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**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
FINANCIAL STATEMENTS – GENERAL FUND
YEAR ENDED JUNE 30, 2023**



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**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
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INDEPENDENT AUDITORS' REPORT

Mississippi Department of Health
(A Department of the State of Mississippi)
Jackson, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the general fund of the Mississippi Department of Health (MDH), 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 MDH 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 State of Mississippi, 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.

Prior Period Adjustment

As discussed in Note 6, the beginning fund balance was restated to correct the reporting of prior year cash and transfers in. Our opinion is not modified as a result of this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the general fund of the MDH and do not purport to, and do not, present fairly the financial position of the MDH 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. 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 MDH'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 the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic 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 basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024, on our consideration of the MDH of the State of Mississippi'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 MDH'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 MDH's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 15, 2024

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
BALANCE SHEET
JUNE 30, 2023**

	<u>General Fund</u>
ASSETS	
Cash in Banks	\$ 33,701,658
Equity in Funds	427,678,659
Account Receivable, Net	7,085,958
Inventory	11,864,210
Due from Other State Agencies	116,171,951
Due from Federal Agencies	108,976,070
Prepaid	<u>34,000</u>
Total Assets	<u><u>\$ 705,512,506</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Account Payable	\$ 19,243,724
Due to Component Units of the State of Mississippi	1,548,158
Due to Other State Agencies	2,507,516
Due to the Federal Governments	1,568,424
Unearned Federal Revenue	<u>9,316,880</u>
Total Liabilities	34,184,702
FUND BALANCES	
Fund Balance - Nonspendable	11,898,210
Fund Balance - Restricted	41,791,687
Fund Balance - Committed	616,852,418
Unassigned	<u>785,489</u>
Total Fund Balances	<u>671,327,804</u>
Total Liabilities and Fund Balances	<u><u>\$ 705,512,506</u></u>

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>
REVENUES	
Federal Grants	\$ 173,908,291
Indirect Cost Recovery	17,909,278
Covid-19 Medicaid	57,024,512
Assessments and Fees	13,379,688
Charges for Services	41,593,424
Licenses and Permits	33,788,858
Interest Income	457,218
Miscellaneous Revenue	4,412,275
Total Revenues	<u>342,473,544</u>
EXPENDITURES	
Commodities	124,612,852
Net Payments Due to Medicaid	2,007,175
Salaries and Benefits	113,330,013
Contractual Services	55,395,058
Grantor Pay Nontax	86,806,099
Administrative Costs	17,787,478
Payments to IT	1,376,194
Capital Expenditures	1,034,018
Travel Expense	5,892,197
Miscellaneous Expense	7,375,095
Total Expenditures	<u>415,616,179</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(73,142,635)
OTHER FINANCING SOURCES (USES)	
Transfer In	271,887,743
Transfer Out	(17,205,704)
Total Other Financing Sources (Uses)	<u>254,682,039</u>
NET CHANGE IN FUND BALANCES	181,539,404
Fund Balances - Beginning of Year	456,758,844
Restatement	33,029,556
Fund Balances - Beginning of Year - Restated	<u>489,788,400</u>
FUND BALANCES - END OF YEAR	<u>\$ 671,327,804</u>

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background Information

The Mississippi Department of Health (MDH) was established to protect and advance health throughout Mississippi. The major operations of the agency include disease surveillance, environmental protection, disease and injury prevention, standards of care, immunizations, keeping you safe in emergencies, providing you with information, comprehensive reproductive health, women, infants and children, licenses and records, and social services.

MDH is a state agency included in the State of Mississippi's Annual Comprehensive Financial Report.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). These financial statements do not constitute a complete presentation because they do not present the government-wide financial statements, reconciliations to the government-wide financial statements, management's discussion and analysis, or budgetary information. These financial statement statements do not include funds 3330300000, 5331500000, 533HN00000, 5371100000, 6330200000, 6330300000, 6331B00000, 6331C00000, 6332100000, 6332200000, 6332300000, 6613010000, and 8822400000.

Basis of Accounting/Measurement Focus

The financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are considered to be available when they are both measurable and available to finance expenditures of the current period. Management considers revenue to be available if collected within 60 days. Expenditures are recorded when a liability is incurred.

Fund Accounting

The financial activity of the general fund consists of various individual funds used to report financial position and changes in financial position. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Purpose of General Funds

The general fund of MDH includes the following sub-funds:

Fund 2230100000 – *DOH General Fund* is the state appropriated general fund used to record MDH's administrative expenses, cost share match for federal grants, and miscellaneous grant payments.

Fund 2230200000 – *Medical Cannabis General Fund* is the state appropriated general fund used for activities related to the State's Medical Marijuana program.

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose of General Funds (Continued)

Fund 2230300000 – *Health Info Network Fund* is the state appropriated general fund used to promote the electronic movement and use of health information among organizations.

Fund 3330000000 – *Local Fund* is used to directly pay county activities from revenue collected at the local health department level and from county appropriations.

Fund 3330100000 – *Miscellaneous Fees* is used for the majority of all activities paid from self-generated revenues.

Fund 3330700000 – *Domestic Violence Fund* supports domestic violence victims and is received from court assessments.

Fund 3330800000 – *Mississippi Burn Care* fund is used to receive revenue from individual income taxes, auto privilege and tag fees, and donations. The revenue is used to help cover uncompensated burn care for Mississippi burn care patients.

Fund 3331000000 – *Mississippi Trauma Care Escrow Fund* is supported by license plate fees and point-of-sale fees on motorcycles, ATVs, and personal watercraft. In addition, hospitals non-participation fees also provide funding. The funds are used to cover administration expenses of the MDH trauma centers and ambulance districts.

Fund 3331200000 – *MSDH Medical Marijuana* fund is used for activities related to the State's Medical Marijuana program.

Fund 3331300000 – *Rural Hospital Operations and Facilities Revolving Loan* fund is used to collect funds and provide loans to rural hospitals.

Fund 333H200000 – *Health Info Network Fees* fund used to promote the electronic movement and use of health information among organizations.

Fund 5331400000 – *Health Grant Funds* supports federal activities and other non-federal grants.

Fund 5820130100 – *MSDH COVID-19* is used for federal grants received related to COVID-19.

Fund 6230500000 – *MSDH Health Care Expendable* is used for activities related to the Health Care Expendable funds appropriated by the state legislature each fiscal year.

Fund 6430100000 – *Health-Capital Expense Fund* is used to reimburse specific legal fees approved by the Office of the Attorney General, and to provide additional funding under the Victims of Crime Act (VOCA) program as outlined by the legislature in annual appropriation bills.

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose of General Funds (Continued)

Fund 6431200000 – *Medical Cannabis* fund is used for activities related to the State's Medical Cannabis program.

Fund 6530600000 – *Tobacco Settlement* fund is used for activities related to the Tobacco Control funds appropriate by the state legislature each year.

Fund 6820130100 – *MSDH CARES Act* is used to reimburse hospitals for their necessary and other medical providers for necessary expenditures incurred due to the COVID-19 public health emergency.

Fund 6820130200 – *MSDH ICU Fund* is used for establishing and administering the ICU Infrastructure Program for the purpose of providing funds to hospitals to increase treatment capacity related to COVID-19.

Fund 6820130300 – *MSDH Special Specialty Hospitals* is used to reimburse licensed specialty hospitals for their necessary expenditures incurred due to COVID-19.

Fund 6822130100 – *ARPA Rural Water* is used for the purposes of funding the ARPA Rural Water Associations Infrastructure Grant Program established under House Bill No. 1421, 2022 Regular Session.

Fund 6822130200 – *ARPA Hospital Expanded Capacity* is used to provide funds to hospitals that increased treatment capacity related to COVID-19.

Fund 6822130300 – *ARPA Local Provider Innovation Grant* is used to provide funding for the COVID-19 Mississippi Local Provider Innovation Grant Program.

Fund 6822130400 – *Health – Coronavirus State Fiscal Recovery Fund* is used for operational expenditures needed to respond to COVID-19.

Fund 6822130500 – *MS Hospital Sustainability Grant Program* is used for the Mississippi Hospital Sustainability Grant Program to strengthen, improve, and preserve access to Mississippi hospital care services.

Fund 8830100000 – *Boswell Memorial* is a bank account at Regions and Community Bank for funds donated to the agency by Henry Boswell years ago to support tuberculosis activities.

Fund 8830130100 – *MSDH eWIC EBT* is a bank account at Trustmark National Bank used for the WIC EBT clearing house activities.

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents are defined as demand deposit accounts and equity in State Treasury Funds. Equity in State Treasury Funds consists of pooled cash held by the Treasurer of the state of Mississippi.

Deposits not held with the State Treasury had a carrying amount of \$33,701,658 at June 30, 2023. Cash on hand totaled \$5,465 on June 30, 2023.

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. MDH's deposit policy for protection of custodial risk is handled under a statewide collateral program. The collateral for public entities' deposits in financial institutions is held by the depository bank in the name of the State Treasurer under a program established by the State of Mississippi Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). This program 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 statutory required 5.5% 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% of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). All bank deposits were maintained in collateralized accounts or covered by federal depository insurance and were not exposed to custodial credit risk.

Accounts Receivable

Accounts receivable consist of amounts billed for patient services in which the revenue is earned but not received by June 30, 2023. Accounts receivable is reported net of allowances for uncollectible accounts, where applicable. The allowance for uncollectible accounts was \$632,150 at June 30, 2023.

Inventories

Inventory, consisting of prescription medication and food, is valued using the average cost method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. As of June 30, 2023, inventory consisted of the following:

Food Inventory	\$ 11,575,354
Prescription Drug Inventory	288,856
Total Inventory	<u>\$ 11,864,210</u>

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue represents grant revenue received prior to all eligibility requirements being met. Unearned revenue is reported as a liability until the eligibility requirements are met.

Fund Balances – Governmental Funds

MDH presents defined fund balance categories to demonstrate the nature and extent of the constraint placed on fund balances. The classifications are based on the following methodology:

Nonspendable – This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that may only be spent for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – This classification includes amounts that can be used only for the specific purposes determined by enabling legislations by the State legislature.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications. The unassigned classification is also used to report a deficit balance resulting from overspending for specific purposes for which amount had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, MDH considers restricted resources to have been spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, MDH considers committed, assigned, and unassigned amounts to have been spent in that order.

Revenue Recognition

Charges for patient services, fines, fees, permits and assessments are charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by MDH.

Grant revenue is recognized when the related liability or expenditure is incurred. Other revenues in the funds are generally recognized when the revenue is received or appropriated by the State of Mississippi Legislature.

Account Classifications

The account classifications used in the financial statements conform to the classifications recommended in *Governmental Accounting, Auditing and Financial Reporting*, as issued by the Government Finance Officers Association.

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires MDH 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 period. Actual results could differ from those estimates.

NOTE 2 INTERFUND TRANSFERS

Interfund transfers received from other funds are reported as Other Financing Sources rather than revenue, and interfund transfers sent to other funds are recorded as Other Financing Uses. Transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures of the disbursing fund.

As of June 30, 2023, Fund transfers in consisted of:

	<u>Transfers In</u>
Division of Budgets	\$ 1,000,000
Office of State Treasurer	38,197,733
MS Department of Finance & Administration	143,810,184
Division of Medicaid	7,196,776
Mississippi Emergency Management Agency	35,677,605
DPS - Public Safety	3,778,584
Department of Mental Health	2,060,079
MS Employment Security	739,070
Department of Education Tech/Strategic Services	700,000
Mississippi State General Fund	38,714,730
Other Departments	12,982
Total Transfers In	<u><u>\$ 271,887,743</u></u>

As of June 30, 2023, Fund transfers out consisted of:

	<u>Transfers Out</u>
Office of State Treasurer	\$ 2,193,527
Attorney General's Office	1,057,168
MS Department of Finance & Administration	3,968,730
Division of Medicaid	2,082,330
MS Department of Education	3,060,000
Health Care Expendable Fund	2,627,903
MSDH Office of Tobacco Control	1,305,050
Other Departments	910,996
Total Transfers Out	<u><u>\$ 17,205,704</u></u>

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DUE TO AND DUE FROM

Due from and due to balances are amounts due from and to the other departments and agencies within the State of Mississippi and state granting agencies. All amounts due to MDH are expected to be collected in fiscal year 2023.

As of June 30, 2023, due from consisted of the following:

	<u>Due From</u>
Due From Federal Agencies	
U.S. Department of Health and Human Services and Other Federal Agencies	108,976,070
Due From Other Mississippi Funds	
Mississippi Division of Medicaid	6,899,919
Mississippi Office of Administration - Child Development Fund	3,323,150
Mississippi Department of Public Safety	735,244
Mississippi Department of Finance and Accounting	103,803,700
Office of the State Treasury	1,103,950
Other Mississippi Agencies	305,988
Total	<u>116,171,951</u>
Total Due From	<u><u>225,148,021</u></u>

As of June 30, 2023, due to consisted of the following:

	<u>Due To</u>
Due to Other Funds	
University of Mississippi Medical Center	1,568,424
Total	<u>1,548,158</u>
Due to Other Component Units	
Mississippi Attorney General's Office	398,886
Mississippi Division of Medicaid	736,732
Other Mississippi Agencies	1,371,898
Total	<u>2,507,516</u>
Due to the Federal Government	
Due to US Department of Treasury	1,568,424
Total Due From	<u><u>5,624,098</u></u>

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 CONTINGENCIES AND COMMITMENTS

Federal Grants

MDH receives federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreement and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance of program uses of funds may be a liability of MDH's.

Litigation

MDH is party to various legal proceedings that arise in the normal course of governmental operations. If an unfavorable outcome of the litigation is determined to be likely and probable, MDH will record a liability to reflect the estimated outcome of the litigation.

NOTE 5 RETIREMENT PLAN

MDH contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1- 800-444-PERS.

PERS members are required to contribute 9.00% of their annual covered salary and the Agency is required to contribute at an actuarially determined rate. The current rate is 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. As of June 30, 2023, MDH contributed \$14,510,240 to PERS for the funds included in these financial statements.

NOTE 6 PRIOR PERIOD ADJUSTMENTS

The beginning fund balance in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds for the General Fund has been restated to reflect an understatement in Equity in Funds of \$33,029,556. The understatement was due to transfers-in of \$33,029,556 that were erroneously excluded from the prior year audit.



**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**

Mississippi Department of Health
(A Department of the State of Mississippi)
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 the Mississippi Department of Health (MDH) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated April 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MDH's 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDH's internal control. Accordingly, we do not express an opinion on the effectiveness of MDH's internal control.

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

We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Mississippi Department of Health's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the MDH's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. MDH's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 MDH's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 15, 2024

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

2023-004	Current and Prior Period Audit Adjustments
Type of Finding or Specific Requirement	Material Weakness in Internal Controls Over Financial Reporting
Criteria, Condition and Context	<p>Governmental Auditing Standards requires Mississippi Department of Health to establish proper internal controls over financial reporting. During our audit, we noted the following:</p> <ol style="list-style-type: none"> 1. Department of Finance and Accounting cash adjustments in total of \$33,029,556 from prior year were not captured during closing procedures and were not included in the prior year reporting that resulted in current year's material restatement. 2. During current year's audit, errors were noted in schedule of federal grants in amount of \$24,809,888 that resulted in overstatement of due from federal government of \$24,809,888 and understatement of unearned revenues of \$778,389.
Cause	<p>The following causes were identified:</p> <ol style="list-style-type: none"> 1. Department of Finance and Accounting posted the entries after period 13 and Department of Health was not aware of the entries made and not captured during the prior year's closing procedure. 2. Closing entries made during current year's financial close were based on grant schedules with errors. Grant expenditures included prior year's accrual of expenditures.
Effect	<p>The following effects were identified:</p> <ol style="list-style-type: none"> 1. Equity in Funds balance was understated by \$33,029,556 in the prior year and resulted in restatement in the current year. 2. Adjustments were made to correct the overstatement of due from federal government of \$24,809,888 and understatement of unearned revenues of \$778,389.
Recommendation	<p>CLA recommends Mississippi State Department of Health to implement procedures to capture complete financial information/periods and catch material errors made on schedules used for closing process for accuracy, compliance, efficiency, and overall effectiveness of the closing process. Furthermore, CLA recommends that MSDH maintain proper documentation of the financial statement review process.</p>
Repeat Finding	No
Views of Responsible Officials	There is no disagreement with the audit finding.



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MISSISSIPPI STATE DEPARTMENT OF HEALTH

FINANCIAL AUDIT FINDINGS

June 6 , 2024

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. White:

We have reviewed the audit finding below in reference to the Mississippi State Department of Health 2023 fiscal year financial audit. Listed below is our individual response and plan for corrective action:

AUDIT FINDING:

2023-04 Mississippi State Department of Health (MSDH) should implement procedures to capture complete financial information/periods and catch material errors made on schedules used for closing process for accuracy, compliance, efficiency, and overall effectiveness of the closing process. Furthermore, MSDH should maintain proper documentation of the financial statement review process.

Response: The Agency concurs with the finding.

Corrective Action: Additional procedures will be implemented to improve the accuracy and review process of the agency's financial statements.

Name of contact person responsible for corrective action: Sharon Dowdy

Anticipated completion date of corrective action: August 2024

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7354.

Sincerely,

Daniel Edney, MD

Daniel P. Edney, MD, FACP, FASAM
State Health Officer

**DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN
FUND (AS ADMINISTERED BY THE MISSISSIPPI STATE
DEPARTMENT OF HEALTH, AN AGENCY OF THE STATE OF
MISSISSIPPI)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023



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**DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF
THE STATE OF MISSISSIPPI)
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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Local Governments and Rural Water Systems Improvements Board
Drinking Water Systems Improvements Revolving Loan fund,
as administered by the Mississippi State Department of Health,
an agency of the State of Mississippi
Jackson, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Drinking Water Systems Improvements Loan Fund (the Fund), as administered by the Mississippi State Department of Health, an agency of the State of Mississippi, 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 Fund as of June 30, 2023, and the changes in 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 Fund 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 financial position and changes in financial position of the Fund and do not purport to, and do not, present fairly the financial position of the Mississippi State Department of Health or the State of Mississippi as of June 30, 2023, or the changes in their 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.

Local Governments and Rural Water Systems Improvements Board
Drinking Water Systems Improvements Revolving Loan Fund,
as administered by the Mississippi State Department of Health,
an agency of the State of Mississippi

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 Fund'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.

Local Governments and Rural Water Systems Improvements Board
Drinking Water Systems Improvements Revolving Loan Fund,
as administered by the Mississippi State Department of Health,
an agency of the State of Mississippi

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, on our consideration of the 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 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 Fund'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 the Fund's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Andover, Massachusetts
April 26, 2024

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
BALANCE SHEET
JUNE 30, 2023

ASSETS

Equity in Internal Investment Pool	\$ 120,074,903
Receivables:	
Loans Receivable	80,955,157
Due from Other Governments	125,576,997
Due from Federal Government	1,172,372
Due from Other Funds	<u>195,079</u>
Total Assets	<u><u>\$ 327,974,508</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Warrants Payable	\$ 26,404
Accounts payable	1,337,525
Due to Other Governments	640,670
Unearned Revenue	879
Other	<u>46,357</u>
Total Liabilities	2,051,835

FUND BALANCE

Restricted for Health and Social Service	<u>325,922,673</u>
Total Liabilities and Fund Balance	<u><u>\$ 327,974,508</u></u>

See accompanying Notes to Financial Statements.

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2023

REVENUES

Interest on Loans	\$ 2,761,931
Interest on Investments	2,400,566
Loan Administration Fee	901,637
Federal Programs	<u>7,508,981</u>
Total Revenue	<u>13,573,115</u>

EXPENDITURES

Administrative Expenses	1,515,358
Principal Forgiveness	<u>2,326,087</u>
Total Expenditures	<u>3,841,445</u>

EXCESS OF REVENUES OVER EXPENDITURES	9,731,670
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OTHER FINANCING SOURCES (USES)

Transfers In	4,860,196
Transfers Out	<u>(148,707)</u>
Total Other Financing Sources (Uses)	<u>4,711,489</u>

NET CHANGE IN FUND BALANCE	14,443,159
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Fund Balance - Beginning of Year	<u>311,479,514</u>
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FUND BALANCE - END OF YEAR	<u><u>\$ 325,922,673</u></u>
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See accompanying Notes to Financial Statements.

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Background Information

The State of Mississippi (State) Legislature established the Drinking Water Systems Improvements Revolving Loan Fund (Fund) pursuant to the federal Safe Drinking Water Act Amendments of 1996. The Act created the revolving loan fund program to provide low interest rate loans to counties, municipalities, districts, and other tax-exempt water systems organizations for construction of new water systems, the expansion or repair of existing water systems, and/or the consolidation of new or existing water systems. The State law further provides that any such federal funds shall be used and expended only in accordance with federal laws, rules, and regulations governing the expenditures of such funds. The State law created the Local Governments and Rural Water Systems Improvements Board (Board) to implement the loan program and otherwise administer provisions of the law.

Loans are awarded on a priority system, which gives maximum priority to projects needed to comply with the federal Safe Drinking Water Act (SDWA), projects that provide the greatest protection to public health, and those projects which assist systems most in need on a per household basis. Interest rates charged on loans will be at or below market interest rates as determined by the Board, with up to 20 years allowed for repayment.

Federal funds are provided through federal capitalization grants pursuant to Section 1452 of the SDWA Amendments of 1996. The amount of each grant is determined by the State's allocated share of the U.S. Environmental Protection Agency (EPA) annual federal appropriation for the program. The award of each grant is conditioned on the State depositing an amount into the Fund equaling 20% of the amount of each federal capitalization grant. The State Legislature previously authorized the issuance of State general obligation bonds to provide state funds for the program. \$36,843,000 of the proceeds from the sale of these bonds has been deposited into the Fund. No new bonds were authorized or issued for the year ended June 30, 2023. These funds are invested by the State Treasurer until such times that the funds are needed to meet the State matching requirements on loan repayments. The Fund also receives direct appropriations from the State Legislature and amounts from other funds authorized by the Board. As of June 30, 2023, the EPA had awarded \$247,463,566 in capitalization grants from the State, requiring a minimum of \$49,492,713 in State matching funds.

In 2009, the Fund also received \$19,500,000 of American Recovery and Reinvestment Act (ARRA) funds; however, these funds were not subject to State matching funds.

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fund is administered by the Mississippi State Department of Health (MSDH) under the direction of the Board. MSDH's primary activities include loans for drinking water systems and management and coordination of the Fund. The Board consists of the following nine voting members: the State Health Officer; the Executive Directors of the Mississippi Development Authority, the Department of Finance and Administration, the Mississippi Association of Supervisors, the Mississippi Municipal League, and the American Council of Engineering Companies of Mississippi, the State Director of the United States Department of Agriculture, Rural Development; and a manager of the rural water system. The manager of a rural water system is appointed by the Governor from a list of candidates provided by the Executive Director of the Mississippi Rural Water Association. Nonappointed members of the Board may designate another representative of their agency or association to serve as an alternate. The gubernatorial appointee serves a term concurrent with the Governor until a successor is appointed.

The Fund does not have any full-time employees. MSDH provides employees to manage the program.

The Fund represents Funds 5331500000, 6330300000, 6331B00000, and 6331C00000 selected for audit by the State of Mississippi, Office of the State Auditor, and the accompanying financial statements are not intended, and do not purport, to present the financial position and results of operations for the State of Mississippi or MSDH.

B. Basis of Presentation

The accompanying fund financial statements 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).

C. Basis of Accounting/Measurement Focus

The Fund presents its financial statements as a governmental 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 liability is incurred. The Fund applies all relevant GASB pronouncements.

The Fund first applies restricted fund balance when an expense or outlay is incurred for purposes for both which restricted and unrestricted fund balances are available.

D. 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 MSDH's annual budget.

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

The preparation of financial statements in conformity with GAAP 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 and expenditures during the reporting period. Actual results could differ from those estimates.

F. Loans Receivable and Due from Other Governments

The Fund operates as a direct loan program, whereby loans made to drinking water systems are approximately 80% funded by the federal capitalization grant and 20% by the State matching amount. Loan funds are disbursed to the loan recipients upon receipt of a request from the loan recipient for the purposes of the loan. Interest is calculated from the initial contract completion date. After the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted from actual amounts disbursed, plus interest accrued from the initial contract completion date to initiation of repayment process, less principal forgiveness granted on the loan.

Loans receivable represent amounts due from water associations. Due from other governments represents amounts due from cities and counties.

G. Interfund Receivables/Payables

Transactions between funds that are representative of short-term lending/borrowing arrangements that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to other funds" or "due from other funds". Noncurrent portions of interfund payables, if any, are reported as "advances to other funds" or "advances from other funds".

H. Fund Balance – Governmental Funds

Although government funds can contain five classifications, fund balance for the Fund's governmental funds are displayed as "restricted for health and social service". Restricted fund balance represents amounts that can be spent only for the specific purposes stipulated by external resource providers constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 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, 2023, the State's total pooled deposits and investments for State Agencies were approximately \$10.96 billion, and the average remaining life of the securities invested was 2.5 years. The earnings for the total pooled investments for the year ended June 30, 2023, were approximately \$104.2 million.

Equity in internal investment pool is the cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2023, the Fund had approximately \$120 million in the Treasurer's internal investment pool. The total deposits and investments of the internal investment pool are categorized according to the credit risk in the State of Mississippi's Annual Comprehensive 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.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The Fund's deposit policy for protection of custodial credit risk is handled under a statewide collateral program. The collateral for public entities' deposits in the financial institutions is held by the depository bank in the name of the State Treasurer under a program established by the State of Mississippi Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 LOANS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

The Fund makes loans to qualified drinking water systems for projects that meet eligibility requirements of the SDWA. Loans are financed by capitalization grants, ARRA grants, State match, and revolving funds. Interest rates on loans vary between 1.95% to 4.50% and are generally repaid over 20 years, starting as specified in the loan agreement; the beginning date is normally at the end of the project construction, which is usually a one-year time period. Details of loans receivable as of June 30, 2023, are described below.

In the event of a default on a loan obligation by a public entity, MSDH has certain legal remedies that are intended to provide for ultimate collection of amounts due. Based on past history, loans receivable are considered 100% collectible.

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 LOANS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS (CONTINUED)

Loans by Category

Loans receivable (including amounts due from other governments) at June 30, 2023, are as follows:

	<u>Loans Authorized</u>	<u>Authorized Amount Remaining</u>	<u>Loan Balance</u>
Completed Projects	\$ 311,892,296	\$ -	\$ 144,151,447
Projects in Progress	129,056,295	66,675,588	62,380,707
Totals	<u>\$ 440,948,591</u>	<u>\$ 66,675,588</u>	206,532,154
Less: Amount due within one year on completed projects			<u>(12,714,505)</u>
Loans receivable and due from other governments, long-term			<u>\$ 193,817,649</u>

Loan Administrative Fees

The Fund collects administrative fees from each loan recipient at 5.00% of the initial loan amount. Beginning July 1, 2009, the Fund collects administrative fees from the interest portion of loan repayments. Interest payments from each loan recipient are reclassified to administrative fee income until the entire administrative fee for that loan has been collected. Loan administrative fee revenue of \$901,637 was collected in 2023.

Major Loans to Drinking Water Systems

As of June 30, 2023, the Fund had made loans to 59 drinking water systems that, in the aggregate, exceed \$1,500,000, net of principal forgiveness. The outstanding balances of these loans, net of any principal forgiveness, represent approximately 79.5% of the total loans receivable, as follows:

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 LOANS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS (CONTINUED)

Local Agency	Authorized Loan Amount	Loan Receivable Balance at June 30, 2023
Adams County Water Association	\$ 2,844,725	\$ 44,911
Bear Creek Water Association	11,232,439	-
Burnsville	4,890,000	420,899
Central Water Association	6,870,095	1,315,535
Central Yazoo Water Association	3,593,839	2,250,062
City of Baldwin	1,610,110	975,804
City of Brandon	10,136,517	4,847,323
City of Brookhaven	2,250,053	1,909,989
City of Clinton	4,552,211	1,960,431
City of Columbia	1,741,864	1,037,699
City of Eupora	3,733,000	2,728,143
City of Gautier	2,677,171	640,978
City of Grenada	9,831,056	8,818,933
City of Hernando	2,177,042	478,313
City of Horn Lake	4,636,612	1,234,775
City of Jackson	43,592,424	24,653,147
City of Laurel	4,804,390	2,905,535
City of Long Beach	1,521,484	-
City of Madison	1,957,707	1,319,698
City of Meridian	1,636,300	1,227,988
City of Ocean Springs	5,497,240	1,446,229
City of Pearl	6,774,984	2,146,675
City of Picayune	3,873,674	3,545,778
City of Port Gibson	2,389,835	1,739,174
City of Richland	3,563,334	2,871,742
City of Ridgeland	2,750,338	1,435,884
City of Southaven	11,270,753	2,454,633
City of Tupelo	10,629,045	6,818,112
City of West Point	1,536,148	17,347
City of Wiggins	3,088,221	2,428,172
Collinsville Water Association	1,530,000	-
Combined Utilities	5,307,500	5,090,615
Corinth Utilities Commission	47,034,278	22,339,979
Culkin Water District	12,604,945	5,641,097
Fannin Water Association	2,916,953	555,367
Fisher Ferry Water District	3,105,984	582,995
Greenfield Water Association	2,150,808	500,674
Greenwood Utilities	2,822,302	2,028,496
Harland Creek Community Water Association	1,910,926	1,656,358
Hilldale Water District	5,406,481	2,391,408
Hub Water Association	2,691,035	259,637

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 LOANS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS (CONTINUED)

Local Agency	Authorized Loan Amount	Loan Receivable Balance at June 30, 2023
Jackson County Utility Authority	9,759,874	7,529,952
Leesburg Water Authority	5,388,495	3,576,602
Lewisburg Water Association	1,948,907	113,857
Magnolia Rural Water Association	2,179,802	2,050,398
North Pike	1,902,950	1,700,563
Northeast Mississippi Regional Water Supply District	2,677,553	-
Pleasant Hill Water Association	1,935,359	-
Progress Community Water Association	1,748,791	473,812
Southeast Rankin Water Association	3,786,479	303,900
Southwest Jones Water Association	1,871,292	757,842
Thomasville Water Association	3,032,500	863,992
Town of Caledonia	3,285,745	1,412,935
Town of Lampton	1,856,966	863,928
Town of Morton	2,188,373	473,899
Union Church Water Association	2,742,000	155,200
Walls Water Association	6,175,289	435,177
West Jackson Utility District	19,039,917	13,835,859
Yazoo City	5,018,757	4,872,300
Total Major Loans	341,682,872	164,140,751
Combined Other Loans	99,265,719	42,391,403
Total Loans Outstanding	\$ 440,948,591	\$ 206,532,154

NOTE 4 GRANT AWARDS

The Fund is funded by grants from the EPA authorized by Section 1452 of the SDWA Amendments of 1996 and matching grants from the State. All federal funds drawn are recorded as grant awards from the EPA. As of June 30, 2022, the EPA has awarded capitalization grants of \$247,463,566 to the State, of which \$236,373,604 has been drawn for loans and administrative expenses. The State has provided matching funds of \$49,492,713 from ten general obligation bond issues by the State; as well as additional funds from direct state appropriations. The proceeds from these bonds were deposited into the Fund for State matching. State appropriations, reallocation of set asides, and earned interest are also sources of matching funds. The following summarizes the capitalization grants awarded, amounts drawn on each grant, and balances available for future loans:

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 GRANT AWARDS (CONTINUED)

Year	Grant Amount	Draws Through June 30, 2022	2023 Draws	Draws Through June 30, 2023	Available June 30, 2023
1997	\$ 16,474,200	\$ 16,474,200	\$ -	\$ 16,474,200	\$ -
1998	8,271,700	8,271,700	-	8,271,700	-
1999	8,669,500	8,669,500	-	8,669,500	-
2000	9,010,100	9,010,100	-	9,010,100	-
2001	9,047,400	9,047,400	-	9,047,400	-
2002	8,052,500	8,052,500	-	8,052,500	-
2003	8,004,100	8,004,100	-	8,004,100	-
2004	8,303,100	8,303,100	-	8,303,100	-
2005	8,285,500	8,285,500	-	8,285,500	-
2006	8,229,300	8,229,300	-	8,229,300	-
2007	8,229,000	8,229,000	-	8,229,000	-
2008	8,146,000	8,146,000	-	8,146,000	-
2009	8,146,000	8,146,000	-	8,146,000	-
2010	14,125,000	14,125,000	-	14,125,000	-
2011	9,811,166	9,811,166	-	9,811,166	-
2012	9,341,000	9,341,000	-	9,341,000	-
2013	8,764,000	8,764,000	-	8,764,000	-
2014	9,159,000	9,159,000	-	9,159,000	-
2015	9,099,000	9,099,000	-	9,099,000	-
2016	8,607,000	8,607,000	-	8,607,000	-
2017	8,534,000	8,534,000	-	8,534,000	-
2018	11,957,000	11,144,598	4,054	11,148,652	808,348
2019	11,845,000	10,819,754	246,054	11,065,808	779,192
2020	11,853,000	9,392,927	494,981	9,887,908	1,965,092
2021	11,842,000	2,236,411	6,960,869	9,197,280	2,644,720
2022	5,658,000	-	765,390	765,390	4,892,610
Totals	<u>\$ 247,463,566</u>	<u>\$ 227,902,256</u>	<u>8,471,348</u>	<u>\$ 236,373,604</u>	<u>11,089,962</u>
Receivable, June 30, 2022			(2,134,739)		
Receivable, June 30, 2023			<u>1,172,372</u>		<u>1,172,372</u>
Grant revenues, modified accrual basis			<u>\$ 7,508,981</u>		
Amount available, modified accrual basis					<u>\$ 9,917,590</u>

DRINKING WATER SYSTEMS IMPROVEMENTS REVOLVING LOAN FUND
(AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH, AN AGENCY OF THE
STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CONTINGENCIES AND CONCENTRATIONS

Certain concentrations of the Fund include the following:

Economic Dependency

The Fund is economically dependent upon revenue from the EPA. During 2023, the Fund received approximately 55% of total revenue in the form of federal grants.

Program Set Asides

The Fund has four set aside funds. These set aside funds make up 31% of the annual capitalization grant awarded each year. These funds are used to provide for reimbursement of expenses of the Fund. Through federal regulations, the EPA has allowed states to redirect and reserve set asides as needed to ensure proper management of the funds. Although the set asides have expiration dates, management continues to redirect those funds and has not had exposure to any recall of funds in the past five years.

Principal Forgiveness Loans

The EPA requires the Fund to provide loan forgiveness to eligible borrowers. Management provides loan forgiveness in compliance with EPA guidelines. Principal forgiveness for the year ended June 30, 2023 was \$2,326,087. The Fund is capitalized by State and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by grantor agencies therefore , to the extent that the Fund has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of management of the Fund, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such a contingency.

Contingencies

The Fund is exposed to various risks of loss related to torts, theft of, damage do, and destruction of assets, errors or omissions, and natural disasters. MSDH maintains insurance for some risks of loss. Risks of loss related to torts are administered by the Mississippi Tort Claims Board. There were no significant reductions in insurance coverage from the prior year. The amount of settlements did not exceed insurance coverage in any of the previous three fiscal years as, since its inception in 1996, there have not been any claims against the Fund.

NOTE 6 SUBSEQUENT EVENTS

In August of 2023, the EPA awarded MSDH \$449,000,000 of capitalization grants for Drinking Water State Revolving Funds for various activities to benefit the City of Jackson, Mississippi. Such activities include the administration of loans for projects, technical assistance to small systems, and program management and administration.



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**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***

Local Governments and Rural Water Systems Improvement Board and
Drinking Water Systems Improvements Revolving Loan Fund,
as administered by the Mississippi Department of Health,
an agency of the State of Mississippi
Mississippi Department of Health
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 Drinking Water Systems Improvements Loan Fund (the Fund), as administered by the Mississippi State Department of Health, an agency of the State of Mississippi, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated April 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Local Governments and Rural Water Systems Improvement Board and
Drinking Water Systems Improvements Revolving Loan Fund,
as administered by the Mississippi Department of Health,
an agency of the State of Mississippi

We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The Fund's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Fund's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Andover, Massachusetts
April 26, 2024

**DRINKING WATER SYSTEMS IMPROVEMENTS LOAN FUND
AS ADMINISTERED BY THE MISSISSIPPI STATE DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

2023 – 001

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The Fund's policies and procedures in place to provide reasonable assurance that financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) were not operating effectively to detect significant audit adjustments.

Criteria or specific requirement: Management is responsible for the implementation of internal controls to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Effect: An overstatement of federal revenue and an understatement of unearned revenue totaling \$1.8 million were identified in the client's trial balance as a result of audit procedures. Additionally, understatements of principal forgiveness and transfers in of \$1.1 million were identified in the client's trial balance as a result of audit procedures. These misstatements were subsequently corrected by management.

Cause: The internal controls over financial reporting did not detect and correct the misstatements.

Repeat Finding: Yes, 2022-001

Recommendation: We recommend management revisit policies and procedures strengthen its review of the year-end GAAP financial reporting package.

Views of responsible officials and planned corrective actions: The Program accepts the audit finding as outlined. We are working with Financial Management to develop a process that will include their review, the program's review, and possibly the review of the contracted accountant and the Board's Chairman once these entries are posted to ensure corrective action can be taken then if necessary.



MISSISSIPPI STATE DEPARTMENT OF HEALTH

FINANCIAL AUDIT FINDINGS

June 17, 2024

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. White:

We have reviewed the audit finding below in reference to the Mississippi State Department of Health 2023 fiscal year financial audit. Listed below is our individual response and plan for corrective action:

AUDIT FINDING:

2023-005 Mississippi State Department of Health (MSDH) should revisit policies and procedures to strengthen its review of the year-end GAAP financial reporting package to prevent possible misstatements.

Response: The Agency concurs with the finding.

Corrective Action: Additional procedures will be implemented to improve the accuracy and review process of the Drinking Water Systems Improvements Revolving Loan Fund Program's year-end GAAP financial reporting package.

Name of contact person responsible for corrective action: Lee Alford

Anticipated completion date of corrective action: August 2024

Should you have any questions regarding our response or corrective action plan, please feel free to contact Lee Alford, 601-576-7738.

Sincerely,

Daniel Edney, MD

Daniel P. Edney, MD, FACP, FASAM
State Health Officer

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30 2023



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**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT
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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Dr. Daniel Edney, MD, FACP, FASAM
State Health Officer
Mississippi State Department of Health
Jackson, Mississippi

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Drinking Water Systems Emergency Loan Fund, General Obligation Bond Series 2018B Fund, General Obligation Bond Series 2019C Fund, and General Obligation Bond Series 2021 Fund of the Mississippi State Department of Health (MSDH), an agency of the State of Mississippi (collectively, the Selected Funds of MSDH), 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 Selected Funds of MSDH as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Selected Funds of MSDH 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 financial position and changes in financial position of the Selected Funds of MSDH do not purport to, and do not, present fairly the financial position of the Mississippi State Department of Health or the State of Mississippi as of June 30, 2023, or the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 Selected Funds of MSDH'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.

Dr. Daniel Edney, MD, FACP, FASAM
State Health Officer
Mississippi State Department of Health

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 opinions on the financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, on our consideration of the 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 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 Selected Funds of MSDH'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 the Selected Funds of MSDH's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Andover, Massachusetts
April 26, 2024

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT
BALANCE SHEETS
JUNE 30, 2023**

	Drinking Water Systems Emergency Loan Fund	General Obligation Bond Series 2018B Fund	General Obligation Bond Series 2019C Fund	General Obligation Bond Series 2021 Fund
ASSETS				
Equity in Internal Investment Pool	\$ 7,035,359	\$ 1	\$ 149	\$ 8,316
Receivables:				
Loans Receivable	71,361	-	-	-
Due from Other Governments	117,236	-	-	-
Due from Other Funds	10,663	-	-	-
Total Assets	<u>\$ 7,234,619</u>	<u>\$ 1</u>	<u>\$ 149</u>	<u>\$ 8,316</u>
FUND BALANCES				
Restricted for Health and Social Service	<u>\$ 7,234,619</u>	<u>\$ 1</u>	<u>\$ 149</u>	<u>\$ 8,316</u>

See accompanying Notes to Financial Statements.

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2023**

	Drinking Water Systems Emergency Loan Fund	General Obligation Bond Series 2018B Fund	General Obligation Bond Series 2019C Fund	General Obligation Bond Series 2021 Fund
REVENUES				
Interest on Investments	\$ 135,082	\$ -	\$ 4	\$ 275
Interest on Loans	2,522	-	-	-
Total Revenues	<u>137,604</u>	<u>-</u>	<u>4</u>	<u>275</u>
EXCESS OF REVENUES OVER EXPENDITURES	137,604	-	4	275
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,644)</u>
NET CHANGE IN FUND BALANCES	137,604	-	4	(41,369)
Fund Balance - Beginning of Year	<u>7,097,015</u>	<u>1</u>	<u>145</u>	<u>49,685</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,234,619</u>	<u>\$ 1</u>	<u>\$ 149</u>	<u>\$ 8,316</u>

See accompanying Notes to Financial Statements.

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Background Information

The Mississippi State Department of Health (MSDH), an agency of the State of Mississippi, follows fund accounting with respect to its governmental fund types. The following funds represent funds selected for audit by the State of Mississippi, Office of the State Auditor (collectively, the Selected Funds of MSDH), and the accompanying presentation does not purport to present the financial position and changes in financial position of the State of Mississippi or MSDH.

B. Drinking Water Systems Emergency Loan Fund

The State of Mississippi Legislature under Section 41-3-16 of the Mississippi Code of 1972 authorized the Local Governments and Rural Water Systems Improvements (LGRWSI) Board to implement the Emergency Loan Program. For counties and municipalities, loans will be repaid by the withholding of homestead exemption tax loss reimbursements or sales tax distributions by the State Tax Commission, thereby avoiding the need to transmit a monthly repayment. MSDH, as the State's drinking water primary agency, supplies the staff and facilities necessary to administer these programs.

Fund 6330200000 – Drinking Water Systems Emergency Loan Fund authorized by the State to create the LGRWSI Board which were authorized (SB2956 of 1996) and used to create the Emergency Water Loan Program intended to provide emergency loans to counties, municipalities, districts, or other water organizations that are tax exempt for the repair, replacement, or construction of drinking water projects that meet the LGRWSI Board's definition of emergency, as defined by the LGRWSI Board's regulations.

C. General Obligation Bond Funds

MSDH also administers the Drinking Water Systems Improvement Revolving Loan Fund (DWSIA-RLF) pursuant to the Safe Drinking Water Act (SDWA). The SDWA created the revolving loan fund program to provide low interest rate loans to counties, municipalities, districts, and other tax-exempt water system organizations for construction of new water systems, the expansion or repair of existing water systems, and/or the consolidation of new or existing water systems. The State Legislature authorized the issuance of the State general obligation bonds to provide State funds for the program's matching requirement. \$36,843,000 of the proceeds from the sale of these bonds has been deposited into the DWSIA-RLF. No new bonds were authorized or issued for the year ended June 30, 2023. These funds are invested by the State Treasurer until such time that the funds are needed to meet State matching requirements on loan payments. The DWSIA-RLF also receives direct appropriations from the State Legislature and amounts from the other funds authorized by the Board. As of June 30, 2023, the U.S. Environmental Protection Agency (EPA) had awarded \$247,463,566 in capitalization grants to the State; requiring a minimum of \$49,492,713 in State matching funds.

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund 6332100000 – Bond Funds (General Obligation Bond Series 2018B) authorized by the State to provide funds for all costs incurred by the LGRWSI Board in constructing new water systems or repairing existing water systems. These funds were used to meet the state match requirement of the EPA DWSRF capitalization grant.

Fund 6332200000 – Bond Funds (General Obligation Bond Series 2019C) authorized by the State to provide funds for all costs incurred by the LGRWSI Board in constructing new water systems or repairing existing water systems. These funds were used to meet the state match requirement of the EPA DWSRF capitalization grant.

Fund 6332300000 – Bond Funds (General Obligation Bond Series 2021) authorized by the State to provide funds for all costs incurred by the LGRWSI Board in constructing new water systems or repairing existing water systems. These funds were used to meet the state match requirement of the EPA DWSRF capitalization grant.

D. Basis of Presentation

The accompanying fund financial statements 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).

E. Basis of Accounting/Measurement Focus

The Selected Funds of MSDH present their financial statements as governmental funds and use 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 Selected Funds of MSDH apply all relevant GASB pronouncements.

The Selected Funds of MSDH apply restricted fund balance when an expense or outlay is incurred for purposes for both which restricted and unrestricted fund balance is available.

F. Budget Information

Under the Constitution of the State of Mississippi, money may only be drawn from the Treasury by a legal appropriation. The Selected Funds of MSDH’s operations are included in MSDH’s annual budget.

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Use of Estimates

The preparation of financial statements in conformity with GAAP 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 and expenditures during the reporting period. Actual results could differ from those estimates.

H. Loans Receivable and Due from Other Governments

Funds are disbursed to the loan recipients upon receipt of a request from the loan recipient for the purposes of the loan. Interest is calculated from the initial contract completion date. After the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted from actual amounts disbursed, plus interest accrued from the initial contract completion date to initiation of the repayment process, less principal forgiveness granted on the loan.

Loans receivable represent amounts due from water associations. Due from other governments represents amounts due from cities and counties.

I. Fund Balance – Governmental Funds

Although government funds can contain five classifications, fund balances of the Selected Funds of MSDH are displayed as “restricted for health and social service”. Restricted fund balance represents amounts that can be spent only for the specific purposes stipulated by external resource providers constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

NOTE 2 EQUITY IN INTERNAL INVESTMENT POOL

All monies of the Selected Funds of MSDH 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, 2023, the State’s total pooled deposits and investments for State Agencies were approximately \$10.96 billion, and the average remaining life of the securities invested was 2.5 years. The earnings for the total pooled investments for the year ended June 30, 2023, were approximately \$104.2 million.

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 EQUITY IN INTERNAL INVESTMENT POOL (CONTINUED)

Equity in internal investment pool is the cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2023, the Selected Funds of MSDH had approximately \$120 million in the Treasurer's internal investment pool. The total deposits and investments of the internal investment pool are categorized according to the credit risk in the State of Mississippi's Annual Comprehensive Financial Report. However, the Selected Funds of MSDH's portion of the internal investment pool cannot be individually categorized because the deposits and investments are pooled with other State agencies.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The Selected Funds of MSDH's deposit policy for protection of custodial credit risk is handled under a statewide collateral program. The collateral for public entities' deposits in the financial institutions is held by the depository bank in the name of the State Treasurer under a program established by the State of Mississippi Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 LOANS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

The Emergency Loan Program is intended to provide emergency loans to counties, municipalities, districts, or other water organizations that are tax exempt for the repair, replacement, or construction of drinking water projects that meet the LGRWSI Board's definition of emergency, as defined by the LGRWSI Board's regulations for this program. There is no set maximum loan limit for an emergency loan. The present interest rate is 2.0%, compounded monthly, to be amortized within five years after project completion. The applications are considered on a "first come, first serve" basis, and loans will be processed to qualified projects until all available funds are obligated. The details of loans receivable as of June 30, 2023, are described below.

In the event of a default on a loan obligation by a public entity, MSDH has certain legal remedies that are intended to provide for ultimate collection of amounts due. Based on past history, loans receivable are considered 100% collectible.

**MISSISSIPPI STATE DEPARTMENT OF HEALTH
FUNDS SELECTED FOR AUDIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 LOANS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS (CONTINUED)

Loans by Category

Loans receivable (including amounts due from other governments) at June 30, 2023 are as follows:

	<u>Loans Authorized</u>	<u>Authorized Amount Remaining</u>	<u>Loan Balance</u>
Completed Projects	\$ 244,262	\$ -	\$ 159,460
Projects in Progress	235,192	206,055	29,137
Totals	<u>\$ 479,454</u>	<u>\$ 206,055</u>	<u>188,597</u>
Less: Amount due within one year on completed projects			<u>(60,973)</u>
Loans receivable and due from other governments, long-term			<u>\$ 127,624</u>

NOTE 4 CONTINGENCIES

The Selected Funds of MSDH are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; business interruption; errors or omissions; and natural disasters. MSDH maintains insurance for some risks of loss. Risks of loss related to torts are administered by the Mississippi Tort Claims Board. There were no significant reductions in insurance coverage from the prior year. The amount of settlements did not exceed insurance coverage in any of the previous three fiscal years.



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**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**

Dr. Daniel Edney, MD, FACP, FASAM
State Health Officer
Mississippi State Department of Health
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 Drinking Water Systems Emergency Loan Fund, General Obligation Bond Series 2018B Fund, General Obligation Bond Series 2019C Fund, and General Obligation Bond Series 2021 Fund of the Mississippi State Department of Health (MSDH), an agency of the State of Mississippi (collectively, the Selected Funds of MSDH), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Selected Funds of MSDH's basic financial statements, and have issued our report thereon dated April 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Selected Funds of MSDH's 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 the Selected Funds of MSDH's internal control. Accordingly, we do not express an opinion on the effectiveness of the Selected Funds of MSDH's internal control.

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

Dr. Daniel Edney, MD, FACP, FASAM
State Health Officer
Mississippi State Department of Health

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Selected Funds of MSDH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

Andover, Massachusetts
April 26, 2024