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**STATE OF MISSISSIPPI  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING LOAN FUND**

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**Audited Financial Statements  
June 30, 2019  
(With Comparative Totals for June 30, 2018)**

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund

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# Windham and Lacey, PLLC

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## **Independent Auditor's Report**

Commission on Environmental Quality  
Mississippi Department of Environmental Quality

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the State of Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund (the Fund), as of and for the year ended June 30, 2019, and the related notes to the 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

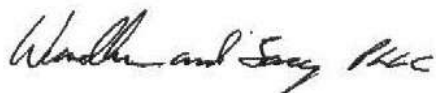
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements referred to above are intended to present only the financial position and results of operations of the Clean Water State Revolving Loan Fund of the Mississippi Department of Environmental Quality, a department of the State of Mississippi. These statements are not intended to present the financial position and results of operations for the State of Mississippi or the Mississippi Department of Environmental Quality, of which the Clean Water State Revolving Loan Fund is a part.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued a report, dated October 15, 2019, on our consideration of the State of Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund'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* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC  
October 15, 2019

**STATE OF MISSISSIPPI  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING LOAN FUND  
BALANCE SHEET  
JUNE 30, 2019**

ASSETS	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Equity in internal investment pool	\$ 124,920,108	104,799,742
Receivables:		
Due from other funds	67,290	41,038
Due from other governments	423,578,239	421,054,053
Due from federal government	<u>6,873,185</u>	<u>118,018</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>555,438,822</u></b>	<b><u>526,012,851</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Due to other governments	\$ <u>8,260,725</u>	<u>7,932,269</u>
<b>Total Liabilities</b>	<b><u>8,260,725</u></b>	<b><u>7,932,269</u></b>
 Fund Balance:		
Restricted for Recreation and Resources Development	<u>547,178,097</u>	<u>518,080,582</u>
<b>Total Fund Balance</b>	<b><u>547,178,097</u></b>	<b><u>518,080,582</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>555,438,822</u></b>	<b><u>526,012,851</u></b>

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING LOAN FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
REVENUES		
Interest on loans	\$ 4,801,985	4,571,181
Interest on investments	1,998,951	1,343,345
Federal programs	18,404,258	357,122
Proceeds of bond issues	<u>5,000,000</u>	
TOTAL REVENUES	<u>30,205,194</u>	<u>6,271,648</u>
EXPENDITURES		
Subsidies	<u>203,204</u>	<u>213,014</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>30,001,990</u>	<u>6,058,634</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	21,881,905	189,442
Transfers out	<u>(22,786,380)</u>	<u>(1,107,104)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(904,475)</u>	<u>(917,662)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	29,097,515	5,140,972
FUND BALANCE		
Beginning of year	<u>518,080,582</u>	<u>512,939,610</u>
End of year	<u>\$ 547,178,097</u>	<u>518,080,582</u>

See accompanying Notes to Financial Statements.



STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2019

**1. ORGANIZATION AND NATURE OF OPERATIONS OF THE FUND.**

The Clean Water State Revolving Loan Fund (the Fund) of the Mississippi Department of Environmental Quality (MDEQ) was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act). The Act established the State Revolving Fund (SRF) Program to replace the construction grants program and to provide loans at reduced interest rates to finance the construction of publicly owned water pollution control facilities, non-point source pollution control projects, and estuary management projects. Instead of making grants to political subdivisions that pay for a portion of building wastewater treatment facilities, the Fund provides for low interest rate loans to finance the entire cost of qualified projects. The Fund provides a flexible financing source that can be used for a variety of pollution control projects, including non-point source pollution control projects, and developing estuary conservation and management projects. All loan repayments, including interest and principal, must remain in the Fund.

The Fund was funded by the U.S. Environmental Protection Agency (EPA) by a series of grants starting in 1989. In order to receive a grant, states are required to provide an additional 20 percent of the federal capitalization grant as matching funds. As of June 30, 2019, Congress authorized the EPA to award \$371,803,986 in capitalization grants to the State of Mississippi (the State). The State is required to contribute \$74,360,797 in matching funds. In prior years the State was awarded hardship grants totaling \$1,045,000, which required matching contributions of \$52,250. Hardship grants are maintained in the same fund with capitalization grants, with subsidiary records to account for grant balances and transactions separately. Because all hardship grants have been obligated and paid out to grant recipients, there were no hardship grant payments made for the year ended June 30, 2019.

The Fund is administered by the Commission on Environmental Quality (the Commission) acting through the Construction Branch (the Branch) of the Surface Water Division of the Office of Pollution Control of MDEQ. MDEQ's primary activities include the making of loans for water pollution control facilities and the management and coordination of the Fund. The Commission consists of seven members, all of which are appointed by the Governor.

The Fund does not have any full-time employees. The Fund is administered by employees of the Branch. All employee and related costs are recorded in MDEQ's Office of Pollution Control Operating Fund. Operating costs are reimbursed from the avails of a 5% administrative fee collected from each loan. (See Note 6).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The Fund is included in the State's basic financial statements as a General Fund of the State of Mississippi.

***Basis of Accounting***

The Fund presents its financial statements as a General Fund and uses the modified accrual basis of accounting. Revenues are recognized when they are both "measurable and available". Measurable means the amount can be determined. Available means amounts collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related liability is incurred. The Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable statements issued by the Financial Accounting Standards Board.

***Equity in Internal Investment Pool***

Monies of the Fund deposited with the State Treasurer's Office internal investment pool are considered cash and cash equivalents. According to state law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Fund, as discussed in Note 3. Therefore, management of the Fund does not have any control over the investment of excess cash.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2019

***Due from Other Governments***

The State operates the Fund as a direct loan program, whereby loans made to political subdivisions are funded by the federal capitalization grant, the state matching amount, loan repayments and interest earnings. Loan funds are disbursed to the political subdivision as they expend funds for the purposes of the loan and request reimbursement from the Fund. Interest is calculated from the original contract completion date, and after the final disbursement has been made, the principal amount identified in the loan agreement is adjusted for the actual amounts disbursed plus interest accrued during the period between the original construction contract completion date and the initiation of the repayment process.

***Fund Balance***

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund balance is classified as follows:

Restricted: Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The fund balance in the fund is Restricted for Recreation and Resources Development due to federal grant requirements, bond issuance provisions, and state and federal legislation.

***Comparative Data***

Comparative prior year totals have been presented in the accompanying financial statements to provide an understanding of the change in the Fund's financial condition and operations and are not intended to be a complete presentation of the prior year financial statements in accordance with accounting principles generally accepted in the United States of America.

***Budget Information***

Under the Constitution of the State of Mississippi, money may only be drawn from the Treasury by a legal appropriation. The Fund operations are included in MDEQ's annual budget.

**3. EQUITY IN INTERNAL INVESTMENT POOL.**

All monies of the Fund are deposited with the State Treasurer and are considered to be cash and cash equivalents. The Treasurer is responsible for maintaining the cash balances in accordance with state laws, and excess cash is invested in the State's cash and short-term investment pool. Details of the investments of the internal investment pool for state agencies can be obtained from the State Treasurer. As of June 30, 2019, the State's total pooled deposits and investments for State Agencies were approximately \$4.11 billion, and the average remaining life of the securities invested was 2.25 years. The earnings for the total special funds pooled investments for the year ended June 30, 2019, were approximately \$37.2 million.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2019

Equity in internal investment pool is cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2019, the Fund had approximately \$124.9 million in the Treasurer's internal investment pool. The total deposits and investments of the internal investment pool are categorized according to credit risk in the State of Mississippi's Comprehensive Annual Financial Report. However, the Fund's portion of the internal investment pool cannot be individually categorized because the deposits and investments are pooled with other state agencies.

**4. DUE FROM OTHER GOVERNMENTS AND CREDIT RISK.**

The Fund makes loans to qualified political subdivisions for projects that meet the eligibility requirements of the Act. Loans are financed by capitalization grants, state match, loan repayments and interest earnings. Interest rates on loans vary between 1.75% and 4.5%, and are generally repaid over 20 years starting within one year after the project is completed. Details of loans receivable as of June 30, 2019, are discussed below:

In the event of a default on a loan obligation by a public entity, MDEQ has certain legal remedies available that provide for ultimate collection of amounts due.

***Loans by Category***

Due from other governments at June 30, 2019, is as follows:

	<u>Loans Authorized</u>	<u>Authorized Amount Remaining</u>	<u>Cumulative Repayments</u>	<u>Balance</u>
Completed projects	\$ 777,195,710		416,874,207	360,321,503
Projects in progress	<u>125,591,593</u>	<u>62,334,857</u>		<u>63,256,736</u>
Totals	<u>\$ 902,787,303</u>	<u>62,334,857</u>	<u>416,874,207</u>	423,578,239
Less amount due within one year on completed projects				<u>(28,533,500)</u>
Due from other governments, long-term				<u>\$ 395,044,739</u>

Loans mature at various intervals through June 30, 2039. The scheduled principal payments on loans maturing in subsequent years are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 28,533,500
2021	28,908,555
2022	28,782,504
2023	28,665,625
2024	28,343,718
Thereafter	<u>280,344,337</u>
Total	<u>\$ 423,578,239</u>

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2019

Major Loans to Political Subdivisions

As of June 30, 2019, the Fund had made loans to 28 local agencies that, in the aggregate, exceeded \$5,000,000 for each local agency. The outstanding balances of these loans represent approximately 74% of the total loans receivable, as follows:

<u>Local Agency</u>	<u>Authorized Loan Amount</u>	<u>Loan Receivable Balance at June 30, 2019</u>
City of Jackson	\$ 75,206,630	\$ 26,869,791
DeSoto County Regional WWA	64,179,923	20,051,912
City of Tupelo	51,454,952	20,926,425
City of Greenwood	47,957,324	39,974,889
City of McComb	43,807,965	23,779,720
City of Corinth	35,933,827	24,972,899
City of Gulfport	34,277,693	15,163,912
West Rankin UA	29,439,126	24,563,997
Jackson County UA	25,474,367	10,097,834
City of Greenville	22,780,943	7,959,328
City of Clinton	19,506,557	7,044,638
West Jackson County Utility	18,266,365	2,248,954
Hancock County WW	16,671,981	13,518,455
City of Laurel	15,512,145	9,299,948
City of Cleveland	13,925,395	9,087,996
Pearl River County UA	13,710,547	6,763,570
City of Southaven	12,227,822	10,005,972
City of Brandon	11,079,451	3,570,808
City of Biloxi	10,842,534	8,544,396
West Point	9,996,954	6,121,767
City of Meridian	9,044,496	8,585,737
City of Oxford	8,813,809	5,072,105
City of Pontotoc	6,408,591	2,211,092
City of Waveland	6,152,703	0
City of Brookhaven	5,483,132	0
City of Gautier	5,454,626	2,360,683
Madison County Economic Development	5,250,790	2,758,062
City of Clarksdale	5,221,222	3,251,452
Totals	\$ <u>624,081,870</u>	\$ <u>314,806,342</u>

The authorized loan amount includes both completed projects and projects in progress. As of June 30, 2019, cumulative principal repayments on completed projects from the above local agencies total \$184,628,599 and amounts remaining to be disbursed on projects in progress total \$70,133,901.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2019

**5. GRANT AWARDS.**

The Fund is funded by grants from the EPA authorized by Title VI of the Act, matching funds from the State, loan repayments and interest earnings. All funds drawn are recorded as grant awards from the EPA. As of June 30, 2019, the EPA has awarded capitalization and hardship grants of \$372,848,986 to the State, of which \$333,430,822 has been drawn for loans and administrative expenses.

The following summarizes the capitalization grants awarded, amounts drawn on each grant and balances available for future loans:

Year	Grant Amount	Draws Through 6/30/2018	2019 Draws	Draws Through 6/30/2019	Available 6/30/2019
1989	\$ 15,254,024	\$ 15,254,024	\$	\$ 15,254,024	\$
1990	15,780,824	15,780,824		15,780,824	
1991	19,512,358	19,512,358		19,512,358	
1992	17,505,576	17,505,576		17,505,576	
1993	17,316,882	17,316,882		17,316,882	
1994	10,744,965	10,744,965		10,744,965	
1995	11,583,952	11,583,952		11,583,952	
1996	18,185,133	18,185,133		18,185,133	
1997	5,572,572	5,572,572		5,572,572	
1998	12,316,944	12,316,944		12,316,944	
1998					
Hardship	1,045,000	1,045,000		1,045,000	
1999	12,133,044	12,133,044		12,133,044	
2000	12,091,860	12,091,860		12,091,860	
2001	11,984,346	11,984,346		11,984,346	
2002	12,011,076	12,011,076		12,011,076	
2003	11,932,965	11,932,965		11,932,965	
2004	11,940,192	11,940,192		11,940,192	
2005	9,706,600	9,706,600		9,706,600	
2006	7,869,300	7,869,300		7,869,300	
2007	9,708,880	9,708,880		9,708,880	
2008	6,092,700	6,092,700		6,092,700	
2009	6,092,700	6,092,700		6,092,700	
2010	18,357,000	18,357,000		18,357,000	
2011	13,304,000	13,304,000		13,304,000	
2012	9,136,093	9,136,093		9,136,093	
2013	12,028,000	12,028,000		12,028,000	

(Continued)

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2019

Year	Grant Amount	Draws Through 6/30/2018	2019 Draws	Draws Through 6/30/2019	Available 6/30/2019
2014	12,632,000	12,155,862	476,138	12,632,000	
2015	12,567,000	418,883	11,011,540	11,430,423	1,136,577
2016	12,037,000		161,413	161,413	11,875,587
2017	11,945,000				11,945,000
2018	14,461,000				14,461,000
Totals	\$ 372,848,986	\$ 321,781,731	11,649,091	\$ 333,430,822	39,418,164
Receivable, June 30, 2018			(118,018)		
Receivable, June 30, 2019			6,873,185		6,873,185
Grant revenues, modified accrual basis			\$ 18,404,258		
Amount available, modified accrual basis					\$ 32,544,979

As of June 30, 2018 and 2019, state matching contributions were as follows:

	Contributions through 6/30/2018	Fiscal Year 2019 Contributions	Contributions through 6/30/2019
State of Mississippi	\$ 64,224,069	\$ 2,329,817	\$ 66,553,886

## 6. ADMINISTRATIVE FEES/COSTS.

In connection with issuing loans to political subdivisions, certain administrative and processing functions are performed by the Construction Branch (the Branch) of the Surface Water Division of the Office of Pollution Control of MDEQ, as discussed in Note 1. To help fund the cost of such functions and MDEQ's indirect costs, a 5% administrative fee is collected from each loan. Until fiscal year 1999, administrative fees were added to the loan principal amount to be repaid by the loan recipient.

However, for all loans made after October 1, 1998, the 5% administrative fee is no longer added to the loan principal to be repaid by the loan recipient. Instead, it is collected through the loan repayment stream. Beginning with the initiation of the repayment process and until such time the total administrative fee is collected, the interest portion of each loan repayment is used to satisfy collection of the administrative fee in lieu of the interest portion. The administrative fees and costs related thereto are recognized on the financial statements of MDEQ's Office of Pollution Control SRF Administrative Fee Fund.

Administrative fees collected for the fiscal year ended June 30, 2019, totaled \$2,222,812 with additional amounts collected for interest totaling \$269,934 for total receipts of \$2,492,746. During that period, \$1,076,275 was expended from available administrative fee funds for administrative costs of the Fund. No additional administrative costs for fiscal year 2019 were drawn from the federal government.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2019

**7. CONTINGENCIES.**

The Fund is exposed to various risks of loss related to torts, theft of assets, errors or omissions, injuries to State employees while performing Fund business, or acts of God. MDEQ maintains insurance coverage provided by the Mississippi Tort Claims Board for some risk of loss related to the Fund. Since its inception in 1989, there have not been any claims against the Fund.

**8. HURRICANE KATRINA LOAN FORBEARANCE.**

On August 29, 2005, Hurricane Katrina swept through Mississippi causing widespread destruction, including that to water and sewer operations. Some loan fund projects in progress, as well as future projects included in the Intended Use Plan, were impacted. The current portion of Due from Other Governments and loan repayments due for future years may be delayed if sales tax diversions of impacted areas are placed in abeyance for a period of time or if water and sewer collections from impacted areas are insufficient to support loan repayment schedules. The Commission has granted forbearance of loan repayment for up to eleven years to those water systems. In addition to a forbearance of loan repayments, the Commission will not accrue interest on those loans during the first two years of the forbearance period, or during the entire forbearance period for loans in Hancock County, consistent with State law. Federal and State law were recently amended to allow repayment of loans over a period of up to 30 years. At the end of each approved forbearance period the related loans have been restructured as appropriate. The last two loans which remained in forbearance were each restructured on October 21, 2016, with approximately half of the outstanding principal for each being split into separate loan agreements. Under these restructured loan agreements, repayments resumed on the first half (approximate) of the outstanding principal on January 1, 2018; and, repayments on the remainder of the outstanding principal resumed on January 1, 2019.

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards***

Commission on Environmental Quality  
Mississippi Department of Environmental Quality

We have audited, 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, the financial statements of the State of Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund, as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated October 15, 2019.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund's internal control over financial reporting (internal control) to determine the auditing 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 the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

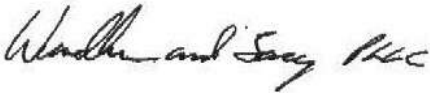


## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund's financial statements are free of 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 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC  
October 15, 2019

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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**Independent Auditor's Report on Compliance  
with the Requirements Applicable to the  
Environmental Protection Agency's  
Capitalization Grants for Clean Water  
State Revolving Funds  
in Accordance with *Government Auditing Standards***

Commission on Environmental Quality  
Mississippi Department of Environmental Quality

We have audited the financial statements of the State of Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund (the Fund) as of and for the year ended June 30, 2019, and have issued our report thereon dated October 15, 2019.

We have also audited the Fund's compliance with requirements governing:

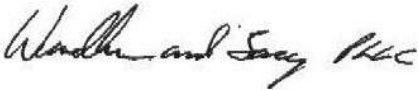
- Activities allowed or unallowed,
- Allowable costs/cost principles,
- Cash management,
- State matching,
- Period of availability of federal funds and binding commitments,
- Procurement, suspension and debarment,
- Program income,
- Reporting,
- Subrecipient monitoring, and
- Special tests and provisions

that are applicable to the Clean Water State Revolving Loan Fund Program for the year ended June 30, 2019. The management of the Clean Water State Revolving Loan Fund Program is responsible for the Fund's compliance with those requirements. Our responsibility is to express an opinion on those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Fund'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. Our audit does not provide a legal determination of the Fund's compliance with those requirements.

In our opinion, the Fund complied, in all material respects, with the requirements governing activities allowed or unallowed; allowable costs/cost principles; cash management; state matching; period of availability of federal funds and binding commitments; procurement suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to the Clean Water State Revolving Loan Fund Program for the year ended June 30, 2019.

This report is intended for the information and use of management of the Clean Water State Revolving Loan Fund, the Governor, members of the Legislature and the United States Environmental Protection Agency and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC  
October 15, 2019