial Statements
September 30, 2020
(Continued)

In July 2019, the Authority and Jackson County Port Authority entered into a memorandum agreement for purposes of studying whether the transfer of the Jackson County Port Authority's Industrial Water System to the Authority is feasible and in the best interest of both parties, Jackson County, Mississippi and any present customer to the Jackson County Port Authority Industrial Water System. If this materializes, the operation will be absorbed as a new enterprise.

Note 16 – Concentration of Revenue

The Authority currently receives the majority of its operating revenue from four local municipalities and one local utility district. Revenues from these entities constituted 80.84% of total operating revenue recognized during the year ended September 30, 2020.

Note 17 – Subsequent Events

Events that occur after the statement of financial position date, but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management of Jackson County Utility Authority evaluated the activity of the Authority through August 6, 2021, (the date the financial statements were issued), and identified the following subsequent events:

In April 2021, the line of credit with Community Bank was converted to a traditional loan.

In May 2021, a Certificate of Completion was issued on the 2016 Bond.

Required Supplementary Information

Jackson County Utility Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees Retirement Plan of Mississippi
 Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.074667%	0.072831%	0.073444%	0.069975%	0.068651%	0.064974%	0.059165%
Authority's proportionate share of the net pension liability	\$ 14,454,664	\$ 12,812,410	\$ 12,215,919	\$ 11,632,220	\$ 12,262,783	\$ 10,043,699	\$ 7,181,548
Authority's covered-employee payroll	\$ 4,971,941	\$ 4,743,292	\$ 4,690,085	\$ 4,488,942	\$ 4,393,077	\$ 4,056,550	\$ 3,613,613
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.72%	270.12%	260.46%	259.13%	279.14%	247.59%	198.74%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

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

Jackson County Utility Authority
Schedule of Authority Contributions
Public Employee's Retirement System of Mississippi
 Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 876,805	\$ 764,222	\$ 742,305	\$ 696,254	\$ 688,260	\$ 664,312	\$ 580,319
Contributions in relation to the contractually required contribution	876,805	764,222	742,305	696,254	688,260	664,312	580,319
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 5,039,106	\$ 4,736,216	\$ 4,713,047	\$ 4,420,655	\$ 4,369,905	\$ 4,217,854	\$ 3,684,565
Contributions as a percentage of covered-employee payroll	17.40%	16.14%	15.75%	15.75%	15.75%	15.75%	15.75%

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

Jackson County Utility Authority
Notes to the Required Supplementary Information
For the Year Ended September 30, 2020

34

Changes of assumptions:

2020

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

Supplementary Information

Jackson County Utility Authority
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency Award Number	Amount
U.S. Department of Transportation			
Passed through the Mississippi Department of Transportation:			
Highway Planning and Construction	20.205	STP-0066-01	<u>\$ 1,174,587</u>
U.S. Environmental Protection Agency			
Passed through the Mississippi Department of Environmental Quality Water Pollution Control Revolving Loan Fund Capitalization Grants for Clean Water State Revolving Funds			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280878-06	774,555
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280878-07	455,134
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280878-08	<u>68,750</u>
Total U.S. Environmental Protection Agency			<u>1,298,439</u>
Total expenditures of federal awards			<u><u>\$ 2,473,026</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Jackson County Utility Authority
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

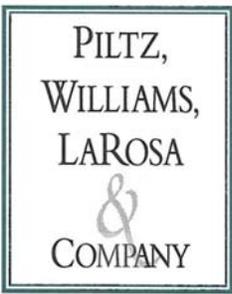
Note 1 - Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant and loan activity of the Authority and is presented on the accrual basis of accounting, the same basis of accounting and the same significant accounting policies as applicable, as those used in the preparation of the Authority's financial statements. 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). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 the Authority.

The Authority did not have any non-cash awards or subrecipients during the fiscal year.

The Authority did not elect to use the 10% de minimis indirect cost rate.

**Independent Auditors' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***



CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

MEMBERS
American Institute of CPAs
AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center
AICPA Center for Audit Quality
AICPA Employee Benefit Plan Audit Quality Center
Mississippi Society of CPAs

John D. Prentiss, CPA
Eric B. Bland, CPA
David C. Neumann, CPA, CBA³⁷
Mildrey Egies-Strickland, CPA
Elsé A. Marie, CPA
Jordan R. Church, CPA

Gerald Piltz, CPA (1925-2013)
Stanford A. Williams, Jr., CPA (1935-2017)
Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)
Darrell L. Galey, CPA (Retired)
Margaret D. Glosson, CPA (Retired)
Stephen P. Theobald, CPA, CVA
Michael D. O'Neill, CPA

**Independent Auditors' Report on Internal Control
over Financial Reporting and On Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Jackson County Utility Authority
Pascagoula, 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 Jackson County Utility Authority as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Jackson County Utility Authority's basic financial statements, and have issued our report thereon dated August 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jackson County Utility Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County Utility Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson County Utility 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify deficiencies in internal control, that we consider to be a material weakness.

Compliance and Other Matters

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

Jackson County Utility Authority's Response to Findings

Jackson County Utility Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jackson County Utility Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

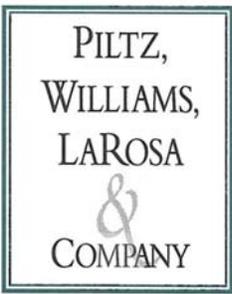
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

A handwritten signature in black ink, appearing to read "R. Williams, L. Rosa" followed by a stylized flourish.

Certified Public Accountants

Biloxi, Mississippi
August 6, 2021

**Independent Auditors' Report on Compliance for Each
Major Program and on Internal Control over Compliance
Required by the Uniform Guidance**



CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

MEMBERS
American Institute of CPAs
AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center
AICPA Center for Audit Quality
AICPA Employee Benefit Plan Audit Quality Center
Mississippi Society of CPAs

John D. Prentiss, CPA
Eric B. Bland, CPA
David C. Neumann, CPA, CBA
Mildrey Egües-Strickland, CPA
Elsé A. Marie, CPA
Jordan R. Church, CPA

Gerald Piltz, CPA (1925-2013)
Stanford A. Williams, Jr., CPA (1935-2017)
Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)
Darrell L. Galey, CPA (Retired)
Margaret D. Glosson, CPA (Retired)
Stephen P. Theobald, CPA, CVA
Michael D. O'Neill, CPA

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Jackson County Utility Authority
Pascagoula, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Jackson County Utility Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jackson County Utility Authority's major federal programs for the year ended September 30, 2020. Jackson County Utility Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Jackson County Utility Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County Utility Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jackson County Utility Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Jackson County Utility Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

Jackson County Utility Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jackson County Utility Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Jackson County Utility 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 Jackson County Utility Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Jackson County Utility 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 with a type of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-002, that we consider to be significant deficiencies.

Jackson County Utility Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jackson County Utility Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Certified Public Accountants

Biloxi, Mississippi
August 6, 2021

Schedule of Findings and Questioned Costs

Section 1 – Summary of Auditors’ Results

Financial Statements Section

- An unmodified opinion was issued on the financial statements.
- The audit identified material weaknesses or reportable conditions over financial reporting.
- The audit did not disclose any noncompliance which is material to the financial statements.

Federal Awards Section

- The audit did disclose significant deficiencies in internal control over major programs.
- An unmodified opinion was issued on compliance for major programs.
- Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in the Schedule.
- The major programs were:

Highway Planning and Construction CFDA 20.205
- The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- The auditee did not qualify as a low-risk auditee.

Section 2 – Findings Relating to the Financial Statements

Finding 2020-001

Condition and Criteria: The Authority did not initially reconcile the general ledger to the subsidiary ledgers and supporting schedules, including fixed assets, investments, debt, and net assets.

Effect: The financial statements were materially misstated at the beginning of the audit period prior to the corrections from the prior period audit.

Cause: Management did not initially follow the internal controls over financial reporting that have been in place.

Recommendation: Management should review all subsidiary ledgers and supporting schedules to the general ledger monthly and at the year-end prior to the audit commencing.

Response: The Authority was following these recommendations by the end of the period under audit and hired staff to ensure this.

Jackson County Utility Authority
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020
(Continued)

Section 3 – Findings and Questioned Costs for Federal Awards

Finding 2020-002

Condition and Criteria:

The Schedule of Expenditures of Federal Awards (SEFA) should be reconciled to the detailed general ledger.

Effect:

The Authority risks misreporting of federal awards by not reconciling expenditures of these awards to the detailed general ledger

Cause:

Federal awards expenditures were not appropriately segregated and reconciled from submissions to the detailed general ledger.

Recommendation:

The Authority should improve its financial reporting process so that it can provide reports from the detailed general ledger that support federal award submissions.

Response:

The Authority will improve its financial reporting process so it can more accurately keep track of the SEFA.

Summary Schedule of Prior Audit Findings

Jackson County Utility Authority
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

Finding 2019-001 Material Weakness

Condition: The Authority did not reconcile the general ledger to the subsidiary ledgers and supporting schedules, including fixed assets, investments, debt, cash transfers, and net assets.

Status: Issue resolved. See Finding 2020-001 for updated response.

Finding 2019-002

Condition: Audit reports were not prepared and filed timely with the Federal Audit Clearinghouse (FAC).

Status: Issue resolved.