



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**MISSISSIPPI EMERGENCY MANAGEMENT AGENCY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
TREASURY FUNDS 3729, 372K, AND 372U**

**Year Ended June 30, 2011**



CARL L. NICHOLSON, JR., CPA  
RICHARD D. HALBERT, CPA  
RICHARD G. TOPP, CPA  
FRANK H. McWHORTER, JR., CPA  
T. JOHN HARVEY, CPA  
WILLIAM T. KELLY, CPA/ABV, CVA  
SUSAN A. RILEY, CPA  
DAWN T. JONES, CPA  
MICHAEL W. DAVIS, CPA  
GREGORY L. FAIREY, CPA  
JEFFREY M. ALLEN, CPA  
JOHN S. HEATH, CPA  
DONALD J. NESTER, CPA  
PAIGEM. JOHNSON, CPA  
SHANNON J. JONES, CPA  
JANICEM. BATES, CPA  
JOE C. TRAVIS, CPA, C.F.A., CFF  
JOSEPH C. TOWNSEND, CPA, CVA  
TRACY W. HAYNES, CPA  
JAMES E. POLK, CPA  
STEPHEN W. GRAY, CPA  
ANNETTE P. HERRIN, CPA/ABV, CVA, CFE, CFF  
ROBBIN COURTNEY JONES, CPA  
LEIGH F. AGNEW, CPA  
SHELBY L. HOWARTH, CPA  
RENEE MOORE, CPA  
LACEY J. MILLER, CPA  
MICHAEL BRADLEY WOOD, CPA

**NICHOLSON & COMPANY, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
2 SOUTHERN POINTE PARKWAY, SUITE 100  
HATTIESBURG, MISSISSIPPI 39401  
POST OFFICE DRAWER 15099  
HATTIESBURG, MISSISSIPPI 39404-5099

TELEPHONE 601-264-3519  
TOLL FREE 877-842-7137  
FAX 601-264-3642

[www.nicholsoncpas.com](http://www.nicholsoncpas.com)

MEMBERS  
AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

MISSISSIPPI SOCIETY  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

OTHER OFFICES:  
150 OLD HWY 98 EAST  
POST OFFICE BOX 609  
COLUMBIA, MISSISSIPPI 39429  
TELEPHONE: 601-736-3449  
FAX 601-736-0501

450 EAST PASS ROAD, SUITE 108  
GULFPORT, MISSISSIPPI 39507  
POST OFFICE BOX 1842  
GULFPORT, MISSISSIPPI 39502  
TELEPHONE: 228-864-1779  
FAX 228-864-3850

## INDEPENDENT AUDITOR'S REPORT

To the Office of the Governor  
Mississippi Emergency Management Agency  
Post Office Box 5644  
Pearl, Mississippi 39288-5644

We have audited the accompanying financial statements of State Treasury Funds 3729, 372K, and 372U of the Mississippi Emergency Management Agency as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report. These financial statements are the responsibility of the Agency's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Funds 3729, 372K, and 372U and do not purport to, and do not, present fairly the financial position of the Mississippi Emergency Management Agency as of June 30, 2011, and the changes in financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Office of the Governor  
Mississippi Emergency Management Agency

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Treasury Funds 3729, 372K, and 372U of the Mississippi Emergency Management Agency as of June 30, 2011, 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.

In accordance with Government Auditing Standards, we have also issued our report dated Date Pending 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. 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 and should be considered in assessing the results of our audit.

Management has omitted the Management Discussion and Analysis and the Budgetary Comparison Schedules that accounting principles generally accepting 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.

This report is intended solely for the information and use of the management, the members of the Mississippi Legislature, the Office of the State Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nicholson & Company, PLLC*

Hattiesburg, Mississippi  
September 26, 2011

EXHIBIT A

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

BALANCE SHEET  
TREASURY FUNDS 3729, 372K, AND 372U  
JUNE 30, 2011

ASSETS

	<u>FUND 3729</u>	<u>FUND 372K</u>	<u>FUND 372U</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 81,294	\$ 11,762,213	\$ 1,623,088
Due from federal government	<u>3,099,813</u>	<u>-</u>	<u>1,476,616</u>
<b>Total assets</b>	<u>\$ 3,181,107</u>	<u>\$ 11,762,213</u>	<u>\$ 3,099,704</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses	\$ 81,294	\$ -	\$ 1,503,492
Due to subrecipients	-	-	3,600
Due to other funds	324,117	-	1,605
Due to other governments	<u>2,775,696</u>	<u>-</u>	<u>1,436,433</u>
<b>Total liabilities</b>	<u>3,181,107</u>	<u>-</u>	<u>2,945,130</u>

FUND BALANCES

Restricted for law, justice, and public safety	<u>-</u>	<u>11,762,213</u>	<u>154,574</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,181,107</u>	<u>\$ 11,762,213</u>	<u>\$ 3,099,704</u>

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, AND 372U  
YEAR ENDED JUNE 30, 2011**

	<u>FUND 3729</u>	<u>FUND 372K</u>	<u>FUND 372U</u>
<b>REVENUES</b>			
Federal sources	\$ 154,173,863	\$ -	\$ 49,963,498
Total revenues	<u>154,173,863</u>	<u>-</u>	<u>49,963,498</u>
<b>EXPENDITURES</b>			
Current:			
Contractuals	-	16,773,173	125,792
Commodities	-	-	1,798
Capital outlay	-	-	29,880
Subsidies	122,754,209	1,376,915	42,260,561
Total expenditures	<u>122,754,209</u>	<u>18,150,088</u>	<u>42,418,031</u>
Excess of revenues over (under) expenditures	<u>31,419,654</u>	<u>(18,150,088)</u>	<u>7,545,467</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	22,281,789	-
Transfers to other funds	(21,281,789)	(2,245,034)	(6,671,483)
Transfers to other governments	(9,754,437)	(3,101,479)	(859,463)
Total other financing sources (uses)	<u>(31,036,226)</u>	<u>16,935,276</u>	<u>(7,530,946)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	<u>383,428</u>	<u>(1,214,812)</u>	<u>14,521</u>
<b>FUND BALANCE - BEGINNING</b>	<u>(383,428)</u>	<u>12,977,025</u>	<u>140,053</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ 11,762,213</u>	<u>\$ 154,574</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, 2011

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation** - The accompanying selected fund financial statements of the Mississippi Emergency Management 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 Mississippi Emergency Management 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 Mississippi Emergency Management Agency. Treasury Funds 3729, 372K, and 372U of the Mississippi Emergency Management Agency account for the expenditures of the Hurricane Katrina Public Assistance Grant 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 sixty (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 Mississippi Emergency Management Agency are reported as Special Revenue Funds. In general, special revenue funds account for transactions related to resources obtained from specific revenue sources that 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 ninety (90) days of the date acquired by the State.

## MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

### NOTES TO FINANCIAL STATEMENTS

#### PAGE TWO

YEAR ENDED JUNE 30, 2011

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

**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.

**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 Agency without equivalent flows of assets in return and without a requirement for payment.

**Fund Balances** - Beginning with fiscal year 2011, the Agency implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraint placed on a government's fund balances more transparent. The classification used in the selected governmental fund financial statements presented in this report is as follows:

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

Beginning fund balances for the Agency's selected governmental funds have been restated to reflect the above classification.

**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 Mississippi Emergency Management Agency has evaluated subsequent events through September 26, 2011, 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, 2011

**NOTE 2 - INTERFUND TRANSACTIONS**

At June 30, 2011, interfund transfers in consisted of the following:

<u>Fund 372K - Transferred From</u>	<u>Transfers In</u>
Fund 3729	\$ 21,281,789
Fund 37AH	1,000,000
<i>Total transfers from other funds</i>	<u>\$ 22,281,789</u>

At June 30, 2011, interfund transfers out consisted of the following:

<u>.</u>	<u>Transfers Out</u>
Fund 372K	<u>\$ 21,281,789</u>

<u>Fund 372K - Transferred To</u>	<u>Transfers Out</u>
Fund 37PA	\$ 1,245,034
Fund 37AH	1,000,000
<i>Total transfers to other funds</i>	<u>\$ 2,245,034</u>

<u>Fund 372U - Transferred To</u>	<u>Transfers Out</u>
Fund 3301	\$ 83,437
Fund 3930	50,895
Fund 37SS	3,346,028
Fund 37HM	3,191,123
<i>Total transfers to other funds</i>	<u>\$ 6,671,483</u>

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

Transfers to other governments represents funds sent to other governmental entities not reported in the State's Comprehensive Annual Financial Report. In Fund 3729, transfers to other governments of \$9,754,437, represents transfers of Disaster Grant - Public Assistance receipts. In Fund 372U, transfers to other governments of \$859,463 represent transfers of Hazard Mitigation receipts to other governments. In Fund 372K, transfers to other governments of \$3,101,479 represent transfers to reimburse disaster assistance related management costs.

**MISSISSIPPI EMERGENCY MANAGEMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE FOUR**

**YEAR ENDED JUNE 30, 2011**

**NOTE 2 - INTERFUND TRANSACTIONS (Cont.)**

At June 30, 2011, due to other funds consisted of the following:

<u>Due to</u>	<u>Due from Fund 3729</u>
Fund 3941	\$ 207,465
Fund 3455	61,965
Fund 8410	54,687
<b>Total due to other funds</b>	<b>\$ 324,117</b>

  

<u>Due to</u>	<u>Due from Fund 372U</u>
Fund 3930	\$ 1,605

Due to other funds represents reimbursements payable to other funds for allowable costs under the Disaster Grant - Public Assistance Program and the Hazard Mitigation Grant. The entire amount is expected to be paid in fiscal year 2012.

**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 five and one-half percent (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 one hundred five percent (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, 2011**

**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 Mississippi Emergency Management Agency are fully collateralized in accordance with state statutes.

**NOTE 4 - DUE FROM FEDERAL GOVERNMENT**

At June 30, 2011, due from other governments consisted of amounts due from FEMA for the following funds:

Fund 3729	\$ 3,099,813
Fund 372U	\$ 1,476,616

The entire amount is expected to be collected in fiscal year 2012.

**NOTE 5 - DUE TO OTHER GOVERNMENTS**

At June 30, 2011, due to other governments consisted of amounts due from the following funds for subsidies of federal awards:

Fund 3729	\$ 2,775,696
Fund 372U	\$ 1,436,433

These are payable to other governmental entities not reported in the State's CAFR. The entire amount is expected to be distributed in fiscal year 2012.

**MISSISSIPPI EMERGENCY MANAGEMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE SIX**

**YEAR ENDED JUNE 30, 2011**

**NOTE 6 - 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.

**Disaster Grants - Public Assistance Program** - The Agency has a report pending from the FEMA Office of Inspector General (OIG) regarding the administration of the Public Assistance Grant. MEMA has responded to the report and the outcome is pending. Depending on the final outcome, the State of Mississippi may be required to reimburse program income to FEMA for noncompliance with cash management requirements. At this time, the amount is not readily determinable.

## ***SUPPLEMENTARY INFORMATION***

CARL L. NICHOLSON, JR., CPA  
RICHARD D. HALBERT, CPA  
RICHARD G. TOPP, CPA  
FRANK H. McWHORTER, JR., CPA  
T. JOHN HARVEY, CPA  
WILLIAM T. KELLY, CPA/ABV, CVA  
SUSAN A. RILEY, CPA  
DAWN T. JONES, CPA  
MICHAEL W. DAVIS, CPA  
GREGORY L. FAIREY, CPA  
JEFFREY M. ALLEN, CPA  
JOHN S. HEATH, CPA  
DONALD J. NESTER, CPA  
PAIGEM M. JOHNSON, CPA  
SHANNON J. JONES, CPA  
JANICE M. BATES, CPA  
JOE C. TRAVIS, CPA, Cr.FA, CFF  
JOSEPH C. TOWNSEND, CPA, CVA  
TRACY W. HAYNES, CPA  
JAMES E. FOLK, CPA  
STEPHEN W. GRAY, CPA  
ANNETTE P. HERRIN, CPA/ABV, CVA, CFE, CFF  
ROBBIN COURTNEY JONES, CPA  
LEIGH F. AGNEW, CPA  
SHELBY L. HOWARTH, CPA  
RENEE MOORE, CPA  
LACEY J. MILLER, CPA  
MICHAEL BRADLEY WOOD, CPA

**NICHOLSON & COMPANY, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
2 SOUTHERN POINTE PARKWAY, SUITE 100  
HATTIESBURG, MISSISSIPPI 39401  
POST OFFICE DRAWER 15099  
HATTIESBURG, MISSISSIPPI 39404-5099

TELEPHONE 601-264-3519  
TOLL FREE 877-842-7137  
FAX 601-264-3642

[www.nicholsoncpas.com](http://www.nicholsoncpas.com)

MEMBERS  
AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

MISSISSIPPI SOCIETY  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

OTHER OFFICES:  
150 OLD HWY 98 EAST  
POST OFFICE BOX 609  
COLUMBIA, MISSISSIPPI 39429  
TELEPHONE: 601-736-3449  
FAX 601-736-0501

450 EAST PASS ROAD, SUITE 108  
GULFPORT, MISSISSIPPI 39507  
POST OFFICE BOX 1842  
GULFPORT, MISSISSIPPI 39502  
TELEPHONE: 228-864-1779  
FAX 228-864-3850

**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  
Post Office Box 5644  
Pearl, Mississippi 39288-5644

We have audited the financial statements of State Treasury Funds 3729, 372K, and 372U of the Mississippi Emergency Management Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated September 26, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mississippi Emergency Management Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 Mississippi Emergency Management Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mississippi Emergency Management Agency's internal control over financial reporting.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



To the Board of Commissioners  
Mississippi Emergency Management Agency

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mississippi Emergency Management Agency financial statements for State Treasury Funds 3729, 372K, and 372U 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*.

This report is intended solely for the information and use of the management, the members of the Mississippi Legislature, the Office of the State Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nicholson & Company, PLLC*

Hattiesburg, Mississippi  
September 26, 2011

**MISSISSIPPI EMERGENCY MANAGEMENT AGENCY**

**AUDITED PROGRAM FINANCIAL STATEMENT  
AND OTHER INFORMATION**

**Year Ended June 30, 2011**

# MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

## CONTENTS

	<u>Page</u>
<i>INDEPENDENT AUDITOR'S REPORT</i>	1
<i>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	3
<i>NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	4
<i>SUPPLEMENTARY INFORMATION</i>	
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	5
Schedule of Findings and Questioned Costs	7

CARL L. NICHOLSON, JR., CPA  
RICHARD D. HALBERT, CPA  
RICHARD G. TOPP, CPA  
FRANK H. McWORTER, JR., CPA  
T. JOHN HARVEY, CPA  
WILLIAM T. KELLY, CPA/ABV, CVA  
SUSAN A. RILEY, CPA  
DAWN T. JONES, CPA  
MICHAEL W. DAVIS, CPA  
GREGORY L. FAIREY, CPA  
JEFFREY M. ALLEN, CPA  
JOHN S. HEATH, CPA  
DONALD J. NESTER, CPA  
PAIGEM. JOHNSON, CPA  
SHANNON J. JONES, CPA  
JANICE M. BATES, CPA  
JOE C. TRAVIS, CPA, C.F.A., CFF  
JOSEPH C. TOWNSEND, CPA, CVA  
TRACY W. HAYNES, CPA  
JAMES E. POLK, CPA  
STEPHEN W. GRAY, CPA  
ANNETTE P. HERRIN, CPA/ABV, CVA, CFE, CFF  
ROBBIN COURTNEY JONES, CPA  
LEIGH F. AGNEW, CPA  
SHELBY L. HOWARTH, CPA  
RENEE MOORE, CPA  
LACEY J. MILLER, CPA  
MICHAEL BRADLEY WOOD, CPA

**NICHOLSON & COMPANY, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
2 SOUTHERN POINTE PARKWAY, SUITE 100  
HATTIESBURG, MISSISSIPPI 39401  
POST OFFICE DRAWER 15099  
HATTIESBURG, MISSISSIPPI 39404-5099

TELEPHONE 601-264-3519  
TOLL FREE 877-842-7137  
FAX 601-264-3642

[www.nicholsoncpas.com](http://www.nicholsoncpas.com)

MEMBERS  
AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

MISSISSIPPI SOCIETY  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

OTHER OFFICES:  
150 OLD HWY 98 EAST  
POST OFFICE BOX 609  
COLUMBIA, MISSISSIPPI 39429  
TELEPHONE: 601-736-3449  
FAX 601-736-0501

450 EAST PASS ROAD, SUITE 108  
GULFPORT, MISSISSIPPI 39507  
POST OFFICE BOX 1842  
GULFPORT, MISSISSIPPI 39502  
TELEPHONE: 228-864-1779  
FAX 228-864-3850

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Mississippi Emergency Management Agency  
Post Office Box 5644  
Pearl, Mississippi 39288-5644

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, 2011. This financial statement is the responsibility of Mississippi Emergency Management Agency's management. Our responsibility is to express an opinion on the financial statement of the programs 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

To the Board of Directors  
Mississippi Emergency Management Agency  
Pearl, Mississippi 39288-5644

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 Federal Emergency Management Agency Disaster Grant - Public Assistance and the Hazard Mitigation Grant in conformity with accounting principles generally accepted in the United States of America.

*Nicholson & Company, PLLC*

Hattiesburg, Mississippi  
September 26, 2011

# MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

<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>
<i>Department of Homeland Security</i>			
<i>Federal Emergency Management Agency</i>			
Disaster Grants - Public Assistance	97.036	1604 DRMSP 00000001	\$ 153,790,435
Hazard Mitigation Grant	97.039	1604 DRMSP 00000005	49,948,977
			<u>\$ 203,739,412</u>

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, 2011

#### **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, 2011. 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.

#### **NOTE 3 - CONTINGENCY**

**Disaster Grants - Public Assistance Program** - The Agency has a report pending from the FEMA Office of Inspector General (OIG) regarding the administration of the Disaster Public Assistance Grant. MEMA has responded to the report, and the outcome is pending. Depending on the final outcome, the State of Mississippi may be required to reimburse program income to FEMA for noncompliance with cash management requirements. At this time, the amount is not readily determinable.

***SUPPLEMENTARY INFORMATION***



CARL L. NICHOLSON, JR., CPA  
RICHARD D. HALBERT, CPA  
RICHARD G. TOPP, CPA  
FRANK H. McWHORTER, JR., CPA  
T. JOHN HARVEY, CPA  
WILLIAM T. KELLY, CPA/ABV, CVA  
SUSAN A. RILEY, CPA  
DAWN T. JONES, CPA  
MICHAEL W. DAVIS, CPA  
GREGORY L. FAIREY, CPA  
JEFFREY M. ALLEN, CPA  
JOHN S. HEATH, CPA  
DONALD J. NESTER, CPA  
PAIGEM. JOHNSON, CPA  
SHANNON J. JONES, CPA  
JANICE M. BATES, CPA  
JOE C. TRAVIS, CPA, C.F.A., CFF  
JOSEPH C. TOWNSEND, CPA, CVA  
TRACY W. HAYNES, CPA  
JAMES E. POLK, CPA  
STEPHEN W. GRAY, CPA  
ANNEITE F. HERRIN, CPA/ABV, CVA, CFE, CFF  
ROBBIN COURTNEY JONES, CPA  
LEIGH F. AGNEW, CPA  
SHELBY L. HOWARTH, CPA  
RENEE MOORE, CPA  
LACEY J. MILLER, CPA  
MICHAEL BRADLEY WOOD, CPA

**NICHOLSON & COMPANY, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
2 SOUTHERN POINTE PARKWAY, SUITE 100  
HATTIESBURG, MISSISSIPPI 39401  
POST OFFICE DRAWER 15099  
HATTIESBURG, MISSISSIPPI 39404-5099

TELEPHONE 601-264-3519  
TOLL FREE 877-842-7137  
FAX 601-264-3642

[www.nicholsoncpas.com](http://www.nicholsoncpas.com)

MEMBERS  
AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

MISSISSIPPI SOCIETY  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

OTHER OFFICES:  
150 OLD HWY 98 EAST  
POST OFFICE BOX 609  
COLUMBIA, MISSISSIPPI 39429  
TELEPHONE: 601-736-3449  
FAX 601-736-0501

450 EAST PASS ROAD, SUITE 108  
GULFPORT, MISSISSIPPI 39507  
POST OFFICE BOX 1842  
GULFPORT, MISSISSIPPI 39502  
TELEPHONE: 228-864-1779  
FAX 228-864-3850

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Board of Directors  
Mississippi Emergency Management Agency  
Post Office Box 5644  
Pearl, Mississippi 39288-5644

**Compliance**

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, 2011. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mississippi Emergency Management Agency's management. Our responsibility is to express an opinion on Mississippi Emergency Management Agency's compliance based on our audit.

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 the Disaster Grant - Public Assistance and the 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. Our audit does not provide a legal determination of Mississippi Emergency Management Agency's compliance with those requirements.

To the Board of Directors  
Mississippi Emergency Management Agency  
Pearl, Mississippi 39288-5644

In our opinion, the 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, 2011.

### **Internal Control Over Compliance**

Management of Mississippi Emergency Management Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mississippi Emergency Management Agency's internal control over compliance with the 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 for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the members of the Mississippi Legislature, the Office of the State Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nicholson & Company, PLLC*

Hattiesburg, Mississippi  
September 26, 2011

**MISSISSIPPI EMERGENCY MANAGEMENT AGENCY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

***Section I - Summary of Auditor's Results***

**Federal Awards**

Internal control over federal programs:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be  
material weaknesses? No

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

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.