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FINANCIAL REPORT

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

JACKSON, MISSISSIPPI

JUNE 30, 2023

Presented by: Harper, Rains, Knight & Company, P.A.
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Mississippi Supreme Court
Administrative Office of Courts
Jackson, Mississippi

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities of the Mississippi Supreme Court Administrative Office of Courts (the "Court") as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Court's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities of the Court, as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Court's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

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Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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 omission, 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, 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 Court'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Court's ability to continue as a going concern for a reasonable period of time.

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 and budgetary comparison information 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 basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic 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 May 9, 2024, on our consideration of the Court'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 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 Court's internal control over financial reporting and compliance.

Harper, Raines, Knight & Company, P.A.

May 9, 2024
Ridgeland, Mississippi

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

BALANCE SHEETS
June 30, 2023 and 2022

| ASSETS | | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| Cash | \$ 800 | \$ 800 |
| Equity in state treasury funds | 7,387,057 | 4,302,842 |
| Due from federal government | 402,626 | - |
| Due from other state funds | - | 289,612 |
| Other assets | 20,000 | 20,000 |
| Total assets | <u>\$ 7,810,483</u> | <u>\$ 4,613,254</u> |
| | | |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts payable | \$ 516,925 | \$ 365,330 |
| Accrued wages payable | 191,512 | 163,336 |
| Due to other local governments | 866,792 | 705,186 |
| Due to other state funds | - | 288,912 |
| Unearned revenue | 1,700 | - |
| Total liabilities | <u>1,576,929</u> | <u>1,522,764</u> |
| Fund balance | | |
| Committed to law, justice and public safety | 346,749 | 601,123 |
| Restricted to law, justice, regulation of business and professional licenses | 5,886,805 | 2,489,367 |
| Total fund balance | <u>6,233,554</u> | <u>3,090,490</u> |
| Total liabilities and fund balance | <u>\$ 7,810,483</u> | <u>\$ 4,613,254</u> |

The Notes to Financial Statements are an integral part of these statements.

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE

Years ended June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Revenue | | |
| Political subdivision | \$ 14,802,285 | \$ 14,344,876 |
| Court assessments | 5,232,903 | 4,868,641 |
| Licenses, fees and permits | 1,074,712 | 972,092 |
| Federal grant | 348,539 | 207,402 |
| Non-federal grant | 70,709 | 258,500 |
| Charges for supplies/services to outside entities | 1,069,385 | 1,014,087 |
| Interest income | 42,679 | 26,187 |
| Other income | 69,355 | 69,228 |
| Total revenue | <u>22,710,567</u> | <u>21,761,013</u> |
| Expenditures | | |
| Salaries and benefits | 62,905,813 | 60,572,227 |
| Subsidies | 10,840,939 | 10,160,868 |
| Travel | 1,588,523 | 1,169,595 |
| Contractual services | 2,098,479 | 1,782,780 |
| Commodities | 1,350,676 | 1,491,430 |
| Capital outlay | 124,847 | 89,868 |
| Total expenditures | <u>78,909,277</u> | <u>75,266,768</u> |
| Excess of revenues under expenditures | <u>(56,198,710)</u> | <u>(53,505,755)</u> |
| Other financing sources (uses) | | |
| Transfers in | 61,774,853 | 53,564,639 |
| Transfers (out) | (2,433,079) | (4,805,120) |
| Net financing sources | <u>59,341,774</u> | <u>48,759,519</u> |
| Net change in fund balance | 3,143,064 | (4,746,236) |
| Fund balance, beginning of year | <u>3,090,490</u> | <u>7,836,726</u> |
| Fund balance, end of year | <u>\$ 6,233,554</u> | <u>\$ 3,090,490</u> |

The Notes to Financial Statements are an integral part of these statements.

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been followed by the Mississippi Supreme Court Administrative Office of Courts (hereafter referred to as the "Court") in preparing the accompanying financial statements are set forth below.

Organization and Operations

The Court was established on July 1, 1993, in order to assist in the efficient administration of the nonjudicial business of the State's court system. The Court is responsible for the administrative business of the state trial and appellate courts including budget, finance and personnel. The director also assists the Chief Justice of the Supreme Court, the chief administrative officer of every court in the state. The Court works to obtain and manage grants, assists with studies and projects to improve the administration of justice, serves as the data collection unit of the court system and sets standards and rules for electronic filing of court records.

Basis of Presentation

The accompanying general fund financial statements of the Court have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The Court applies all relevant GASB pronouncements.

Measurement Focus and Basis of Accounting

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

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. All short-term, highly liquid investments that are readily convertible to cash (generally with a maturity of three months or less) are considered cash equivalents. At June 30, 2023 and 2022, there were no cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts due from the Federal or State government in which the revenue is earned, but not received by June 30, 2023 and 2022. Accounts receivable are reported net of allowance for uncollectible accounts, where applicable. No allowance for uncollectible accounts is recorded at June 30, 2023 and 2022.

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the Court's financial statements. Interfund transactions are reflected as services provided, reimbursements or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Fund Balance - Governmental Funds

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

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

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

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

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 • SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance - Governmental Funds (continued)

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

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

Unassigned fund balance - Unassigned fund balance is the residual classification for the selected funds.

The Court considers restricted amounts to have been spent when the expenditure is incurred for purposes determined for which both restricted and unrestricted fund balances are available.

Revenue Recognition

Grant revenue is recognized when the related and allowable liability is paid. Other revenues are generally recognized when the revenue is received or appropriated by the State of Mississippi Legislature.

Unearned Revenue

Unearned grant 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.

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 1 • SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

The Court is a governmental entity and, as such, is exempt from federal and state income taxes.

Subsequent Events

Subsequent events were evaluated by the Court May 9, 2024, which is the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that required additional recognition or disclosure in the financial statements.

NOTE 2 • EQUITY IN STATE TREASURY FUNDS

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

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 2 • EQUITY IN STATE TREASURY FUNDS (continued)

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

NOTE 3 • DUE FROM AND DUE TO

At June 30, 2023, due from and due to other government balances consisted of:

Due from/to other funds result primarily from time lag between the dates that interfund good and services were provided, or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made. All balances are expected to be received or paid during the next fiscal year.

| | <u>Due From</u> | <u>Due To</u> |
|---|-----------------|---------------|
| Federal government | | |
| Department of Health and Human Services | \$ 402,626 | \$ - |
| Other local governments | \$ - | \$ 866,792 |

At June 30, 2022, due from and due to other government balances consisted of:

| | <u>Due From</u> | <u>Due To</u> |
|--|-----------------|---------------|
| Other local governments | \$ - | \$ 705,186 |
| Other state funds | | |
| Department of Employment Security | \$ 289,612 | \$ - |
| Department of Finance and Administration | - | 288,912 |
| Total other state funds | \$ 289,612 | \$ 288,912 |

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 4 • TRANSFERS IN AND OUT

Transfers in and out for the year ended June 30, 2023, are as follows:

| | Transfers In | Transfers Out |
|--|----------------------|---------------------|
| Office of the State Treasurer | \$ 55,409,144 | \$ - |
| Department of Finance and Administration - CARES ACT | 125,897 | - |
| Department of Finance and Administration - ARPA funds | 3,227,683 | - |
| Department of Finance and Administration - capital outlay | 598,000 | - |
| Department of Finance and Administration - pooled interest | - | 127,724 |
| Other state agencies - COVID funds | 107,068 | - |
| Other agency funds | 2,307,061 | 2,305,355 |
| Total | <u>\$ 61,774,853</u> | <u>\$ 2,433,079</u> |

Transfers in and out for the year ended June 30, 2022, are as follows:

| | Transfers In | Transfers Out |
|--|----------------------|---------------------|
| Office of the State Treasurer | \$ 48,856,704 | \$ - |
| Department of Finance and Administration - COVID funds | 6,500 | - |
| Department of Finance and Administration - reappropriation | - | - |
| Department of Finance and Administration - capital outlay | 141,000 | - |
| Department of Finance and Administration - pooled interest | - | 5,886 |
| Department of Finance and Administration - adjustments | - | (152) |
| Department of Employment Security | 295,085 | 5,118 |
| Unemployment Insurance Trust | - | 529,268 |
| Other state agencies - COVID funds | 350 | - |
| Other agency funds | 4,265,000 | 4,265,000 |
| Total | <u>\$ 53,564,639</u> | <u>\$ 4,805,120</u> |

MISSISSIPPI SUPREME COURT
ADMINISTRATIVE OFFICE OF COURTS

NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

NOTE 5 • RETIREMENT PLAN

The Court 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 percent of their annual covered salary and the Funds are required to contribute at an actuarially determined rate. The current rate for June 30, 2023 and 2022, is 17.40 percent of annual covered payroll. The contribution requirements for PERS are established in accordance with actuarial contribution requirements determined through actuarial valuation and adopted by the PERS Board.

NOTE 6 • CONTINGENCIES AND COMMITMENTS

The Court 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 result in a liability for the Court.

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



Mississippi Supreme Court
Administrative Office of Courts
Jackson, Mississippi

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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements the governmental activities of the Mississippi Supreme Court Administrative Office of Courts (the "Court") as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the Court's basic financial statements and have issued our report thereon dated May 9, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Court's internal control over financial reporting ("internal control") as a basis for designing 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 Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court'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 Court'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.

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Report on Internal Control Over Financial Reporting (continued)

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 a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court'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 Court'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 Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hopew, Rains, Knight & Company, P.A.

May 9, 2024
Ridgeland, Mississippi