

**JACKSON COUNTY UTILITY AUTHORITY
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2022 AND 2021**



**JACKSON COUNTY UTILITY AUTHORITY
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SEPTEMBER 30, 2022 AND 2021**

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

INDEPENDENT AUDITOR'S REPORT

March 23, 2023

Board of Directors
Jackson County Utility Authority
Pascagoula, Mississippi

Report on the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Jackson County Utility Authority (the Authority) as of and for the years ended September 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Jackson County Utility Authority, as of September 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jackson County Utility Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, and the Schedule of the Authority's Employer Contributions on pages 4-7 and 25-26, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County Utility Authority's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information. The other information comprises the budget to actual schedule but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, 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.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2022 and 2021**

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, 2022. 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 \$(5.4) million during 2022; and is approximately \$92 million. The deficit unrestricted net position increased by approximately \$645k to approximately \$(12.8) million; restricted net position increased approximately \$166k during 2022 to approximately \$6 million; and net position invested in capital assets net of related debt decreased approximately \$(4.9) million to \$98 million.
- Operating revenues were approximately \$19.8 million while operating expenses were approximately \$23.7 million, or approximately \$14.4 million excluding depreciation.
- The Authority increased noncurrent liabilities by approximately \$9 million to \$75 million and reported a net pension liability of approximately \$16.5 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 \$9.3 million. The following table summarizes the final budget, excluding certain Grant and Bond activities, to actual comparative results.

Year 2022 Budget to Actual Comparison

	Budget	Actual	Variance
Operating revenues	\$ 19,486,645	\$ 19,814,417	\$ 327,772
Operating expenditures	(14,882,750)	(14,407,152)	475,598
Non-operating revenues (expenses)	2,587,040	145,662	(2,441,378)
Interest expense	(1,702,664)	(1,651,343)	51,321
Depreciation	(8,804,586)	(9,267,375)	(462,789)
Excess (deficiency)	<u>\$ (3,316,315)</u>	<u>\$ (5,365,791)</u>	<u>\$ (2,049,476)</u>
Debt service - principal	<u>\$ (3,251,832)</u>	<u>\$ (3,091,160)</u>	<u>\$ 160,672</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.

**Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2022 and 2021**

Overview of the Financial Statements (continued)

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 12-24 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.

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, 2022 and 2021:

Statements of Net Position

	September 30,	
	2022	2021
Current and other assets	\$ 10,858,473	\$ 9,226,355
Capital assets, net	159,475,250	160,054,482
Total assets	170,333,723	169,280,837
Deferred outflows of resources	2,481,831	2,179,011
Current liabilities	6,199,285	4,961,641
Long-term liabilities	74,980,441	65,935,598
Total liabilities	81,179,726	70,897,239
Deferred inflows of resources	-	3,560,990
Summary of net position		
Invested in capital assets, net of related debt	98,027,019	102,914,333
Restricted	6,402,162	6,235,756
Unrestricted	(12,793,353)	(12,148,470)
Total net position	\$ 91,635,828	\$ 97,001,619

The Authority's investment in capital assets accounted for 107% of total net position. The decrease in capital assets in 2022 reflects real property additions and the annual recognition of accumulated depreciation. 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, 2022 and 2021**

Statements of Revenues, Expenditures and Changes in Net Position

	September 30,	
	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 19,814,417	\$ 18,713,836
Operating expenditures	(14,407,152)	(13,919,131)
Depreciation	(9,267,375)	(9,204,999)
Non-operating revenues	38,171	11,584
Non-operating expenditures	(1,651,343)	(1,709,262)
Capital contributions and grants	<u>107,491</u>	<u>112,783</u>
Change in net position	<u>\$ (5,365,791)</u>	<u>\$ (5,995,189)</u>

Capital Assets and Debt Administration

Capital Assets – As of September 30, 2022, the Authority had approximately \$296 million (before accumulated depreciation) invested in facilities, infrastructure and equipment. This amount represents a net increase of approximately \$8.6 million, or about 3% from September 30, 2021. The following table presents a summary of the Authority's capital assets for the fiscal year.

Capital Assets at September 30, 2022 and 2021

	September 30,	
	<u>2022</u>	<u>2021</u>
Land	\$ 9,569,963	\$ 9,232,186
Construction in Progress (CIP)	19,825,721	12,244,428
Other capital assets (net of depreciation)	<u>130,079,566</u>	<u>138,577,868</u>
Total capital assets	<u>\$ 159,475,250</u>	<u>\$ 160,054,482</u>

Debt Administration – As of September 30, 2022, the Authority had \$59.3 million in credit lines, notes and bonds outstanding. This is a net increase of \$(4.5) million from the prior year. In the current year, the Authority began financing State Revolving Loan DWI-L02 to improve the Western Regional Water System Phase II in the amount of \$5.6 million and SRF 01 will be paid in full on December 10, 2022. 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,	
	<u>2022</u>	<u>2021</u>
State SRF Loans	\$ 24,019,656	\$ 19,497,200
USDA revenue bonds	7,165,033	7,361,332
Bank financing, line of credit	300	-
Bank financing, term loans	2,856,322	1,742,518
Series 2016 revenue bonds	<u>25,210,000</u>	<u>26,145,000</u>
Total outstanding, excluding Bond Premium	<u>\$ 59,251,311</u>	<u>\$ 54,746,050</u>

Economic Factors and Next Year's Budget Rates

The Authority is focused on continuing to improve labor and equipment efficiencies while utilizing grant funding, to the greatest extent possible, to supplement authority funding to facilitate an increased number of retail water and sewer connections being made with minimal cost to the community. While inflationary issues nationally are having an impact upon the supply chain for materials and supplies, we don't foresee any issues affecting the Authority's stability or ability to function within its budgeted framework for FYE 2023. Changes relative to the Authority's stance regarding mandating connections may also have to be addressed.

**Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2022 and 2021**

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.

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Eric Page – Executive Director

FINANCIAL SECTION

JACKSON COUNTY UTILITY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 2,914,971	\$ 792,376
Accounts receivable, net of allowance	972,397	906,211
Grants receivable	260,857	982,091
Prepaid expenses and deposits	308,086	309,921
Total current assets	<u>4,456,311</u>	<u>2,990,599</u>
Restricted Assets		
Cash and cash equivalents	4,306,997	4,146,140
Investments	2,095,165	2,089,616
Total restricted assets	<u>6,402,162</u>	<u>6,235,756</u>
Noncurrent Assets		
Land and easements	9,569,963	9,232,186
Construction in progress	19,825,720	12,244,428
Capital assets, net of accumulated depreciation	130,079,567	138,577,868
Total noncurrent assets	<u>159,475,250</u>	<u>160,054,482</u>
Total assets	<u>170,333,723</u>	<u>169,280,837</u>
Deferred Outflows of Resources		
Deferred outflows, pensions	<u>2,481,831</u>	<u>2,179,011</u>
Total assets and deferred outflows of resources	<u>\$ 172,815,554</u>	<u>\$ 171,459,848</u>

**JACKSON COUNTY UTILITY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2022 AND 2021**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2022	2021
Current Liabilities		
Accounts payable	\$ 2,242,053	\$ 772,676
Retainage payable	85,267	85,267
Accrued payroll liabilities	447,146	589,425
Compensated absences, current	384,694	384,694
Accrued interest payable	78,083	78,083
Lines of credit	300	-
Bonds and notes payable, current	2,961,742	3,051,496
Total current liabilities	6,199,285	4,961,641
Noncurrent Liabilities		
Bonds and notes payable, net of current	58,400,922	54,003,387
Compensated absences, net of current	112,608	107,861
Net pension liability	16,466,911	11,824,350
Total noncurrent liabilities	74,980,441	65,935,598
Total liabilities	81,179,726	70,897,239
Deferred Inflows of Resources		
Deferred inflows, pensions	-	3,560,990
Net Position		
Invested in capital assets, net of related debts	98,027,019	102,914,333
Restricted assets	6,402,162	6,235,756
Unrestricted	(12,793,353)	(12,148,470)
Total net position	91,635,828	97,001,619
Total liabilities, deferred inflows of resources and net position	\$ 172,815,554	\$ 171,459,848

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

JACKSON COUNTY UTILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Subscriber fees	\$ 14,934,401	\$ 14,565,476
Other fees	3,694,097	3,192,073
Services and charges	<u>1,185,919</u>	<u>956,287</u>
Total operating revenues	<u>19,814,417</u>	<u>18,713,836</u>
Operating expenses		
Administration	1,470,730	1,580,381
Legal and insurance	597,769	621,694
Office expense	310,497	281,498
Contractual services	1,048,610	1,381,323
Personnel services	9,102,961	8,206,620
Utilities and other	<u>1,876,585</u>	<u>1,847,615</u>
Total operating expenses	<u>14,407,152</u>	<u>13,919,131</u>
Income from operations before depreciation	<u>5,407,265</u>	<u>4,794,705</u>
Depreciation expense	<u>9,267,375</u>	<u>9,204,999</u>
Operating loss	<u>(3,860,110)</u>	<u>(4,410,294)</u>
Non-operating revenues (expenses)		
Grant revenue	107,491	112,783
Gain on assets disposals	23,564	8,496
Interest and investment income	14,607	3,088
Interest expense - bonds	(959,507)	(962,541)
Interest expense - other	(686,251)	(741,136)
Bond issuance costs	<u>(5,585)</u>	<u>(5,585)</u>
Total non-operating revenues	<u>(1,505,681)</u>	<u>(1,584,895)</u>
Change in net position	(5,365,791)	(5,995,189)
Net position, beginning of year	<u>97,001,619</u>	<u>102,996,808</u>
Net position, end of year	<u>\$ 91,635,828</u>	<u>\$ 97,001,619</u>

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

JACKSON COUNTY UTILITY AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from customers	\$ 16,017,161	\$ 17,479,110
Cash paid to suppliers for goods and services	(3,801,591)	(5,816,111)
Cash paid for employees and related expenses	(8,461,742)	(7,840,628)
Other income	3,694,097	956,287
Net cash provided by operating activities	<u>7,447,925</u>	<u>4,778,658</u>
Cash flows from capital and related financing activities		
Proceeds from federal and state grants	828,725	690,738
Cash received for capital asset disposal	43,070	8,496
Acquisition of capital assets	(8,707,651)	(6,519,142)
Proceeds received from lines of credit	300	-
Proceeds received from bank loans	1,697,772	614,282
Proceeds received from state revolving loans	5,647,583	1,509,840
Principal paid on bank loans	(583,968)	(1,059,755)
Principal paid on bonds	(935,000)	(1,106,816)
Principal paid on state revolving loans	(1,178,712)	(1,351,616)
Principal paid on USDA revenue bonds	(196,298)	(189,729)
Interest paid	(1,789,352)	(1,734,388)
Net cash used in capital and related financing activities	<u>(5,173,531)</u>	<u>(9,138,090)</u>
Cash flows from investing activities		
Interest received	9,058	2,613
Net cash provided by investing activities	<u>9,058</u>	<u>2,613</u>
Net increase (decrease) in cash and cash equivalents	2,283,452	(4,356,819)
Cash and cash equivalents, beginning of year	<u>4,938,516</u>	<u>9,295,335</u>
Cash and cash equivalents, end of year	<u>\$ 7,221,968</u>	<u>\$ 4,938,516</u>
Reconciliation of total cash and cash equivalents		
Cash and cash equivalents	\$ 2,914,971	\$ 792,376
Restricted cash and cash equivalents	<u>4,306,997</u>	<u>4,146,140</u>
Totals	<u>\$ 7,221,968</u>	<u>\$ 4,938,516</u>
Non-cash investing, capital, and financing activities		
Line of credit conversion	<u>\$ -</u>	<u>\$ 435,718</u>
Total non-cash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 435,718</u>

JACKSON COUNTY UTILITY AUTHORITY
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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

	2022	2021
Loss from operations	\$ (3,860,110)	\$ (4,410,294)
Adjustments reconciling loss from operations to net cash provided by operating activities:		
Depreciation	9,267,375	9,204,999
Amortization of prepaid bond insurance	(5,585)	-
Bad debt expense	36,973	16,844
(Increase) decrease in operating assets:		
Accounts receivable	(103,159)	(278,440)
Deferred outflows, pensions	(302,820)	(710,144)
Inventory	-	120,171
Prepaid expenses	1,835	(56,717)
Increase (decrease) in operating liabilities:		
Accounts payable	1,469,377	(183,897)
Deferred inflows, pensions	4,642,561	(2,630,314)
Net pension liability	(3,560,990)	3,560,990
Accrued payroll liabilities	(137,532)	145,460
Total adjustments	11,308,035	9,188,952
Net cash provided by operating activities	\$ 7,447,925	\$ 4,778,658

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

NOTES TO FINANCIAL STATEMENTS

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (the 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 West Jackson County and the City of Gautier, Mississippi, respectively.

The significant operating revenues of the Authority are the result of long-term subscription agreements entered into with each of the above governing bodies and utility districts and call for monthly revenue payments from each, based upon estimated costs and expenses 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.

Basis of presentation

The accompanying financial statements of the 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.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2022 and 2021 are recorded as prepaid items.

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. Accordingly, actual results could differ from those estimates.

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.

Budget Information

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

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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. Repairs and maintenance, which do not substantially increase capacity or operational efficiency, are expensed as incurred.

Estimated useful lives are as follows:

Plant structures	5 - 40 years
Plant equipment	5 - 50 years
Office equipment	5 - 10 years
Office buildings	10 - 40 years

Net position

Governmental accounting standards require the classification of net position into three components:

- *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 bond and debt service covenants and unemployment reserve.
- *Unrestricted* – The difference between the assets and liabilities that is not reported in the components of net position detailed above.

Accounting principles generally accepted in the United States of America for proprietary funds of governmental entities require that resources (i.e., grants, entitlements, or shared revenues) externally restricted for capital acquisition or construction are to be reported as capital contributions in the Statement of Revenues, Expenses, and Changes in Net Position when earned. Contributions include capital grants and other supplemental support by federal, state, and local grants in support of system improvements.

Operating and Non-Operating Revenues and Expenses

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.

Compensated Absences

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

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

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (continued)

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, 2022 and 2021, the Authority had accrued paid time off totaling \$497,302 and \$492,555, respectively.

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.

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.

Change in accounting principle

The implementation of a new accounting standard GASB No. 87, requires the recording of lease receivables, deferred inflows of resources – leases, right to use assets, related amortization, and lease liabilities. The Authority did not have any leases that required changes in recognition under this new standard.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

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, 2022, 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	\$ 7,594,965	\$ 7,220,000	\$ 1,968	\$ 7,221,968	

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and cash equivalents (continued)

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 statutes as of September 30, 2022 and 2021.

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.

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, 2022 and 2021, 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, 2022 and 2021 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, 2022 and 2021, the Authority had the following restricted assets:

Description	2022	2021
BancorpSouth Bank – Bond Debt Reserve	\$3,468,576	\$3,469,777
BancorpSouth Bank – USDA RUS Bond Reserves	821,469	660,921
BancorpSouth Bank – Mississippi Department of Employment Security Reserve	14,984	14,977
Trustmark Bank – 2016 Revenue Bond Reserve Cash	-	463
Trustmark Bank – 2016 Revenue Bond Prefunded Payment	1,968	2
Trustmark Bank – 2016 Revenue Bond Reserve Investments	2,095,165	2,089,616
Total restricted cash equivalents and investments	<u>\$6,402,162</u>	<u>\$6,235,756</u>

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2022 and 2021 include amounts due for utility services. All receivables are current and therefore due within one year. Receivables are reported net of allowance for uncollectible amounts. Allowances are reported when accounts are proven to be uncollectible.

Accounts receivable consisted of the following:

	2022	2021
Accounts receivable	\$ 1,051,919	\$ 948,760
Less: allowance for doubtful accounts	79,522	42,549
Total accounts receivable, net of allowance	\$ 972,397	\$ 906,211

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, 2022 and 2021, the Authority had grants receivable totaling \$260,857 and \$982,091, respectively.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance 10/1/21	Additions	Dispositions and Transfers	Ending Balance 9/30/22
Land and easements	\$ 9,232,186	\$ 337,777	\$ -	\$ 9,569,963
Construction in progress	12,244,428	7,581,293	-	19,825,721
Plant structures	209,774,886	136,745	-	209,911,631
Plant equipment	30,156,683	432,063	(107,349)	30,481,397
Office equipment	1,593,660	59,772	(31,530)	1,621,902
Office buildings	24,689,529	160,000	-	24,849,529
Total	287,691,372	8,707,650	(138,879)	296,260,143
Less accumulated depreciation	(127,636,890)	(9,267,375)	119,372	(136,784,893)
Total capital assets, net	\$ 160,054,482	\$ (559,725)	\$ (19,507)	\$ 159,475,250

Depreciation expense reported for assets placed in service totaled \$9,267,375 for the year ended September 30, 2022.

Capital asset activity for the year ended September 30, 2021, was the following:

	Beginning Balance 10/1/20	Additions	Dispositions and Transfers	Ending Balance 9/30/21
Land and easements	\$ 9,047,368	\$ 184,818	\$ -	\$ 9,232,186
Construction in progress	8,143,117	4,289,923	(188,612)	12,244,428
Plant structures	209,325,002	365,941	83,943	209,774,886
Plant equipment	29,513,612	733,197	(90,126)	30,156,683
Office equipment	1,567,834	25,826	-	1,593,660
Office buildings	23,650,335	1,010,586	28,608	24,689,529
Total	281,247,268	6,610,291	(166,187)	287,691,372
Less accumulated depreciation	(118,542,160)	(9,204,999)	110,269	(127,636,890)
Total capital assets, net	\$ 162,705,108	\$ (2,594,708)	\$ (55,918)	\$ 160,054,482

Depreciation expense reported for assets placed in service totaled \$9,204,999 for the year ended September 30, 2021.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan description

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

Benefits provided

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

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

Contributions

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate, currently 17.40%. The Authority's contributions to PERS for the year ended September 30, 2022 and 2021, were \$959,420 and \$897,281, respectively, equal to the required contributions for the year.

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

At September 30, 2022, the Authority recognized \$16,466,911 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022 and 2021, the Authority's proportion was 0.08 percent.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended September 30, 2022, the Authority recognized expense of \$1,752,661, which includes \$778,751 adjustment to expense related to increase in net pension liability for GASB 68 calculation. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 233,160	\$ -
Changes in assumptions	569,527	-
Net difference between projected and actual earnings on pension plan investments	864,922	-
Change in proportion	545,672	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	-
Authority contributions subsequent to the measurement date	268,550	-
Totals	\$ 2,481,831	\$ -

The Authority’s contributions subsequent to the measurement date, \$268,550, will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended September 30,		
2023	\$	846,602
2024		605,852
2025		(132,715)
2026		893,542
Total	\$	2,213,281

Actuarial assumptions

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

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

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020. Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions (continued)

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>Discount Rate</u>	<u>Proportionate Share of Net Pension Liability</u>
1% decrease	6.55%	\$ 21,491,001
Current discount rate	7.55%	\$ 16,466,911
1% increase	8.55%	\$ 12,324,805

Pension plan fiduciary net position

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

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 7 – DEFERRED COMPENSATION PLAN

In addition to PERS, full time 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. The Authority’s contributions to the deferred compensation plan for the year ended September 30, 2022 and 2021 were \$88,956 and \$81,505, respectively.

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. The line of credit was converted to a note payable in May 2021, see Note 9 for additional information.

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. The line of credit was converted to a note payable in May 2021, see Note 9 for additional information.

In June 2022, the Authority established an unsecured line of credit with Community Bank in the amount of \$1,000,000, payable monthly, at an interest rate of 2.24% through maturity in the fiscal year ending September 30, 2023, with the option to renew for one additional year. The outstanding balance on this line of credit at September 30, 2022 was \$300. There is \$999,700 of credit available at September 30, 2022.

NOTE 9 – LONG-TERM LIABILITIES

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

For the year ended September 30, 2022:

	Balance October 1, 2021	Additions	Principal Payments/ Reductions	Balance September 30, 2022	Due within one year
Revenue bonds	\$ 26,145,000	\$ -	\$ (935,000)	\$ 25,210,000	\$ 950,000
Premium on bonds payable	2,308,833	-	(197,180)	2,111,653	-
Revenue bond loans	7,361,332	-	(196,299)	7,165,033	203,065
State revolving fund loans	19,497,200	5,701,169	(1,178,713)	24,019,656	1,628,425
Notes payable	1,742,518	1,697,772	(583,968)	2,856,322	180,252
Net pension liability	11,824,350	4,642,561	-	16,466,911	-
Compensated absences	492,555	329,021	(324,274)	497,302	384,694
	<u>\$ 69,371,788</u>	<u>\$ 12,370,523</u>	<u>\$ (3,415,434)</u>	<u>\$ 78,326,877</u>	<u>\$ 3,346,436</u>

For the year ended September 30, 2021:

	Balance October 1, 2020	Additions	Principal Payments/ Reductions	Balance September 30, 2021	Due within one year
Revenue bonds	\$ 27,050,000	\$ -	\$ (905,000)	\$ 26,145,000	\$ 935,000
Premium on bonds payable	2,510,649	-	(201,816)	2,308,833	-
Revenue bond loans	7,551,061	-	(189,729)	7,361,332	196,269
State revolving fund loans	19,338,976	1,509,840	(1,351,616)	19,497,200	1,331,467
Notes payable	2,187,991	1,050,000	(1,495,473)	1,742,518	588,760
Net pension liability	14,454,664	-	(2,630,314)	11,824,350	-
Compensated absences	465,890	487,164	(460,499)	492,555	384,694
	<u>\$ 73,559,231</u>	<u>\$ 3,047,004</u>	<u>\$ (7,234,447)</u>	<u>\$ 69,371,788</u>	<u>\$ 3,436,190</u>

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 9 – LONG-TERM LIABILITIES (Continued)

For the year ended September 30, 2022 and 2021, interest incurred (less amortization of bond premium) and charged to expense totaled \$1,645,758 and \$1,703,677, respectively.

Bonds Payable

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 rates between 2% and 5% and maturity date of September 1, 2040. The original issue premium is amortized over the life of the bond resulting in a decrease in interest expense.

The Authority has the following outstanding bonds payable:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2022	Balance September 30, 2021
2016 Revenue bonds	1/27/2016	1/27/2040	2% - 5%	\$ 30,440,000	\$ 25,210,000	\$ 26,145,000
Premium on bonds	1/27/2016	1/27/2040		3,486,203	2,111,653	2,308,833
				<u>\$33,926,203</u>	<u>\$ 27,321,653</u>	<u>\$ 28,453,833</u>

The Authority’s future principal and interest requirements related to the bonds payable are as follows:

Year ending September 30,	Principal	Interest
2023	\$ 950,000	\$ 1,135,975
2024	970,000	1,116,975
2025	1,010,000	1,078,175
2026	1,060,000	1,027,675
2027	1,110,000	974,675
2028-2032	6,430,000	4,008,625
2033-2037	7,990,000	2,445,388
2038-2042	5,690,000	578,250
	<u>\$25,210,000</u>	<u>\$ 12,365,738</u>

Interest accrued on the bonds payable totaled \$78,083 for the years ended September 30, 2022 and 2021.

Revenue Bond Loans

The Authority is responsible for three revenue bond loans issued by USDA as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2022	Balance September 30, 2021
USDA Revenue bonds 01	10/8/2015	10/8/2050	3.25%	\$ 4,996,050	\$ 4,115,320	\$ 4,228,632
USDA Revenue bonds 02	8/13/2015	8/13/2050	3.63%	2,881,029	2,207,947	2,273,243
USDA Revenue bonds 03	8/13/2015	8/13/2050	3.63%	954,259	841,766	859,457
				<u>\$ 8,831,338</u>	<u>\$ 7,165,033</u>	<u>\$ 7,361,332</u>

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Revenue Bond Loans (continued)

Principal and interest maturities related to these loans are as follows:

Year ending September 30,	Principal	Interest
2023	\$ 203,065	\$ 241,157
2024	210,097	234,125
2025	217,373	226,849
2026	224,902	219,320
2027	232,692	211,530
2028-2032	1,290,125	930,985
2033-2037	1,529,750	691,360
2038-2042	1,813,968	407,142
2043-2047	1,333,561	103,487
2048-2052	109,500	4,913
	<u>\$ 7,165,033</u>	<u>\$ 3,270,868</u>

State Loans in Aid of Construction

The Authority is responsible for nine loans issued by Mississippi Development Authority (MDA) as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2022	Balance September 30, 2021
SRF C280878-01	3/20/2003	12/10/2022	1.75%	\$ 552,193	\$ 8,278	\$ 38,261
SRF C280878-02	6/21/2007	4/10/2027	2.50%	9,293,285	2,589,988	3,066,858
SRF C280878-03	1/4/2013	10/10/2032	1.75%	1,356,544	756,255	817,419
SRF C280878-04	3/13/2018	10/10/2037	1.75%	4,992,239	4,025,117	4,229,658
SRF SWI-L300164-01-0	9/30/2015	8/1/2038	1.95%	4,045,255	3,400,419	3,560,153
SRF C280878-06	9/9/2020	6/10/2040	1.75%	5,631,400	5,182,171	5,400,669
SRF C280878-07	9/28/2018	1/10/2042	1.75%	2,602,822	2,574,899	1,923,182
SRF C280878-08	8/20/2021	TBD*	1.75%	6,398,617	5,111,609	461,000
SRF DWI-L300164-02-0	11/11/2020	TBD*	1.95%	5,672,736	370,920	-
				<u>\$40,545,091</u>	<u>\$ 24,019,656</u>	<u>\$ 19,497,200</u>

*Loan has not closed as of date of report, maturity dates to be determined at close of loan.

Principal and interest maturities related to these loans will be as follows:

Year ending September 30,	Principal	Interest
2023	\$ 1,628,425	\$ 330,011
2024	1,656,838	331,669
2025	1,690,875	302,808
2026	1,725,634	273,350
2027	1,510,642	243,259
2028-2032	6,146,753	890,148
2033-2037	6,306,318	459,818
2038-2042	3,049,201	244,539
2043-2047	304,970	2,270
	<u>\$24,019,656</u>	<u>\$3,077,872</u>

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Notes Payable

At September 30, the Authority’s outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2022	Balance September 30, 2021
The Citizens Bank	8/29/2017	8/29/2027	4.25%	\$ 334,400	\$ 184,857	\$ 13,150
Community Bank	5/14/2021	5/10/2036	3.06%	1,050,000	973,693	217,693
BXS Cadence	11/18/2021	11/15/2031	2.01%	1,500,000	1,222,772	486,067
BXS Cadence	8/8/2022	8/7/2037	3.98%	650,000	475,000	1,025,608
				<u>\$3,534,400</u>	<u>\$ 2,856,322</u>	<u>\$ 1,742,518</u>

Principal and interest maturities related to these loans are as follows:

Year ending September 30,	Principal	Interest
2023	\$ 180,252	\$ 74,706
2024	236,508	35,866
2025	243,302	32,568
2026	250,310	29,149
2027	256,046	25,605
2028-2032	1,174,109	86,987
2033-2037	515,795	26,943
	<u>\$ 2,856,322</u>	<u>\$ 311,824</u>

NOTE 10 – 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 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
2023	\$ 3,875
2024	3,918
2025	4,252
2026	4,262
2027	4,262
2028-2032	21,312
2033-2037	22,627
2038-2042	23,443
2043-2047	24,890
2048-2052	25,787
2053-2054	9,877
Totals	<u>\$ 148,505</u>

Rent expenditures were \$3,875 for the years ended September 30, 2022 and 2021.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 11 – 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). In September 2022, the Authority and the U.S. Department of the Army sign an additional agreement for design assistance. The agreement provides for cost-sharing and financing of Project. The Project is the design of a system that will reclaim treated wastewater effluent and utilize it to supplement water requirements for the Jackson County Industrial Complex. The total remaining design costs are projected to be approximately \$10,000,000. This cost-sharing agreement commits the Authority to 25% of the total funding. Congress of the United States has made available \$8,000,000 for this purpose.

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. The transfer was found not to be feasible. The operation is now being evaluated to consider entering into a contractual services agreement between the agencies.

Risk Management

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

Outstanding Construction Commitments

The Authority has \$4,698,276 in outstanding construction commitments with respect to unfinished capital projects as of September 30, 2022.

Federal Funding

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

NOTE 12 – 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 78.8% of total operating revenue recognized during the year ended September 30, 2022.

NOTE 13 – SUBSEQUENT EVENTS

The Authority has evaluated events occurring subsequent to year end through March 23, 2023, which is the date the statements were available to be issued. The following event has been identified:

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

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY UTILITY AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST NINE FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.08%	0.08%	0.074667%	0.072831%	0.073444%	0.069975%	0.068651%	0.064974%	0.059165%
Authority's proportionate share of the net pension liability	\$ 16,466,911	\$ 11,824,350	\$ 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	\$ 5,783,839	\$ 5,255,341	\$ 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	284.71%	225.00%	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	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

See independent auditors' report.

**JACKSON COUNTY UTILITY AUTHORITY
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST NINE FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 959,420	\$ 897,281	\$ 876,805	\$ 764,222	\$ 742,305	\$ 696,254	\$ 688,260	\$ 664,312	\$ 580,319
Contributions in relation to the contractually required contribution	<u>959,420</u>	<u>897,281</u>	<u>876,805</u>	<u>764,222</u>	<u>742,305</u>	<u>696,254</u>	<u>688,260</u>	<u>664,312</u>	<u>580,319</u>
Contribution deficiency (excess)	<u>\$ -</u>								
Authority's covered-employee payroll	\$ 5,513,908	\$ 5,156,799	\$ 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%	17.40%	17.40%	16.14%	15.75%	15.75%	15.75%	15.75%	15.75%

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

See independent auditors' report.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

NOTE 1: CHANGES OF ASSUMPTIONS

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

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of males rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disable mortality was changed to PubG.H-2010 Disabled Table for disable retirees with the following adjustments:
 - For males, 134% of males rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of males rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2019

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

2017

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

2016

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

2015

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

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

NOTE 1: CHANGES OF ASSUMPTIONS (Continued)

2015 (continued)

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

NOTE 2: CHANGES IN BENEFIT PROVISIONS

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

NOTE 3: METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2020 valuation for the June 30, 2022 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

NOTE 4: PRESENTATION REQUIREMENTS

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

OTHER INFORMATION

**JACKSON COUNTY UTILITY AUTHORITY
BUDGET TO ACTUAL SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Wastewater Treatment		Wholesale Water		Retail Water & Sewage		Interfund		Total	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Operating Revenue										
Subscriber fees	\$ 15,631,044	\$ 15,629,532	\$ 541,746	\$ 474,989	\$ -	\$ -	\$ (1,170,122)	\$ (1,170,120)	\$ 15,002,668	\$ 14,934,401
Other fees	563,000	561,442	-	-	3,110,477	3,132,655	-	-	3,673,477	3,694,097
	16,194,044	16,190,974	541,746	474,989	3,110,477	3,132,655	(1,170,122)	(1,170,120)	18,676,145	18,628,498
Services and charges	323,000	410,211	16,000	759	471,500	774,949	-	-	810,500	1,185,919
Total operating revenue	16,517,044	16,601,185	557,746	475,748	3,581,977	3,907,604	(1,170,122)	(1,170,120)	19,486,645	19,814,417
Operating Expenses										
Administration	842,423	855,369	113,676	132,079	418,926	483,282	-	-	1,375,025	1,470,730
Legal and insurance	499,950	397,343	94,334	145,338	72,316	55,088	-	-	666,600	597,769
Office expense	326,867	233,692	55,727	11,539	78,734	65,266	-	-	461,328	310,497
Contractual services	1,140,899	709,655	162,267	162,770	1,349,604	1,346,305	(1,170,122)	(1,170,120)	1,482,648	1,048,610
Personnel services	6,644,348	6,916,832	640,693	573,499	1,701,750	1,612,630	-	-	8,986,791	9,102,961
Utilities and other	1,514,838	1,460,127	251,748	247,894	143,772	168,564	-	-	1,910,358	1,876,585
Total operating expense	10,969,325	10,573,018	1,318,445	1,273,119	3,765,102	3,731,135	(1,170,122)	(1,170,120)	14,882,750	14,407,152
Depreciation expense	5,018,614	5,795,224	2,465,284	1,708,113	1,320,688	1,764,038	-	-	8,804,586	9,267,375
Total operating expense	15,987,939	16,368,242	3,783,729	2,981,232	5,085,790	5,495,173	(1,170,122)	(1,170,120)	23,687,336	23,674,527
Operating income (loss)	529,105	232,943	(3,225,983)	(2,505,484)	(1,503,813)	(1,587,569)	-	-	(4,200,691)	(3,860,110)
Other (Non-Operating)										
Income (Expense)										
Interest income	1,000	4,691	40	171	-	686	-	-	1,040	5,548
Grant revenue	-	107,491	-	-	2,586,000	-	-	-	2,586,000	107,491
Gain (loss) on assets	-	11,282	-	16,281	-	5,060	-	-	-	32,623
Interest expense - bonds	(842,913)	(647,835)	(115,468)	(115,434)	(196,295)	(196,238)	-	-	(1,154,676)	(959,507)
Interest expense - other	(284,478)	(362,446)	(93,051)	(180,822)	(170,459)	(142,983)	-	-	(547,988)	(686,251)
Bond issuance costs	-	(4,077)	-	(559)	-	(949)	-	-	-	(5,585)
Total other income (expense)	(1,126,391)	(890,894)	(208,479)	(280,363)	2,219,246	(334,424)	-	-	884,376	(1,505,681)
Change in Net Position	\$ (597,286)	\$ (657,951)	\$ (3,434,462)	\$ (2,785,847)	\$ 715,433	\$ (1,921,993)	\$ -	\$ -	\$ (3,316,315)	\$ (5,365,791)

See independent auditor's report

**JACKSON COUNTY UTILITY AUTHORITY
BUDGET TO ACTUAL SCHEDULE (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Wastewater Treatment</u>		<u>Wholesale Water</u>		<u>Retail Water & Sewage</u>		<u>Total</u>	
	<u>Original Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Actual</u>
Debt Service								
Principal payments	\$ (2,540,229)	\$ (1,983,459)	\$ (208,010)	\$ (349,370)	\$ (503,593)	\$ (758,329)	\$ (3,251,832)	\$ (3,091,158)
Interest and issuance costs	(1,127,391)	(1,014,358)	(208,519)	(296,815)	(366,754)	(340,170)	(1,702,664)	(1,651,343)
Total Debt Service	\$ (3,667,620)	\$ (2,997,817)	\$ (416,529)	\$ (646,185)	\$ (870,347)	\$ (1,098,499)	\$ (4,954,496)	\$ (4,742,501)
Capital Expenditures by Funding Source								
Current operations								
Capital projects	\$ 1,518,000	\$ 227,365	\$ 9,800	\$ -	\$ 94,440	\$ 191,177	\$ 1,622,240	\$ 418,542
Capital outlay	363,100	530,790	174,900	43,038	76,200	63,679	614,200	637,507
Debt								
Capital projects	-	5,291,365	-	1,767,437	-	-	-	7,058,802
Capital outlay	-	380,000	-	19,000	-	76,000	-	475,000
Grants								
Capital outlay	-	13,850	-	-	-	-	-	13,850
Other								
Capital projects	-	-	-	-	-	103,949	-	103,949
Total Capital Expenditures	\$ 1,881,100	\$ 6,443,370	\$ 184,700	\$ 1,829,475	\$ 170,640	\$ 434,805	\$ 2,236,440	\$ 8,707,650

See independent auditor's report

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

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

March 23, 2023

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, 2022, 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 March 23, 2023.

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*.

Purpose of this Report

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

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

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



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

March 23, 2023

Board of Directors
Jackson County Utility Authority
Pascagoula, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Jackson County Utility Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

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

**JACKSON COUNTY UTILITY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor / Program Title	Assistance Listing	Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency			
Passed through the Mississippi Department of Environmental Quality Water Pollution Control Revolving Loan Fund			
<i>Clean Water State Revolving Loan Cluster</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280878-07	\$ 441,427
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280878-08	<u>2,952,022</u>
<i>Clean Water State Revolving Loan Cluster Total</i>			<u>3,393,449</u>
Passed through the Mississippi Department of Environmental Quality Water Pollution			
<i>Drinking Water State Revolving Loan Cluster</i>			
Drinking Water Systems Improvements Revolving Loan Fund	66.468	SWI-L300164-02	<u>847,709</u>
<i>Total U.S. Environmental Protection Agency</i>			<u>4,241,158</u>
U.S. Department of Homeland Security			
Passed through Mississippi Emergency Management Agency (MEMA)			
Disaster Public Assistance Grant Hurricane Zeta			
	97.036	PW-00134	1,827
	97.036	PW-00145	31,745
	97.036	PW-00216	7,618
	97.036	PW-00397	2,454
	97.036	PW-00317	1,090
	97.036	PW-00443	<u>74,192</u>
			<u>118,926</u>
<i>Total U.S. Federal Emergency Management Agency</i>			<u>118,926</u>
Total federal expenditures			<u>\$ 4,360,084</u>

See accompanying notes to the schedule.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES 2 – DE MINIMIS COST RATE

The Jackson County Utility Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3- BASIS OF PRESENTATION

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

NOTE 4 – RECONCILIATION OF EXPENDITURES TO FINANCIAL STATEMENTS

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

Current bonds and notes payable	\$ 2,962,042
Noncurrent bonds and notes payable	<u>58,400,922</u>
	61,362,964
Less: non-federal debt and USDA loans	<u>(37,343,308)</u>
	24,019,656
Less: prior year ending net of current year payments	<u>(18,318,487)</u>
Current year SRF loan additions	5,701,169
Current year receipts for nonfederal expenditures	(1,390,305)
Current year receipts for prior year expenditures	(978,588)
Current year expenditures not included in current year SRF loan additions	<u>908,882</u>
	<u>4,241,158</u>
Grant revenues	107,491
Add: Federal grant COVID adjustment	<u>11,435</u>
Total grant revenues	<u>118,926</u>
Total federal expenditures	<u><u>\$ 4,360,084</u></u>

**JACKSON COUNTY UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal Control Over Major Programs:	
Material Weaknesses identified?	No
Significant Deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)?	No

Federal programs identified as major programs:

<u>Assistance Listing</u>	<u>Name of Federal Program</u>
66.458	Clean Water State Revolving Fund
66.468	Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings

None reported.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

**JACKSON COUNTY UTILITY AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Finding 2021-001 Material Weakness

Condition: The Authority did not verify suspension and debarment status prior to awarding a contract to be funded by federal award.

Status: Issue resolved. The Authority followed recommendations to include verification procedures during the contracting process.