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STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
FINANCIAL STATEMENTS OF THE GENERAL FUND
YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Commissioner Nathan "Burl" Cain
State of Mississippi
Department of Corrections
Jackson, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the State Treasury General Fund (general fund) of the Mississippi Department of Corrections of the State of Mississippi (MDOC) as of and for the year ended June 30, 2023 and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund of the MDOC as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MDOC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Treasury General Fund of the Mississippi Department of Corrections and do not purport to, and do not, present fairly the financial position of the Mississippi Department of Corrections or the State of Mississippi, as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MDOC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Commissioner Nathan "Burl" Cain
State of Mississippi
Department of Corrections

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2024, on our consideration of the general fund of the MDOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the MDOC's 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 MDOC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
May 17, 2024

**STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
BALANCE SHEET OF GENERAL FUND
JUNE 30, 2023**

ASSETS

Cash	\$ 1,335,357
Equity in Internal Investment Pool	36,105,446
Due from Other Funds	392,920
Due from Other Governments	67,752
Accounts Receivable	307,972
Supplies Inventory	<u>912,248</u>
 Total Assets	 <u><u>\$ 39,121,695</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	\$ 11,239,021
Warrant Payable	1,169,357
Accrued Wages Payable	5,560,467
Funds Held for Others	300
Due to Other Funds	3,416,100
Due to Local Governments	<u>16,274,534</u>
Total Liabilities	<u>37,659,779</u>

FUND BALANCES

Nonspendable:	
Inventories	912,248
Restricted to:	
Law, Justice, and Public Safety	<u>549,668</u>
Total Fund Balances	<u>1,461,916</u>

Total Liabilities and Fund Balances	<u><u>\$ 39,121,695</u></u>
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See accompanying Notes to Financial Statements of General Fund.

**STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GENERAL FUND
YEAR ENDED JUNE 30, 2023**

REVENUES

State Appropriation/Allotment	\$ 389,449,562
License, Fees, and Permits	9,101,251
Charges for Sales and Services	480,233
Federal Grants	122,593
Investment Income	16,210
Other Revenue	5,861,468
Total Revenues	<u>405,031,317</u>

EXPENDITURES

Current:	
Salaries and Benefits	126,501,546
Travel	169,175
Contractual	234,252,314
Commodities	16,436,893
Subsidies	40,559
Debt Service:	
Principal	18,960,694
Interest and Other Charges	4,730,263
Capital Outlay	2,833,650
Total Expenditures	<u>403,925,094</u>

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,106,223
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OTHER FINANCIAL SOURCES (USES)

Transfers In	3,067,408
Transfers Out	(6,581,608)
Total Financial Sources (Uses)	<u>(3,514,200)</u>

NET CHANGE IN FUND BALANCE	(2,407,977)
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Fund Balance - Beginning of Year	<u>3,869,893</u>
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FUND BALANCE - END OF YEAR	<u><u>\$ 1,461,916</u></u>
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See accompanying Notes to Financial Statements of General Fund.

**STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO FINANCIAL STATEMENTS OF GENERAL FUND
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The State of Mississippi Department of Corrections (MDOC), an agency of the State of Mississippi, follows fund accounting with respect the State Treasury General Fund of the State of Mississippi, Department of Corrections (the General Fund) and pursuant to applicable state statutes. The accompanying General Fund financial statements of the Mississippi Department of Corrections have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The General Fund applies to all applicable GASB pronouncements. However, the General Fund financial statements do not constitute a complete presentation because the General Fund financial statements do not present the government-wide financial statements, reconciliation to the government-wide financial statements, management's discussion and analysis, or budgetary information. Also, certain notes in the General Fund financial statements may supplement rather than duplicate the notes included in the State of Mississippi's annual comprehensive report. The General Fund represents the fund selected for audit by the State of Mississippi, Office of the State Auditor, and the accompanying presentation does not purport to present the financial position and changes in financial position of MDOC.

Measurement Focus and Basis of Accounting

The General Fund is presented as a governmental fund type. Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Under this method, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year-end to liquidate liabilities existing at the end of the fiscal year. The General Fund considers revenues received within 60 days after fiscal year-end as available. Significant revenue sources that are susceptible to accrual include federal grants. Other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

The General Fund – accounts for all activities of MDOC, an agency of the State of Mississippi, not specifically required to be accounted for in other funds. Transactions are related to law, justice, and public safety.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. All short-term, highly liquid investments that are readily convertible to cash (generally with a maturity of three months or less) are considered cash equivalents. At June 30, 2023, there were no cash equivalents.

**STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO FINANCIAL STATEMENTS OF GENERAL FUND
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist of amounts billed by a third party related to canteen and vending commissions from the third-party canteen vendor and supervision fees. Accounts receivable are reported net of allowances for uncollectible accounts, where applicable, based upon a review of outstanding receivables historical collection information and existing economic conditions. No allowance for uncollectible accounts is recorded at June 30, 2023.

Supplies Inventory

Supplies inventory is stated at cost, generally using the first-in first-out method. Inventories of supplies and materials are recorded as expenditures when consumed rather than when purchased.

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures. Reimbursements are transactions in which a fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Due to Local Governments

During the course of operations, numerous transactions occur between MDOC and local governments which represents amounts related to housing facilities for inmates in private prisons, regional facilities, and local facilities.

Fund Balances – Governmental Funds

Fund Balance Flow Assumptions – Sometimes the General Fund will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the General Fund's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO FINANCIAL STATEMENTS OF GENERAL FUND
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances – Governmental Funds (Continued)

Fund Balance Policies – the General Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The General Fund can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, granters, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Fund's highest level of decision-making authority. The governing commissioner is the highest level of decision-making authority for the General Fund that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the General Fund for specific purposes but do not meet the criteria to be classified as committed. The governing commissioner may by resolution authorize the finance director to assign fund balance. The General Fund may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

**STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO FINANCIAL STATEMENTS OF GENERAL FUND
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenditures

Revenues in the General Fund are generally recognized when the revenues are received or appropriated by the State of Mississippi Legislature. State appropriations are held in the Treasury of the State of Mississippi and are defined as the balance of the General Fund's current allotment, which is available to spend for the current fiscal year. Certain services may be provided to the General Fund at no charge based on management's discretion and funding availability.

Use of Estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and other changes in fund balances during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS

Section 27-105-5, Mississippi Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured. Section 27-105-5, Mississippi Code Ann. (1972), establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutorily required 5.5 percent primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105 percent of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third-party custodian, with approval of the State Treasurer, if conditions are met which protect the state's interests.

**STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO FINANCIAL STATEMENTS OF GENERAL FUND
JUNE 30, 2023**

NOTE 2 DEPOSITS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. Deposits above FDIC overage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the General Fund. All deposited funds of the General Fund are fully collateralized in accordance with state statutes.

NOTE 3 DEFINED BENEFIT PENSION PLAN

The General Fund contributes to the Public Employees' Retirement System of Mississippi (System). The System is responsible for administering retirement benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employers whose employers have elected to participate and elected members of the State Legislature, as well as the President of the Senate. The General Fund participates in the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information. The information may be obtained by writing to Public Employees' Retirement System of Mississippi Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

The PERS members are required to contribute 9.00% of their annual covered salary and the General Fund is required to contribute at an actuarially determined rate. The current rate is 17.40 percent of annual covered payroll. The contribution requirements for PERS are established in accordance with actuarial contribution requirements determined through actuarial valuation and adopted by the PERS Board.

**STATE OF MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO FINANCIAL STATEMENTS OF GENERAL FUND
JUNE 30, 2023**

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers for the year ended June 30, 2023, are as follows:

Transfer In to MDOC General Fund	Transfer In to MDOC General Fund From	Description	Transfers In
22566 - Community Corrections	Department of Public Safety	Grant Funds	\$ (12,600)
33567 - Community Corrections Special Fund	Department of Public Safety	Grant Funds	3,593
53551 - Central Office Grant Fund	Department of Education	Grant Funds	123,563
53551 - Central Office Grant Fund	Department of Health	Grant Funds	111,945
53551 - Central Office Grant Fund	Community College Board	Grant Funds	58,090
53553 - Central MS Grant Fund	Community College Board	Grant Funds	76,659
53553 - Central MS Grant Fund	Department of Education	Grant Funds	25,386
53553 - Central MS Grant Fund	Department of Mental Health	Grant Funds	107,467
53554 - Parchman Grant Fund	Department of Education	Grant Funds	101,733
53554 - Parchman Grant Fund	Community College Board	Grant Funds	296,803
53555 - South MS Grant Fund	Department of Education	Grant Funds	118,144
58201551 - MDOC COVID 19	Department of Public Safety	Grant Funds	556,625
64567 - Capital Expense Fund DOC	Office of the State Treasurer	Grant Funds	1,500,000
Total			<u>\$ 3,067,408</u>

Transfer In to MDOC General Fund	Transfer In to MDOC General Fund From	Description	Transfers In
22554 - Medical Services	Division of Medicaid	Medicaid Medical Services	\$ 64,429
22555 - Private Prison Fund	Dept. of Finance and Admin.	Bureau of Buildings	515,000
22563 - Parchman General Fund 2018	Dept. of Finance and Admin.	Bureau of Buildings	3,354,108
22564 - Central MS General Fund 2018	Dept. of Mental Health	Shared Utility Bills	1,118,974
22566 - Community Corrections	Dept. of Finance and Admin.	Misc.	2,444
22566 - Community Corrections	Dept. of Finance and Admin.	Bureau of Buildings	475,000
33561 - Inmate Welfare Fund	Dept. of Finance and Admin.	Bureau of Buildings	600,000
64567 - Capital Expense Fund	Dept. of Finance and Admin.	CEF Lapse	31,958
88105 - Area Supervision Fees	Office for Victims of Crime	Supervision Fees Transfer	419,695
Total			<u>\$ 6,581,608</u>

Interfund transfers are primarily used to move revenues from funds required to collect them to funds required to expend them.

NOTE 5 CONTINGENCIES

The General Fund is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the Fund in a majority of these cases. In the event they are not successful in defending such cases, the State's opinion is that the ultimate disposition of these matters will not have a material adverse effect on the financial position or changes in financial position of the General Fund.



**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***

Commissioner Nathan "Burl" Cain
State of Mississippi
Department of Corrections
Jackson, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the general fund of Mississippi Department of Corrections, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Mississippi Department of Corrections' financial statements, and have issued our report thereon dated May 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mississippi Department of Corrections' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mississippi Department of Corrections' internal control. Accordingly, we do not express an opinion on the effectiveness of Mississippi Department of Corrections' 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
May 17, 2024