

**JACKSON COUNTY UTILITY AUTHORITY
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2024 AND 2023**



**JACKSON COUNTY UTILITY AUTHORITY
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SEPTEMBER 30, 2024 AND 2023**

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Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

June 3, 2025

Board of Directors
Jackson County Utility Authority
Pascagoula, Mississippi

Report on the Audit the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Jackson County Utility Authority (Authority), as of and for the years ended September 30, 2024 and 2023, 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, 2024 and 2023, 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 Opinion

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* (GAS), 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 relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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 twelve months beyond the financial statement date; including any currently known information that may raise substantial doubt shortly thereafter.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 and GAS, 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 Net Pension Liability, and the Schedule of the Authority's 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 an opinion 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

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Certified Public Accountants
Gulfport, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2024 and 2023**

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, 2024. 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 \$(3.1) million during 2024; and is approximately \$85 million. The deficit unrestricted net position decreased by approximately \$(1.9) million to approximately \$(12.1) million; restricted net position decreased approximately \$(403) thousand during 2024 to approximately \$6.2 million; and net position invested in capital assets net of related debt decreased approximately \$(4.6) million to \$90.9 million.
- Operating revenues were approximately \$21.8 million while operating expenses were approximately \$26.4 million, or approximately \$16.8 million excluding depreciation.
- The Authority increased noncurrent liabilities by approximately \$4.4 million to \$85.1 million and reported a net pension liability of approximately \$20.8 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 \$9.6 million. The following table summarizes the final budget, excluding certain Grant and Bond activities, to actual comparative results.

Year 2024 Budget to Actual Comparison

	Budget	Actual	Variance
Operating revenues	\$ 22,347,854	\$ 21,750,600	\$ (597,254)
Operating expenses	(13,970,465)	(16,818,705)	(2,848,240)
Non-operating revenues (expenses)	75,800	3,375,143	3,299,343
Interest expense	(1,749,647)	(1,797,577)	(47,930)
Excess (deficiency)	<u>\$ 6,703,542</u>	<u>\$ 6,509,461</u>	<u>\$ (194,081)</u>
Debt service - principal	<u>\$ (3,620,441)</u>	<u>\$ (3,699,358)</u>	<u>\$ (78,917)</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, 2024 and 2023**

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, Expenses and Changes in Net Position for the years ended September 30, 2024 and 2023:

Statements of Net Position

	September 30,	
	2024	2023
Current and other assets	\$ 13,724,991	\$ 10,903,601
Capital assets, net	<u>158,676,030</u>	<u>159,609,379</u>
Total assets	<u>172,401,021</u>	<u>170,512,980</u>
Deferred outflows of resources	<u>2,773,985</u>	<u>4,164,292</u>
Current liabilities	5,090,303	5,901,380
Long-term liabilities	<u>85,088,400</u>	<u>80,722,412</u>
Total liabilities	<u>90,178,703</u>	<u>86,623,792</u>
Summary of net position		
Invested in capital assets, net of related debt	90,871,908	95,433,439
Restricted	6,201,594	6,604,760
Unrestricted	<u>(12,077,199)</u>	<u>(13,984,719)</u>
Total net position	<u>\$ 84,996,303</u>	<u>\$ 88,053,480</u>

The Authority's investment in capital assets accounted for 107% of total net position. The decrease in capital assets in 2024 reflects 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, 2024 and 2023**

Statements of Revenues, Expenses and Changes in Net Position

	September 30,	
	2024	2023
Operating revenues	\$ 21,750,600	\$ 20,998,899
Operating expenses	(16,818,705)	(16,614,350)
Depreciation	(9,566,638)	(9,141,479)
Non-operating revenues	269,010	137,413
Non-operating expenses	(1,797,577)	(1,658,280)
Capital contributions and grants	3,106,133	2,695,449
Change in net position	<u>\$ (3,057,177)</u>	<u>\$ (3,582,348)</u>

Capital Assets and Debt Administration

Capital Assets – As of September 30, 2024, the Authority had approximately \$314 million (before accumulated depreciation) invested in facilities, infrastructure and equipment. This amount represents a net increase of approximately \$8 million, or about 3% from September 30, 2023. The following table presents a summary of the Authority's capital assets for the fiscal year.

Capital Assets at September 30, 2024 and 2023

	September 30,	
	2024	2023
Land	\$ 9,569,963	\$ 9,569,963
Construction in Progress (CIP)	17,161,706	14,257,265
Other capital assets (net of depreciation)	131,944,361	135,782,151
Total capital assets	<u>\$ 158,676,030</u>	<u>\$ 159,609,379</u>

Debt Administration – As of September 30, 2024, the Authority had \$66.1 million in credit lines, notes and bonds outstanding. This is a net increase of \$3.8 million from the prior year. 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,	
	2024	2023
State SRF Loans	\$ 27,278,330	\$ 27,601,517
USDA revenue bonds	6,751,810	6,961,938
Bank financing, line of credit	1,758,917	368,284
Bank financing, term loans	3,197,839	3,066,534
Jackson County Board of Supervisors, note payable	3,800,000	-
Series 2016 revenue bonds	23,290,000	24,260,000
Total outstanding, excluding Bond Premium	<u>\$ 66,076,896</u>	<u>\$ 62,258,273</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 2025. Changes relative to the Authority's stance regarding mandating has been reviewed, and the Authority is proceeding with a phased connection approach.

**Jackson County Utility Authority
Management's Discussion and Analysis
September 30, 2024 and 2023**

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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FINANCIAL SECTION

JACKSON COUNTY UTILITY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2024</u>	<u>2023</u>
Current Assets		
Cash and cash equivalents	\$ 3,640,163	\$ 2,724,127
Accounts receivable, net of allowance	779,429	997,164
Grants receivable	2,564,949	57,780
Prepaid expenses and deposits	372,584	421,568
Total current assets	<u>7,357,125</u>	<u>4,200,639</u>
Restricted Assets		
Cash and cash equivalents	4,324,397	4,603,454
Investments	2,043,469	2,099,508
Total restricted assets	<u>6,367,866</u>	<u>6,702,962</u>
Noncurrent Assets		
Land and easements	9,569,963	9,569,963
Construction in progress	17,162,706	14,257,265
Capital assets, net of accumulated depreciation	131,943,361	135,782,151
Total noncurrent assets	<u>158,676,030</u>	<u>159,609,379</u>
Total assets	<u>172,401,021</u>	<u>170,512,980</u>
Deferred Outflows of Resources		
Deferred outflows, pensions	<u>2,773,985</u>	<u>4,164,292</u>
Total assets and deferred outflows of resources	<u>\$ 175,175,006</u>	<u>\$ 174,677,272</u>

JACKSON COUNTY UTILITY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2024</u>	<u>2023</u>
Current Liabilities		
Accounts payable	\$ 460,900	\$ 1,182,308
Accrued payroll liabilities	411,658	460,471
Compensated absences, current	363,021	392,762
Accrued interest payable	78,083	78,083
Lines of credit	-	368,284
Bonds and notes payable, current	3,610,369	3,321,270
Customer deposits	166,272	98,202
Total current liabilities	<u>5,090,303</u>	<u>5,901,380</u>
Noncurrent Liabilities		
Bonds and notes payable, net of current	62,434,535	60,486,386
Lines of credit	1,758,917	-
Compensated absences, net of current	121,007	114,970
Net pension liability	20,773,941	20,121,056
Total noncurrent liabilities	<u>85,088,400</u>	<u>80,722,412</u>
Total liabilities	<u>90,178,703</u>	<u>86,623,792</u>
Net Position		
Invested in capital assets, net of related debts	90,871,908	95,433,439
Restricted	6,201,594	6,604,760
Unrestricted	(12,077,199)	(13,984,719)
Total net position	<u>84,996,303</u>	<u>88,053,480</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 175,175,006</u>	<u>\$ 174,677,272</u>

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating revenues		
Subscriber fees	\$ 17,077,687	\$ 15,887,477
Other fees	4,513,271	4,215,317
Services and charges	159,642	896,105
Total operating revenues	<u>21,750,600</u>	<u>20,998,899</u>
Operating expenses		
Administration	1,481,142	1,181,255
Legal and insurance	711,307	635,645
Office expense	399,534	346,987
Contractual services	1,470,764	1,926,561
Personnel services	10,824,061	10,627,862
Utilities and other	1,931,897	1,896,040
Total operating expenses	<u>16,818,705</u>	<u>16,614,350</u>
Income from operations before depreciation	<u>4,931,895</u>	<u>4,384,549</u>
Depreciation expense	<u>9,566,638</u>	<u>9,141,479</u>
Operating loss	<u>(4,634,743)</u>	<u>(4,756,930)</u>
Non-operating revenues (expenses)		
Grant revenue	3,106,133	195,449
Capital contribution	-	2,500,000
Gain (loss) on asset disposals	52,046	(41,005)
Interest and investment income	216,964	137,413
Interest expense - bonds	(926,234)	(941,990)
Interest expense - other	(865,758)	(669,700)
Bond insurance costs	(5,585)	(5,585)
Total non-operating revenues	<u>1,577,566</u>	<u>1,174,582</u>
Change in net position	<u>(3,057,177)</u>	<u>(3,582,348)</u>
Net position, beginning of year	<u>88,053,480</u>	<u>91,635,828</u>
Net position, end of year	<u>\$ 84,996,303</u>	<u>\$ 88,053,480</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash received from customers	\$ 17,479,534	\$ 16,827,185
Cash paid to suppliers for goods and services	(6,629,053)	(7,070,484)
Cash paid for employees and related expenses	(8,853,386)	(8,632,423)
Other income	4,513,271	4,215,317
Net cash provided by operating activities	<u>6,510,366</u>	<u>5,339,595</u>
Cash flows from capital and related financing activities		
Proceeds from federal and state grants	598,964	2,898,526
Cash received for capital asset disposal	58,693	20,011
Acquisition of capital assets	(8,640,936)	(9,486,875)
Proceeds received from lines of credit	1,758,917	1,317,346
Proceeds received from bank loans	544,345	452,228
Proceeds received from state revolving loans	1,224,273	5,098,528
Proceeds received from notes payable	3,800,000	-
Principal paid on bank loans	(413,039)	(242,016)
Principal paid on bonds	(1,160,742)	(950,000)
Principal paid on lines of credit	(368,284)	(949,362)
Principal paid on state revolving loans	(1,547,461)	(1,516,666)
Principal paid on USDA revenue bonds	(210,128)	(203,095)
Interest paid	(1,790,992)	(1,805,677)
Net cash used in capital and related financing activities	<u>(6,146,390)</u>	<u>(5,367,052)</u>
Cash flows from investing activities		
Interest received	273,003	133,070
Net cash provided by investing activities	<u>273,003</u>	<u>133,070</u>
Net increase in cash and cash equivalents	636,979	105,613
Cash and cash equivalents, beginning of year	<u>7,327,581</u>	<u>7,221,968</u>
Cash and cash equivalents, end of year	<u>\$ 7,964,560</u>	<u>\$ 7,327,581</u>
Reconciliation of total cash and cash equivalents		
Cash and cash equivalents	\$ 3,640,163	\$ 2,724,127
Restricted cash and cash equivalents	<u>4,324,397</u>	<u>4,603,454</u>
Totals	<u>\$ 7,964,560</u>	<u>\$ 7,327,581</u>

JACKSON COUNTY UTILITY AUTHORITY
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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

	<u>2024</u>	<u>2023</u>
Loss from operations	\$ (4,634,743)	\$ (4,756,930)
Adjustments reconciling loss from operations to net cash provided by operating activities:		
Depreciation	9,566,638	9,141,479
Amortization of prepaid bond insurance	(5,585)	(5,585)
Bad debt expense	43,600	29,832
(Increase) decrease in operating assets:		
Accounts receivable	174,135	(54,599)
Deferred outflows, pensions	1,390,307	(1,682,461)
Prepaid expenses	48,984	(113,482)
Increase (decrease) in operating liabilities:		
Accounts payable	(721,408)	(994,761)
Net pension liability	652,885	3,654,145
Accrued payroll liabilities	(72,517)	23,755
Customer deposits	68,070	98,202
Total adjustments	<u>11,145,109</u>	<u>10,096,525</u>
Net cash provided by operating activities	<u>\$ 6,510,366</u>	<u>\$ 5,339,595</u>

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, 2024 AND 2023**

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. In the current fiscal year, the Authority assumed operations and maintenance of the treatment plant for the City of Escatawpa, Mississippi.

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, 2024 and 2023 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, 2024 AND 2023**

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 expenses include all of the expenses 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 expenses include interest expense. Capital contributions and grants include capital financing grants from the federal, state, and local 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:

<u>Continuous Service</u>	<u>Accrual Rate (Monthly)</u>	<u>Accrual rate (Annually)</u>
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:

<u>Continuous Service</u>	<u>Accrual Rate (Monthly)</u>	<u>Accrual rate (Annually)</u>
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, 2024 AND 2023**

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, 2024 and 2023, the Authority had accrued paid time off totaling \$484,028 and \$507,732 , respectively.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that meets this criteria, the unamortized changes in investments actual performance, expectations, and projections, and plan assumptions related to the pension plan (see Note 6). In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as 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.

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, 2024, 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	<u>\$8,288,465</u>	<u>\$7,848,451</u>	<u>\$ 116,109</u>	<u>\$7,964,560</u>

JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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 Mississippi 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 Mississippi 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 Mississippi 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, 2024 and 2023.

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, 2024 and 2023, 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, 2024 and 2023 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, 2024 and 2023, the Authority had the following restricted assets:

Description	2024	2023
Cadence Bank – Bond Debt Reserve	\$3,626,862	\$3,564,459
Cadence Bank – USDA RUS Bond Reserves	400,025	870,807
Cadence Bank – Mississippi Department of Employment Security Reserve	15,129	15,107
Trustmark Bank – 2016 Revenue Bond Prefunded Payment	113,108	53,140
Trustmark Bank – 2016 Revenue Bond Reserve Investments	2,046,470	2,101,247
Customer deposits	166,272	98,202
Total restricted cash equivalents and investments	<u>\$6,367,866</u>	<u>\$6,702,962</u>

JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2024 and 2023 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:

	2024	2023
Accounts receivable	\$ 932,143	\$1,106,278
Less: allowance for doubtful accounts	(152,714)	(109,114)
Total accounts receivable, net of allowance	<u>\$ 779,429</u>	<u>\$ 997,164</u>

Bad debt expense of \$43,600 and \$29,832 for the years ending September 30, 2024 and 2023 respectively, is included in services and charges on the statements of revenues, expenses, and changes in net position.

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, 2024 and 2023, the Authority had grants receivable totaling \$2,564,949 and \$57,780, respectively.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, was as follows:

	Beginning Balance 10/1/23	Additions	Dispositions and Transfers	Ending Balance 9/30/24
Land and easements	\$ 9,569,963	\$ -	\$ -	\$ 9,569,963
Construction in progress	14,257,265	3,142,021	(237,580)	17,161,706
Plant structures	223,464,083	4,010,847	-	227,474,930
Plant equipment	31,434,775	1,689,633	(201,432)	32,922,976
Office equipment	1,606,763	35,014	(7,764)	1,634,013
Office buildings	24,971,640	-	-	24,971,640
Total	305,304,489	8,877,515	(446,776)	313,735,228
Less: accumulated depreciation	(145,695,110)	(9,566,638)	202,550	(155,059,198)
Total capital assets, net	<u>\$ 159,609,379</u>	<u>\$ (689,123)</u>	<u>\$ (244,226)</u>	<u>\$ 158,676,030</u>

Depreciation expense reported for assets placed in service totaled \$9,566,638 for the year ended September 30, 2024.

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance 10/1/22	Additions	Dispositions and Transfers	Ending Balance 9/30/23
Land and easements	\$ 9,569,963	\$ -	\$ -	\$ 9,569,963
Construction in progress	19,825,721	8,185,032	(13,753,488)	14,257,265
Plant structures	209,911,631	207,465	13,344,987	223,464,083
Plant equipment	30,481,397	723,256	230,122	31,434,775
Office equipment	1,621,902	16,380	(31,519)	1,606,763
Office buildings	24,849,529	260,401	(138,290)	24,971,640
Total	296,260,143	9,392,534	(348,188)	305,304,489
Less: accumulated depreciation	(136,784,893)	(9,141,479)	231,262	(145,695,110)
Total capital assets, net	<u>\$ 159,475,250</u>	<u>\$ 251,055</u>	<u>\$ (116,926)</u>	<u>\$ 159,609,379</u>

Depreciation expense reported for assets placed in service totaled \$9,141,479 for the year ended September 30, 2023.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

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 of Mississippi 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 which was 17.40% through June 30, 2024. Effective July 1, 2024, the rate increased to 17.90% and is scheduled to increase by 0.5% annually on July 1 of each subsequent year through 2029. The Authority's contributions to PERS for the year ended September 30, 2024 and 2023, were \$1,067,388 and \$1,014,508, respectively, equal to the required contributions for each of the Authority's fiscal years.

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

At September 30, 2024, the Authority recognized \$20,773,941 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2024 and 2023, the Authority's proportion was 0.08 percent.

JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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, 2024, the Authority recognized expense of \$3,127,765, which includes \$2,043,192 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	\$ 1,117,720	\$ -
Changes in assumptions	1,286,734	-
Net difference between projected and actual earnings on pension plan investments	68,842	-
Authority contributions subsequent to the measurement date	300,689	-
Totals	<u>\$ 2,773,985</u>	<u>\$ -</u>

The Authority's contributions subsequent to the measurement date, \$300,689, will be recognized as a reduction of the net pension liability in the year ending September 30, 2025. 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,	Amount
2025	\$ 996,141
2026	1,629,146
2027	16,762
2028	(168,753)
Total	<u>\$ 2,473,296</u>

Actuarial assumptions

The total pension liability as of June 30, 2024 was determined by an actuarial valuation prepared as of June 30, 2023 and by the investment experience for the fiscal year ending June 30, 2024. The following actuarial assumptions are applied to all periods included in the measurement:

Investment rate of return	7.00 percent, net of pension plan investment expense, includes inflation
Projected salary increases	2.65 - 17.90 percent, including inflation
Inflation	2.40 percent

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. The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2022. The experience report is dated April 21, 2023.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024, are summarized in the following table:

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions (continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	25.00%	5.15%
International equity	20.00%	5.00%
Global equity	12.00%	5.15%
Fixed income	18.00%	2.75%
Real estate	10.00%	3.50%
Private equity	10.00%	6.25%
Infrastructure	2.00%	3.85%
Private credit	2.00%	4.90%
Cash equivalents	1.00%	0.50%
Total	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be phased in to 19.90 percent over five fiscal years (17.90 percent for FYE 2025, 18.40 percent for FYE 2026, 18.90 percent for FYE 2027, 19.40 percent for FYE 2028, 19.90 percent for FYE 2029 and beyond). 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	Discount Rate	Proportionate Share of Net Pension Liability
1% decrease	6.00%	\$ 26,926,050
Current discount rate	7.00%	\$ 20,773,941
1% increase	8.00%	\$ 15,738,905

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.

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 liability or fiduciary responsibility. The Authority's contributions to the deferred compensation plan for the year ended September 30, 2024 and 2023 were \$82,040 and \$86,142, respectively, and are included in personnel services on the statements of revenues, expenses and changes in net position.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

NOTE 8 – LINES OF CREDIT

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 original maturity in the fiscal year ending September 30, 2023, with the option to renew for one additional year. The maturity date was extended to June 9, 2024. There is no outstanding balance as of September 30, 2024. There was an outstanding balance of \$368,284 as of September 30, 2023.

In January 2023, the Authority established an unsecured line of credit with Cadence Bank in the amount of \$5,000,000, payable quarterly, at an interest rate of 5.71% through maturity date of January 12, 2028. There is an outstanding balance of \$1,758,917 and \$3,241,083 of credit available on this line of credit at September 30, 2024.

NOTE 9 – LONG-TERM LIABILITIES

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

For the year ended September 30, 2024:

	Balance October 1, 2023	Additions	Principal Payments/ Reductions	Balance September 30, 2024	Due within one year
Revenue bonds	\$ 24,260,000	\$ -	\$ (970,000)	\$ 23,290,000	\$ 1,010,000
Premium on bonds payable	1,917,667	-	(190,742)	1,726,925	-
Revenue bond loans	6,961,938	-	(210,128)	6,751,810	217,373
State revolving fund loans	27,601,517	1,224,277	(1,547,464)	27,278,330	1,996,064
Notes payable	3,066,534	4,344,345	(413,040)	6,997,839	386,932
Lines of credit	368,284	1,758,917	(368,284)	1,758,917	-
Net pension liability	20,121,056	652,885	-	20,773,941	-
Compensated absences	507,732	278,810	(302,514)	484,028	363,021
	<u>\$ 84,804,728</u>	<u>\$ 8,259,234</u>	<u>\$ (4,002,172)</u>	<u>\$ 89,061,790</u>	<u>\$ 3,973,390</u>

For the year ended September 30, 2023:

	Balance October 1, 2022	Additions	Principal Payments/ Reductions	Balance September 30, 2023	Due within one year
Revenue bonds	\$ 25,210,000	\$ -	\$ (950,000)	\$ 24,260,000	\$ 970,000
Premium on bonds payable	2,111,653	-	(193,986)	1,917,667	-
Revenue bond loans	7,165,033	-	(203,095)	6,961,938	210,097
State revolving fund loans	24,019,656	5,098,528	(1,516,667)	27,601,517	1,870,772
Notes payable	2,856,322	452,228	(242,016)	3,066,534	270,401
Lines of credit	300	1,317,346	(949,362)	368,284	368,284
Net pension liability	16,466,911	3,654,145	-	20,121,056	-
Compensated absences	497,302	312,944	(302,514)	507,732	392,762
	<u>\$ 78,327,177</u>	<u>\$ 10,835,191</u>	<u>\$ (4,357,640)</u>	<u>\$ 84,804,728</u>	<u>\$ 4,082,316</u>

For the years ended September 30, 2024 and 2023, interest incurred (less amortization of bond premium) and charged to expense totaled \$1,791,992 and \$1,611,690, 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.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

NOTE 9 – LONG-TERM LIABILITIES (Continued)

The Authority has the following outstanding bonds payable:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2024	Balance September 30, 2023
2016 Revenue bonds	1/27/2016	1/27/2040	2% - 5%	\$30,440,000	\$ 23,290,000	\$ 24,260,000
Premium on bonds	1/27/2016	1/27/2040		3,486,203	1,726,925	1,917,667
				<u>\$33,926,203</u>	<u>\$ 25,016,925</u>	<u>\$ 26,177,667</u>

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

Year ending September 30,	Principal	Interest
2025	\$ 1,010,000	\$ 1,078,175
2026	1,060,000	1,027,675
2027	1,110,000	974,675
2028	1,170,000	919,175
2029	1,225,000	860,675
2030-2034	7,035,000	3,404,875
2035-2039	8,690,000	1,748,038
2040	1,990,000	99,500
	<u>\$ 23,290,000</u>	<u>\$ 10,112,788</u>

Interest accrued on the bonds payable totaled \$67,637 for the years ended September 30, 2024 and 2023, respectively, and is included in accrued interest payable on the statements of net position.

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, 2024	Balance September 30, 2023
USDA Revenue bonds 01	10/8/2015	10/8/2050	3.25%	\$ 4,996,050	\$ 3,877,359	\$ 3,998,270
USDA Revenue bonds 02	8/13/2015	8/13/2050	3.63%	2,881,029	2,070,047	2,140,245
USDA Revenue bonds 03	8/13/2015	8/13/2050	3.63%	954,259	804,404	823,423
				<u>\$ 8,831,338</u>	<u>\$ 6,751,810</u>	<u>\$ 6,961,938</u>

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

Year ending September 30,	Principal	Interest
2025	\$ 217,373	\$ 226,849
2026	224,902	219,320
2027	232,692	211,530
2028	240,753	203,469
2029	249,094	195,128
2030-2034	1,381,092	840,018
2035-2039	1,637,670	583,440
2040-2044	1,914,259	279,173
2045-2049	636,839	36,546
2050	17,136	144
	<u>\$ 6,751,810</u>	<u>\$ 2,795,617</u>

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

NOTE 9 – LONG-TERM LIABILITIES (Continued)

State Loans in Aid of Construction

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

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2024	Balance September 30, 2023
SRF_C280878-02	6/21/2007	4/10/2027	2.50%	\$ 9,293,285	\$ 1,496,170	\$ 2,004,290
SRF_C280878-03	1/4/2013	10/10/2032	1.75%	1,356,544	616,663	681,249
SRF_C280878-04	3/13/2018	11/10/2037	1.75%	4,992,239	3,553,412	3,771,659
SRF_C280878-06	9/9/2020	6/10/2040	1.75%	5,631,400	4,675,395	4,909,869
SRF_C280878-07	4/13/2022	1/10/2042	1.75%	2,602,822	2,347,230	2,452,478
SRF_C280878-08	2/28/2024	5/10/2043	1.75%	6,386,766	6,257,472	5,921,690
SRF SWI-L300164-01-0	9/30/2015	8/1/2038	1.95%	4,045,255	3,028,782	3,200,915
SRF DWI 02	6/1/2023	8/1/2043	1.95%	5,418,567	5,303,206	4,659,367
				<u>\$39,726,878</u>	<u>\$ 27,278,330</u>	<u>\$ 27,601,517</u>

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

Year ending September 30,	Principal	Interest
2025	\$ 1,996,064	\$ 427,238
2026	2,033,484	389,817
2027	1,821,180	352,677
2028	1,498,719	325,914
2029	1,523,003	301,630
2030-2034	7,834,852	1,131,388
2035-2039	7,391,051	499,049
2040-2043	3,179,977	162,329
	<u>\$27,278,330</u>	<u>\$3,590,042</u>

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, 2024	Balance September 30, 2023
The Citizens Bank	8/29/2017	8/29/2027	4.25%	\$ 334,400	\$ 118,251	\$ 150,680
Community Bank	5/14/2021	5/10/2036	3.06%	1,050,000	856,463	911,580
BXS Cadence	11/18/2021	11/15/2031	2.01%	1,500,000	1,189,787	1,374,910
BXS Cadence	8/8/2022	8/7/2037	3.98%	650,000	597,862	629,364
PMP Belt Filter Press Loan	10/3/2023	10/2/2027	0.00%	544,345	435,476	-
Jackson County Board of Supervisors	9/4/2024	10/1/2035	4.00%	3,800,000	3,800,000	-
				<u>\$7,878,745</u>	<u>\$ 6,997,839</u>	<u>\$ 3,066,534</u>

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

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

Year ending September 30,	Principal	Interest
2025	\$ 386,932	\$ 75,761
2026	707,092	214,175
2027	725,923	195,344
2028	607,562	172,684
2029	619,111	152,063
2030-2034	3,120,536	428,982
2035-2037	830,683	24,243
	<u>\$ 6,997,839</u>	<u>\$1,263,252</u>

The Community Bank loan is secured by deed of trust for building on Highway 63 and assignment of leases and rents of the building. The BXS Cadence Bank loan of \$650,000 is secured by office building and property at 815 Highway 90.

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
2025	\$ 4,252
2026	4,262
2027	4,262
2028	4,262
2029	4,262
2030-2034	21,360
2035-2039	23,432
2040-2044	23,496
2045-2049	25,775
2050-2054	25,209
2055-2059	140
Totals	<u>\$ 140,712</u>

Rent expenditures were \$3,918 and \$3,875 for the years ended September 30, 2024 and 2023, respectively, and are included in administration expenses on the statements of revenues, expenses and changes in net position.

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.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

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 signed 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 March 2023, Jackson County Board of Supervisors contributed \$2,500,000 to assist in the cost-sharing requirement for the design costs. The Authority contributed \$70,000 along with these funds to the U.S. Department of the Army.

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. In 2022, the Port Authority Bond Counsel indicated that the agreement may be able to proceed, but the Bond language had to be studied. As of this fiscal year, no further action has been taken on this matter.

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 \$3,837,546 in outstanding construction commitments with respect to unfinished capital projects as of September 30, 2024.

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 77.3% of total operating revenue recognized during the year ended September 30, 2024.

NOTE 13 – SUBSEQUENT EVENTS

The Authority has evaluated events occurring subsequent to year end through June 3, 2025, which is the date the statements were available to be issued. No such events have been identified by management for this time period that are required to be recognized or disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.08%	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	\$ 20,773,941	\$ 20,121,056	\$ 16,466,911	\$ 11,824,350	\$ 14,454,664	\$ 12,812,410	\$ 12,215,919	\$ 11,632,220	\$ 12,262,783	\$ 10,043,699
Authority's covered-employee payroll	\$ 6,151,092	\$ 5,950,785	\$ 5,783,839	\$ 5,255,341	\$ 4,971,941	\$ 4,743,292	\$ 4,690,085	\$ 4,488,942	\$ 4,393,077	\$ 4,056,550
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	337.73%	338.12%	284.71%	225.00%	290.72%	270.12%	260.46%	259.13%	279.14%	247.59%
Plan fiduciary net position as a percentage of the total pension liability	56.30%	55.70%	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

This schedule is presented to illustrate the requirements to show information for 10 years.

See independent auditor's report.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,067,388	\$ 1,014,508	\$ 959,420	\$ 897,281	\$ 876,805	\$ 764,222	\$ 742,305	\$ 696,254	\$ 688,260	\$ 664,312
Contributions in relation to the contractually required contribution	1,067,388	1,014,508	959,420	897,281	876,805	764,222	742,305	696,254	688,260	664,312
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 6,151,092	\$ 5,830,506	\$ 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	17.35%	17.40%	18.60%	17.81%	18.51%	16.22%	16.79%	15.93%	16.32%	18.03%

This schedule is presented to illustrate the requirements to show information for 10 years.

See independent auditor's report.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 1: CHANGES OF ASSUMPTIONS

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

2023

- The investment rate of return assumption was changed from 7.55% to 7.00%.
- The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.
- Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- 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 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

**JACKSON COUNTY UTILITY AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 1: CHANGES OF ASSUMPTIONS (Continued)

2017

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

2016

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

2015

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

NOTE 2: CHANGES IN BENEFIT PROVISIONS

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2022 valuation for the June 30, 2024 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	25.6 years
Asset valuation method	5-year smoothed market
Price inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

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***

June 3, 2025

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 (*Government Auditing Standards*), the financial statements of the business-type activities of Jackson County Utility Authority as of and for the year ended September 30, 2024, 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 June 3, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



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Certified Public Accountants & Business Consultants

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

June 3, 2025

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 each of Jackson County Utility Authority's major federal programs for the year ended September 30, 2024. Jackson County Utility Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended September 30, 2024.

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 relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide 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 each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 the 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, 2024

Federal Grantor / Program Title	Assistance Listing	Identifying Number	Federal Expenditures
Gulf Coast Ecosystem Restoration Council (RESTORE Council)			
Passed through the Mississippi Department of Environmental Quality Water Pollution Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program	87.052	22-00051	\$ 647,306
<i>Total Gulf Coast Ecosystem Restoration Council</i>			<u>647,306</u>
U.S. Environmental Protection Agency			
Passed through the Mississippi Department of Health Drinking Water Systems Improvements Revolving Loan Fund	66.468	SW1-L300164-02	385,733
<i>Total U.S. Environmental Protection Agency</i>			<u>385,733</u>
U.S. Department of Interior			
Passed through the Mississippi Department of Marine Resources Gulf of Mexico Energy Security Act	15.435	3000033614	797,127
Passed through the Mississippi Department of Marine Resources Gulf of Mexico Energy Security Act	15.435	640652582	4,440
			<u>4,440</u>
<i>Total U.S. Department of Interior</i>			<u>801,567</u>
U.S. Department of Treasury			
Passed through the Jackson County Board of Supervisors COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	JC-ARPA-MCWI-JCUA-001	828,630
Passed through the Mississippi Department of Environmental Quality Water Pollution COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	187-2-CW-5.5	828,630
			<u>828,630</u>
<i>Total U.S. Department of Treasury</i>			<u>1,657,260</u>
Total federal expenditures			<u>\$ 3,491,866</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, 2024**

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, 2024 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, 2024:

Current bonds and notes payable	\$ 3,610,369
Noncurrent bonds and notes payable	62,434,535
Lines of credit	<u>1,758,917</u>
	67,803,821
Less: non-federal debt and USDA loans	<u>(40,525,489)</u>
	27,278,332
Less: prior year ending net of current year payments	<u>(26,054,055)</u>
Current year SRF loan additions	1,224,277
Current year receipts for nonfederal expenditures	<u>(838,544)</u>
	<u>385,733</u>
 Grant revenues	 <u>3,106,133</u>
Total federal grant revenue	<u>3,106,133</u>
 Total federal expenditures	 <u><u>\$ 3,491,866</u></u>

**JACKSON COUNTY UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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>
21.027	American Rescue Plan Act
15.435	Gulf of Mexico Energy Security Act

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.

**JACKSON COUNTY UTILITY AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Finding 2023-001 – Significant Deficiency

Condition: Management did not report the total federal awards expended during the year under audit.

Status: Issue resolved. The Authority has improved its monitoring and reporting processes to ensure accurate identification and reporting of federal funds received.