JACKSON MUNICIPAL AIRPORT AUTHORITY

Audited Financial Statements and
Independent Auditors' Reports
September 30, 2018 and 2017

JACKSON MUNICIPAL AIRPORT AUTHORITY
September 30, 2018 and 2017

TABLE OF CONTENTS

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, 2018 and 2017, 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, 2018 and 2017, 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 March 26, 2019, 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
March 26, 2019

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, 2018 and 2017. 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 2018 BUDGET

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

Fiscal Year 2018	Budget	Actual
Operating revenues	$ 16,881,510	17,144,136
Operating expenses	14,925,953	15,269,371
Operating income before depreciation and unfunded portion of pension expense	1,955,557	1,874,765
Depreciation expense	8,190,624	8,290,866
Unfunded portion of pension expense	-	1,021,037
Operating loss	(6,235,067)	(7,437,138)
Net non-operating income (expense)	3,371,804	2,459,141
Loss before capital grant contributions	$ (2,863,263)	(4,977,997)

Actual operating revenue exceeded budget by $262,626 or 2% and was primarily due to increased landing fee revenue. This variance primarily resulted from an increase in landing fees from $2.99 to $3.54 per thousand effective June 1, 2018.

Actual operating expenses before depreciation and unfunded pension exceeded budget by $343,418 or 2% because of increased spending within the Building Expense and Services Expense categories, netted against reductions in other major expense categories. The Building Expense category was over budget by 18%, and this variance was primarily due to a carpet replacement project on the east and west concourses combined with increased electrical utility fees. The Services Expense category was over budget by 21% which was primarily due to overspending in the areas of advertising, consulting, legal, and parking management expenses.

Actual Net Non-Operating Income (Expense), in comparison to the budget, was $912,663 or 27% below budget. This variance was primarily due to a loss taken on the disposal of JMAA's 2005C Bonds which were legally defeased in July 2018 plus the disposal of asset/project costs related to the east and west concourse checkpoint demolition and redesign that will not be pursued netted against increases in Passenger Facility Charges, Customer Facility Charges and Interest Income.

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:

	FY2018	FY2017	FY2016
Assets			
Current Assets	$18,494,108	$17,912,386	$21,159,954
Property, Plant, and Equipment, net	117,320,350	113,154,015	109,837,127
Other Noncurrent Assets	29,634,923	33,201,285	30,589,148
Total assets	165,449,381	164,267,686	161,586,229
Deferred Outflow of Resources			
Deferred Outflows - Debt Refunding	326,363	397,237	444,263
Deferred Outflows - Pension	1,718,007	1,973,852	2,257,822
Total deferred outflows of resources	2,044,370	2,371,089	2,702,085
Liabilities			
Current Liabilities	7,682,180	5,612,159	3,956,229
Noncurrent Liabilities: Long-term debt, net	29,935,000	33,468,947	35,046,003
Net Unfunded Pension Liabilities	15,621,353	14,682,446	13,996,517
Unearned Revenue - Long term	384,772	406,077	427,382
Total liabilities	53,623,305	54,169,629	53,426,131
Deferred Inflow of Resources			
Deferred inflows - Pension	515,530	689,245	518,377
Net Pension			
Invested in Capital Assets, net of related debt	82,291,971	76,767,249	73,531,352
Restricted	31,520,655	34,816,328	32,968,338
Unrestricted	(457,710)	196,324	3,844,116
Total net position	$113,354,916	$111,779,901	$110,343,806

For FY 2018, as compared to FY 2017, total assets increased by $1,181,695 or 1% due to increases in current assets and property, plant and equipment, net offset by a reduction in other noncurrent assets.

For FY 2018, as compared to FY 2017, total liabilities experienced a reduction of $546,324 or 1% and 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 2018 as compared to FY 2017, Net Position increased by $1,575,015 or 1%. The 2018 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	**FY2018**	**FY2017**	**FY2016**
Aviation	$6,516,906	$6,402,635	$6,422,074
Non-Aviation	7,940,116	7,852,831	8,246,720
Concessions	2,472,257	2,500,012	2,537,243
Services	214,857	176,319	98,141
Total Operating Revenue	$17,144,136	$16,931,797	$17,304,178

The table above presents the major operating revenue classifications for FY 2018 compared to FY 2017 and FY 2016. For FY 2018, as compared to FY 2017, total operating revenue increased by $212,339 or 1%. Total operating revenue experienced a reduction of $372,381 or 2% in FY 2017 as compared to FY 2016.

In FY 2018, Aviation Income increased by $114,721 or 2% and primarily due to increased landing fee revenue. In FY 2017, Aviation Income experienced a reduction of $19,439 as compared to FY 2016.

In FY 2018, Non-Aviation Income increased by $87,285 or 1% due to an increase in parking garage revenue. Although enplanements increased .3% year over year, parking garage revenue increased by 2% in FY 2018. In FY2017, Non-Aviation Income decreased by $393,889 or 5% and primarily resulted from the 7% enplanement reduction which directly and negatively impacted parking revenue.

In FY 2018, Concessions Income experienced a reduction of $27,755 or 1%, as a direct result of the food and beverage concessionaires not being fully operable on both concourses. In FY 2017, Concessions Income decreased by $37,231 due to the 7% enplanement reduction combined with food and beverage concessions not being fully functional.

In FY 2018, Services Income increased by $38,538 or 22% 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), in comparison to a partial reporting year for Lyft in 2017. In FY 2017, Services Income increased by $78,178 or 80% and was primarily due to ground transportation income from the Transportation Network Companies "TNCs" specifically Uber and Lyft.

Operating Expenses

Expense Classifications	**FY2018**	**FY2017**	**FY2016**
Board	$110,333	$130,640	$112,032
Building	1,711,159	1,492,050	1,290,717
Employee	8,788,351	8,976,851	7,771,057
Equipment	471,726	507,816	381,448
Miscellaneous	4,127	13,000	54,325
Services	3,609,465	3,544,759	3,224,814
Supplies	574,210	556,398	531,051
Total Operating Expenses before depreciation and unfunded portion of pension expense	$15,269,371	$15,221,514	$13,365,444

The table above presents the major expense classifications for FY 2018 compared to FY 2017 and FY 2016. The total operating expenses before depreciation and the unfunded portion of pension expense for FY 2018 increased by $47,857 or 0.3%. For FY 2017, operating expenses increased $1,856,070 or 14% as compared to FY 2016.

For FY 2018, Building Expenses increased by $219,109 or 15% primarily due to a terminal enhancement project replacing carpet on the east and west concourses combined with increased electrical utility fees. The FY 2017 increase of $201,333 or 16% in Building Expenses was mainly due to increased electrical utilities and lighting maintenance.

For FY 2018, Employee Expenses experienced a reduction of $188,500 or 2%, as compared to FY 2017, due to reductions in overtime, dues and registrations, training, etc. combined with an increase in contra salaries related to capital projects. Employee Expenses increased $1,205,794 or 16% in FY 2017 which resulted from the implementation of salary increases (the results of a compensation study), a 17% increase in medical premiums, and the hiring of additional staff.

For FY 2018, Service Expenses increased by $64,706 or 2% due to increased advertising efforts, parking management fees, and other services. For FY 2017, the increase in Service Expenses was the result of an energized development plan for various projects.

NON-OPERATING INCOME (EXPENSE)

For FY 2018, as compared to FY 2017, Net Non-Operating Income (Expense) decreased by $618,304 or 20%. This variance was primarily due to a loss taken on the disposal of JMAA's 2005C Bonds which were legally defeased in July 2018 plus the disposal of asset/project costs related to the east and west concourse checkpoint demolition and redesign that will not be pursued netted against increases in Passenger Facility Charges, Customer Facility Charges and Interest Income. In FY 2017, Net Non-Operating Income (Expense) experienced a reduction of $184,088 or 6% and was caused by a reduction in Passenger Facility Charges and Customer Facility Charges which resulted from the 7% reduction in enplanements.

CAPITAL ASSETS

The Authority's capital assets as of September 30, 2018, 2017 and 2016, amounted to $117,320,350, $113,154,015, and $109,837,127 (net of accumulated depreciation) respectively. This investment in capital assets includes land, facilities, facility improvements, equipment, furniture and fixtures and construction in progress. The net increase in the Authority's investment in capital assets, net of accumulated depreciation, for FY 2018 was $4,166,335 or 4%; the FY 2017 the increase was $3,316,888 or 3%.

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, 2018, the Authority had outstanding revenue bonds of $31,315,000 which are listed below:

Description	Amount
Series 2017A	$3,985,000
Series 2017B	4,685,000
Series 2015A	14,790,000
Series 2015B	7,855,000

In July of 2018, the Authority legally defeased its 2005C Bonds which had a carrying principal balance of $2,155,000. In September 2017, the Airport refunded its 2007A and 2007B Bonds with the issuance of 2017A and 2017B Bonds via direct placement.

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 2018	FY 2017	FY 2016
Terminal Rent Rates	$78.39	$76.49	$79.17
Landing Fee (per 1,000 lbs.)	$2.99/$3.54*	$2.99	$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 2018 and FY 2017 respectively, the Authority recognized grant revenue of $5,829,235 and $6,118,017 from the Federal Aviation Administration (FAA) and $723,777 and $223,325 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, 2018 and 2017

		2018	2017
Assets			
Current assets:			
Cash and cash equivalents	$	14,122,530	13,664,738
Restricted cash and cash equivalents		1,885,732	1,641,263
Accounts receivable		802,126	790,008
Governmental grants receivable		1,466,061	1,609,786
Other		217,659	206,591
Total current assets		18,494,108	17,912,386
Restricted cash and cash equivalents		29,106,174	32,690,399
Restricted passenger facility charges receivable		348,844	316,435
Restricted customer facility charges receivable		179,905	181,617
Prepaid bond insurance		-	12,834
Property, plant and equipment, net		117,320,350	113,154,015
Total assets		165,449,381	164,267,686
Deferred Outflows of Resources			
Deferred outflows - debt refunding		326,363	397,237
Deferred outflows - pension		1,718,007	1,973,852
Total deferred outflows of resources		2,044,370	2,371,089
Combined assets and deferred outflows of resources		167,493,751	166,638,775

JACKSON MUNICIPAL AIRPORT AUTHORITY
Statements of Net Position
September 30, 2018 and 2017

		2018	2017
Liabilities			
Current liabilities:			
Current maturities of long-term debt	$	1,380,000	1,120,000
Accounts payable		4,022,855	2,675,734
Contract retainage payable		805,493	378,074
Accrued expenses		1,191,336	1,205,346
Unearned revenue		282,496	233,005
Total current liabilities		7,682,180	5,612,159
Long-term debt, net of current maturities		29,935,000	33,468,947
Net unfunded pension liability		15,621,353	14,682,446
Unearned revenue - long-term		384,772	406,077
Total liabilities		53,623,305	54,169,629
Deferred Inflows of Resources			
Deferred inflows - pension		515,530	689,245
Combined liabilities and deferred inflows of resources		54,138,835	54,858,874
Net Position			
Invested in capital assets, net of related debt		82,291,971	76,767,249
Restricted		31,520,655	34,816,328
Unrestricted		(457,710)	196,324
Total net position	$	113,354,916	111,779,901

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, 2018 and 2017

		2018	2017
Operating revenues:			
Aviation	$	6,516,906	6,402,635
Non-aviation		7,940,116	7,852,831
Concessions		2,472,257	2,500,012
Services		214,857	176,319
Total operating revenues		17,144,136	16,931,797
Operating expenses:			
Board expenses		110,333	130,640
Building expenses		1,711,159	1,492,050
Employee expenses		8,788,351	8,976,851
Equipment expenses		471,726	507,816
Miscellaneous expenses		4,127	13,000
Services		3,609,465	3,544,759
Supplies		574,210	556,398
Total operating expenses, before depreciation and unfunded portion of pension expense		15,269,371	15,221,514
Operating income, before depreciation and unfunded portion of pension expense		1,874,765	1,710,283
Depreciation expense		8,290,866	8,552,208
Unfunded portion of pension expense		1,021,037	1,140,767
Total operating expenses		24,581,274	24,914,489
Operating loss		(7,437,138)	(7,982,692)

JACKSON MUNICIPAL AIRPORT AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2018 and 2017

	2018	2017
Non-operating income (expense):		
Passenger facility charges, restricted	2,154,273	1,960,358
Customer facility charges, restricted	2,029,330	2,095,874
Interest expense	(971,759)	(1,200,683)
Loss on defeasance of debt	(358,445)	-
Debt issue costs	-	(204,421)
Loss on disposal of assets	(1,008,576)	-
Interest income	357,512	150,234
Asset seizures	-	35,662
Other	256,806	240,421
Net non-operating income (expense)	2,459,141	3,077,445
Loss before capital grant contributions	(4,977,997)	(4,905,247)
Capital governmental grant contributions	6,553,012	6,341,342
Change in net position	1,575,015	1,436,095
Net position - beginning	111,779,901	110,343,806
Net position - ending	$ 113,354,916	111,779,901

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

JACKSON MUNICIPAL AIRPORT AUTHORITY

Statements of Cash Flows

Years Ended September 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Cash received from customers	$	17,150,704	16,573,542
Cash paid for payroll expenses		(8,465,168)	(8,438,426)
Cash paid for other operating expenses		(6,779,187)	(6,245,389)
Net cash flows from operating activities		1,906,349	1,889,727
Cash flows from non-capital financing activities:			
Asset seizures		10,100	42,115
Expense reimbursements		256,206	259,021
Net cash flows from non-capital financing activities		266,306	301,136
Cash flows from capital and related financing activities:			
Capital grants received		6,696,737	4,731,945
Passenger facility charges collected		2,121,864	1,811,105
Customer facility charges collected		2,031,042	2,114,577
Defeasance of capital debt		(2,502,840)	-
Net proceeds from debt issued to refund capital debt		-	8,670,000
Principal paid on capital debt		(1,120,000)	(10,810,000)
Interest paid on capital debt		(856,229)	(1,396,766)
Debt issue costs		-	(204,421)
Capital asset expenditures		(11,840,092)	(9,861,611)
Proceeds from sale of capital assets		57,387	-
Net cash flows from capital and related financing activities		(5,412,131)	(4,945,171)
Cash flows from investing activities -			
Receipt of interest		357,512	150,234
Change in cash and cash equivalents		(2,881,964)	(2,604,074)
Cash and cash equivalents - beginning of year		47,996,400	50,600,474
Cash and cash equivalents - end of year	$	45,114,436	47,996,400

JACKSON MUNICIPAL AIRPORT AUTHORITY
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

		2018	2017
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	$	(7,437,138)	(7,982,692)
Depreciation expense		8,290,866	8,552,208
Net effect of changes in operating assets and liabilities:			
Accounts receivable		(11,518)	(321,657)
Other current assets		(11,068)	33,067
Deferred outflows - pension		255,845	283,970
Accounts payable, net of capital items		91,468	438,965
Accrued expenses		(55,384)	65,667
Unearned revenue		18,086	(36,598)
Net unfunded pension liability		938,907	685,929
Deferred outflows - pension		(173,715)	170,868
Net cash flows from operating activities	$	1,906,349	1,889,727
Presentation of cash and cash equivalents - end of year on the statements of net position:			
Cash and cash equivalents - current	$	14,122,530	13,664,738
Restricted cash and cash equivalents - current		1,885,732	1,641,263
Restricted cash and cash equivalents - non-current		29,106,174	32,690,399
Cash and cash equivalents - end of year	$	45,114,436	47,996,400

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.

(1) Summary of Significant Accounting Policies (Continued)

(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 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, 2018 and 2017.

(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 2018 or 2017.

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.

(1) Summary of Significant Accounting Policies (Continued)

(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 then. The Authorities deferred inflows relate to its net pension liability, which are being amortized over the estimated average remaining service life.

(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 March 26, 2019, 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

(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, 2018 and 2017, was $43,046,767 and $46,089,675, respectively, and the bank balance was $44,128,450 and $46,382,952, 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 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, 2018 and 2017, was $2,067,669 and $1,906,725, 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	2018	2017
Short-term:		
Debt interest and principal payments	$ 1,827,123	1,544,373
Asset seizure funds - State	58,609	96,890
Total short-term	1,885,732	1,641,263
Long-term:		
Passenger facility charges (PFC)	15,298,768	17,988,973
Customer facility charges (CFC)	9,375,471	10,322,116
Unused proceeds of bond issues	240,546	362,352
Restricted for capital projects	414,296	409,011
Cash reserve restricted by bond indenture	3,777,093	3,607,947
Total long-term	29,106,174	32,690,399
Total restricted cash and cash equivalents	$ 30,991,906	34,331,662

(4) Property, Plant and Equipment, Net

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

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

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

Description	Balance Sept. 30, 2016	Additions	Deletions	Adjustments	Balance Sept. 30, 2017
Land	$ 4,622,050	-	-	-	4,622,050
Land improvements	115,280,778	-	-	467,000	115,747,778
Buildings	114,965,390	43,600	-	2,121,109	117,130,099
Utility systems	9,485,394	-	-	-	9,485,394
Furniture, fixtures & equip.	12,347,220	101,036	-	592,253	13,040,509
Construction in progress	13,653,333	11,724,460	-	(3,180,362)	22,197,431
Total	270,354,165	11,869,096	-	-	282,223,261
Accumulated depreciation	(160,517,038)	(8,552,208)	-	-	(169,069,246)
Net property, plant and equipment	$109,837,127	3,316,888	-	-	113,154,015

Depreciation expense for the years ended September 30, 2018 and 2017, was $8,290,866 and $8,552,208, respectively. The Authority wrote off cancelled construction projects totaling $1,063,718 in the year ended September 30, 2018.

The Authority has committed approximately $20,800,000 to future construction projects as of September 30, 2018. These projects are expected to be substantially completed within two (2) years from September 30, 2018 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	2018	2017
2017 Series A Authority Revenue Bonds maturing in October 2026; interest rate 2.60%	$ 3,985,000	3,985,000

(5) Long-term Debt (Continued)

Description	2018	2017
2017 Series B Authority Revenue Bonds maturing in October 2027; interest rate 2.75%	4,685,000	4,685,000
2015 Series A Authority Revenue Bonds maturing in October 2031; interest rates from 1.21% to 3.09%	14,790,000	15,745,000
2015 Series B Authority Revenue Bonds maturing in October 2035; interest rates from 3.12% to 3.27%	7,855,000	7,855,000
2005 Series C Authority Revenue Bonds maturing in October 2027; interest rates from 4.25% to 5.15%	-	2,320,000
Total long-term debt	31,315,000	34,590,000
Unamortized bond discounts	-	(1,053)
Long-term debt	31,315,000	34,588,947
Less current maturities	(1,380,000)	(1,120,000)
Long-term debt, net of current maturities	$ 29,935,000	33,468,947

In July 2018, the Authority advance refunded $2,155,000 of the outstanding 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 is $2,155,000 at September 30, 2018.

(5) Long-term Debt (Continued)

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

In September 2017, the Authority issued the 2017 Revenue Bonds totaling $8,670,000 (par value) with interest rates from 2.60% to 2.75% to advance refund the 2007A and 2007B Revenue Bonds with interest rates from 4.00% to 5.00% and par values totaling $9,065,000. The refunded bonds mature in October 2026 and October 2027 and were callable in October 2017. The 2017 Revenue Bonds were issued at par and, after paying issuance costs of $204,021, the net proceeds were $8,465,979. The net proceeds from the issuance of the 2017 Revenue Bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called in October 2017. The advance refunding met the requirements of an in-substance debt defeasance and the 2007A and 2007B Revenue Bonds were removed from the Authority's financial statements.

As a result of the advance refunding, the Authority reduced its total debt service requirements by $597,069, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $581,761.

The 2015 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 $1,120,000 and $10,810,000 in the years ended September 30, 2018 and 2017, respectively. A schedule of future maturities of long-term debt follows:

Year Ending September 30,	Principal	Interest
2019	$ 1,380,000	621,494
2020	1,870,000	604,036

(5) Long-term Debt (Continued)

Year Ending September 30,	Principal	Interest
2021	1,905,000	583,977
2022	1,950,000	562,099
2023	1,995,000	538,644
2024-2028	10,265,000	2,266,409
2029-2033	6,805,000	1,381,481
2034-2038	5,145,000	253,342
Total	$ 31,315,000	6,811,482

(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 15.75% for employer contributions through June 30, 2019 and 17.40% thereafter and 9.00% for members. PERS employers contributed $1,018.2 million and members contributed $570.8 million for fiscal year 2018. The Authority's contributions to PERS for the years ended September 30, 2018 and 2017, were $940,985 and $934,804, respectively.

(6) Pension Plan (Continued)

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 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.

(6) Pension Plan (Continued)

Net Pension Liability

At September 30, 2018 and 2017, the Authority reported a liability of $15,621,353 and $14,682,446, respectively for its proportional share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, 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, 2018 and 2017, the Authority's proportion was 0.093918% and 0.088324%, respectively.

Actuarial assumptions. The total pension liability in the June 30, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	Assumptions
Inflation	3.00%
Salary increases	3.25 – 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates 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, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

(6) Pension Plan (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	27.00%	4.60%
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	0.00
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 former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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, 2018, net pension liability	$ 20,568,840	15,621,353	11,509,339
June 30, 2017, net pension liability	$ 19,257,009	14,682,446	10,884,566

(6) Pension Plan (Continued)

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, 2018 and 2017, the Authority recognized pension expense of $1,959,019 and $2,075,572, 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, 2018 and 2017:

		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
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

(6) Pension Plan (Continued)

		Balance Sept. 30, 2016	Additions	Deductions	Balance Sept. 30, 2017
Deferred outflows of resources:					
Contributions subsequent to the measurement date	$	200,761	233,701	(200,761)	233,701
Differences between expected and actual experience		397,285	-	(208,672)	188,613
Changes in proportionate share of net pension liability		71,594	1,780,355	(599,890)	1,252,059
Changes in assumptions		679,598	21,322	(401,441)	299,479
Total deferred outflows of resources	$	1,349,238	2,035,378	(1,410,764)	1,973,852
Deferred inflows of resources:					
Changes in proportionate share of net pension liability	$	481,184	-	(233,673)	247,511
Changes in assumptions		37,193	-	(14,997)	22,196
Differences between expected and actual experience		-	152,338	(45,204)	107,134
Net difference between projected and actual earnings on plan investments		(908,584)	1,418,057	(197,069)	312,404
Total deferred inflows of resources	$	(390,207)	1,570,395	(490,943)	689,245

$234,496 reported as deferred outflows of resources at September 30, 2018, 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, 2019.

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
2019	$	825,558
2020		347,310
2021		(134,637)
2022		(70,250)
Total	$	967,981

(6) Pension Plan (Continued)

Payable to the Pension Plan
At September 30, 2018 and 2017, the Authority reported a payable of $151,518 and $164,217, 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, 2018 and 2017, were $140,602 and $140,602, respectively.

(7) Net Position

A summary of restricted net position follows:

Description	2018	2017
Debt interest and principal payments	$ 1,827,123	1,544,373
Passenger facility charges (PFC)	15,647,612	18,292,022
Customer facility charges (CFC)	9,555,376	10,503,733
Unused proceeds of bond issues	240,546	362,352
Restricted for capital projects	414,296	409,011
Cash reserve restricted by bond indenture	3,777,093	3,607,947
Public safety	58,609	96,890
Total restricted net position	$ 31,520,655	34,816,328

(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, 2018, follows:

(8) Operating Lease Revenues (Continued)

Year Ending September 30,	Future Minimum Rental Revenues
2019	$ 4,536,808
2020	4,242,370
2021	3,805,644
2022	3,752,602
2023	3,753,745
2024-2028	3,636,209
2029-2033	1,866,581
2034-2038	500,717
2039-2043	454,286
2044-2048	347,854
2049-2053	320,485
2054-2058	320,485
2059-2063	312,399
2064-2068	50,632
Total	$ 27,900,817

(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 $55,312,595 has been collected, and $40,013,830 expended, as of September 30, 2018.

(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) 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."

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,				
	2018	**2017**	**2016**	**2015**	**2014**
JMAA's proportion of the net pension liability	0.093918%	0.088324%	0.078357%	0.080705%	0.084670%
JMAA's proportionate share of the net pension liability	$ 15,621,353	14,682,447	13,996,517	12,475,387	10,272,702
JMAA's covered payroll	$ 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	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	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,				
	2018	**2017**	**2016**	**2015**	**2014**
Statutorily required contribution	$ 940,985	934,804	803,042	787,462	823,210
Contributions in relation to the statutorily required contribution	940,985	934,804	803,042	787,462	823,210
Annual contribution deficiency (excess)	$ -	-	-	-	-
JMAA's covered payroll	$ 5,974,215	5,935,263	5,098,679	4,999,759	5,226,730
Contributions as a percentage of covered payroll	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.

JACKSON MUNICIPAL AIRPORT AUTHORITY
Notes to Schedules of Proportionate Share of the Net Pension Liability and Pension Contributions
September 30, 2018 and 2017

(1) Changes of Assumptions

2018:
- None.

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%.

(2) Changes in Benefit Provisions

2018:
- None.

2017:
- None.

JACKSON MUNICIPAL AIRPORT AUTHORITY

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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	$	2,179,063
3-28-0037-051-2016	20.106		1,943,495
3-28-0037-052-2017	20.106		6,857
3-28-0038-017-2017	20.106		775,322
3-28-0037-053-2018	20.106		846,357
3-28-0038-018-2018	20.106		78,141
Total U.S. Department of Transportation			5,829,235
Total expenditures of Federal awards		$	5,829,235

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, 2018

(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, 2018. 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* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(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 is presented below:

Description	Amount
Total expenditures of Federal awards	$ 5,829,235
State of Mississippi grants	723,777
Total governmental grants	$ 6,553,012

JACKSON MUNICIPAL AIRPORT AUTHORITY
Schedule of Passenger Facility Charges - Cash Basis
Year Ended September 30, 2018

	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, 2017						$ 17,988,973
Receipts:						
Passenger facility charges collected						1,892,122
Interest income						227,409
Total receipts - cash basis						2,119,531
Expenditures:						
Terminal renovations - debt service	$ 114,062	-	-	-	-	114,062
Rehabilitate International Drive - debt service	-	105,022	-	-	-	105,022
Access Control Security Project	-	-	3,665,291	-	-	3,665,291
Rehab 16R/34L Construction	-	-	-	-	544,901	544,901
Upgrade Roadway/Wayfinding Signage	-	-	-	-	75,663	75,663
Rehab Upper Roadway Pavement - Design	-	-	-	-	145,831	145,831
PFC Development & Implementation - Admin	-	-	-	-	45,795	45,795
Terminal Renovations - Phase 2	-	-	-	-	113,172	113,172
Total expenditures	114,062	105,022	3,665,291	-	925,362	4,809,737
Prior expenditures	5,998,812	2,588,314	15,125,715	1,662,503	-	
Cumulative expenditures	$ 6,112,874	2,693,336	18,791,006	1,662,503	925,362	
Balance at September 30, 2018						$ 15,298,767

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

(in thousands)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Assets and Deferred Outflows of Resources											
Current assets, unrestricted	$	16,609	16,271	18,727	17,157	14,274	13,653	16,270	16,611	16,333	12,935
Restricted assets		31,521	34,829	32,968	30,145	32,360	30,047	34,344	32,567	32,454	26,948
Property, plant & equipment		117,320	113,154	109,837	116,930	118,016	118,700	108,093	112,145	105,401	112,086
Other		-	14	54	64	275	304	946	1,048	1,144	1,235
Deferred outflows of resources		2,044	2,371	2,702	2,216	808	218	-	-	-	-
Total assets and deferred outflows of resources		167,494	166,639	164,288	166,512	165,733	162,922	159,653	162,371	155,332	153,204
Liabilities and Deferred Inflows of Resources											
Current liabilities		7,682	5,612	3,956	3,788	4,601	4,676	5,174	4,917	4,764	4,165
Long-term debt, net of current maturities		29,935	33,469	35,046	36,803	37,905	39,302	40,189	41,556	42,862	44,096
Net unfunded pension liability		15,621	14,683	13,997	12,475	10,273	-	-	-	-	-
Unearned revenue - long-term		385	406	427	449	-	-	-	-	-	-
Deferred inflows of resources		516	689	518	737	1,489	-	-	-	-	-
Total liabilities and deferred inflows of resources		54,139	54,859	53,944	54,252	54,268	43,978	45,363	46,473	47,626	48,261
Net Position	$	113,355	111,780	110,344	112,260	111,465	118,944	114,290	115,898	107,706	104,943
Revenues and Expenses											
Operating revenues	$	17,144	16,932	17,304	16,929	17,755	17,635	17,071	16,288	16,096	15,994
Operating expenses, before depreciation and unfunded portion of pension expense		15,269	15,221	13,365	12,350	14,113	13,207	13,314	12,463	13,103	11,971
Operating income, before depreciation and unfunded portion of pension expense		1,875	1,711	3,939	4,579	3,642	4,428	3,757	3,825	2,993	4,023
Depreciation		8,291	8,552	8,592	9,139	8,867	8,456	8,407	8,730	8,398	8,560
Unfunded portion of pension expense		1,021	1,141	769	344	(53)	-	-	-	-	-
Operating loss		(7,437)	(7,982)	(5,422)	(4,904)	(5,172)	(4,028)	(4,650)	(4,905)	(5,405)	(4,537)
Passenger facility charges (restricted)		2,154	1,960	2,024	2,086	2,264	2,433	2,801	2,702	2,681	2,645
Customer facility charges (restricted)		2,029	2,096	2,245	2,192	2,311	2,184	1,717	1,733	1,558	1,528
Interest expense		(972)	(1,201)	(1,266)	(1,790)	(1,825)	(1,893)	(2,042)	(2,107)	(2,171)	(2,232)
Other		(752)	222	258	(37)	411	566	(449)	363	2,635	334
Loss before capital grant contributions	$	(4,978)	(4,905)	(2,161)	(2,453)	(2,011)	(738)	(2,623)	(2,214)	(702)	(2,262)
OTHER											
Property, plant & equipment additions	$	13,521	11,869	1,570	8,229	8,182	19,097	5,412	15,474	5,023	1,782
Federal and state capital grants		(6,553)	(6,341)	(245)	(3,247)	(5,714)	(6,144)	(1,014)	(10,407)	(3,464)	(1,683)
Passenger facility charge reimbursements		(4,545)	(91)	(1,573)	(3,283)	(716)	(5,715)	(1,602)	(2,501)	(601)	(50)
Net construction costs	$	2,423	5,437	(248)	1,699	1,752	7,238	2,796	2,566	958	49

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, 2018

	Final Budget	Actual	Variance
Operating revenues:			
Aviation	$ 6,326,396	6,516,906	190,510
Non-aviation	7,861,863	7,940,116	78,253
Concessions	2,526,971	2,472,257	(54,714)
Services	166,280	214,857	48,577
Total operating revenues	16,881,510	17,144,136	262,626
Operating expenses:			
Board expenses	143,000	110,333	(32,667)
Building expenses	1,447,293	1,711,159	263,866
Employee expenses	9,238,752	8,788,351	(450,401)
Equipment expenses	477,400	471,726	(5,674)
Miscellaneous expenses	26,000	4,127	(21,873)
Services	2,989,028	3,609,465	620,437
Supplies	604,480	574,210	(30,270)
Total operating expenses, before depreciation and unfunded portion of pension expense	14,925,953	15,269,371	343,418
Operating income, before depreciation and unfunded portion of pension expense	1,955,557	1,874,765	(80,792)
Depreciation expense	8,190,624	8,290,866	100,242
Unfunded portion of pension expense	-	1,021,037	1,021,037
Total operating expenses	23,116,577	24,581,274	1,464,697
Operating loss	(6,235,067)	(7,437,138)	(1,202,071)
Non-operating income (expense):			
Passenger facility charges, restricted	1,973,776	2,154,273	180,497
Customer facility charges, restricted	1,950,104	2,029,330	79,226
Interest expense	(1,021,076)	(971,759)	49,317
Loss on defeasanse of debt	-	(358,445)	(358,445)
Loss on disposal of assets	-	(1,008,576)	(1,008,576)
Interest income	250,000	357,512	107,512
Other	219,000	256,806	37,806
Net non-operating income (expense)	3,371,804	2,459,141	(912,663)
Loss before capital grant contributions	$ (2,863,263)	(4,977,997)	(2,114,734)

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, 2018, 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 March 26, 2019.

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
March 26, 2019

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, 2018. 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, 2018.

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
March 26, 2019

JACKSON MUNICIPAL AIRPORT AUTHORITY
Schedule of Findings and Questioned Costs
September 30, 2018

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?	No

JACKSON MUNICIPAL AIRPORT AUTHORITY
Schedule of Findings and Questioned Costs
September 30, 2018

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.