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Mississippi Department of Marine Resources

Auditor's Reports and
Financial Statements of Funds Selected for Audit

June 30, 2014

BKD LLP
CPAs & Advisors

Mississippi Department of Marine Resources

June 30, 2014

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BKD LLP
CPAs & Advisors

190 E. Capitol Street, Suite 500 // Jackson, MS 39201-2190
601.948.6700 // fax 601.948.6000 // bkd.com

Independent Auditor's Report

Mr. Jamie M. Miller
Executive Director
Mississippi Department of Marine Resources
Biloxi, Mississippi

Report on the Financial Statements of Funds Selected for Audit

We have audited the accompanying financial statements of the Marine Resources Seafood Fund and the Tidelands Trust Fund of the Mississippi Department of Marine Resources (MDMR), which are comprised of balance sheets as of June 30, 2014, and statements of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the Marine Resources Seafood Fund and the Tidelands Trust Fund of Mississippi Department of Marine Resources as of June 30, 2014, and the respective changes in their financial positions 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 present only the Marine Resources Seafood Fund and the Tidelands Trust 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 MDMR as of June 30, 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of MDMR'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 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 MDMR's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
January 27, 2015

Mississippi Department of Marine Resources

Balance Sheets of Funds Selected for Audit

June 30, 2014

	Governmental Fund Type	
	Marine Resources Seafood Fund 3450	Tidelands Trust Fund 3452
Assets		
Cash	$ 9,444,057	$ 27,538,765
Advances to other funds	5,500	-
Interest receivable	6,782	19,631
Due from federal government	9,439	-
Total assets	$ 9,465,778	$ 27,558,396
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 849,424	$ 252,006
Warrants payable	42,987	55,755
Due to other funds	38,780	-
Due to local governments	123	136,198
Funds held for others	20,397	-
Unearned federal revenues	7,380	-
Total liabilities	959,091	443,959
Fund Balances		
Restricted for Recreational Resource Development	8,506,687	27,114,437
Total fund balances	8,506,687	27,114,437
Total liabilities and fund balances	$ 9,465,778	$ 27,558,396

Mississippi Department of Marine Resources

Statements of Revenues, Expenditures and Changes in Fund Balances of Funds Selected for Audit

Year Ended June 30, 2014

	Governmental Fund Type	
	Marine Resources Seafood Fund 3450	Tidelands Trust Fund 3452
Revenues		
State appropriation/allotment	$ 3,050,000	$ -
Federal grant revenue	2,253,568	-
Sales of supplies	2,703,309	142
Rental of state property	-	9,755,926
License and permit sales	1,635,418	-
Fines and penalties	30,985	-
Cost allocation reimbursement	177,337	-
Interest on investment	-	267,510
Other income	1,994,618	-
Total revenues	11,845,235	10,023,578
Expenditures		
Current		
Salaries	4,932,308	523,000
Travel	100,616	6,302
Contractuals	3,128,848	274,329
Commodities	834,331	144,351
Capital outlay	743,054	558,910
Subsidies	1,143,036	4,707,489
Total expenditures	10,882,193	6,214,381
Excess of Revenues Over Expenditures	963,042	3,809,197
Other Financing Sources (Uses)		
Transfers in (out)	248,171	(1,274,629)
Net Changes in Fund Balances	1,211,213	2,534,568
Fund Balances, Beginning of Year	7,295,474	24,579,869
Fund Balances, End of Year	$ 8,506,687	$ 27,114,437

Mississippi Department of Marine Resources

Notes to Financial Statements of Funds Selected for Audit

June 30, 2014

Note 1: Significant Accounting Policies

Background Information

Mississippi Department of Marine Resources (MDMR), an agency of the State of Mississippi, follows fund accounting with respect to its Marine Resources Seafood Fund and Tidelands Trust Fund and pursuant to applicable state statutes. The Marine Resources Seafood Fund is used to account for saltwater fishing licenses, marine commercial licenses and permits, fines and penalties and public tidelands revenues. The Tidelands Trust Fund is used to account for the lease of Mississippi water bottoms.

These funds represent funds selected for audit by the State of Mississippi, Office of the State Auditor, and the accompanying presentation does not purport to present the financial position and changes in financial position of MDMR.

Basis of Presentation

The accompanying fund financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

Account Classifications

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

Fund Accounting

The financial activities of the Marine Resources Seafood Fund and the Tidelands Trust Fund are recorded in individual funds and account groups 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.

Basis of Accounting/Measurement Focus

The Governmental 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 recognized at the time liabilities are incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. All short-term, highly liquid investments that are readily convertible to cash (generally with a maturity of three months or less) are considered cash equivalents. At June 30, 2014, there were no cash equivalents.

Interfund Receivables/Payables

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

Fund Balances – Governmental Funds

The fund balances for MDMR's governmental funds can be displayed in five components.

- ***Nonspendable*** – Amounts that are not in a spendable form or are required to be maintained intact, such as inventories.
- ***Restricted*** – 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.
- ***Committed*** – Amounts that can be used only for the specific purposes determined by a formal action of the Mississippi Legislature.
- ***Assigned*** – Amounts intended to be used by the government for specific purposes. In governmental funds other than the General Fund, assigned fund balances represent the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

- ***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 amounts had been restricted, committed or assigned.

The fund balance for the funds included in these financial statements are considered restricted for recreational resource development purposes. Restrictions may be changed or lifted only with the consent of resource providers.

Note 2: Cash and Other Deposits

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. MDMR'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 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: Defined Benefit Pension Plan

MDMR participates in 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. This information may be obtained by contacting PERS.

During fiscal year 2014, PERS members were required to contribute 9% of their annual covered salary, and MDMR is required to contribute at an actuarially determined rate, which was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. MDMR's contributions are made at the agency level; therefore, information is not available on contributions by specific funds.

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Independent Auditor's 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*

Mr. Jamie M. Miller
Executive Director
Mississippi Department of Marine Resources
Biloxi, 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 the funds selected for audit consisting of the Marine Resources Seafood Fund and the Tidelands Trust Fund of the Mississippi Department of Marine Resources (MDMR), which are comprised of balance sheets as of June 30, 2014, and 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 January 27, 2015, which contained an *Emphasis of Matter* paragraph regarding the financial statements.

Internal Control Over Financial Reporting

Management of MDMR is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audits, we considered MDMR's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDMR's internal control. Accordingly, we do not express an opinion on the effectiveness of MDMR'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 MDMR'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. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

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Compliance

As part of obtaining reasonable assurance about whether MDMR'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 audits 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*.

Other Matters

We noted certain matters that we reported to MDMR's management in a separate letter dated January 27, 2015.

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

BKD, LLP

Jackson, Mississippi
January 27, 2015