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**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH  
FINANCIAL STATEMENTS – GENERAL FUND  
YEAR ENDED JUNE 30, 2022**



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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

#### **Qualified 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, 2022, and the related notes to the financial statements. These financial statements will be consolidated into the State of Mississippi's Annual Comprehensive Financial Report (ACFR).

#### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of MDH as of June 30, 2022, 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 Qualified 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 qualified opinion.

#### **Matter Giving Rise to the Qualified Opinion**

We did not perform physical inventory counts for the year ending June 30, 2022. The value of inventory as of June 30, 2022 is \$10,195,073. In addition, we were unable to obtain sufficient appropriate audit evidence over the quantity of inventory by other audit procedures.

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the general fund of the Mississippi Department of Health and do not purport to, and do not, present fairly the financial position of the Mississippi Department of Health as of June 30, 2022, 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 basic 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 opinion 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 February 23, 2023, 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  
February 23, 2023

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH  
BALANCE SHEET  
JUNE 30, 2022**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash in Banks	\$ 33,332,949
Equity in Funds	302,648,385
Account Receivable, Net	3,765,035
Inventory	10,195,073
Due from Other State Agencies	25,754,227
Due from Federal Agencies	115,904,415
Prepaid	<u>34,000</u>
Total Assets	<u>\$ 491,634,084</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Account Payable	\$ 16,847,263
Due to Component Units of the State of Mississippi	2,124,672
Due to Other State Agencies	4,018,316
Due to the Federal Governments	4,531,404
Unearned Federal Revenue	7,353,585
Total Liabilities	34,875,240
<b>FUND BALANCES</b>	
Fund Balance - Nonspendable	10,229,073
Fund Balance - Restricted	478,208,803
Fund Balance - Committed	1,077,123
Unassigned	<u>(32,756,155)</u>
Total Fund Balances	<u>456,758,844</u>
Total Liabilities and Fund Balances	<u>\$ 491,634,084</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, 2022**

	General Fund
<b>REVENUES</b>	
Federal Grants	\$ 215,593,008
Payments from Medicaid	28,271,565
Indirect Cost Recovery	12,865,810
Covid-19 Medicaid	53,127,202
Assessments and Fees	13,194,207
Charges for Services	36,567,973
Licenses and Permits	31,148,195
Interest Income	115,981
Miscellaneous Revenue	4,725,314
Total Revenues	395,609,255
<b>EXPENDITURES</b>	
Commodities	132,341,375
Salaries and Benefits	107,729,920
Contractual Services	91,712,625
Grantor Pay Nontax	87,195,315
Administrative Costs	12,865,810
Payments to IT	1,898,637
Capital Assets	1,575,142
Travel Expense	4,270,284
Miscellaneous Expense	7,586,591
Total Expenditures	447,175,699
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(51,566,444)
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfer In	359,567,028
Transfer Out	(12,122,829)
Total Other Financing Sources (Uses)	347,444,199
<b>NET CHANGE IN FUND BALANCES</b>	295,877,755
Fund Balances - Beginning of Year	160,881,089
<b>FUND BALANCES - END OF YEAR</b>	\$ 456,758,844

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 5331500000, 6330300000, 6331B00000, 6331C00000, 6330200000, 6332100000, 6332200000, and 6332300000.

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

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Purpose of General Funds (Continued)**

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 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.

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.

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Purpose of General Funds (Continued)**

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

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 6830130300 – *MSDH Specialty Hospitals* fund is used to reimburse Mississippi licensed specialty hospitals for their necessary expenditures incurred due to the COVID-19 public health emergency.

Fund 882240000 – *Cafeteria Plan* fund is used for the agency's cafeteria plan activities.

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, 2022**

**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 \$33,332,949 at June 30, 2022. Cash on hand totaled \$11,860 on June 30, 2022.

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, 2022. Accounts receivable is reported net of allowances for uncollectible accounts, where applicable. The allowance for uncollectible accounts was \$(339,600) at June 30, 2022.

**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, 2022, inventory consisted of the following:

Food Inventory	\$ 9,855,659
Prescription Drug Inventory	339,414
Total Inventory	<u><u>\$ 10,195,073</u></u>

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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, 2022**

**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, 2022, Fund transfers in consisted of:

	<u>Transfers In</u>
Division of Budgets and Accounting, Highway Safety, and Medicaid	\$ 6,661,144
Office of State Treasurer	34,781,090
Medicaid	4,818,077
Office of the State Treasury Appropriated Funds	11,618,772
Office of State Treasurer - ARPA	300,000,000
Mississippi Department of Employment Services	1,687,945
Total Transfers In	<u>\$ 359,567,028</u>

As of June 30, 2022, Fund transfers out consisted of:

	<u>Transfers Out</u>
Attorney General's Office, Mississippi Emergency Management Agency, and Mississippi Department of Employment Security	\$ (150,811)
Victims of Crime Act Grant	(13,133)
Attorney General's Office, Mississippi Department of Corrections, and Mississippi Department of Public Safety	(107,686)
HCF Lapse	(1,465,763)
Health Care Expendable Fund	(1,499,906)
MEMA, Mississippi Department of Finance and Administration - State Wide Cost Allocation Plan	(1,618,842)
Mississippi Department of Finance and Administration	(2,748,892)
Mississippi Department of Medicaid	(294,497)
Mississippi Department of Health: Inoculation Supplies	(352,500)
Unspent Covid-19 Cares Act Funds	(130,799)
Office of the State Treasurer	-
Tobacco Control Fund Payments	(3,740,000)
Total Transfers Out	<u>\$ (12,122,829)</u>

**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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, 2022, due from consisted of the following:

	Due From
Due from Federal Agencies:	
U.S. Department of Health and Human Services and Other Federal Agencies	\$ 115,904,415
Due from Other State Agencies:	
Mississippi Division of Medicaid	20,934,888
Mississippi Employment Security Commission	115,035
Mississippi Office of Administration - Child Development Fund	3,323,150
Mississippi Department of Public Safety	516,154
Office of the State Treasury	865,000
Total	25,754,227
Total Due From	\$ 141,658,642

As of June 30, 2022, due to consisted of the following:

	Due To
Due to the Federal Governments:	
Due to U.S. Department of Treasury	\$ 4,531,404
Due to Other State Agencies:	
Mississippi Attorney General's Office	193,020
Mississippi Division of Medicaid	336,959
Other Mississippi Agencies	3,488,337
Total	4,018,316
Due to Component Units of the State of Mississippi:	
Mississippi Institute of Higher Learning	749,022
University of Mississippi Medical Center	1,375,650
Total	2,124,672
Total Due To	\$ 10,674,392

**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.



**STATE OF MISSISSIPPI DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

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, 2022, MDH contributed \$13,199,444 to PERS for the funds included in these financial statements.



**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, 2022, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2023, which contained an unmodified opinion with an Other Matter paragraph regarding the omission of management's discussion and analysis. These financial statements will be consolidated into the State of Mississippi's Annual Comprehensive Financial Report (ACFR).

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

**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**

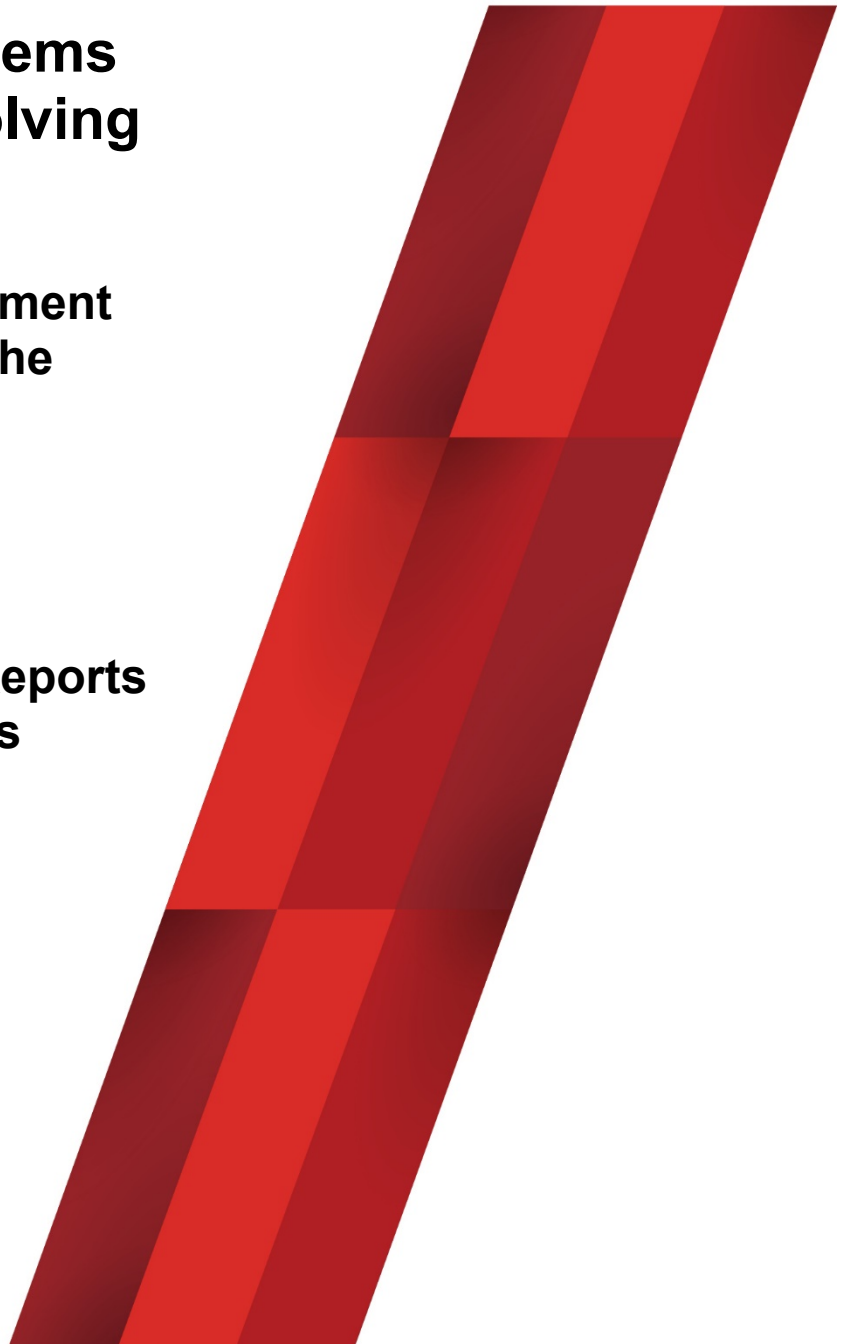
Baltimore, Maryland  
February 23, 2023

# **Drinking Water Systems Improvements Revolving Loan Fund**

**(As administered by the  
Mississippi State Department  
of Health, an agency of the  
State of Mississippi)**

**Independent Auditor's Reports  
and Financial Statements**

**June 30, 2022**



**Drinking Water Systems Improvements Revolving Loan Fund**  
**(As administered by the Mississippi State Department**  
**of Health, an agency of the State of Mississippi)**

**June 30, 2022**

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## Independent Auditor's 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

### Opinion

We have audited the financial statements of the Drinking Water Systems Improvements Revolving 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, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2022, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's 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.

### 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.

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 Fund's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's 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 auditor's 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, 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund'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.

### ***Emphasis of Matter***

As discussed in *Note 1*, the financial statements referred to above are intended to present only the financial position and the changes in financial position of the Drinking Water Systems Improvements Revolving Loan Fund, as administered by the Mississippi State Department of Health, an agency of the State of Mississippi. These statements are not intended, and do not purport, to present the financial position and the changes in financial position of the State of Mississippi or the Mississippi State Department of Health. 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  
Page 3

***Other Matter***

*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 basic 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 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 February 22, 2023, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

**FORVIS,LLP**

Jackson, Mississippi  
February 22, 2023



**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, 2022**

**Assets**

Equity in internal investment pool	\$ 126,855,711
Receivables	
Loans receivable	70,241,793
Due from other governments	114,899,178
Due from federal government	2,176,082
Due from other funds	41,291
Other	<u>3,258</u>
 Total assets	 <u><u>\$ 314,217,313</u></u>

**Liabilities and Fund Balance**

**Liabilities**

Warrants payable	\$ 1,418
Accounts payable	1,394,450
Due to other governments	1,300,588
Unearned revenue	<u>41,343</u>
 Total liabilities	 <u><u>2,737,799</u></u>

**Fund Balance**

Restricted for health and social service	<u>311,479,514</u>
 Total liabilities and fund balance	 <u><u>\$ 314,217,313</u></u>

**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 Changes in Fund Balance**  
**Year Ended June 30, 2022**

<b>Revenues</b>	
Interest on loans	\$ 2,372,327
Interest on investments	698,945
Loan administration fee	535,655
Other revenue	29,787
Federal program grants	<u>9,168,380</u>
Total revenues	<u>12,805,094</u>
 <b>Expenditures</b>	
Administrative expenses	793,867
Principal forgiveness	<u>1,306,318</u>
Total expenditures	<u>2,100,185</u>
<b>Excess of Revenues Over Expenditures</b>	<u>10,704,909</u>
 <b>Other Financing Sources</b>	
Transfers in, net	<u>2,015,347</u>
Total other financing sources	<u>2,015,347</u>
<b>Net Change in Fund Balance</b>	12,720,256
<b>Fund Balance, Beginning of Year</b>	<u>298,759,258</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 311,479,514</u></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, 2022**

**Note 1: Background Information and Summary of Significant Accounting Policies**

***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 expenditure 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 the 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, 2022. 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 Fund also receives direct appropriations from the State Legislature and amounts from other funds authorized by the Board. As of June 30, 2022, the EPA had awarded \$241,805,566 in capitalization grants to the State, requiring a minimum of \$48,361,113 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.

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 Environmental Quality, 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 a rural water system. The manager of a rural water system is appointed by the Governor from a list of candidates provided by

**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, 2022**

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 statements are not intended, and do not purport, to present the financial position and results of operations for the State of Mississippi or MSDH.

***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).

***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 related liability is incurred. The Fund applies all relevant GASB pronouncements.

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

***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.

***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.

***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

**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, 2022**

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 for the actual amounts disbursed, plus interest accrued from initial contract completion date to initiation of repayment process, less principal forgiveness granted on the loan.

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

***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.”

***Fund Balance – Governmental Funds***

Although governmental funds can contain five classifications, all of the fund balance of the Fund are restricted. The fund balance for the Fund’s governmental funds are displayed as applicable in five components. Restricted funds are 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.

***Risk Management***

The Fund is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and 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. Since its inception in 1996, there have not been any claims against the Fund.

**Note 2: Equity in Internal Investment Pool**

All monies of the Fund are deposited with the State Treasury 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, 2022, the State’s total pooled deposits and investments for State agencies were approximately \$9.9 billion, and the average remaining life of the securities invested was 2.8 years. The earnings for the total pooled investments for the year ended June 30, 2022 were approximately \$35.2 million.

Equity in internal investment pool is cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2022, the Fund had approximately \$126.9 million in the Treasurer’s internal investment pool. The total deposits and

**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, 2022**

investments of the internal investment pool are categorized according to credit risk in the State of Mississippi's Comprehensive Annual Financial Report. However, the Fund's portion of the internal investment pool cannot be individually categorized because the deposits and investments are pooled with other State agencies.

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. The Fund'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). 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 and Credit Risk**

The Fund makes loans to qualified drinking water systems for projects that meet the 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, 2022, 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, management believes no allowance for doubtful accounts is necessary.

**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, 2022**

**Loans by Category**

Loans receivable (including amounts due from other governments) at June 30, 2022, are as follows:

Description	Loans Authorized	Authorized Amount Remaining	Loan Balance
Completed projects	\$ 285,473,000	\$ -	\$ 120,770,771
Projects in progress	<u>142,884,182</u>	<u>78,513,982</u>	<u>64,370,200</u>
Totals	<u>\$ 428,357,182</u>	<u>\$ 78,513,982</u>	185,140,971
Less amount due within one year on completed projects			<u>(12,825,784)</u>
Loans receivable and due from other governments, long-term			<u>\$ 172,315,187</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 \$535,655 was collected in 2022.

**Major Loans to Drinking Water Systems**

As of June 30, 2022, the Fund made loans to 59 drinking water systems that, in the aggregate, exceeded \$1,500,000, net of principal forgiveness. The outstanding balances of these loans, net of any principal forgiveness, represent approximately 77.2% 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, 2022**

<b>Local Agency</b>	<b>Authorized Loan Amount</b>	<b>Outstanding Balance</b>
Adams County Water Association	\$ 2,844,725	\$ 50,499
Bear Creek Water Association	16,122,439	-
Burnsville	4,890,000	65,878
Central Yazoo	3,593,839	1,246,769
Center Water Association	1,905,594	1,405,912
City of Baldwin	1,610,110	1,054,577
City of Brandon	6,203,669	4,850,792
City of Brookhaven	2,250,053	2,001,307
City of Clinton	4,552,211	2,190,990
City of Columbia	1,741,864	1,123,633
City of Eupora	3,733,000	2,642,883
City of Gautier	2,677,171	801,045
City of Grenada	11,000,000	3,009,066
City of Hernando	2,177,042	524,590
City of Horn Lake	4,636,612	1,311,268
City of Jackson	47,342,809	15,578,148
City of Laurel	4,804,390	3,148,617
City of Long Beach	1,521,484	13,716
City of Madison	1,957,707	1,414,159
City of Meridian	1,636,300	1,227,988
City of Ocean Springs	5,497,240	1,766,493
City of Pearl	6,774,984	2,267,516
City of Picayune	2,206,997	1,977,235
City of Port Gibson	2,389,835	1,851,498
City of Richland	3,563,334	3,032,332
City of Ridgeland	2,750,338	1,575,689
City of Southaven	11,270,753	3,029,252
City of Tupelo	10,629,045	7,350,808
City of West Point	1,536,148	119,634
City of Wiggins	3,088,221	2,566,650
Collinsville Water Association	1,530,000	190,467
Combined Utilities	5,307,500	1,989,627
Corinth Utilities Commission	47,034,278	24,983,096
Culkin Water District	8,104,945	5,992,529
Fannin Water Association	2,916,953	745,258
Fisher Ferry Water District	3,105,984	789,636
Greenfield Water Association	2,150,808	583,354
Greenwood Utilities	2,822,302	2,160,437
Grenada Gore Springs	2,358,570	-
Harland Creek Community Water Association	1,910,926	1,467,231
Hilldale Water District	5,406,481	2,597,658
Jackson County Utility Authority	9,717,991	3,658,763
Leesburg Water Authority	2,505,000	126,084



**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, 2022**

<b>Local Agency</b>	<b>Authorized Loan Amount</b>	<b>Outstanding Balance</b>
Lewisburg Water Association	\$ 1,948,907	\$ 278,236
Magnolia Rural Water Association	2,179,802	2,104,926
North Pike	1,902,950	1,775,919
Northeast Mississippi Regional Water Supply District	2,677,553	-
Pleasant Hill Water Association	1,935,359	-
Progress Community Water Association	1,748,791	529,947
Southeast Rankin	1,746,479	766,844
Southwest Jones Water Association	1,871,292	856,653
Thomasville Water Association	1,800,000	75,600
Town of Caledonia	3,285,745	1,584,156
Town of Lampton	1,856,966	920,653
Town of Morton	2,188,373	607,190
Town of Taylorsville	1,599,785	1,169,339
Walls Water Association	5,607,722	624,278
West Jackson Utility District	21,109,916	12,659,751
Yazoo City	4,927,188	4,475,317
Total major loans	<u>330,166,480</u>	<u>142,911,893</u>
Combined nonmajor loans	<u>98,190,702</u>	<u>42,229,078</u>
	<u>\$ 428,357,182</u>	<u>\$ 185,140,971</u>

**Note 4: Grant Awards**

The Fund is funded by capitalization grants from the EPA authorized by Section 1452 of the SDWA Amendments of 1996 and matching funds 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 \$241,805,566 to the State, of which \$227,902,256 has been drawn for loans and administrative expenses. The State has provided matching funds of \$48,361,113 from ten general obligation bond issues by the State and 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, 2022**

Year	Grant Amount	Draws			Available June 30, 2022
		Through June 30, 2021	2022 Draws	Through June 30, 2022	
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	7,857,000	750,000	8,607,000	-
2017	8,534,000	7,179,834	1,354,166	8,534,000	-
2018	11,957,000	9,890,037	1,254,561	11,144,598	812,402
2019	11,845,000	6,442,402	4,377,352	10,819,754	1,025,246
2020	11,853,000	-	9,392,927	9,392,927	2,460,073
2021	11,842,000	-	2,236,411	2,236,411	9,605,589
	<u>\$ 241,805,566</u>	<u>\$ 208,536,839</u>	19,365,417	<u>\$ 227,902,256</u>	13,903,310
Net receivable, June 30, 2021			(12,331,776)		-
Net receivable, June 30, 2022			<u>2,134,739</u>		<u>(2,134,739)</u>
Grant revenues, modified accrual basis			<u>\$ 9,168,380</u>		
Amount available, modified accrual basis					<u>\$ 11,768,571</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, 2022**

**Note 5: Significant Estimates and Concentrations**

Certain significant estimates and current vulnerabilities due to certain concentrations of the Fund include the following:

***Economic Dependency***

The Fund is economically dependent upon revenue from the EPA. During 2022, the Fund received approximately 72% 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 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 the EPA guidelines. Principal forgiveness for the year ended June 30, 2022 was \$1,306,318.

***Contingency***

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 the 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, 2022, 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.

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

### **Independent Auditor's 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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Drinking Water Systems Improvements Revolving Loan Fund (Fund), as administered by the Mississippi State Department of Health, an agency of the State of Mississippi, which are comprised of the balance sheet as of June 30, 2022, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2023, which contained an *Emphasis of Matter* paragraph regarding the Fund reflected in the financial statements and an *Other Matter* paragraph regarding the omission of management's discussion and analysis.

#### ***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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Fund'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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

***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*.

***Fund's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Fund's response to the findings 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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Jackson, Mississippi  
February 22, 2023

**Drinking Water Systems Improvements Revolving Loan Fund**  
**(As administered by the Mississippi State Department**  
**of Health, an agency of the State of Mississippi)**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2022**

<b>Reference Number</b>	<b>Finding</b>
<b>2022-001</b>	<p><b>Criteria or Specific Requirement</b> – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><b>Condition</b> – While the design of the Fund’s accounting and financial reporting process provides for appropriate supervisory review of the federal grant worksheet, that review did not properly function during the year-end close process this year.</p> <p><b>Context</b> – The supervisory review and approval of the federal grant schedule didn’t properly function to detect errors in the schedule.</p> <p><b>Effect</b> – Potentially material misstatements in the financial statements related to federal grants could occur and not be prevented or detected in a timely manner. Errors in the federal grant worksheet related to carry-forward balances and formula errors. Adjust adjustments were proposed to correct the ending balances.</p> <p><b>Cause</b> – The Fund assigned new personnel with limited experience to prepare the federal grant worksheet and did not properly review the worksheet to detect errors within.</p> <p><b>Recommendation</b> – Management should ensure its process for the supervisory review and approval of the federal grant worksheet, including challenging the clerical accuracy, the reasonableness of the year-end balances of any accruals, and the propriety of any carry-forward amounts properly functions during each year-end close.</p> <p><b>View of Responsible Officials and Planned Corrective Actions</b> – The Fund agrees with the audit finding. A portion of the FY 2022 grant schedule was completed by a new employee with no experience in GAAP preparation. The employee’s supervisor has extensive knowledge of the grant schedule process but failed to identify the errors in the grant schedule. Additional procedures will be implemented to improve the review process of work performed by staff. In addition, some of the issues were related to cumulative figures that have carried forward from year to year. Additional procedures will be implemented to review the cumulative amounts for reasonableness.</p>

**Mississippi State  
Department of Health**

**Independent Auditor’s Reports  
and Financial Statements of  
Funds Selected for Audit**

**June 30, 2022**



**Mississippi State Department of Health**  
**June 30, 2022**

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## Independent Auditor's Report

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

### Opinion

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the Selected Funds of MSDH's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Selected Funds of MSDH as of June 30, 2022, and the changes in their respective 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's 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.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America 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.

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 Selected Funds of MSDH's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's 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 auditor's 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Selected Funds of MSDH'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.

### ***Emphasis of Matter***

As discussed in *Note 1*, the financial statements present only 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 representing funds selected for audit by the State of Mississippi, Office of the State Auditor and do not purport to, and do not present fairly the financial position of the State of Mississippi or MSDH as of June 30, 2022, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Dr. Daniel Edney, MD, FACP, FASAM  
State Health Officer  
Mississippi State Department of Health  
Page 3

***Other Matter***

*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 basic 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 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 February 22, 2023, on our consideration of the Selected Funds of MSDH internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

**FORVIS,LLP**

Jackson, Mississippi  
February 22, 2023

**Mississippi State Department of Health**  
**Balance Sheets of Funds Selected for Audit**  
**June 30, 2022**

	Governmental Fund Type			
	Drinking Water Systems Emergency Loan Fund	General Obligation Bond Series 2018B Fund	General Obligation Bond Series 2019C Fund	General Obligation Bond Series 2021 Fund
<b>Assets</b>				
Equity in internal investment pool	\$ 6,891,219	\$ 1	\$ 145	\$ 91,106
Due from other governments	203,593	-	-	-
Due from other funds	2,203	-	-	-
Total assets	<u>\$ 7,097,015</u>	<u>\$ 1</u>	<u>\$ 145</u>	<u>\$ 91,106</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 22,292
Due to other governments	-	-	-	19,129
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,421</u>
<b>Fund Balance</b>				
Restricted for health and social service	<u>7,097,015</u>	<u>1</u>	<u>145</u>	<u>49,685</u>
Total liabilities and fund balance	<u>\$ 7,097,015</u>	<u>\$ 1</u>	<u>\$ 145</u>	<u>\$ 91,106</u>

**Mississippi State Department of Health**  
**Statements of Revenues, Expenditures, and Changes in Fund Balances of**  
**Funds Selected for Audit**  
**Year Ended June 30, 2022**

	Governmental Fund Type			
	Drinking Water Systems Emergency Loan Fund	General Obligation Bond Series 2018B Fund	General Obligation Bond Series 2019C Fund	General Obligation Bond Series 2021 Fund
<b>Revenues</b>				
Interest on investments	\$ 33,383	\$ -	\$ -	\$ 4,729
Other revenue	-	-	-	7,757
<b>Total revenues</b>	<b>36,076</b>	<b>-</b>	<b>-</b>	<b>12,486</b>
<b>Expenditures</b>				
Miscellaneous refunds	-	-	-	98,392
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,392</b>
<b>Excess of Revenues Over Expenditures</b>	<b>36,076</b>	<b>-</b>	<b>-</b>	<b>(85,906)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out, net	(1,054,616)	-	-	(1,813,876)
<b>Total other financing uses</b>	<b>(1,054,616)</b>	<b>-</b>	<b>-</b>	<b>(1,813,876)</b>
<b>Net Change in Fund Balance</b>	<b>(1,018,540)</b>	<b>-</b>	<b>-</b>	<b>(1,899,782)</b>
<b>Fund Balance, Beginning of Year</b>	<b>8,115,555</b>	<b>1</b>	<b>145</b>	<b>1,949,467</b>
<b>Fund Balance, End of Year</b>	<b>\$ 7,097,015</b>	<b>\$ 1</b>	<b>\$ 145</b>	<b>\$ 49,685</b>

**Mississippi State Department of Health**  
**Notes to Financial Statements of Selected Funds**  
**June 30, 2022**

**Note 1: Background Information and Summary of Significant Accounting Policies**

***Background Information***

The Mississippi State Department of Health (MSDH), an agency of the State of Mississippi, follows fund accounting with respect to its governmental type funds. 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.

***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 primacy 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.

***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. \$37,643,000 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, 2022. 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 other funds authorized by the Board. As of June 30, 2022, the U.S. Environmental Protection Agency (EPA) had awarded \$241,805,566 in capitalization grants to the State, requiring a minimum of \$48,361,113 in State matching funds.

**Fund 6332100000** - Bond Funds (General Obligation Bond Series 2018B) authorized by the State to provide funds for all cost 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.

**Mississippi State Department of Health**  
**Notes to Financial Statements of Selected Funds**  
**June 30, 2022**

**Fund 6332200000** - Bond Funds (General Obligation Bond Series 2019C) authorized by the State to provide funds for all cost 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 cost 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.

***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).

***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 first apply restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

***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.

***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.

***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 for the actual amounts disbursed, plus interest accrued from initial contract completion date to initiation of repayment process, less principal forgiveness granted on the loan.

**Mississippi State Department of Health**  
**Notes to Financial Statements of Selected Funds**  
**June 30, 2022**

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

***Fund Balance – Governmental Funds***

Although governmental funds can contain five classifications, all of the fund balance of the Selected Funds of MSDH are restricted. The fund balance for the Selected Funds of MSDH's governmental funds are displayed as applicable in five components. Restricted funds are 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.

***Risk Management***

The Selected Funds of MSDH are exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and 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. In the last three years, there have not been any claims against the Selected Funds of MSDH.

**Note 2: Equity in Internal Investment Pool**

All monies of the Selected Funds of MSDH are deposited with the State Treasury 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, 2022, the State's total pooled deposits and investments for State agencies were approximately \$9.9 billion, and the average remaining life of the securities invested was 2.8 years. The earnings for the total pooled investments for the year ended June 30, 2022 were approximately \$35.2 million.

Equity in internal investment pool is cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2022, the Selected Funds of MSDH collectively had approximately \$6.98 million in the Treasurer's internal investment pool. The total deposits and investments of the internal investment pool are categorized according to credit risk in the State of Mississippi's 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 risk is the risk that in the event of bank failure, a government's deposits may not be returned. The Selected Funds of MSDH'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). 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



**Mississippi State Department of Health**  
**Notes to Financial Statements of Selected Funds**  
**June 30, 2022**

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 and Credit Risk**

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, 2022, 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, management believes that no allowance for doubtful accounts is necessary.

***Loans Receivable and Due from Other Governments by Category***

Loans receivable and due from other governments at June 30, 2022, are as follows:

Description	Loans Authorized	Authorized Amount Remaining	Loan Balance
Completed projects	\$ 466,913	\$ -	\$ 203,593
Projects in progress	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 466,913</u>	<u>\$ -</u>	203,593
Less amount due within one year on completed projects			<u>76,487</u>
Loans receivable and due from other governments, long-term			<u>\$ 127,106</u>

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

### Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of 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), which are comprised of balance sheets as of June 30, 2022, and the related statements of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2023, which contained an *Emphasis of Matter* paragraph regarding the Selected Funds of MSDH reflected in the financial statements and an *Other Matter* paragraph regarding the omission of management's discussion and analysis.

#### ***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 opinion 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 Selected Funds of MSDH's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Dr. Daniel Edney, MD, FACP, FASAM  
State Health Officer  
Mississippi State Department of Health  
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***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 Selected Funds of MSDH'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 Selected Funds of MSDH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Jackson, Mississippi  
February 22, 2023