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

**Independent Auditors' Report and Financial Statements of
Funds Selected for Audit
Internal Control and Compliance**

June 30, 2016



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Mississippi Development Authority
(A Department of the State of Mississippi)
Table of Contents
June 30, 2016

REPORT

Independent Auditors' Report	1
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FINANCIAL STATEMENTS

Financial Statements of General Funds Selected for Audit:

Balance Sheets of General Funds Selected for Audit	4
Statements of Revenues, Expenditures and Changes in Fund Balance of General Funds Selected for Audit	5
Notes to Financial Statements of General Funds Selected for Audit	6
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Independent Auditors' Report on Schedule of Changes in Notes Receivable	13
Schedule of Changes in Notes Receivable	15
Notes to Schedule of Changes in Notes Receivable	16

INDEPENDENT AUDITORS' REPORT

Mississippi Development Authority
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the aggregate of General Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000 of the Mississippi Development Authority ("MDA") which comprise the aggregated balance sheet as of June 30, 2016, and the related aggregated statement of revenue, expenditure and changes in fund balance for the year then ended and the related notes to the financial statements. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements of the aggregate of General Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000 of MDA present fairly, in all material respects, the financial position of the aggregate of General Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000 of MDA as of June 30, 2016 and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the aggregate of General Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000 present only the financial position and changes in financial position of that portion of the governmental activities of the Mississippi Development Authority and of the State of Mississippi that is attributable to the transactions of the aggregate of General Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000. They do not purport to, and do not, present fairly the financial position of the Mississippi Development Authority or the State of Mississippi as of June 30, 2016, or the changes in financial position of each entity for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017 on our consideration of MDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDA's internal control over financial reporting and compliance.

Management has omitted the Management Discussion and Analysis and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part

of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi

March 2, 2017

Mississippi Development Authority
(A Department of the State of Mississippi)
Balance Sheets of General Funds Selected for Audit

<i>June 30, 2016</i>	Fund 224110000	Fund 5341X00000	Fund 634AE00000	Fund 634BB100000	Fund 634BJ00000	Fund 634BJ10000	Fund 634HM00000	Total
Assets								
Current assets:								
Equity in state treasury funds	\$ 2,938,399	\$ 168,401	\$ 24,031,720	\$ 10,213,844	\$ -	\$ 901,386	\$ 264,814	\$ 38,518,564
Due from federal government	-	1,802,658	-	-	-	-	-	1,802,658
Due from other funds	836,941	275,452	4,649	-	-	-	-	1,117,042
Notes receivable	-	-	2,015,195	-	-	-	-	2,015,195
Interest receivable	-	-	1,410,076	-	-	-	-	1,410,076
Total assets	\$ 3,775,340	\$ 2,246,511	\$ 27,461,640	\$ 10,213,844	\$ -	\$ 901,386	\$ 264,814	\$ 44,863,535
Liabilities and Fund Balance (Deficit)								
Accounts payable	\$ 2,455,801	\$ 291,266	\$ -	\$ 728,159	\$ -	\$ -	\$ -	\$ 3,475,226
Due to other state treasury funds	1,229,274	275,452	-	-	-	1,386	395	1,506,507
Due to other governments	24,269	3,795,066	-	-	-	-	-	3,819,335
Unavailable Federal revenues	-	708,625	-	-	-	-	-	708,625
Total liabilities	3,709,344	5,070,409	-	728,159	-	1,386	395	9,509,693
Fund deficit - unrestricted	-	(2,823,898)	-	-	-	-	-	(2,823,898)
Fund balance - restricted	65,996	-	27,461,640	9,485,685	-	900,000	264,419	38,177,740
Total liabilities and fund balance	\$ 3,775,340	\$ 2,246,511	\$ 27,461,640	\$ 10,213,844	\$ -	\$ 901,386	\$ 264,814	\$ 44,863,535

See notes to financial statements of fund selected for audit.

Mississippi Development Authority
(A Department of the State of Mississippi)
Statements of Revenues, Expenditures and Changes in
Fund Balance of General Funds Selected for Audit

<i>Year ended June 30, 2016</i>	Fund 224110000	Fund 5341X00000	Fund 634AE00000	Fund 634BB100000	Fund 634BJ00000	Fund 634BJ10000	Fund 634HM00000	Total
Revenues:								
Federal revenue	\$ -	\$ 23,651,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,651,583
Loan repayments	-	-	6,617,312	-	-	1,369,500	-	7,986,812
Interest income	-	-	3,599,273	-	2,366	24,427	16,785	3,642,851
Other income	1,500	-	-	-	-	68,144	465,995	535,639
Total revenues	1,500	23,651,583	10,216,585	-	2,366	1,462,071	482,780	35,816,885
Expenditures:								
Salaries	10,969,810	490,174	-	-	-	-	-	11,459,984
Travel	577,073	19,736	-	-	-	-	-	596,809
Contractuals	7,938,728	199,948	-	-	-	-	-	8,138,676
Commodities	372,513	4,263	-	-	-	-	-	376,776
Subsidies	2,887,679	26,516,656	1,915,764	2,991,253	-	1,494,844	3,515,920	39,322,116
Subsidies - loans	-	-	1,881,110	-	-	13,000,000	-	14,881,110
Total expenditures	22,745,803	27,230,777	3,796,874	2,991,253	-	14,494,844	3,515,920	74,775,471
Excess (deficit) of revenues over expenditures	(22,744,303)	(3,579,194)	6,419,711	(2,991,253)	2,366	(13,032,773)	(3,033,140)	(38,958,586)
Other financing sources (uses):								
Transfers in	22,922,903	-	-	-	-	-	-	22,922,903
Transfers out	(344,301)	(103,962)	-	-	(1,445,167)	(24,426)	(34,506)	(1,952,362)
Net other financing sources (uses)	22,578,602	(103,962)	-	-	(1,445,167)	(24,426)	(34,506)	20,970,541
Net of revenues over expenditures and other financing uses	(165,701)	(3,683,156)	6,419,711	(2,991,253)	(1,442,801)	(13,057,199)	(3,067,646)	(17,988,045)
Fund balance, beginning of year	231,697	859,258	21,041,929	12,476,938	1,442,801	13,957,199	3,332,065	53,341,887
Fund balance (deficit), end of year	\$ 65,996	\$ (2,823,898)	\$ 27,461,640	\$ 9,485,685	\$ -	\$ 900,000	\$ 264,419	\$ 35,353,842

The accompanying footnotes are an integral part of these financial statements.

Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of General Funds Selected for Audit

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Background Information

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

Purpose of General Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000

Fund 224110000 – *MDA Supplementary General Fund* is the state appropriated general fund used to record MDA's administrative expenses, and cost share match for federal grants and miscellaneous grant payments.

Fund 5341X00000 – *MDA Community Development Block Grant Fund* records all federal receipts from the CDBG block grant and is used to record administrative costs, indirect costs, and sub-grantee payments.

Fund 634AE00000 – *MDA Industry Incentive Fund* is used as a revolving loan fund issuing loans and receiving repayments related to loans for economic development.

Fund 634BB100000 – *MDA MMEIA Fund* is used as a bond fund for the MS Industry Incentive Fund Program that provides grant payments to local governments and approved.

Fund 634BJ00000 – *13A MDA MS Industry Incentive Fund* is used as a bond fund for the MS Industry Incentive Fund Program that provides grant payments to local governments and approved.

Fund 634BJ10000 – *MDA Industry Incentive – 15 Fund* is used as a bond fund for the MS Industry Incentive Fund Program that provides grant payments to local governments and approved.

Fund 634HM00000 – *Economic Development Highway Fund* is used as a bond fund that provides grant payments to municipalities and counties to support construction or improvement of highways in areas that demonstrate potential development.

**Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of General Funds Selected for Audit**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The general fund type is used for Treasury Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000. This fund type is accounted for on a flow of current financial resources measurement focus. This focus measures financial resources available to the entity in the near future as a result of transactions and events of the fiscal period reported. The modified accrual basis of accounting is utilized. Under this method, revenues are recognized when they become measurable and available, and expenditures are generally recognized when they are incurred. Principal and interest on general obligation long-term debt, if any, is recognized when due. In connection with the preparation of the financial statements, management of MDA evaluated subsequent events through March 2, 2017 which is the date the financial statements were available to be issued.

Use of Estimates

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

Fund Accounting

The financial activities of MDA are recorded in individual funds and account groups used to report financial position and results of operations. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The MDA fund presented herein utilizes the governmental fund category, which is further divided into separate "fund types". General funds are used to account for the proceeds of revenue sources that are not legally restricted to expenditures for specified purposes.

Notes Receivable

Notes receivable are reported net of allowances for uncollectible accounts, where applicable. At June 30, 2016 there was no allowance deemed necessary. Receivables reported in the funds selected for audit are made up of notes receivable outstanding to entities for economic development.

Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of General Funds Selected for Audit

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts recorded in notes receivable at June 30, 2016 of \$2,015,195 are considered measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within 60 days.

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.

Unavailable Revenues

Unavailable revenues consist of cumulative receipts of federal funding in excess of cumulative expenditures on specific grant awards that will not be recognized as revenue until future periods when they become available.

Risk Management

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

NOTE 2: EQUITY IN STATE TREASURY FUNDS

Cash consists of pooled cash held by the Treasurer of the State of Mississippi. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of General Funds Selected for Audit

NOTE 3: TRANSFERS BETWEEN FUNDS AND FROM OTHER STATE AGENCIES

Transfers (to) from other MDA funds and other state agencies from (to) the funds selected for audit are detailed below.

<i>June 30, 2016</i>	General Fund					Total
	Fund 224110000	Fund 5341X00000	Fund 634BJ00000	Fund 634BJ10000	Fund 634HM00000	
MS Department of Finance and Administration	\$ 22,922,903	\$ -	\$ -	\$ -	\$ -	\$ 22,922,903
MS Office of the State Auditor	(10,797)	-	-	-	-	(10,797)
MS Office of State Treasurer	-	-	-	(24,426)	(19,880)	(44,306)
MS Department of Transportation	-	-	-	-	(14,626)	(14,626)
MDA fund 3341000000	(185,000)	-	-	-	-	(185,000)
MDA fund 3341800000	(57,500)	-	-	-	-	(57,500)
MDA fund 3341900000	-	-	(1,445,167)	-	-	(1,445,167)
MDA fund 33420N0000	-	(103,962)	-	-	-	(103,962)
Various funds within agency	(91,004)	-	-	-	-	(91,004)
	\$ 22,578,602	\$ (103,962)	\$ (1,445,167)	\$ (24,426)	\$ (34,506)	\$ 20,970,541

NOTE 4: DUE FROM AND TO OTHER STATE TREASURY FUNDS

Due from other State Treasury Funds consisted of the following:

<i>June 30, 2016</i>	General Fund			Total
	Fund 2241100000	Fund 5341X00000	Fund 634AE00000	
MS Department of Finance and Administration	\$ -	\$ -	\$ 4,649	\$ 4,649
MDA fund 3341800000	-	107,341	-	107,341
MDA fund 3341900000	4,262	28,641	-	32,903
MDA fund 3342000000	-	28,353	-	28,353
MDA fund 33420V0000	-	10,767	-	10,767
MDA fund 5341C00000	-	16,031	-	16,031
MDA fund 2241100000	-	84,319	-	84,319
MDA fund 5341W0000	832,679	-	-	832,679
	\$ 836,941	\$ 275,452	\$ 4,649	\$ 1,117,042

Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of General Funds Selected for Audit

NOTE 4: DUE FROM AND TO OTHER STATE TREASURY FUNDS (Continued)

Due to other State Treasury Funds consisted of the following:

	General Fund				
<i>June 30, 2016</i>	Fund 224110000	Fund 5341X00000	Fund 634BJ10000	Fund 634HM00000	Total
MS Office of the State Treasurer	\$ -	\$ -	\$ 1,386	\$ 395	\$ 1,781
MDA fund 334200000	16,416	14,216	-	-	30,632
MDA fund 334180000	18,783	2,606	-	-	21,389
MDA fund 334190000	377,102	79,856	-	-	456,958
MDA fund 534180000	6,417	37,559	-	-	43,976
MDA fund 3341Y0000	3,033	-	-	-	3,033
MDA fund 334KX0000	41,392	45,028	-	-	86,420
MDA fund 5341C0000	8,049	25,210	-	-	33,259
MDA fund 5341W0000	673,763	-	-	-	673,763
MDA fund 5341X0000	84,319	-	-	-	84,319
MDA fund 33420V000	-	70,977	-	-	70,977
	\$ 1,229,274	\$ 275,452	\$ 1,386	\$ 395	\$ 1,506,507

NOTE 5: CONTINGENCIES

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

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

Mississippi Development Authority
Jackson, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the aggregate of General Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000 of the Mississippi Development Authority ("MDA"), as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated March 2, 2017. We have also audited the Schedule of Changes in Notes Receivable (the Schedule) as of and for the year ended June 30, 2016, and the related notes to the schedule and have issued our report thereon dated March 2, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDA's financial statements of the aggregate of General Funds 224110000, 5341X00000, 634AE00000, 634BB100000, 634BJ00000, 634BJ10000 and 634HM00000 and the Schedule are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi

March 2, 2017

**INDEPENDENT AUDITORS' REPORT ON SCHEDULE
OF CHANGES IN NOTES RECEIVABLE**

Mississippi Development Authority
Madison, Mississippi

Report on the Schedule of Changes in Notes Receivable

We have audited the accompanying schedule of changes in notes receivable of the funds selected for audit of the Mississippi Development Authority (the "MDA") for the year ended June 30, 2016. 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.

Auditors' 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.

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 changes in notes receivable referred to above presents fairly, in all material respects, the balance of and the changes in notes receivable of the Department as of and for the year ended June 30, 2016, 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 March 2, 2017, on our consideration of the MDA'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 the Department's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
March 2, 2017

Mississippi Development Authority
(A Department of the State of Mississippi)
Schedule of Changes in Notes Receivable
Year Ended June 30, 2016

	Balances as of July 1, 2015	Additions	Deletions	Balances as of June 30, 2016
Notes receivable	\$ 222,951,422	\$ 14,881,110	\$ (5,971,619)	\$ 231,860,913
Allowance for loan loss	<u>(72,009,671)</u>	-	1,051,034	<u>(70,958,637)</u>
Total notes receivable, net	150,941,751	14,881,110	(4,920,585)	160,902,276
Less: Long-term portion of notes receivable, net of allowance				<u>(137,104,141)</u>
Current portion of notes receivable, net of allowance				<u><u>\$ 23,798,135</u></u>

See notes to Schedule of Changes in Notes Receivable.

Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Schedule of Changes in Notes Receivable
Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The presented schedule of changes in notes receivable is recorded on the full accrual basis. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Mississippi Development Authority (MDA) general funds shown in the accompanying financial statements are accounted for using this basis. Their reported fund balances are considered a measure of "available spendable resources." Governmental fund statements of revenues, expenditures, and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Under the modified accrual basis of accounting, revenues are recorded when considered both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Generally amounts collected within sixty days after year-end are considered to be available and recognized as revenues of the current period. In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

NOTE 2: ALLOWANCE FOR LOAN LOSS

The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts. Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance for loan loss as of June 30, 2016 is \$70,958,637.



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

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

June 30, 2016



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**Mississippi Development Authority
(A Department of the State of Mississippi)
Table of Contents
June 30, 2016**

REPORT

Independent Auditors' Report	1
------------------------------	---

FINANCIAL STATEMENTS

Financial Statements of General Fund 5341W00000 Selected for Audit:

Balance Sheet of General Fund Selected for Audit	3
--	---

Statement of Revenues, Expenditures and Changes in Fund Balance of General Fund Selected for Audit	4
---	---

Notes to Financial Statements of General Fund Selected for Audit	5
--	---

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
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INDEPENDENT AUDITORS' REPORT

Mississippi Development Authority
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of General Fund 5341W00000 of the Mississippi Development Authority ("MDA") as of and for the year ended June 30, 2016, and the related notes to the financial statements. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements of General Fund 5341W00000 present fairly, in all material respects, the financial position of General Fund 5341W00000 as of June 30, 2016 and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of General Fund 5341W00000 of MDA present only the financial position and changes in financial position of that portion of the governmental activities of the Mississippi Development Authority and of the State of Mississippi that is attributable to the transactions of General Fund 5341W00000. They do not purport to, and do not, present fairly the financial position of the Mississippi Development Authority or the State of Mississippi as of June 30, 2016, or the changes in financial position of each entity for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2017 on our consideration of MDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDA's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
February 2, 2017

Mississippi Development Authority
(A Department of the State of Mississippi)
Balance Sheet of General Fund Selected for Audit

<i>June 30, 2016</i>	General Fund Fund 5341W00000
Assets	
Current assets:	
Equity (deficit) in state treasury funds	\$ (237,628)
Interest receivable	4,774
Due from other state treasury funds	1,073,100
Due from federal government	791,135
Due from other governments	3,982,366
Total assets	\$ 5,613,747
Liabilities and Fund Balance (Deficit)	
Accounts payable	\$ 3,865,690
Due to other state treasury funds	43,189,807
Due to other governments	376,382
Funds held for others	2,200
Unavailable Federal revenues	542,733
Total liabilities	47,976,812
Contingencies (Note 6)	
Fund balance (deficit) - unrestricted	(42,363,065)
Total liabilities and fund balance (deficit)	\$ 5,613,747

See notes to financial statements of fund selected for audit.

Mississippi Development Authority
(A Department of the State of Mississippi)
Statement of Revenues, Expenditures and Changes in
Fund Balance of General Fund Selected for Audit

<i>Year ended June 30, 2016</i>	General Fund Fund 5341W00000
Revenues:	
Governors federal state program revenue	\$ 130,658,632
Interest income	108,035
Other income	107,197
Total revenues	130,873,864
Expenditures:	
Salaries	1,812,107
Travel	78,130
Contractuals	9,328,612
Commodities	16,894
Capital outlay	36,001
Subsidies	23,609,374
Total expenditures	34,881,118
Deficit of revenues over expenditures	95,992,746
Other financing sources:	
Transfers in	-
Transfers out	(136,223,112)
Net other financing sources	(136,223,112)
Deficit of revenues over expenditures and other financing uses	(40,230,366)
Fund balance (deficit), beginning of year	(2,132,699)
Fund balance (deficit), end of year	\$ (42,363,065)

The accompanying footnotes are an integral part of these financial statements.



**Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of Fund Selected for Audit**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Background Information

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

Purpose of General Fund 5341W00000

Treasury Fund 5341W00000's activity is related to Community Development Block Grant - Emergency Katrina and provides hurricane relief monies to individuals, to businesses, and to local and other governments. The State chose to fund three overall recovery priorities through this program: replenish housing stock; rebuild and strengthen public infrastructure; and create projects that retain and attract jobs. Fund balances are restricted for these purposes.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The general fund type is used for Treasury Fund 5341W00000. This fund type is accounted for on a flow of current financial resources measurement focus. This focus measures financial resources available to the entity in the near future as a result of transactions and events of the fiscal period reported. The modified accrual basis of accounting is utilized. Under this method, revenues are recognized when they become measurable and available, and expenditures are generally recognized when they are incurred. Principal and interest on general obligation long-term debt, if any, is recognized when due. In connection with the preparation of the financial statements, management of MDA evaluated subsequent events through February 2, 2017 which is the date the financial statements were available to be issued.



Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of Fund Selected for Audit

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Fund Accounting

The financial activities of MDA are recorded in individual funds and account groups used to report financial position and results of operations. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The MDA fund presented herein utilizes the governmental fund category, which is further divided into separate "fund types". General funds are used to account for the proceeds of revenue sources that are not legally restricted to expenditures for specified purposes.

Receivables

Receivables are reported net of allowances for uncollectible accounts, where applicable. At June 30, 2016, no allowance was deemed necessary.

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.

Unavailable Revenues

Unavailable revenues consist of cumulative receipts of federal funding in excess of cumulative expenditures on specific grant awards that will not be recognized as revenue until future periods when they become available.

Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of Fund Selected for Audit

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

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

NOTE 2: EQUITY IN STATE TREASURY FUNDS

Cash consists of pooled cash held by the Treasurer of the State of Mississippi. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

NOTE 3: TRANSFERS BETWEEN FUNDS AND FROM OTHER STATE AGENCIES

Transfers to (from) other MDA funds and other state agencies from (to) General Fund 5341W00000 are detailed below.

Year ended June 30, 2016

MS Department of Environmental Quality	\$ (12,078,146)
MS Port Authority at Gulfport	(122,812,372)
Office of State Auditor	(64,790)
University of Mississippi Medical Center	(1,230,406)
Office of the Governor	(37,398)
	<hr/>
	\$ (136,223,112)

Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Financial Statements of Fund Selected for Audit

NOTE 4: DUE FROM OTHER STATE TREASURY FUNDS

Due from other State Treasury Funds consisted of the following:

June 30, 2016

MS Development Authority Fund 2241100000	\$ 673,763
MS Development Authority Fund 3341900000	399,337
	<u>\$ 1,073,100</u>

NOTE 5: DUE TO OTHER STATE TREASURY FUNDS

Due to other State Treasury Funds consisted of the following:

June 30, 2016

Port Authority at Gulfport	\$ 38,787,564
MS Development Authority Fund 2241100000	832,679
MS Development Authority Fund 3341900000	22,548
MS Development Authority Fund 33420V0000	109,151
University of Mississippi Medical Center	1,230,406
MS Department of Environmental Quality	1,951,294
Various amounts to other funds and agencies	256,165
	<u>\$ 43,189,807</u>

NOTE 6: CONTINGENCIES

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



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

Mississippi Development Authority
Jackson, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of General Fund 5341W00000 of the Mississippi Development Authority ("MDA") as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated February 2, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDA's financial statements of General Fund 5341W00000 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
February 2, 2017



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

**FINANCIAL SCHEDULES AND INDEPENDENT AUDITORS'
REPORTS ON A FEDERAL PROGRAM WHEN USING THE
PROGRAM-SPECIFIC AUDIT OPTION TO SATISFY THE
UNIFORM GUIDANCE AUDIT REQUIREMENTS**

Year ended June 30, 2016



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**Mississippi Development Authority
(A Department of the State of Mississippi)
Table of Contents
June 30, 2016**

Community Development Block Grant - CFDA #14.228

Independent Auditors' Report on the Financial Statement of a Federal Program When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements	1
Schedule of Expenditures of Federal Awards through Fund 5341W00000	3
Notes to Schedule of Expenditures of Federal Awards	4
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Independent Auditors' Report on Compliance for a Federal Program and Report on Internal Control Over Compliance When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements	7
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	10



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**INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENT OF A FEDERAL
PROGRAM WHEN USING THE PROGRAM-
SPECIFIC AUDIT OPTION TO SATISFY THE UNIFORM
GUIDANCE AUDIT REQUIREMENTS**

Mississippi Development Authority
Jackson, Mississippi

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for the disaster recovery funds expended through Fund 5341W00000 from the Community Development Block Grant Program (CFDA #14.228) of the Mississippi Development Authority ("MDA") for the year ended June 30, 2016.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement for MDA's Community Development Block Grant Program based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the disaster recovery funds expended through Fund 5341W00000 from the Community Development Block Grant Program (CFDA #14.228) of the Mississippi Development Authority in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2017 on our consideration of MDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDA's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
February 2, 2017

Mississippi Development Authority
(A Department of the State of Mississippi)
Schedule of Expenditures of Federal Awards through Fund 5341W00000
Year Ended June 30, 2016

<u>Federal Grantor / Program Name</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grant	14.228	\$ 130,658,632
Total Program Expenditures		\$ 130,658,632

See notes to Schedule of Expenditures of Federal Awards.



Mississippi Development Authority
(A Department of the State of Mississippi)
Notes to Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule only includes the disaster recovery funds expended through Fund 5341W00000 from the Community Development Block Grant (CFDA #14.228) of the Mississippi Development Authority. The federal program included in the accompanying schedule is accounted for by using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NOTE 2: SUBRECIPIENTS

The Mississippi Development Authority ("MDA") provided federal awards to subrecipients from the disaster recovery funds received through the Community Development Block Grant (CFDA #14.228) for fiscal year ended June 30, 2016 in the amount of \$130,658,632. Of this amount \$ 11,748,110 was provided as a subgrant to the Mississippi Department of Environmental Quality ("MDEQ") with regard to the Gulf Coast Regional Infrastructure Program and the remainder was provided to various local governmental and non-profit entities.

NOTE 3: CONTINGENCIES

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



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

Mississippi Development Authority
Jackson, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Schedule of Expenditures of Federal Awards through Fund 5341W00000 for the selected program of the Mississippi Development Authority ("MDA"), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated February 2, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
February 2, 2017



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

Mississippi Development Authority
Jackson, Mississippi

Report on Compliance for the Federal Program Selected for Audit

We have audited the Mississippi Development Authority ("MDA") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the MDA's Community Development Block Grant Program ("the Program") for the year ended June 30, 2016.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the MDA's Community Development Block Grant Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about the Department'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 the Program. Our audit does not provide a legal determination of MDA's compliance.

Opinion on Compliance for the Program

In our opinion, MDA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its selected federal program for the year ended June 30, 2016.

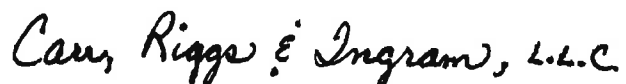
Report on Internal Control Over Compliance

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

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

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

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



CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
February 2, 2017

**Mississippi Development Authority
(A Department of the State of Mississippi)
Schedule of Findings and Questioned Costs**

For the year ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	None Reported
Type of auditors' report issued on compliance for programs audited:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of program(s) audited through Fund 5341W00000:

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

Section II – Financial Statement Findings and Questioned Costs

There were no current year financial statement findings or questioned costs.

Section III – Federal Award Findings and Questioned Costs

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



**Mississippi Development Authority
(A Department of the State of Mississippi)
Summary Schedule of Prior Audit Findings**

For the year ended June 30, 2016

No prior audit findings were reported.