# JACKSON MUNICIPAL AIRPORT AUTHORITY

Audited Financial Statements and
Independent Auditors' Reports
September 30, 2019 and 2018

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
September 30, 2019 and 2018

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**BREAZEALE, SAUNDERS & O'NEIL, LTD.**
CERTIFIED PUBLIC ACCOUNTANTS

# *Independent Auditors' Report*

**The Board of Commissioners**
**Jackson Municipal Airport Authority:**

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Jackson Municipal Airport Authority, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Jackson Municipal Airport Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

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no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Jackson Municipal Airport Authority, as of September 30, 2019 and 2018, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Jackson Municipal Airport Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of passenger facility charges – cash basis is presented for purposes of additional analysis as required by *Passenger Facility Charge Audit Guide for Public Agencies,* and is not a required part of the basic financial statements. The historical schedule of selected financial data, and schedule of budgeted vs. actual revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information listed in the preceding paragraph are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 April 28, 2020, on our consideration of Jackson Municipal Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Municipal Airport Authority's internal control over financial reporting and compliance.

Breazeale, Saunders & O'Neil, Ltd.

Jackson, Mississippi
April 28, 2020

The following discussion and analysis of the financial performance and activity of the Jackson-Medgar Wiley Evers International Airport and Hawkins Field Airport is to provide an understanding of the basic financial statements of the Jackson Municipal Airport Authority ("the Authority") for the years ended September 30, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

## HIGHLIGHTS OF THE FISCAL YEAR 2019 BUDGET

The budgeted amounts compared to actual operating results are as follows:

| Fiscal Year 2019 | Budget | Actual |
|---|---|---|
| Operating revenues | $ 17,931,270 | 18,509,252 |
| Operating expenses | 15,088,021 | 15,098,701 |
| **Operating income before depreciation and unfunded portion of pension expense** | 2,843,249 | 3,410,551 |
| Depreciation expense | 7,576,656 | 7,596,685 |
| Unfunded portion of pension expense | - | 1,029,702 |
| **Operating loss** | (4,733,407) | (5,215,836) |
| Net non-operating income (expense) | 4,083,097 | 4,480,604 |
| **Loss before capital grant contributions** | $ (650,310) | (735,232) |

Actual operating revenue exceeded budget by $577,982 or 3% and was primarily due realizing the full effect of the landing fee increase approved in June 2018 from $2.99 to $3.54 per thousand pounds. Additionally, Parking Revenue and Rental Car Concessions increased by a total of $188,338 and $141,742 respectively, primarily due to an increase in enplanements of 15.2%.

Actual operating expenses before depreciation and unfunded pension exceeded budget by $10,680. For the year, Services were over budget by $386,961 or 11% which was primarily due to overspending for consulting. However, this increase in spending was netted against reductions in other major expense categories.

Actual Net Non-Operating Income (Expense), in comparison to the budget, was $397,507 or 10%. This increase was primarily due to completion of construction projects which were eligible for federal reimbursement as well as increases in Passenger Facility Charges and Customer Facility Charges.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial reporting package consists of four parts – the independent auditors' report, management's discussion and analysis (this section), the basic financial statements and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB). The basic financial statements are prepared on an accrual basis, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of the following: statements of net position that include the Airport's assets, deferred outflows, liabilities, deferred inflows, and net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, which further explains and supports the information in the financial statements. For readers of the financial statements, it should be noted that, with certain limited exceptions, Authority monies are restricted by bond ordinances and Federal Aviation Administration regulations for use at the Airport. Airport net revenues (essentially operating revenues less operating expenses other than depreciation and the unfunded portion of pension expense) are largely determined by permits with airlines and agreements with concessionaires and other tenants.

## FINANCIAL HIGHLIGHTS

## NET POSITION

The statements of net position present the financial position of the Authority at the end of the fiscal year and includes all its assets, deferred outflows, liabilities, and deferred inflows. Net position represents the difference between total assets, deferred outflows, liabilities, and deferred inflows. A summarized comparison of the Authority's assets, deferred outflows, liabilities, deferred inflows and net position follows:

| | FY2019 | FY2018 | FY2017 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | $22,751,201 | $18,494,108 | $17,912,386 |
| Property, Plant, and Equipment, net | 123,914,634 | 117,320,350 | 113,154,015 |
| Other Noncurrent Assets | 28,469,175 | 29,634,923 | 33,201,285 |
| **Total assets** | 175,135,010 | 165,449,381 | 164,267,686 |
| **Deferred Outflow of Resources** | | | |
| Deferred Outflows - Debt Refunding | 292,999 | 326,363 | 397,237 |
| Deferred Outflows - Pension | 1,080,476 | 1,718,007 | 1,973,852 |
| **Total deferred outflows of resources** | 1,373,475 | 2,044,370 | 2,371,089 |
| **Liabilities** | | | |
| Current Liabilities | 9,738,267 | 7,651,145 | 5,480,562 |
| Noncurrent Liabilities - Long-term debt, net | 28,065,000 | 29,935,000 | 33,468,947 |
| Net Unfunded Pension Liabilities | 15,794,073 | 15,621,353 | 14,682,446 |
| **Total liabilities** | 53,597,340 | 53,207,498 | 53,631,955 |
| **Deferred Inflow of Resources** | | | |
| Deferred Inflows – Unearned revenue | 1,210,972 | 667,268 | 639,082 |
| Deferred Inflows - Pension | 734,981 | 515,530 | 689,245 |
| **Total deferred inflows of resources** | 1,945,953 | 1,182,798 | 1,328,327 |
| **Net Position** | | | |
| Invested in Capital Assets, net of related debt | 88,639,349 | 82,291,971 | 76,767,249 |
| Restricted | 30,678,147 | 31,520,655 | 34,816,328 |
| Unrestricted | 1,647,696 | (709,171) | 94,916 |
| **Total net position** | $120,965,192 | $113,103,455 | $111,678,493 |

For FY 2019, as compared to FY 2018, total assets increased by $9,685,629 or 6% due to increases in current assets and property, plant and equipment, net offset by a reduction in other noncurrent assets.

For FY 2019, as compared to FY 2018, total liabilities experienced a reduction of $389,842 which was primarily due to an increase in the pension liability and current liabilities offset by a reduction in non-current long-term debt, net and unearned revenue. Additionally, for FY 2018 the $3,533,947 or 11% reduction long-term debt, net of current maturities was primarily due to the legal defeasance of JMAA's 2005C Bond Series combined with annual debt payments for the 2015 and 2017 Bond Series.

For FY 2019 as compared to FY 2018, Net Position increased by $7,861,737 or 7%. The 2019 increase was due to an increase in capital assets, net of related debt netted against a reduction in restricted assets and unrestricted assets.

## Operating Revenues

| Revenue Classifications | FY2019 | FY2018 | FY2017 |
|---|---|---|---|
| Aviation | $6,895,990 | $6,366,853 | $6,305,595 |
| Non-Aviation | 8,693,608 | 7,940,116 | 7,852,831 |
| Concessions | 2,674,464 | 2,472,257 | 2,500,012 |
| Services | 245,190 | 214,857 | 176,319 |
| **Total Operating Revenue** | $18,509,252 | $16,994,083 | $16,834,757 |

The table above presents the major operating revenue classifications for FY 2019 compared to FY 2018 and FY 2017. For FY 2019, as compared to FY 2018, total operating revenue increased by $1,515,169 or 9%. Total operating revenue experienced an increase of $159,326 in FY 2018 as compared to FY 2017.

In FY 2019, Aviation Income increased by $529,137 or 8% and primarily due to an offset in revenue from 2018 and 2017. In FY 2018, Aviation Income experienced a reduction of $61,258 as compared to FY 2017.

In FY 2019, Non-Aviation Income increased by $753,492 or 9% due to an increase in parking garage revenue. This increase in revenues stems from an incremental parking fee assessment which was implemented in FY 2018. In FY2018, Non-Aviation Income increased by $87,285.

In FY 2019, Concessions Income experienced an increase in revenue of $202,207 or 8%, primarily from rental car concessions. In FY 2018, Concessions Income decreased by $27,755 as a direct result of the food and beverage concessionaires not being fully operable on both concourses.

In FY 2019, Services Income increased by $30,333 or 14% due to an increase in the ground transportation for the Transportation Network Companies (Uber and Lyft). In FY 2018, Services Income increased by $38,538 or 22% and was primarily due to an increase in the annual parking rate for tenant employees combined with a full year of revenue reporting from the Transportation Network Companies "TNCs" (Uber and Lyft).

## Operating Expenses

| Expense Classifications | FY2019 | FY2018 | FY2017 |
|---|---|---|---|
| Board | $155,888 | $110,333 | $130,640 |
| Building | 1,614,781 | 1,711,159 | 1,492,050 |
| Employee | 8,459,659 | 8,788,351 | 8,976,851 |
| Equipment | 287,315 | 471,726 | 507,816 |
| Miscellaneous | 2,600 | 4,127 | 13,000 |
| Services | 4,012,031 | 3,609,465 | 3,544,759 |
| Supplies | 566,427 | 574,210 | 556,398 |
| **Total Operating Expenses before depreciation and unfunded portion of pension expense** | $15,098,701 | $15,269,371 | $15,221,514 |

The table above presents the major expense classifications for FY 2019 compared to FY 2018 and FY 2017. The total operating expenses before depreciation and the unfunded portion of pension expense for FY 2019 decreased by $170,670 or 1%. For FY 2018, operating expenses increased $47,857 as compared to FY 2017.

For FY 2019, Building Expenses decreased by $96,378 or 6% primarily due to in repairs and maintenance as well as utility expense. The FY 2018 increase of $219,109 or 15% in Building Expenses was primarily due to a terminal enhancement project replacing carpet on the east and west concourses combined with increased electrical utility fees.

For FY 2019, Employee Expenses experienced a reduction of $328,692 or 4%, as compared to FY 2018, due to reductions in salaries and related benefits. Employee Expenses decreased by $188,500 in FY 2018 which resulted from decreases in overtime, dues and registrations, training, etc. combined with an increase in contra salaries related to capital projects.

For FY 2019, Service Expenses increased by $402,566 or 11% due to increase in consulting fees. For FY 2018, the increase in Service Expenses was the result of an energized development plan for various projects.

## NON-OPERATING INCOME (EXPENSE)

Actual Net Non-Operating Income (Expense), in comparison to the budget, was $397,507 or 10%. This increase was primarily due to completion of construction projects which were eligible for federal reimbursement as well as increases in Passenger Facility Charges, and Customer Facility Charges. In FY 2018, Net Non-Operating Income (Expense) experienced a reduction of $912,633 or 27%.

## CAPITAL ASSETS

The Authority's capital assets as of September 30, 2019, 2018 and 2017, amounted to $120,965,192, $113,103,455, and $111,678,493 (net of accumulated depreciation) respectively. This investment in capital assets includes land, facilities, facility improvements, equipment, furniture and fixtures and construction in progress.

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. The Authority funds capital assets with passenger facility charges, customer facility charges, federal and state grants, net revenues and various bond issues. Additional information on the Authority's capital assets can be found in the accompanying notes to the financial statements.

## DEBT ADMINISTRATION

As of September 30, 2019, the Authority had outstanding revenue bonds of $29,935,000 which are listed below:

| Description | Amount |
|---|---|
| Series 2017A | $3,870,000 |
| Series 2017B | 4,390,000 |
| Series 2015A | 13,820,000 |
| Series 2015B | 7,855,000 |

## OTHER ITEMS

### Airline Rates and Charges

Rates and charges are calculated on an annual basis and are subject to change during the year. Included in the rates and charges calculations are specific rebates of debt service coverage.

| Rates/Charges | FY 2019 | FY 2018 | FY 2017 |
|---|---|---|---|
| Terminal Rent Rates | $79.88 | $78.39 | $76.49 |
| Landing Fee (per 1,000 lbs.) | $3.54 | $2.99/3.54* | $2.99 |

*Landing fee increased from $2.99 to $3.54 per thousand pounds effective 6/1/2018.

### Operating and Capital Grants and Reimbursements

In FY 2019 and FY 2018 respectively, the Authority recognized grant revenue of $8,535,763 and $5,2829,235 from the Federal Aviation Administration (FAA) and $61,205 and $723,777 from the Mississippi Department of Transportation (MDOT). Funds from the FAA and MDOT were to offset costs of capital projects.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. Questions concerning this report or requests for additional information should be addressed to Arnetrius Branson, Chief Financial Officer, Jackson Municipal Airport Authority, Post Office Box 98109, Jackson, MS 39298-8109. Information of interest may also be obtained on the Authority's website at www.jmaa.com.

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Statements of Net Position
September 30, 2019 and 2018

| | | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | $ | 15,022,130 | 14,122,530 |
| Restricted cash and cash equivalents - current | | 2,353,347 | 1,885,732 |
| Accounts receivable | | 1,462,663 | 802,269 |
| Governmental grants receivable | | 3,711,191 | 1,466,061 |
| Other | | 201,870 | 217,516 |
| **Total current assets** | | 22,751,201 | 18,494,108 |
| Restricted cash and cash equivalents - non-current | | 28,060,045 | 29,106,174 |
| Restricted passenger facility charges receivable | | 194,206 | 348,844 |
| Restricted customer facility charges receivable | | 214,924 | 179,905 |
| Property, plant and equipment, net | | 123,914,634 | 117,320,350 |
| **Total assets** | | 175,135,010 | 165,449,381 |
| **Deferred Outflows of Resources** | | | |
| Deferred outflows - debt refunding | | 292,999 | 326,363 |
| Deferred outflows - pension | | 1,080,476 | 1,718,007 |
| **Total deferred outflows of resources** | | 1,373,475 | 2,044,370 |
| **Combined assets and deferred outflows of resources** | | 176,508,485 | 167,493,751 |

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Statements of Net Position
September 30, 2019 and 2018

| | | 2019 | 2018 |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Current maturities of long-term debt | $ | 1,870,000 | 1,380,000 |
| Accounts payable | | 5,764,268 | 4,274,316 |
| Contract retainage payable | | 872,606 | 805,493 |
| Accrued expenses | | 1,231,393 | 1,191,336 |
| **Total current liabilities** | | 9,738,267 | 7,651,145 |
| Long-term debt, net of current maturities | | 28,065,000 | 29,935,000 |
| Net unfunded pension liability | | 15,794,073 | 15,621,353 |
| **Total liabilities** | | 53,597,340 | 53,207,498 |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows - pension | | 734,981 | 515,530 |
| Deferred inflows - unearned revenues | | 1,210,972 | 667,268 |
| **Total deferred inflows of resources** | | 1,945,953 | 1,182,798 |
| **Combined liabilities and deferred inflows of resources** | | 55,543,293 | 54,390,296 |
| **Net Position** | | | |
| Invested in capital assets, net of related debt | | 88,639,349 | 82,291,971 |
| Restricted | | 30,678,147 | 31,520,655 |
| Unrestricted | | 1,647,696 | (709,171) |
| **Total net position** | $ | 120,965,192 | 113,103,455 |

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

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

| | | 2019 | 2018 |
|---|---|---|---|
| **Operating revenues:** | | | |
| Aviation | $ | 6,895,990 | 6,366,853 |
| Non-aviation | | 8,693,608 | 7,940,116 |
| Concessions | | 2,674,464 | 2,472,257 |
| Services | | 245,190 | 214,857 |
| **Total operating revenues** | | 18,509,252 | 16,994,083 |
| **Operating expenses:** | | | |
| Board expenses | | 155,888 | 110,333 |
| Building expenses | | 1,614,781 | 1,711,159 |
| Employee expenses | | 8,459,659 | 8,788,351 |
| Equipment expenses | | 287,315 | 471,726 |
| Miscellaneous expenses | | 2,600 | 4,127 |
| Services | | 4,012,031 | 3,609,465 |
| Supplies | | 566,427 | 574,210 |
| **Total operating expenses, before depreciation and unfunded portion of pension expense** | | 15,098,701 | 15,269,371 |
| **Operating income, before depreciation and unfunded portion of pension expense** | | 3,410,551 | 1,724,712 |
| Depreciation expense | | 7,596,685 | 8,290,866 |
| Unfunded portion of pension expense | | 1,029,702 | 1,021,037 |
| **Total operating expenses** | | 23,725,088 | 24,581,274 |
| **Operating loss** | | (5,215,836) | (7,587,191) |

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

| | | 2019 | 2018 |
|---|---|---|---|
| **Non-operating income (expense):** | | | |
| Passenger facility charges, restricted | $ | 2,509,246 | 2,154,273 |
| Customer facility charges, restricted | | 2,238,537 | 2,029,330 |
| Interest expense | | (863,173) | (971,759) |
| Loss on defeasance of debt | | - | (358,445) |
| Loss on disposal of assets | | (174,598) | (1,008,576) |
| Interest income | | 548,384 | 357,512 |
| Asset seizures | | 1,032 | - |
| Other | | 221,176 | 256,806 |
| **Net non-operating income (expense)** | | 4,480,604 | 2,459,141 |
| **Loss before capital grant contributions** | | (735,232) | (5,128,050) |
| **Capital governmental grant contributions** | | 8,596,969 | 6,553,012 |
| **Change in net position** | | 7,861,737 | 1,424,962 |
| **Net position - beginning, as previously reported** | | 113,354,916 | 111,779,901 |
| Prior period adjustment | | (251,461) | (101,408) |
| **Net position - beginning, adjusted** | | 113,103,455 | 111,678,493 |
| **Net position - ending** | $ | 120,965,192 | 113,103,455 |

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

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

| | | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Cash received from customers | $ | 18,385,219 | 17,150,704 |
| Cash paid for payroll expenses | | (9,132,901) | (8,465,168) |
| Cash paid for other operating expenses | | (5,887,249) | (6,779,187) |
| **Net cash flows from operating activities** | | 3,365,069 | 1,906,349 |
| **Cash flows from non-capital financing activities:** | | | |
| Asset seizures | | (29,968) | 10,100 |
| Expense reimbursements | | 258,376 | 256,206 |
| **Net cash flows from non-capital financing activities** | | 228,408 | 266,306 |
| **Cash flows from capital and related financing activities:** | | | |
| Capital grants received | | 6,351,839 | 6,696,737 |
| Passenger facility charges collected | | 2,663,884 | 2,121,864 |
| Customer facility charges collected | | 2,203,518 | 2,031,042 |
| Defeasance of capital debt | | - | (2,502,840) |
| Principal paid on capital debt | | (1,380,000) | (1,120,000) |
| Interest paid on capital debt | | (843,363) | (856,229) |
| Capital asset expenditures | | (12,817,653) | (11,840,092) |
| Proceeds from sale of capital assets | | - | 57,387 |
| **Net cash flows from capital and related financing activities** | | (3,821,775) | (5,412,131) |
| **Cash flows from investing activities -** | | | |
| Receipt of interest | | 549,384 | 357,512 |
| **Change in cash and cash equivalents** | | 321,086 | (2,881,964) |
| **Cash and cash equivalents - beginning of year** | | 45,114,436 | 47,996,400 |
| **Cash and cash equivalents - end of year** | $ | 45,435,522 | 45,114,436 |

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

| | | 2019 | 2018 |
|---|---|---|---|
| **Reconciliation of operating loss to net cash flows from operating activities:** | | | |
| Operating loss | $ | (5,215,836) | (7,587,191) |
| Depreciation expense | | 7,596,685 | 8,290,866 |
| Net effect of changes in operating assets and liabilities: | | | |
| Accounts receivable | | (876,409) | (11,518) |
| Other current assets | | 15,789 | (11,068) |
| Deferred outflows - pension | | 637,531 | 255,845 |
| Accounts payable, net of capital items | | 9,151 | 241,521 |
| Accrued expenses | | 53,611 | (55,384) |
| Net unfunded pension liability | | 172,720 | 938,907 |
| Deferred inflows - pension | | 219,451 | (173,715) |
| Deferred inflows - unearned revenues | | 752,376 | 18,086 |
| **Net cash flows from operating activities** | $ | 3,365,069 | 1,906,349 |
| **Presentation of cash and cash equivalents - end of year on the statements of net position:** | | | |
| Cash and cash equivalents - current | $ | 15,022,130 | 14,122,530 |
| Restricted cash and cash equivalents - current | | 2,353,347 | 1,885,732 |
| Restricted cash and cash equivalents - non-current | | 28,060,045 | 29,106,174 |
| **Cash and cash equivalents - end of year** | $ | 45,435,522 | 45,114,436 |

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

## (1) Summary of Significant Accounting Policies

A summary of significant accounting policies for Jackson Municipal Airport Authority (the Authority) follows:

### (a) Organization and Nature of Operations

The Authority operates two airports in the Jackson, Mississippi, metropolitan area, the Jackson-Medgar Wiley Evers International Airport (JAN) and the Hawkins Field Airport. The Authority, created in 1960 as a component unit of the City of Jackson, Mississippi, is governed by five (5) commissioners appointed by the Mayor of Jackson and confirmed by the Jackson City Council to serve staggered terms of five (5) years each. The Commissioners are responsible for planning, development, and operation of the Hawkins Field Airport and JAN. Substantially all of the Authority's business activity is with customers in the transportation industry.

### (b) Basis of Accounting and Measurement Focus

The Authority is accounted for as an enterprise fund and presents its financial statements in accordance with the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Disclosures*.

### (c) Cash and Cash Equivalents

Mississippi law allows governmental entities to invest in collateralized bank deposits, Federal securities, or securities issued by other Mississippi governmental entities. For purposes of the statements of cash flows, the Authority considers restricted cash and all short-term debt securities purchased with maturities of three months or less to be cash equivalents.

### (d) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Differences between the amount due and the

## (1) Summary of Significant Accounting Policies (Continued)

### (d) Accounts Receivable (Continued)

amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for trade accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The valuation allowance was $0 at both September 30, 2019 and 2018.

### (e) Property, Plant and Equipment

Property, plant and equipment are recorded at acquisition cost. Interest expense, net of income earned on construction bond proceeds, is capitalized during construction on those capital projects paid for from the bond proceeds and is amortized over the depreciable life of the related assets on a straight-line basis. No interest was capitalized in 2019 or 2018.

Depreciation has been provided using the straight-line method over the estimated useful lives of the assets. Depreciation is not provided for construction-in-progress until such time as the assets are placed into service.

### (f) Income Taxes

The Authority is exempt from federal and state income taxes.

### (g) Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Authority's deferred outflows relate to debt refunding, which are being amortized over the life of the debt, and its net pension liability, which are being amortized over the estimated average remaining service life.

### (h) Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until

## (1) Summary of Significant Accounting Policies (Continued)

### (h) Deferred Inflows of Resources (Continued)

then. The Authorities deferred inflows relate to its net pension liability, which are being amortized over the estimated average remaining service life, and unearned rental revenues received or due in advance, which are being amortized over the term of the lease.

### (i) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

### (j) Presentation of Sales Tax

The State of Mississippi imposes a sales tax of 7% on the Authority's parking revenues. The Authority collects the sales tax from customers and remits the entire amount to the State. The Authority's accounting policy is to exclude the tax collected and remitted to the State from both revenues and expenses.

### (k) Date of Management's Review

Management has evaluated subsequent events through April 28, 2020, the date on which the financial statements were available to be issued.

### (l) Restricted Assets

Assets required to be held and/or used as specified in bond indentures, bond resolutions, and grantor specifications have been reported as restricted assets. When both restricted and unrestricted assets are available for use, the policy is to use restricted assets first.

## (1) Summary of Significant Accounting Policies (Continued)

### (m) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources relating to pensions and pension expense/expenditures, information about the fiduciary net position of the Authority's pension plans with the Public Employees' Retirement System of Mississippi ("PERS") and the additions to/deductions from the plans' 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.

### (n) New Accounting Standard

The GASB issued Statement No. 87, *Leases*, which substantially changes accounting and financial reporting related to lease agreements. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority has significant leasing activities as a lessor. The impact of implementation of this new standard on the financial statements has not been determined. The statement will be effective for the Authority's 2021 financial statements.

## (2) Cash and Cash Equivalents

### Cash - Bank Deposits

The carrying amount of the Authority's total cash deposits with financial institutions (including restricted cash) at September 30, 2019 and 2018, was $42,919,729 and $43,046,767, respectively, and the bank balance was $42,963,622 and $44,128,450, respectively. 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

## (2) Cash and Cash Equivalents (Continued)

this program, the State Treasurer monitors collateralization of the entity's funds. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation (FDIC).

### Cash Equivalents

The carrying amount of the Authority's total cash equivalents, which are restricted for repayment of debt or use of debt proceeds, at September 30, 2019 and 2018, was $2,515,793 and $2,067,669, respectively. The Authority's cash equivalents, which are invested in mutual funds which invest in U.S. Treasury securities, are not covered by FDIC insurance.

## (3) Restricted Cash and Cash Equivalents

A summary of restricted cash and cash equivalents follows:

| Description | 2019 | 2018 |
|---|---|---|
| **Short-term:** | | |
| Debt interest and principal payments | $ 2,320,029 | 1,827,123 |
| Asset seizure funds - State | 33,318 | 58,609 |
| **Total short-term** | $ 2,353,347 | 1,885,732 |
| **Long-term:** | | |
| Passenger facility charges (PFC) | 12,628,758 | 15,298,768 |
| Customer facility charges (CFC) | 10,766,747 | 9,375,471 |
| Unused proceeds of bond issues | 195,764 | 240,546 |
| Restricted for capital projects | 421,924 | 414,296 |
| Cash reserve restricted by bond indenture | 4,046,852 | 3,777,093 |
| **Total long-term** | $ 28,060,045 | 29,106,174 |

## (4) Property, Plant and Equipment, Net

A summary of property, plant and equipment, net follows:

| Description | Balance Sept. 30, 2018 | Additions | Deletions | Adjustments | Balance Sept. 30, 2019 |
|---|---|---|---|---|---|
| Land | $ 4,622,050 | - | - | - | 4,622,050 |
| Land improvements | 119,069,160 | - | (32,618) | 1,451,272 | 120,487,814 |
| Buildings | 118,811,974 | - | - | - | 118,811,974 |
| Utility systems | 9,485,394 | - | - | - | 9,485,394 |
| Furniture, fixtures & equip. | 12,902,521 | 475,690 | (101,005) | 957,238 | 14,234,444 |
| Construction in progress | 28,595,370 | 14,064,767 | - | (2,725,379) | 39,934,758 |
| **Total** | 293,486,469 | 14,540,457 | (133,623) | (316,869) | 307,576,434 |
| **Accumulated depreciation** | (176,166,119) | (7,596,685) | 101,004 | - | (183,661,800) |
| **Net property, plant and equipment** | $117,320,350 | 6,943,772 | 32,619) | (316,869) | 123,914,634 |

| Description | Balance Sept. 30, 2017 | Additions | Deletions | Adjustments | Balance Sept. 30, 2018 |
|---|---|---|---|---|---|
| Land | $ 4,622,050 | - | - | - | 4,622,050 |
| Land improvements | 115,747,778 | - | - | 3,321,382 | 119,069,160 |
| Buildings | 117,130,099 | - | (436,287) | 2,118,162 | 118,811,974 |
| Utility systems | 9,485,394 | - | - | - | 9,485,394 |
| Furniture, fixtures & equip. | 13,040,509 | 190,536 | (758,272) | 429,748 | 12,902,521 |
| Construction in progress | 22,197,431 | 13,330,949 | - | (6,933,010) | 28,595,370 |
| **Total** | 282,223,261 | 13,521,485 | (1,194,559) | (1,063,718) | 293,486,469 |
| **Accumulated depreciation** | (169,069,246) | (8,290,866) | 1,193,993 | - | (176,166,119) |
| **Net property, plant and equipment** | $113,154,015 | 5,230,619 | (566) | (1,063,718) | 117,320,350 |

Depreciation expense for the years ended September 30, 2019 and 2018, was $7,596,685 and $8,290,866, respectively. The Authority wrote off cancelled construction projects totaling $316,869 and $1,063,718, respectively, in the years ended September 30, 2019 and 2018.

## (4) Property, Plant and Equipment, Net (Continued)

The Authority has committed approximately $10,300,000 to future construction projects as of September 30, 2019. These projects are expected to be substantially completed within two (2) years from September 30, 2019 and will primarily be financed with grant and PFC funds.

The Authority is dependent on continued Federal and State grants and PFC funds to fund a majority of its capital projects.

## (5) Long-term Debt

A summary of long-term debt follows:

| Description | 2019 | 2018 |
|---|---|---|
| 2018 Series A Authority Revenue Bonds maturing in October 2026; interest rate 2.60% | $ 3,870,000 | 3,985,000 |
| 2018 Series B Authority Revenue Bonds maturing in October 2027; interest rate 2.75% | 4,390,000 | 4,685,000 |
| 2015 Series A Authority Revenue Bonds maturing in October 2031; interest rates from 1.21% to 3.09% | 13,820,000 | 14,790,000 |
| 2015 Series B Authority Revenue Bonds maturing in October 2035; interest rates from 3.12% to 3.27% | 7,855,000 | 7,855,000 |
| **Total long-term debt** | 29,935,000 | 31,315,000 |
| Less current maturities | (1,870,000) | (1,380,000) |
| **Long-term debt, net of current maturities** | $ 28,065,000 | 29,935,000 |

## (5) Long-term Debt (Continued)

In July 2018, the Authority advance refunded $2,155,000 of the outstanding 2015 Series C Authority Revenue Bonds with interest rates ranging from 4.90% to 5.15%. The Authority purchased U.S. government securities at a cost of $2,421,860, of which $1,865,370 was funded with restricted CFC cash. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded Series C Authority Revenue Bonds. As a result, the Series C Authority Revenue Bonds are considered defeased, and the Authority has removed the liability from its accounts. The outstanding principal of the defeased bonds at September 30, 2019 is $1,985,000.

The advance refunding reduced total debt service payments over the next 10 years by $328,904. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,201.

The Revenue Bonds are collateralized by and will be payable from the net revenues of the Authority, as well as from PFC revenues of the Authority. The 2015A Revenue Bonds are also partially collateralized by and payable from CFC revenues of the Authority. The indentures do not constitute a mortgage on any of the physical properties of the Authority. The bonds do not constitute a debt of the Authority within the meaning of the Mississippi Constitution.

Principal repayments of debt were $1,380,000 and $1,120,000 in the years ended September 30, 2019 and 2018, respectively. A schedule of future maturities of long-term debt follows:

| Year Ending September 30, | Principal | Interest |
|---|---|---|
| 2020 | $ 1,870,000 | 604,036 |
| 2021 | 1,905,000 | 583,977 |
| 2022 | 1,950,000 | 562,099 |
| 2023 | 1,995,000 | 538,644 |
| 2024 | 2,050,000 | 512,973 |
| 2025-2029 | 9,445,000 | 2,108,596 |
| 2030-2034 | 7,240,000 | 1,165,398 |
| 2035-2036 | 3,480,000 | 114,265 |
| **Total** | $ 29,935,000 | 6,189,988 |

## (6) Pension Plan

### *General Information about the Pension Plan*

*Plan description.* The Authority contributes to the Public Employees' Retirement System of Mississippi (PERS).

PERS is a defined benefit cost-sharing plan administered by the PERS System that provides retirement benefits to all eligible employees. Membership in PERS is a condition of employment granted upon hiring for qualifying employees including officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts, and other public employees whose employers have elected to participate. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. Current rates are 17.40% for employer contributions (15.75% for contributions prior to June 30, 2019) and 9.00% for members. The Authority's contributions to PERS for the years ended September 30, 2019 and 2018, were $940,564 and $940,985, respectively.

A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable 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

**(6) Pension Plan (Continued)**

certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at www.PERS.ms.gov.

**Net Pension Liability**

At September 30, 2019 and 2018, the Authority reported a liability of $15,794,073 and $15,621,353, respectively for its proportional share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The Authority's proportion of the net pension liability was based on the Authority's contributions to the pension plan relative to the contributions of all pension plan participants. At June 30, 2019 and 2018, the Authority's proportion was 0.089780% and 0.093918%, respectively.

*Actuarial assumptions.* The total pension liability in the June 30, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| Description | Assumptions |
|---|---|
| Inflation | 2.75% (3.00% in 2018) |
| Salary increases | 3.00 (3.25 in 2018) – 18.50%, including inflation |

**(6) Pension Plan (Continued)**

| Description | Assumptions |
| --- | --- |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |

Mortality rates for 2019 were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy. Mortality rates for 2018 were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with males' rates set forward one year.

The actuarial assumptions used in the June 30, 2019 valuations was determined by an actuarial valuation prepared as of June 30, 2018 based on the experience investigation for the four-year period ending June 30, 2018. The actuarial assumptions used in the June 30, 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016.

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 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
| --- | --- | --- |
| U.S. Broad | 27.00% | 4.90% |
| International equity | 22.00 | 4.75 |
| Global equity | 12.00 | 5.00 |
| Fixed income | 20.00 | 1.50 |
| Real estate | 10.00 | 4.00 |

## (6) Pension Plan (Continued)

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Private equity | 8.00 | 6.25 |
| Cash | 1.00 | 0.25 |
| **Total** | 100.00% | |

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following table presents the Authority's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| Description | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| June 30, 2019, net pension liability | $ 20,761,857 | 15,794,073 | 11,693,614 |
| June 30, 2018, net pension liability | $ 20,568,840 | 15,621,353 | 11,509,339 |

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

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the years ended September 30, 2019 and 2018, the Authority recognized pension

## (6) Pension Plan (Continued)

expense of $1,970,266 and $1,959,019, respectively. The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources for the years ended September 30, 2019 and 2018:

| | | Balance Sept. 30, 2018 | Additions | Deductions | Balance Sept. 30, 2019 |
|---|---|---|---|---|---|
| **Deferred outflows of resources:** | | | | | |
| Contributions subsequent to the measurement date | $ | 234,496 | 267,392 | (234,496) | 267,392 |
| Differences between expected and actual experience | | 59,606 | - | (49,834) | 9,772 |
| Changes in proportionate share of net pension liability | | 1,415,236 | - | (766,734) | 648,503 |
| Changes in assumptions | | 8,669 | 207,710 | (61,570) | 154,809 |
| **Total deferred outflows of resources** | $ | 1,718,007 | 475,102 | (1,112,633) | 1,080,476 |
| **Deferred inflows of resources:** | | | | | |
| Changes in proportionate share of net pension liability | $ | 50,063 | 688,272 | (233,114) | 505,221 |
| Changes in assumptions | | 7,199 | - | (7,199) | - |
| Differences between expected and actual experience | | 61,929 | - | (45,204) | 16,725 |
| Net difference between projected and actual earnings on plan investments | | 396,339 | (360,540) | 177,236 | 213,035 |
| **Total deferred inflows of resources** | $ | 515,530 | 327,732 | (108,281) | 734,981 |

| | | Balance Sept. 30, 2017 | Additions | Deductions | Balance Sept. 30, 2018 |
|---|---|---|---|---|---|
| **Deferred outflows of resources:** | | | | | |
| Contributions subsequent to the measurement date | $ | 233,701 | 234,496 | (233,701) | 234,496 |
| Differences between expected and actual experience | | 188,613 | 20,062 | (149,069) | 59,606 |
| Changes in proportionate share of net pension liability | | 1,252,059 | 929,911 | (766,734) | 1,415,236 |
| Changes in assumptions | | 299,479 | - | (290,810) | 8,669 |
| **Total deferred outflows of resources** | $ | 1,973,852 | 1,184,469 | (1,440,314) | 1,718,007 |

## (6) Pension Plan (Continued)

| | | Balance Sept. 30, 2017 | Additions | Deductions | Balance Sept. 30, 2018 |
|---|---|---|---|---|---|
| **Deferred inflows of resources:** | | | | | |
| Changes in proportionate share of net pension liability | $ | 247,511 | - | (197,448) | 50,063 |
| Changes in assumptions | | 22,196 | - | (14,997) | 7,199 |
| Differences between expected and actual experience | | 107,134 | - | (45,205) | 61,929 |
| Net difference between projected and actual earnings on plan investments | | 312,404 | 351,253 | (267,318) | 396,339 |
| **Total deferred inflows of resources** | $ | 689,245 | 351,253 | (524,968) | 515,530 |

$267,392 reported as deferred outflows of resources at September 30, 2019, resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending September 30, | | Amount |
|---|---|---|
| 2020 | $ | 291,609 |
| 2021 | | (190,338) |
| 2022 | | (95,277) |
| 2023 | | 72,109 |
| **Total** | $ | 78,103 |

*Payable to the Pension Plan*

At September 30, 2019 and 2018, the Authority reported a payable of $200,060 and $185,949, respectively, for the outstanding amount of contributions to the pension plan required for the years then ended.

Employees of the Authority may also elect to contribute to a Section 457 tax-deferred defined contribution retirement plan administered by PERS. The Authority's matching contributions to this plan for the years ended September 30, 2019 and 2018, were $125,623 and $139,975, respectively.

## (7) Net Position

A summary of restricted net position follows:

| Description | 2019 | 2018 |
|---|---|---|
| Debt interest and principal payments | $ 2,320,029 | 1,827,123 |
| Passenger facility charges (PFC) | 12,822,964 | 15,647,612 |
| Customer facility charges (CFC) | 10,837,296 | 9,555,376 |
| Unused proceeds of bond issues | 195,764 | 240,546 |
| Restricted for capital projects | 421,924 | 414,296 |
| Cash reserve restricted by bond indenture | 4,046,852 | 3,777,093 |
| Public safety | 33,318 | 58,609 |
| **Total restricted net position** | $ 30,678,147 | 31,520,655 |

## (8) Operating Lease Revenues

Substantially all buildings and improvements, except for the parking facility, of the Authority are leased to third parties through operating leases. Many of these leases provide for the payment of contingent amounts based on revenues. A summary of future minimum rental revenue to be received based on operating leases in effect at September 30, 2019, follows:

| Year Ending September 30, | Future Minimum Rental Revenues |
|---|---|
| 2020 | $ 4,767,224 |
| 2021 | 3,936,552 |
| 2022 | 3,902,068 |
| 2023 | 3,637,311 |
| 2024 | 937,269 |
| 2025-2029 | 3,741,647 |
| 2030-2034 | 1,586,338 |
| 2035-2039 | 446,838 |
| 2040-2044 | 457,327 |
| 2045-2049 | 320,485 |
| 2050-2054 | 320,485 |

## (8) Operating Lease Revenues (Continued)

| Year Ending September 30, | Future Minimum Rental Revenues |
|---|---|
| 2055-2059 | 320,485 |
| 2060-2064 | 263,881 |
| 2065-2069 | 35,053 |
| **Total** | $ 24,672,963 |

## (9) Passenger Facility Charges

Under Part 158 of the Code of Federal Regulations, the Federal Aviation Administration (FAA) granted public agencies controlling commercial service airports the authority to impose passenger facility charges (PFC) of up to $4.50 per enplaned passenger, to be used towards the cost of predetermined capital and operating projects and debt service on those projects. These projects and debt service have been approved by the FAA and the participating airlines. The Authority is currently authorized to impose PFC charges of $4.50 per enplaned passenger and is authorized to collect $95,217,497 in connection with specific PFC projects, of which $57,967,758 has been collected, and $45,339,001 expended, as of September 30, 2019.

## (10) Customer Facility Charges

The Authority has reached agreements with its automobile rental concessionaires whereby the Authority collects a customer facility charge (CFC) of $5.00 for each vehicle rental day. Use of the CFC revenues is restricted to expansion of the parking garage at JAN and other construction projects (including related debt service) for the benefit of the Authority's automobile rental concessionaires and to offset increases in rental rates charged by the Authority to the concessionaires.

## (11) Prior Period Adjustment

In 2019, the Authority discovered that it had overbilled airlines for three leases during the 2016 though 2019 fiscal years. The 2018 financial statements have been restated to

## (11) Prior Period Adjustment (Continued)

reflect a reduction in non-aviation revenues of $150,053 and beginning net assets of $101,408, and an increase in accounts payable of $251,461. The 2019 financial statements include an account payable to the airlines of $343,027 related to these overbillings.

## (12) Commitments and Contingencies

The Authority is exposed to risks of loss of property and to general liability claims incidental to its operations. The Authority manages these risks by purchasing commercial insurance.

During the 2016 Mississippi legislative session, Section 61-3-6 of the Mississippi Code of 1972, was passed and signed into law. This law would create a new Jackson Metropolitan Area Airport Authority that would manage JAN and the Hawkins Field Airport. A suit has been filed in US District Court challenging the validity of this law. The City of Jackson and the Authority have both intervened in this suit to challenge the validity of this law. Regarding the lawsuit, pursuant to the December 12, 2016 Court order, the Governor and Lieutenant Governor will maintain the status quo by not naming or officially appointing anyone to the new Jackson Metropolitan Area Airport Authority until such time as the Court renders a decision on the merits (or as otherwise ordered by the Court) or until after ninety (90) days written notice is given by the Governor and Lieutenant Governor to the Authority and the Court of their intent to do otherwise. Further, in its June 6, 2016 Notice of Policy on Evaluating Disputed Changes of Sponsorship at Federally Obligated Airports, the FAA stated that "only the FAA has the authority to determine sponsor eligibility, approve and formally change airport sponsorship, and approve and issue a new Airport Operating Certificate pursuant to 14 CFR part 139." The FAA further stated in that June 6, 2016 Notice: "In matters in which a proposed change is contested by a current sponsor or operator, the FAA will not act on a part 139 application or a change of airport sponsorship and/or operating authority until the dispute is definitively resolved to the satisfaction of the FAA."

The Authority has experienced significant delays and multiple disputes in its construction project to rehabilitate and repave the West Runway at JMWEIA. The most significant disputes are as follows:

- The prime contractor has not completed the contract within the contracted deadline, adjusted for unforeseeable conditions. The Authority has withheld a total of $692,500 in liquidated damages from payment applications through

## (12) Commitments and Contingencies (Continued)

September 30, 2019, as well as an additional $198,284 due to other disputed items. However, the prime contractor does not agree that liquidated damages applies. The resolution of these disputes is unknown.

- A change order of approximately $2,800,000 was required due to additional quantities of asphalt required to bring the runway to the contract specifications. The Authority is paying this change order but has reserved its rights to attempt to recover this amount from the project engineer and/or prime contractor.

## (13) Subsequent Event

In March 2020, the President declared a national state of emergency due to the coronavirus COVID-19 pandemic. This event, and the response to it, has caused a decline exceeding 90% in enplaned/deplaned passengers beginning in mid-March. This has caused significant declines in virtually all of the Authority's revenue sources. The Authority has responded by cutting some expenses and is considering further cuts if necessary. The Coronavirus Aid, Relief and Economic Security (CARES) Act signed into law in March 2020, allocates approximately $8,500,000 in economic relief to Jackson-Medgar Wiley Evers International Airport. The ongoing effects of this pandemic on the Authority's operations and finances is unknown at this time.

**JACKSON MUNICIPAL AIRPORT AUTHORITY**

Schedule of Proportionate Share of the Net Pension Liability

Public Employees' Retirement System of Mississippi

Last 10 Fiscal Years - *

| | Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| JMAA's proportion of the net pension liability | 0.089780% | 0.093918% | 0.088324% | 0.078357% | 0.080705% | 0.084670% |
| JMAA's proportionate share of the net pension liability | $ 15,794,073 | 15,621,353 | 14,682,447 | 13,996,517 | 12,475,387 | 10,272,702 |
| JMAA's covered payroll | $ 5,847,146 | 5,997,556 | 5,666,043 | 5,012,711 | 5,041,981 | 5,171,416 |
| JMAA's proportionate share of the net pension liability as a percentage of its covered payroll | 270.12% | 260.46% | 259.13% | 279.22% | 247.43% | 198.64% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.59% | 62.54% | 61.49% | 57.47% | 61.70% | 67.21% |

* - GASB Statement No. 68 was implemented in fiscal year 2015, information is not available to present a full ten years. The Authority has presented information for the years available.

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

*The notes to schedules of proportionate share of the net pension liability and pension contributions are an integral part of this schedule.*

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Schedule of Pension Contributions
Public Employees' Retirement System of Mississippi
Last 10 Fiscal Years - *

| | Year Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| Statutorily required contribution | $ 940,564 | 940,985 | 934,804 | 803,042 | 787,462 | 823,210 |
| Contributions in relation to the statutorily required contribution | 940,564 | 940,985 | 934,804 | 803,042 | 787,462 | 823,210 |
| Annual contribution deficiency (excess) | $ - | - | - | - | - | - |
| JMAA's covered payroll | $ 5,810,843 | 5,974,215 | 5,935,263 | 5,098,679 | 4,999,759 | 5,226,730 |
| Contributions as a percentage of covered payroll | 16.19% | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

* - GASB Statement No. 68 was implemented in fiscal year 2015, information is not available to present a full ten years.
The Authority has presented information for the years available.

The amounts presented for each fiscal year were determined as of the the Authority's September 30 year-end date of the fiscal year presented.

*The notes to schedules of proportionate share of the net pension liability and pension contributions are an integral part of this schedule.*

## (1) Changes of Assumptions

2019:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
  - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- 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%.

2018:

- None.

## (2) Changes in Benefit Provisions

2019:

- None.

2018:

- None.

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

| Federal Grantor / Pass-through Grantor / Program or Cluster Title | Federal CFDA Number | | Total Federal Expenditures |
|---|---|---|---|
| **U.S. Department of Transportation:** | | | |
| **Direct programs -** | | | |
| **Federal Aviation Administration -** | | | |
| **Airport Improvement Program:** | | | |
| 3-28-0037-049-2014 | 20.106 | $ | 1,009,493 |
| 3-28-0037-051-2016 | 20.106 | | 6,581,917 |
| 3-28-0037-053-2018 | 20.106 | | 503,981 |
| 3-28-0038-018-2018 | 20.106 | | 279,332 |
| 3-28-0037-054-2019 | 20.106 | | 59,599 |
| **Total U.S. Department of Transportation** | | | 8,434,322 |
| **Total expenditures of Federal awards** | | $ | 8,434,322 |

*The accompanying notes to schedule of expenditures of Federal awards are an integral part of this schedule.*

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Notes to Schedule of Expenditures of Federal Awards
September 30, 2019

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Jackson Municipal Airport Authority (the Authority) under programs of the federal government for the year ended September 30, 2019. 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 assets, or cash flows of the Authority.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

**(3) Indirect Cost Rate**

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs have been charged to the Authority's Federal programs.

**(4) Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements**

A reconciliation of the total Federal awards per the Schedule of Expenditures of Federal Awards to the statement of revenues, expenses and changes in net position follows:

**(4) Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements (Continued)**

| Description | | Amount |
|---|---|---|
| Total expenditures of Federal awards | $ | 8,434,322 |
| Prior year reimbursements refunded on Federal award #3-28-0037-052-2017 cancelled in 2019 | | (12,637) |
| Prior year expenditures allowed on Federal award #3-28-0038-017-2017 in 2019 | | 114,078 |
| State of Mississippi grants | | 61,206 |
| **Total governmental grant contributions** | $ | 8,596,969 |

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Schedule of Passenger Facility Charges - Cash Basis
Year Ended September 30, 2019

| | PFC Application 99-03-C-00-JAN | PFC Application 03-04-C-00-JAN | PFC Application 07-05-C-00-JAN | PFC Application 14-06-C-00-JAN | PFC Application 18-07-C-00-JAN | Total |
|---|---|---|---|---|---|---|
| **Balance at September 30, 2018** | | | | | | $ 15,298,768 |
| **Receipts:** | | | | | | |
| Passenger facility charges collected | | | | | | 2,405,471 |
| Interest income | | | | | | 249,690 |
| **Total receipts - cash basis** | | | | | | 2,655,161 |
| **Expenditures:** | | | | | | |
| Terminal renovations - debt service | $ 114,062 | - | - | - | - | 114,062 |
| Rehabilitate International Drive - debt service | - | 104,944 | - | - | - | 104,944 |
| Access Control Security Project | - | - | 3,479,859 | - | - | 3,479,859 |
| Master Plan Updates | - | - | 245,720 | - | - | 245,720 |
| Rehab 16R/34L Construction | - | - | - | - | 350,851 | 350,851 |
| Rehab Upper Roadway Pavement - Design | - | - | - | - | 18,588 | 18,588 |
| Terminal Renovations - Phase 2 | - | - | - | - | 1,011,147 | 1,011,147 |
| **Total expenditures** | 114,062 | 104,944 | 3,725,579 | - | 1,380,586 | 5,325,171 |
| **Prior expenditures** | 5,998,812 | 2,588,314 | 15,125,715 | 1,662,503 | - | |
| **Cumulative expenditures** | $ 6,112,874 | 2,693,258 | 18,851,294 | 1,662,503 | 1,380,586 | |
| **Balance at September 30, 2019** | | | | | | $ 12,628,758 |

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Historical Schedule of Selected Financial Data
As of and For the Years Ended September 30,

| | ( in thousands) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** |
| **Assets and Deferred Outflows of Resources** | | | | | | | | | | |
| Current assets, unrestricted | $ 20,398 | 16,609 | 16,271 | 18,727 | 17,157 | 14,274 | 13,653 | 16,270 | 16,611 | 16,333 |
| Restricted assets | 30,822 | 31,521 | 34,829 | 32,968 | 30,145 | 32,360 | 30,047 | 34,344 | 32,567 | 32,454 |
| Property, plant & equipment | 123,915 | 117,320 | 113,154 | 109,837 | 116,930 | 118,016 | 118,700 | 108,093 | 112,145 | 105,401 |
| Other | - | - | 14 | 54 | 64 | 275 | 304 | 946 | 1,048 | 1,144 |
| Deferred outflows of resources | 1,373 | 2,044 | 2,371 | 2,702 | 2,216 | 808 | 218 | - | - | - |
| **Total assets and deferred outflows of resources** | 176,508 | 167,494 | 166,639 | 164,288 | 166,512 | 165,733 | 162,922 | 159,653 | 162,371 | 155,332 |
| **Liabilities and Deferred Inflows of Resources** | | | | | | | | | | |
| Current liabilities | 9,738 | 7,651 | 5,480 | 3,714 | 3,539 | 4,393 | 4,474 | 5,174 | 4,917 | 4,764 |
| Long-term debt, net of current maturities | 28,065 | 29,935 | 33,469 | 35,046 | 36,803 | 37,905 | 39,302 | 40,189 | 41,556 | 42,862 |
| Net unfunded pension liability | 15,794 | 15,621 | 14,683 | 13,997 | 12,475 | 10,273 | - | - | - | - |
| Deferred inflows of resources | 1,946 | 1,183 | 1,328 | 1,188 | 1,435 | 1,697 | 202 | - | - | - |
| **Total liabilities and deferred inflows of resources** | 55,543 | 54,390 | 54,960 | 53,945 | 54,252 | 54,268 | 43,978 | 45,363 | 46,473 | 47,626 |
| **Net Position** | $ 120,965 | 113,104 | 111,679 | 110,343 | 112,260 | 111,465 | 118,944 | 114,290 | 115,898 | 107,706 |
| **Revenues and Expenses** | | | | | | | | | | |
| Operating revenues | $ 18,509 | 16,994 | 16,834 | 17,304 | 16,929 | 17,755 | 17,635 | 17,071 | 16,288 | 16,096 |
| Operating expenses, before depreciation and unfunded portion of pension expense | 15,099 | 15,269 | 15,221 | 13,365 | 12,350 | 14,113 | 13,207 | 13,314 | 12,463 | 13,103 |
| **Operating income, before depreciation and unfunded portion of pension expense** | 3,410 | 1,725 | 1,613 | 3,939 | 4,579 | 3,642 | 4,428 | 3,757 | 3,825 | 2,993 |
| Depreciation | 7,596 | 8,291 | 8,552 | 8,592 | 9,139 | 8,867 | 8,456 | 8,407 | 8,730 | 8,398 |
| Unfunded portion of pension expense | 1,030 | 1,021 | 1,141 | 769 | 344 | (53) | - | - | - | - |
| **Operating loss** | (5,216) | (7,587) | (8,080) | (5,422) | (4,904) | (5,172) | (4,028) | (4,650) | (4,905) | (5,405) |
| Passenger facility charges (restricted) | 2,509 | 2,154 | 1,960 | 2,024 | 2,086 | 2,264 | 2,433 | 2,801 | 2,702 | 2,681 |
| Customer facility charges (restricted) | 2,239 | 2,029 | 2,096 | 2,245 | 2,192 | 2,311 | 2,184 | 1,717 | 1,733 | 1,558 |
| Interest expense | (863) | (972) | (1,201) | (1,266) | (1,790) | (1,825) | (1,893) | (2,042) | (2,107) | (2,171) |
| Other | 596 | (752) | 222 | 258 | (37) | 411 | 566 | (449) | 363 | 2,635 |
| **Loss before capital grant contributions** | $ (735) | (5,128) | (5,003) | (2,161) | (2,453) | (2,011) | (738) | (2,623) | (2,214) | (702) |
| **OTHER** | | | | | | | | | | |
| Property, plant & equipment additions | $ 14,540 | 13,521 | 11,869 | 1,570 | 8,229 | 8,182 | 19,097 | 5,412 | 15,474 | 5,023 |
| Federal and state capital grants | (7,006) | (6,553) | (6,341) | (245) | (3,247) | (5,714) | (6,144) | (1,014) | (10,407) | (3,464) |
| Passenger facility charge reimbursements | (4,860) | (4,545) | (91) | (1,573) | (3,283) | (716) | (5,715) | (1,602) | (2,501) | (601) |
| **Net construction costs** | $ 2,674 | 2,423 | 5,437 | (248) | 1,699 | 1,752 | 7,238 | 2,796 | 2,566 | 958 |

*Note: Years prior to 2013 have not been restated to reflect the adoption of GASB Statement No. 65.*
*Note: Years prior to 2014 have not been restated to reflect the adoption of GASB Statement No. 68.*

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Schedule of Budgeted vs. Actual Revenues and Expenses
Year Ended September 30, 2019

| | | Final Budget | Actual | Variance |
|---|---|---|---|---|
| **Operating revenues:** | | | | |
| Aviation | $ | 6,687,720 | 6,895,990 | 208,270 |
| Non-aviation | | 8,505,577 | 8,693,608 | 188,031 |
| Concessions | | 2,507,804 | 2,674,464 | 166,660 |
| Services | | 230,169 | 245,190 | 15,021 |
| **Total operating revenues** | | 17,931,270 | 18,509,252 | 577,982 |
| **Operating expenses:** | | | | |
| Board expenses | | 143,000 | 155,888 | 12,888 |
| Building expenses | | 1,691,904 | 1,614,781 | (77,123) |
| Employee expenses | | 8,646,114 | 8,459,659 | (186,455) |
| Equipment expenses | | 317,782 | 287,315 | (30,467) |
| Miscellaneous expenses | | - | 2,600 | 2,600 |
| Services | | 3,625,070 | 4,012,031 | 386,961 |
| Supplies | | 664,151 | 566,427 | (97,724) |
| **Total operating expenses, before depreciation and unfunded portion of pension expense** | | 15,088,021 | 15,098,701 | 10,680 |
| **Operating income, before depreciation and unfunded portion of pension expense** | | 2,843,249 | 3,410,551 | 567,302 |
| Depreciation expense | | 7,576,656 | 7,596,685 | 20,029 |
| Unfunded portion of pension expense | | - | 1,029,702 | 1,029,702 |
| **Total operating expenses** | | 22,664,677 | 23,725,088 | 1,060,411 |
| **Operating loss** | | (4,733,407) | (5,215,836) | (482,429) |
| **Non-operating income (expense):** | | | | |
| Passenger facility charges, restricted | | 2,052,361 | 2,509,246 | 456,885 |
| Customer facility charges, restricted | | 2,141,573 | 2,238,537 | 96,964 |
| Interest expense | | (884,837) | (863,173) | 21,664 |
| Loss on disposal of assets | | - | (174,598) | (174,598) |
| Interest income | | 555,000 | 548,384 | (6,616) |
| Asset seizures | | - | 1,032 | 1,032 |
| Other | | 219,000 | 221,176 | 2,176 |
| **Net non-operating income (expense)** | | 4,083,097 | 4,480,604 | 397,507 |
| **Loss before capital grant contributions** | | (650,310) | (735,232) | (84,922) |
| **Capital governmental grant contributions** | | 5,050,000 | 8,596,969 | 3,546,969 |
| **Change in net position** | $ | 4,399,690 | 7,861,737 | 3,462,047 |

**BREAZEALE, SAUNDERS & O'NEIL, LTD.**
CERTIFIED PUBLIC ACCOUNTANTS

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

**The Board of Commissioners**
**Jackson Municipal Airport Authority:**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Jackson Municipal Airport Authority, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Jackson Municipal Airport Authority's basic financial statements, and have issued our report thereon dated April 28, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jackson Municipal Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson Municipal Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson Municipal Airport Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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. Given these limitations, during our audit we did not identify any deficiencies



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in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Breazeale, Saunders & O'Neil, Ltd.

Jackson, Mississippi
April 28, 2020

**BREAZEALE, SAUNDERS & O'NEIL, LTD.**
CERTIFIED PUBLIC ACCOUNTANTS

# Independent Auditors' Report on Compliance for Each Major Program and The Passenger Facility Charge Program and On Internal Control Over Compliance Required by The Uniform Guidance and The Passenger Facility Charge Audit Guide for Public Agencies

**The Board of Commissioners**
**Jackson Municipal Airport Authority:**

## Report on Compliance for Each Major Federal Program and the Passenger Facility Charge Program

We have audited Jackson Municipal Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Passenger Facility Charge Audit Guide For Public Agencies (the Guide) that could have a direct and material effect on each of Jackson Municipal Airport Authority's major federal programs and its passenger facility charge program for the year ended September 30, 2019. Jackson Municipal Airport Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of Jackson Municipal Airport Authority's major federal programs and its passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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) and the Guide. Those standards, the Uniform Guidance, and the Guide require that we plan and perform the



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audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Jackson Municipal Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and the passenger facility charge program. However, our audit does not provide a legal determination of Jackson Municipal Airport Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Jackson Municipal Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its passenger facility charge program for the year ended September 30, 2019.

**Report on Internal Control over Compliance**

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

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

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.

Breazeale, Saunders & O'Neil, Ltd.

Jackson, Mississippi
April 28, 2020

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Schedule of Findings and Questioned Costs
September 30, 2019

## Summary of Auditors' Results

### *Financial Statements*

| | |
|---|---|
| • Type of auditors' report issued: | Unmodified |
| • Internal control over financial reporting: | |
| ○ Material weaknesses identified? | No |
| ○ Significant deficiencies identified? | No |
| • Noncompliance material to financial statements noted? | No |

### *Federal Awards*

| | |
|---|---|
| • Internal control over major programs: | |
| ○ Material weaknesses identified? | No |
| ○ Significant deficiencies identified? | No |
| • Type of auditors' report issued on compliance for major programs: | Unmodified |
| • Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| • Major Program: | |
| ○ 20.106 – Airport Improvement Program. | |
| • Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| • Auditee qualified as a low-risk? | Yes |

**JACKSON MUNICIPAL AIRPORT AUTHORITY**
Schedule of Findings and Questioned Costs
September 30, 2019

**Findings – Financial Statement Audit**

None.

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None.