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MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**SELECTED FUND FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2014

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

We have audited the accompanying financial statements of State Treasury Funds 3729, 372K, 3728, and 372U of the Mississippi Emergency Management Agency as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents. 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Treasury Funds 3729, 372K, 3728, and 372U of the Mississippi Emergency Management Agency as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance 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 selected funds and do not purport to, and do not present fairly the financial position of Mississippi Emergency Management Agency, as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows 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.

Other Matters

Required Supplementary Information

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 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.

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015 on our consideration of the Mississippi Emergency Management Agency'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 for the selected funds. 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 Mississippi Emergency Management Agency's internal control over financial reporting and compliance.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
January 14, 2015

EXHIBIT A

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**BALANCE SHEET
TREASURY FUNDS 3729, 372K, 3728, AND 372U
JUNE 30, 2014**

	ASSETS			
	FUND 3729	FUND 372K	FUND 3728	FUND 372U
ASSETS				
Cash and cash equivalents	\$ -	\$ 8,918,695	\$ 75,276	\$ 735,057
Due from other funds	-	2,180,975	-	-
Due from federal government	2,180,975	-	-	6,293
Total assets	\$ 2,180,975	\$ 11,099,670	\$ 75,276	\$ 741,350
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES				
Accounts payable and accrued expenses	\$ -	\$ 2,190,066	\$ 3,405	\$ 600,960
Due to other funds	2,342,719	-	248,832	-
Total liabilities	2,342,719	2,190,066	252,237	600,960
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - refunds	-	-	29,966	-
FUND BALANCES				
Restricted for law, justice, and public safety	-	8,909,604	-	140,390
Unassigned	(161,744)	-	(206,927)	-
Total fund balances	(161,744)	8,909,604	(206,927)	140,390
Total liabilities, deferred inflows of resources and fund balances	\$ 2,180,975	\$ 11,099,670	\$ 75,276	\$ 741,350

See the independent auditor's report and accompanying notes to financial statements.

EXHIBIT B

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TREASURY FUNDS 3729, 372K, 3728, AND 372U
YEAR ENDED JUNE 30, 2014**

	<u>FUND 3729</u>	<u>FUND 372K</u>	<u>FUND 3728</u>	<u>FUND 372U</u>
REVENUES				
Federal sources	\$ 77,328,035	\$ -	\$ 10,648,613	\$ 22,721,607
Miscellaneous revenue	-	348,809	-	-
Total revenues	<u>77,328,035</u>	<u>348,809</u>	<u>10,648,613</u>	<u>22,721,607</u>
EXPENDITURES				
Current:				
Contractuals	-	9,546,708	-	143,250
Commodities	-	-	-	4,866
Capital outlay	-	-	-	6,079
Subsidies	63,191,969	44,884	9,038,308	19,171,061
Total expenditures	<u>63,191,969</u>	<u>9,591,592</u>	<u>9,038,308</u>	<u>19,325,256</u>
Excess of revenues over (under) expenditures	<u>14,136,066</u>	<u>(9,242,783)</u>	<u>1,610,305</u>	<u>3,396,351</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	54,966	-	-
Transfers to other funds	-	(1,341,099)	-	-
Transfers of federal grant funds from other funds	-	12,930,572	-	-
Transfers of federal grant funds to other funds	<u>(14,297,810)</u>	<u>(1,428,448)</u>	<u>(2,102,247)</u>	<u>(3,396,351)</u>
Total other financing sources (uses)	<u>(14,297,810)</u>	<u>10,215,991</u>	<u>(2,102,247)</u>	<u>(3,396,351)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(161,744)	973,208	(491,942)	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>7,936,396</u>	<u>285,015</u>	<u>140,390</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (161,744)</u>	<u>\$ 8,909,604</u>	<u>\$ (206,927)</u>	<u>\$ 140,390</u>

See the independent auditor's report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applicable to the selected funds of the Mississippi Emergency Management Agency (the Agency) are described below:

Basis of Presentation - The accompanying selected fund financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

Financial Reporting Entity - The Agency is reported as a state agency in the State of Mississippi's Comprehensive Annual Financial Report. The selected funds presented in these financial statements are part of the larger entity that in whole comprises the financial reporting entity of the Agency. Treasury Funds 3729, 372K, 3728, and 372U Agency account for the expenditures of the Public Assistance Grants and Hazard Mitigation. Funding is provided by the U.S. Department of Homeland Security, Federal Emergency Management Agency division.

Measurement Focus, Basis of Accounting - Governmental Fund Financial Statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Under this method, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The Agency considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include federal grants. Other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures and related fund liabilities are recognized upon receipt of goods and services.

The selected funds for the Agency are reported as general funds. General fund balances are legally restricted to expenditures for specific purposes such as, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

Cash and Cash Equivalents - Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within 90 days of the date acquired by the State.

Receivables - Receivables represent amounts due to the Agency for revenues earned that will be collected sometime in the future. Receivables are reported net of allowances for uncollectible accounts where applicable.

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

PAGE TWO

YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. The Agency reports deferred revenues from refunds.

Fund Balances - In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the classifications used in the selected governmental fund financial statements presented in this report are as follows:

Restricted - This classification includes amounts for which constraints have been placed on the use of resources by law through constitutional provisions or enabling legislation.

Unassigned - This classification includes amounts representing a deficit balance resulting from over spending for specific purposes for which amounts had been restricted.

Federal Grants - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenue when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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 these estimates.

Subsequent Events - In connection with the preparation of the financial statements, management of the Agency has evaluated subsequent events through January 14, 2015, which is the date the financial statements were available to be issued.

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
PAGE THREE
YEAR ENDED JUNE 30, 2014**

NOTE 2 - INTERFUND TRANSACTIONS

At June 30, 2014, interfund transfers consisted of the following:

Fund 372K - Transferred from other funds

Fund 37PA	\$	200,000
Fund 372K		(145,034)
		<hr/>
Total transferred from other funds	\$	<u>54,966</u>

Fund 372K - Transferred to other funds

Fund 3586	\$	5,652
Fund 3725		678,632
Fund 37PA		200,000
Fund 372K		456,815
		<hr/>
Total transferred to other funds	\$	<u>1,341,099</u>

Interfund transfers are primarily used to move revenues from funds required to collect them to funds required to expend them.

Transfers of federal grant funds represent amounts received by or sent to other State subgrantee funds. In Fund 372K, subgrantee amounts received for Disaster Grant – Public Assistance totaled \$12,930,572. In Funds 3729, 372K, and 3728, transfers of federal grant funds to other funds of \$14,297,810, \$1,428,448 and \$2,102,247, respectively, represent transfers of Disaster Grant - Public Assistance to other subgrantee funds. In Fund 372U, transfers of federal grant funds of \$3,396,351 represent transfers of Hazard Mitigation receipts to subgrantee funds.

At June 30, 2014, due to/from other funds consisted of the following:

<u>Due from</u>		<u>Due to Fund 372K</u>
Fund 3729	\$	<u>2,180,975</u>

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

PAGE FOUR

YEAR ENDED JUNE 30, 2014

NOTE 2 - INTERFUND TRANSACTIONS (Cont.)

<u>Due to</u>	<u>Due from Fund 3729</u>
Fund 372K	\$ 2,180,975
Fund 3475	67,524
Fund 3240	94,220
	<u>\$ 2,342,719</u>

<u>Due to</u>	<u>Due from Fund 3728</u>
Fund 3586	\$ 198,596
Fund 3590	10,285
Fund 3580	39,951
	<u>\$ 248,832</u>

Due to/from other funds represents reimbursements receivable or payable to other funds for allowable costs under the Disaster Grant - Public Assistance Program and the Hazard Mitigation Grant. All balances are expected to be received or paid in fiscal year 2015.

NOTE 3 - DEPOSITS

Section 27-105-5, Mississippi Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Section 27-105-5, Mississippi Code Ann. (1972), establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the 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). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

PAGE FIVE

YEAR ENDED JUNE 30, 2014

NOTE 3 - DEPOSITS (Cont.)

Custodial credit risk is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Agency. All deposited funds of the Agency are fully collateralized in accordance with state statutes.

NOTE 4 - DUE FROM FEDERAL GOVERNMENT

At June 30, 2014, due from federal government consisted of amounts due from the U.S. Department of Homeland Security for the following funds:

<u>Due from federal government for</u>	<u>Due to Fund 3729</u>
Mississippi Emergency Management Agency	<u>\$ 2,180,975</u>
<u>Due from federal government for</u>	<u>Due to Fund 372U</u>
Venture Technologies	<u>\$ 6,293</u>

The entire amount is expected to be collected in fiscal year 2015.

NOTE 5 - CONTINGENCIES

Federal Grants - The Agency has received 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 grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the Agency. The Agency estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition. As of report date, all costs have been funded through grant proceeds or legislation.

Litigation - The Agency is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the Agency in a majority of these cases. In the event they are not successful in defending such cases, the State's opinion is that the ultimate disposition of these matters will not have a material adverse effect on the financial position of the state.

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**INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF ANALYSIS
OF CHANGES IN ACCRUED COMPENSATED ABSENCES**

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

Report on the Schedule of Analysis of Changes in Accrued Compensated Absences

We have audited the accompanying schedule of analysis of changes in accrued compensated absences of Mississippi Emergency Management Agency as of and for the year ended June 30, 2014. This schedule is presented for the purpose of assisting the State of Mississippi in preparation of its annual financial report and is not a required part of the fund financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this schedule 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 schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this schedule 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 audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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 schedule.

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 analysis of changes in accrued compensated absences referred to above presents fairly, in all material respects, the balance of and the changes in accrued compensated absences of Mississippi Emergency Management Agency as of and for the year ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, 2014, on our consideration of Mississippi Emergency Management Agency'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 Mississippi Emergency Management Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nicholson & Company, PLLC". The signature is written in a cursive, flowing style.

Hattiesburg, Mississippi
January 14, 2015

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**SCHEDULE OF ANALYSIS OF CHANGES IN ACCRUED COMPENSATED ABSENCES
YEAR ENDED JUNE 30, 2014**

Governmental Activities Liability Category	Balance as of June 30, 2013	Additions	Deletions	Balance as of June 30, 2014
Accrued compensated absences	<u>\$ 667,802</u>	<u>\$ 267,664</u>	<u>\$ 250,211</u>	<u>\$ 685,255</u>

See Notes to Schedule of Analysis of Changes in Accrued Compensated Absences

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**NOTES TO SCHEDULE OF ANALYSIS OF CHANGES IN ACCRUED COMPENSATED ABSENCES
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accumulated Compensated Absences - State law authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave, unless employees present medical evidence that their physical condition is such that they can no longer work in a capacity of state government. The state's obligation for accumulated unpaid personal leave, up to the maximum 30 days per employee, is reported as "accrued compensated absences" in the accompanying schedule of analysis of changes in accrued compensated absences. The state uses the last-in, first-out method of recognizing use of compensated absences. The reported liability applicable to all funds includes the related fringe benefits that the state, as employer, is required to pay when the accrued compensated absences are liquidated. Accumulated unpaid major medical leave is not accrued, because it is not probable that the compensation will be paid in a lump sum other than in the event of severe illness.

NOTE 2 - COMPENSATED ABSENCES

Mississippi Emergency Management Agency's liability for compensated absences at June 30, 2014, is \$685,255. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee.

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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 FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, 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 State Treasury Funds 3729, 372K, 3728, and 372U of the Mississippi Emergency Management Agency (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

To the Office of the Governor
Mississippi Emergency Management Agency

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 the Agency's financial statements for State Treasury Funds 3729, 372K, 3728 and 372U 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Nicholson & Company, PLLC". The signature is written in a cursive, flowing style.

Hattiesburg, Mississippi
January 14, 2015

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**AUDITED PROGRAM FINANCIAL STATEMENT
AND OTHER INFORMATION**

Year Ended June 30, 2014

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for the Federal Emergency Management Agency Disaster Grant - Public Assistance and the Hazard Mitigation Grant of Mississippi Emergency Management Agency for the year ended June 30, 2014 and the related notes (the financial statement).

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of the financial statement 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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.

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

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 financial statements referred to above presents fairly, in all material respects, the federal awards for the Federal Emergency Management Agency Disaster Grant - Public Assistance and the Hazard Mitigation Grant of Mississippi Emergency Management Agency for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, on our consideration of Mississippi Emergency Management Agency'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 Mississippi Emergency Management Agency's internal control over financial reporting and compliance.



Hattiesburg, Mississippi
January 14, 2015

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
<i>Department of Homeland Security Federal Emergency Management Agency</i>				
Disaster Grants - Public Assistance	97.036	1604 DRMSP 00000001	\$ 88,630,334	\$ 72,230,277
Hazard Mitigation Grant	97.039	1604 DRMSP 00000005	22,127,092	15,180,195

See the independent auditor's report and accompanying notes to financial statement.

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Mississippi Emergency Management Agency for its Federal Emergency Management Agency Disaster Grants – Public Assistance and its Hazard Mitigation Grant under programs of the federal government for the year ended June 30, 2014. 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*. Because the Schedule presents only a selected portion of the operations of Mississippi Emergency Management Agency, it is not intended to and does not present the financial position or changes in fund balances of Mississippi Emergency Management Agency.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-Through Entity Identifying Numbers - Pass-Through Entity Identifying Numbers are presented where available.

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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 FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, 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 State Treasury Funds 3729, 372K, 3728, and 372U of Mississippi Emergency Management Agency, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mississippi Emergency Management Agency's internal control over financial reporting (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 Mississippi Emergency Management Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Mississippi Emergency Management Agency'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

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

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

Nicholson & Company, PLLC

Hattiesburg, Mississippi
January 14, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE**

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

Report on Compliance for the Federal Emergency Management Agency Disaster Grant - Public Assistance and the Hazard Mitigation Grant

We have audited Mississippi Emergency Management Agency's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its Federal Emergency Management Agency Disaster Grant - Public Assistance and its Hazard Mitigation Grant for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal Emergency Management Agency Disaster Grant - Public Assistance and its Hazard Mitigation Grant.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Mississippi Emergency Management Agency's Federal Emergency Management Agency Disaster Grant - Public Assistance and its Hazard Mitigation Grant 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

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

compliance requirements referred to above that could have a direct and material effect on the Federal Emergency Management Agency Disaster Grant - Public Assistance and its Hazard Mitigation Grant occurred. An audit includes examining, on a test basis, evidence about Mississippi Emergency Management Agency'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 Mississippi Emergency Management Agency's Federal Emergency Management Agency Disaster Grant - Public Assistance and its Hazard Mitigation Grant. However, our audit does not provide a legal determination of Mississippi Emergency Management Agency's compliance.

Opinion

In our opinion, Mississippi Emergency Management Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Disaster Grant – Public Assistance and its Hazard Mitigation Grant for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Mississippi Emergency Management Agency 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 Mississippi Emergency Management Agency's internal control over compliance with the types of requirements that could have a direct and material effect on its Disaster Grant - Public Assistance and its Hazard Mitigation Grant to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its Disaster Grant – Public Assistance and its Hazard Mitigation Grant 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 the Mississippi Emergency Management Agency'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.

To the Office of the Governor
Mississippi Emergency Management Agency
Pearl, Mississippi

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.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
January 14, 2015

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditor's Results

Program Specific Federal Awards

Internal control over federal programs:

Material weakness identified?

No

Significant deficiency identified not considered to be material weakness?

None reported

Type of auditor's report issued on compliance for the federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

No

Auditee qualified as low-risk auditee?

Yes

Section II - Financial Statement Findings

N/A

Section III - Federal Awards Findings and Questioned Costs

No matters were reported.