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**MISSISSIPPI DEVELOPMENT AUTHORITY
(A Department of the State of Mississippi)**

**Financial Schedules and Independent
Auditors' Reports on Program-Specific Audit Under
OMB Circular A-133**

Year Ended June 30, 2013

Mississippi Development Authority (A Department of the State of Mississippi)

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June 30, 2013

Community Development Block Grant - CFDA #14.228

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**Community Development Block Grant
(CFDA #14.228)**



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**INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENT OF A FEDERAL
PROGRAM IN ACCORDANCE WITH THE PROGRAM-
SPECIFIC AUDIT OPTION UNDER OMB CIRCULAR A-133**

Mississippi Development Authority
Jackson, Mississippi

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for the disaster recovery funds expended through Fund 341W from the Community Development Block Grant Program (CFDA #14.228) of the Mississippi Development Authority ("MDA") for the year ended June 30, 2013.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement for MDA's Community Development Block Grant Program based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the disaster recovery funds expended through Fund 341W from the Community Development Block Grant Program (CFDA #14.228) of the Mississippi Development Authority in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of management, members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Carri, Riggs & Ingram, LLC

Ridgeland, Mississippi
December 13, 2013

Mississippi Development Authority

Schedule of Expenditures of Federal Awards through Fund 341W Year Ended June 30, 2013

<u>Federal Grantor / Program Name</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development: Community Development Block Grant	14.228	\$ 258,872,332
Total Program Expenditures		\$ 258,872,332

See notes to Schedule of Expenditures of Federal Awards.

Mississippi Development Authority

Notes to Schedule of Expenditures of Federal Awards for Year Ended June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule only includes the disaster recovery funds expended through Fund 341W from the Community Development Block Grant (CFDA #14.228) of the Mississippi Development Authority. The federal program included in the accompanying schedule is accounted for by using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

NOTE 2 – SUBRECIPIENTS

The Mississippi Development Authority (“MDA”) provided federal awards to subrecipients from the disaster recovery funds received through the Community Development Block Grant (CFDA #14.228) for fiscal year ended June 30, 2013 in the amount of \$196,296,986. Of this amount \$31,747,308 was provided to the Mississippi Department of Environmental Quality (“MDEQ”) with regard to the Gulf Coast Regional Infrastructure Program and the remainder was provided to various local governmental and non-profit entities.

NOTE 3 – CONTINGENCIES

On October 20, 2011, the Department of Housing and Urban Development - Office of Inspector General (“OIG”) began an audit of MDA’s Gulf Coast Regional Infrastructure program. MDA has not yet received the final audit report from OIG.

MDA is involved in litigation arising out of the normal course of operations and, in management’s opinion, the outcome of these matters is not expected to have a material adverse effect on MDA’s financial position or operations.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mississippi Development Authority
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 Schedule of Expenditures of Federal Awards through Fund 341W for the selected program of the Mississippi Development Authority ("MDA"), as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDA's internal control. Accordingly, we do not express an opinion of the effectiveness of MDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MDA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Cara, Rigg & Ingram, LLC

Ridgeland, Mississippi
December 13, 2013



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE WHEN USING THE PROGRAM-SPECIFIC AUDIT OPTION TO SATISFY OMB CIRCULAR A-133 REQUIREMENTS

Mississippi Development Authority
Jackson, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Mississippi Development Authority ("MDA") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on MDA's Community Development Block Grant Program for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Community Development Block Grant Program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the MDA's Community Development Block Grant Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the MDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for MDA's Community Development Block Grant Program. Our audit does not provide a legal determination of MDA's compliance.

Opinion

In our opinion, MDA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its selected federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of MDA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MDA's internal control over compliance with the types of requirements that could have a direct and material effect on the selected federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the selected federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MDA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cam, Riggs & Ingram, LLC

Ridgeland, Mississippi
December 13, 2013

Mississippi Development Authority

Schedule of Findings and Questioned Costs

For the year ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified
not considered to be material weakness(es)? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiency(ies) identified
not considered to be material weakness(es)? No

Type of auditors' report issued on compliance
for programs audited: Unqualified

Any audit findings disclosed that are required to be reported in
accordance with Circular A-133 (section .510 (a))? No

Identification of program(s) audited through Fund 341W:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster Number</i>
14.228	Community Development Block Grant

Section II – Federal Award Findings and Questioned Costs

There were no current year Federal award findings or questioned costs.

Section III – Prior Year Findings and Questioned Costs

No items were reported.

Mississippi Development Authority

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2013

No prior audit findings were reported.

**MISSISSIPPI DEVELOPMENT AUTHORITY
(A Department of the State of Mississippi)**

**Independent Auditors' Report and
Financial Statements of General Fund Selected
for Audit**

Year Ended June 30, 2013

Internal Control and Compliance

Year Ended June 30, 2013

**Mississippi Development Authority
(A Department of the State of Mississippi)**

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INDEPENDENT AUDITORS' REPORT

Mississippi Development Authority
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of General Fund 341W of the Mississippi Development Authority ("MDA") as of June 30, 2013, and the related notes to the financial statements. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements of General Fund 341W present fairly, in all material respects, the financial position of General Fund 341W as of June 30, 2013 and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of General Fund 341W of MDA present only the financial position and changes in financial position of that portion of the governmental activities of the Mississippi Development Authority and of the State of Mississippi that is attributable to the transactions of General Fund 341W. They do not purport to, and do not, present fairly the financial position of the Mississippi Development Authority or the State of Mississippi as of June 30, 2013, or the changes in financial position of each entity for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 on our consideration of MDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDA's internal control over financial reporting and compliance.

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

Cam, Riggall & Ingram, LLC

Ridgeland, Mississippi
December 13, 2013

**Financial Statements on
Fund Selected for Audit**

**Mississippi Development Authority
(A Department of the State of Mississippi)**

Balance Sheet of General Fund Selected for Audit

<i>June 30, 2013</i>	General Fund Fund 341W
Assets	
Current assets:	
Cash in State Treasury	\$ 106,291
Due from Federal Government	40,509,557
Total assets	\$ 40,615,848
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Accounts payable	\$ 8,212,571
Due to subrecipients	4,952,259
Due to other State Treasury funds	14,866,410
Due to other governments	9,168,103
Accrued expenses	11,088
Funds held for others	2,200
Total liabilities	37,212,631
Deferred Inflows of Resources:	
Deferred Federal revenues	1,195,250
Contingencies (Note 5)	
Fund balance - Restricted	2,207,967
Total liabilities, deferred inflows of resources, and fund balance	\$ 40,615,848

See notes to financial statements of fund selected for audit.

**Mississippi Development Authority
(A Department of the State of Mississippi)**

**Statements of Revenues, Expenditures and Changes in
Fund Balance of General Fund Selected for Audit**

<i>Year ended June 30, 2013</i>	General Fund Fund 341W
<hr/>	
Revenues:	
Governors Federal State Program revenue	\$ 258,872,332
Interest income	60,642
Other income	2,087
<hr/>	
Total revenues	258,935,061
Expenditures:	
Salaries	2,925,289
Travel	117,085
Contractuals	27,485,992
Commodities	16,731
Capital outlay	5,337
Subsidies	126,026,817
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Total expenditures	156,577,251
Excess of revenues over expenditures	102,357,810
Other financing sources (uses):	
Transfers out	(102,456,055)
<hr/>	
Net other financing sources (uses)	(102,456,055)
Deficit of revenues over expenditures and other financing uses	(98,245)
Fund balance, beginning of year	2,306,212
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Fund balance, end of year	\$ 2,207,967
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See notes to financial statements of fund selected for audit.

Mississippi Development Authority

Notes to Financial Statements of Fund Selected for Audit for Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Background Information

The Mississippi Development Authority ("MDA" or the "Agency") is a state economic and community development agency whose main function is to provide services to businesses, communities and workers throughout Mississippi. The Agency works to recruit new business to the state and retain and expand existing Mississippi industry and business. MDA also provides technical assistance to the state's entrepreneurs and small businessmen and women and oversees programs that support Mississippi's minority and women-owned businesses. In addition, the agency provides Mississippi's corporate citizens with export assistance, manages the state's energy programs and oversees programs that help its communities become more competitive. The Agency works to promote tourism to the state and develop and support Mississippi's tourism industry, as well. Additionally, MDA is responsible for managing federal disaster recovery funds, economic stimulus funds and other federal programs for the state of Mississippi.

Purpose of General Fund 341W

General Fund 341W's activity is related to Community Development Block Grant - Emergency Katrina and provides hurricane relief monies to individuals, to businesses, and to local and other governments. The State chose to fund three overall recovery priorities through this program: replenish housing stock; rebuild and strengthen public infrastructure; and create projects that retain and attract jobs. Fund balances are restricted for these purposes.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The general fund type is used for General Fund 341W. This fund type is accounted for on a flow of current financial resources measurement focus. This focus measures financial resources available to the entity in the near future as a result of transactions and events of the fiscal period reported. The modified accrual basis of accounting is utilized. Under this method, revenues are recognized when they become measurable and available, and expenditures are generally recognized when they are incurred. Principal and interest on general obligation long-term debt, if any, is recognized when due. In connection with the preparation of the financial statements, management of MDA evaluated subsequent events through December 13, 2013, which is the date the financial statements were available to be issued.

Use of Estimates

MDA's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing its financial statements, MDA is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenditures for the year then ended. Actual results could differ significantly from those estimates.

Mississippi Development Authority

Notes to Financial Statements of Fund Selected for Audit for Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The financial activities of MDA are recorded in individual funds and account groups used to report financial position and results of operations. 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. The MDA fund presented herein utilizes the governmental fund category, which is further divided into separate "fund types". General funds are used to account for the proceeds of revenue sources that are not legally restricted to expenditures for specified purposes.

Receivables

Receivables are reported net of allowances for uncollectible accounts, where applicable. At June 30, 2013, there was no allowance deemed necessary. A significant portion (\$38,226,917) of the receivables for Fund 341W is receivable from the Federal government.

Interfund Activity

In the selected fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures of the disbursing fund. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Transfers represent flows of assets between funds of the state without equivalent flows of assets in return and without a requirement for payment.

Deferred Inflows of Resources

In addition to liabilities, the governmental funds' balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents items that are deferred revenues that will not be recognized as an inflow of resources until future period(s) when they become available. Deferred inflows of resources consist of cumulative receipts of federal funding in excess of cumulative expenditures on specific grant awards that will not be recognized as an inflow of resources until future periods when they become available.

Risk Management

MDA is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The State of Mississippi has elected to finance most exposures to risk through the retention of risk. The State utilizes the internal service Risk Management Fund to account for these activities.

Changes in Accounting Standards

The Department implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows or Resources, and Net Position* in the current year. The Department also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in the current year. The provisions of these standards have been incorporated into the financial statements and the notes.

Mississippi Development Authority

Notes to Financial Statements of Fund Selected for Audit for Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

The GASB also issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB No. 27*. GASB No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB No. 50, as they relate to governments that provide pensions through pension plans administered as trust or similar arrangements that meet certain criteria. GASB No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB No. 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB No. 68 are effective for fiscal years beginning after June 15, 2014.

Management has not completed its evaluation to determine the effect, if any, the adoption of this statement will have on MDA's financial statements.

NOTE 2 – CASH AND OTHER DEPOSITS

Cash consists of pooled cash held by the Treasurer of the State of Mississippi. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). 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.

NOTE 3 – TRANSFERS BETWEEN FUNDS AND FROM OTHER STATE AGENCIES

Transfers to other MDA funds and other state agencies from General Fund 341W are detailed below.

Year ended June 30, 2013

Mississippi Development Authority - Special and Federal Fund	\$ 883,437
Archives and History	101,732
Office of the State Auditor - Department of Audit	350,235
Port Authority of Gulfport - Port of Gulfport Operations	60,190,322
Department of Environmental Quality - HUD/MDA Subgrant	28,438,985
Department of Environmental Quality - Administrative Services	59,996
Department of Environmental Quality - Pollution Control EPA	2,669,951
Office of the Governor - Disaster Assist Coordination	9,761,396
	<hr/>
	\$ 102,456,055

Mississippi Development Authority

Notes to Financial Statements of Fund Selected for Audit for Year Ended June 30, 2013

NOTE 4 – DUE TO OTHER STATE TREASURY FUNDS

Due to other State Treasury Funds consisted of the following:

June 30, 2013

Department of Environmental Quality - HUD/MDA Subgrant	\$	2,777,197
Department of Environmental Quality - Administrative Services		6,125
Department of Environmental Quality - Pollution Control EPA		247,596
Office of the State Auditor - Department of Audit		7,102
Port Authority of Gulfport - Port of Gulfport Operations		11,613,895
Office of the Governor - Disaster Assist Coordination		3,454
Mississippi Development Authority - Special and Federal Fund		211,041
	\$	14,866,410

NOTE 5 – CONTINGENCIES

On October 20, 2011, the Department of Housing and Urban Development - Office of Inspector General ("OIG") began an audit of MDA's Gulf Coast Regional Infrastructure program. MDA has not yet received the final audit report from OIG.

The MDA is involved in litigation arising out of the normal course of operations and, in management's opinion, the outcome of these matters is not expected to have a material adverse effect on MDA's financial position or operations.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mississippi Development Authority
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 General Fund 341W of the Mississippi Development Authority ("MDA"), which comprise the balance sheet as of June 30, 2013, and the related statements of revenues, expenditures and changes in fund balance as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDA's internal control. Accordingly, we do not express an opinion of the effectiveness of MDA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MDA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDA's financial statements of General Fund 341W 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Carri Riggs & Ingram, LLC

Ridgeland, Mississippi
December 13, 2013