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

**Audited Financial Statements
June 30, 2020
(With Comparative Totals for June 30, 2019)**

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

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Balance Sheet.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance.....	4
Notes to the Financial Statements.....	5
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 <i>Government Auditing Standards</i>	12
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 <i>Government Auditing Standards</i>	14

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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, 2020, 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, 2020, 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 13, 2020, 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.



Windham and Lacey, PLLC
October 13, 2020

**STATE OF MISSISSIPPI
DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING LOAN FUND
BALANCE SHEET
JUNE 30, 2020**

ASSETS	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Equity in internal investment pool	\$ 163,579,747	124,920,108
Receivables:		
Due from other funds	30,799	67,290
Due from other governments	412,302,339	423,578,239
Due from federal government	<u>139,442</u>	<u>6,873,185</u>
TOTAL ASSETS	\$ <u>576,052,327</u>	<u>555,438,822</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Due to other governments	\$ 8,267,942	8,260,725
Due to other funds	<u>102,482</u>	<u></u>
TOTAL LIABILITIES	<u>8,370,424</u>	<u>8,260,725</u>
FUND BALANCE:		
Restricted for Recreation and Resources Development	<u>567,681,903</u>	<u>547,178,097</u>
TOTAL FUND BALANCE	<u>567,681,903</u>	<u>547,178,097</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>576,052,327</u>	<u>555,438,822</u>

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, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
REVENUES:		
Interest on loans	\$ 5,996,638	4,801,985
Interest on investments	2,668,758	1,998,951
Federal programs	6,786,658	18,404,258
Proceeds of bond issues	<u>7,940,000</u>	<u>5,000,000</u>
TOTAL REVENUES	<u>23,392,054</u>	<u>30,205,194</u>
EXPENDITURES:		
Subsidies	<u>478,918</u>	<u>203,204</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>22,913,136</u>	<u>30,001,990</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	6,538,493	21,881,905
Transfers out	<u>(8,947,823)</u>	<u>(22,786,380)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,409,330)</u>	<u>(904,475)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	20,503,806	29,097,515
FUND BALANCE:		
Beginning of year	<u>547,178,097</u>	<u>518,080,582</u>
End of year	<u>\$ 567,681,903</u>	<u>547,178,097</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, 2020

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, 2020, Congress authorized the EPA to award \$386,118,986 in capitalization grants to the State of Mississippi (the State). The State is required to contribute \$77,223,797 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, 2020.

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, 2020

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, 2020, the State's total pooled deposits and investments for State Agencies were approximately \$5.57 billion, and the average remaining life of the securities invested was 2.01 years. The earnings for the total special funds pooled investments for the year ended June 30, 2020, were approximately \$46 million.

STATE OF MISSISSIPPI
Department of Environmental Quality
Clean Water State Revolving Loan Fund
Notes to Financial Statements
June 30, 2020

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, 2020, the Fund had approximately \$163.5 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 have varied since inception of the program between 0.8% and 4.5%, and are generally repaid over 20 years (though 30-year terms are also now available) starting within one year after the project is completed. Details of loans receivable as of June 30, 2020, 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, 2020, is as follows:

	<u>Loans Authorized</u>	<u>Authorized Amount Remaining</u>	<u>Cumulative Repayments</u>	<u>Balance</u>
Completed projects	\$ 835,720,710		447,570,017	388,150,693
Projects in progress	<u>77,173,458</u>	<u>53,021,812</u>		<u>24,151,646</u>
Totals	<u>\$ 912,894,168</u>	<u>53,021,812</u>	<u>447,570,017</u>	412,302,339
Less: Amount due within one year on completed projects				<u>(31,309,327)</u>
Due from other governments, long-term				<u>\$ 380,993,012</u>

Loans mature at various intervals through June 30, 2040. The scheduled principal payments on loans maturing in subsequent years are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ 31,309,327
2022	31,225,211
2023	31,153,596
2024	30,872,583
2025	30,669,066
Thereafter	<u>257,072,556</u>
Total	<u>\$ 412,302,339</u>

STATE OF MISSISSIPPI
Department of Environmental Quality
Clean Water State Revolving Loan Fund
Notes to Financial Statements
June 30, 2020

Major Loans to Political Subdivisions

As of June 30, 2020, the Fund had made loans to 29 local agencies that, in the aggregate, exceeded \$5,000,000 for each local agency. The outstanding balances of these loans represent approximately 85% of the total loans receivable, as follows:

Local Agency	Authorized Loan Amount	Loan Receivable Balance at June 30, 2020
City of Jackson	\$ 65,066,960	\$ 24,991,461
DeSoto County Regional WWA	64,029,853	40,268,383
City of Tupelo	51,531,606	28,768,533
City of Greenwood	47,957,324	37,760,572
City of McComb	43,274,133	27,043,243
City of Corinth	35,933,827	23,235,057
City of Gulfport	34,277,693	13,353,513
Jackson County UA	30,375,210	9,282,134
West Rankin UA	29,439,126	23,243,379
City of Greenville	28,776,286	7,591,895
City of Clinton	19,506,557	5,917,117
West Jackson County Utility	17,709,267	5,534,610
Hancock County WW	16,671,981	12,641,954
City of Laurel	15,512,145	8,522,595
City of Cleveland	13,925,395	8,396,621
Pearl River County UA	13,818,944	12,535,963
City of Southaven	12,227,822	9,442,145
City of Brandon	11,079,451	3,189,227
City of Biloxi	10,842,534	8,022,095
West Point	9,996,954	5,622,318
City of Meridian	9,044,496	8,184,997
City of Oxford	8,813,809	4,625,262
City of Pontotoc	6,408,591	1,911,549
City of Vicksburg	5,777,775	1,740,320
City of Gautier	5,454,626	2,067,545
City of Brookhaven	5,412,661	5,373,387
Madison County Economic Development	5,250,790	2,488,364
City of Clarksdale	5,221,222	2,991,629
City of Waveland	5,003,052	4,949,379
Totals	\$ <u>628,340,090</u>	\$ <u>349,695,247</u>

The authorized loan amount includes both completed projects and projects in progress. As of June 30, 2020, cumulative principal repayments on completed projects from the above local agencies total \$205,480,468 and amounts remaining to be disbursed on projects in progress total \$58,167,405.

STATE OF MISSISSIPPI
Department of Environmental Quality
Clean Water State Revolving Loan Fund
Notes to Financial Statements
June 30, 2020

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, 2020, the EPA has awarded capitalization and hardship grants of \$387,163,986 to the State, of which \$346,951,224 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 6/30/2019	2020 Draws	Draws Through 6/30/2020	Available 6/30/2020
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	
2014	12,632,000	12,632,000		12,632,000	
2015	12,567,000	11,430,424	1,136,576	12,567,000	0
2016	12,037,000	161,413	4,700,372	4,861,785	7,175,215
2017	11,945,000		7,544,006	7,544,006	4,400,994
2018	14,461,000		139,447	139,447	14,321,553
2019	14,315,000			0	14,315,000
Totals	\$ <u>387,163,986</u>	\$ <u>333,430,823</u>	13,520,401	\$ <u>346,951,224</u>	40,212,762

(Continued)

STATE OF MISSISSIPPI
Department of Environmental Quality
Clean Water State Revolving Loan Fund
Notes to Financial Statements
June 30, 2020

	2020 Draws	Draws Through 6/30/2020	Available 6/30/2020
Receivable, June 30, 2019	(6,873,185)		
Receivable, June 30, 2020	<u>139,442</u>		<u>139,442</u>
Grant revenues, modified accrual basis	\$ <u>6,786,658</u>		
Amount available, modified accrual basis			\$ <u>40,073,320</u>

As of June 30, 2019 and 2020, state matching contributions were as follows:

	Contributions through 6/30/2019	Fiscal Year 2020 Contributions	Contributions through 6/30/2020
State of Mississippi	\$ <u>66,553,886</u>	\$ <u>2,704,125</u>	\$ <u>69,258,011</u>

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, 2020 totaled \$2,136,934 with additional amounts collected for interest totaling \$321,694 for total receipts of \$2,458,628. During that period, \$53,328 was expended from available administrative fee funds for administrative costs of the Fund. Additional administrative costs totaling \$1,229,105 were recorded with funds drawn from the federal government totaling \$938,815 and additional \$85,398 drawn after June 30, 2020.

STATE OF MISSISSIPPI
Department of Environmental Quality
Clean Water State Revolving Loan Fund
Notes to Financial Statements
June 30, 2020

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.

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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, 2020, and the related notes to the financial statements and have issued our report thereon dated October 13, 2020.

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.

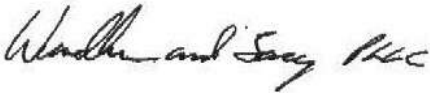
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 dark ink, appearing to read "Windham and Lacey, PLLC". The signature is fluid and cursive, with the letters "W" and "L" being particularly prominent.

Windham and Lacey, PLLC
October 13, 2020

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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, 2020, and have issued our report thereon dated October 13, 2020.

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

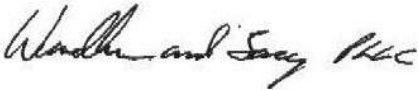
- Activities allowed or unallowed,
- Allowable costs/cost principles,
- Cash management,
- State matching,
- Period of availability of federal funds and binding commitments,
- Procurement, suspension and debarment,
- Program income,
- Reporting,
- Subrecipient monitoring, and
- Special tests and provisions

that are applicable to the Clean Water State Revolving Loan Fund Program for the year ended June 30, 2020. 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, 2020.

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 13, 2020